



# HHS

Budget Review FY 2003

University of California • Office of Federal Governmental Relations

**Partners: The University of California & the Department of Health and Human Services**

The University of California operates the largest health sciences and medical training program in the nation, with more than 12,000 students annually enrolled in medicine, nursing, public health, pharmacy, optometry, dentistry, and veterinary medicine at 14 health sciences schools located on six campuses. UC has five academic medical centers located throughout the state in Davis/Sacramento, Irvine, Los Angeles, San Diego, and San Francisco. UC’s academic medical centers have a three-part mission of teaching, patient care, and research, and they all play a leading role in the state and the nation in the development and provision of health services and the advancement of medical science and research. UC’s medical students, residents, and faculty utilize an extensive clinical resource base which includes ten university hospitals and more than 100 affiliated Veterans Affairs, county, and community-based health facilities throughout California.

Given the size and breadth of its health system, UC is a large recipient of Medicaid and Medicare funding. In FY 2001, 52 percent of UC hospital patient days were paid through the federal Medicaid (23 percent) and Medicare (29 percent) programs. Of total net patient revenues in FY 1997-98, federal program revenues represented 40.1 percent, with Medicare at 24 percent and Medicaid at 16 percent. UC’s health facilities are a major component of the state’s health services “safety net,” serving as a major provider to uninsured and underinsured patients, as well as Medicare and Medicaid patients.

UC also receives funds from other non-NIH HHS programs, including the Health Resources and Services Administration, the Centers for Disease Control and Prevention, the Agency for Healthcare Research and Quality, and the Substance Abuse and mental health Services Administration. In FY 2001, these four program units awarded UC \$58.3 million in grants and contracts.

<b>FY 2003 Budget Request (\$ in millions)</b>	<b>FY 2002</b>	<b>FY 2003 Request</b>	<b>% Change FY02 to 2003</b>
Total non-NIH HHS (BA)	445,074.0	464,515.0	4.4%
Medicare (outlays)	223,775.0	231,784.0	3.6%
Medicaid (outlays)	144,751.0	158,790.0	9.7%
State Children's Health Insurance (outlays)	3,689.0	4,322.0	17.2%
Food and Drug Administration (BA)	1,413.0	1,432.0	1.3%
Health Resources and Services Administration (BA)	6,130.0	5,389.0	-12.1%
Centers for Disease Control and Prevention (BA)	4,182.0	4,012.0	-4.1%
Agency for Healthcare Research and Quality (BA)	300.0	252.0	-16.0%
Substance Abuse & Mental Health Services (BA)	3,141.0	3,198.0	1.8%

**FY 2003 Budget Highlights**

The HHS budget request for FY 2003 totals \$491.8 billion in budget authority, an increase of \$23.1 billion, or 4.9 percent, over the comparable enacted FY 2002 amount. The discretionary portion of the department request, which accounts for 12.2 percent of HHS’s budget, totals \$59.6 billion in budget authority, an increase of 9.2 percent over the FY 2002 level. All other spending is for mandatory programs, with Medicare accounting for 47.4 percent and Medicaid accounting for 32.5 percent. The FY 2003 budget request for the Centers for Medicare and Medicaid Services (CMS) is \$397.3 billion to cover Medicare and Medicaid benefits, the State Children’s Health Insurance

Program (SCHIP), the Health Care Fraud and Abuse Control Program (HCFAC), State insurance enforcement and CMS's operating costs. This budget reflects an increase of \$22.6 billion over FY 2002.

### Medicare

Medicare is the federal health insurance program for people age 65 or older and people under age 65 who are disabled or suffer from end-stage renal disease. In FY 2003, the program will serve approximately 40 million eligible individuals. The agency's FY 2003 budget request builds upon the President's framework for Medicare reform, dedicating \$190 billion over ten years for what the Administration calls "Medicare modernization." The reform plan includes an outpatient prescription drug benefit for low-income beneficiaries. The cost of this proposed benefit is \$20.7 billion in over five years and \$77.1 billion over ten years and it is designed to lay the groundwork for establishing a prescription drug benefit for all Medicare beneficiaries. The modernization program also includes an increase in funding to stabilize and increase choice in the Medicare+Choice program by aligning payment rates more closely with overall Medicare spending. Additional provisions under the heading of "Medicare Improvements" include extending existing legislation to continue addressing variations in graduate medical education payments as well as working with Congress to "smooth out" adjustments in the physician update system in a budget neutral manner.

### Medicaid

Medicaid is a jointly funded, Federal-State program that provides medical assistance to certain low-income groups. In FY 2003, Medicaid will provide grants to states for the medical care of approximately 40.4 million low-income people and others with special healthcare needs. Legislative proposals in the FY 2003 Budget focus on expanding access to healthcare services through continued funding of the State Children's Health Insurance Program (SCHIP) by extending the availability of \$3.2 billion of expiring funds to States until FY 2006, and extending the Transitional Medical Assistance (TMA) program through FY 2004. In addition, the FY 2003 Budget includes several HHS "administrative initiatives" that are expressly designed to strengthen the integrity of the Medicaid program. These initiatives include strengthening the management and enforcement of Federal Medicaid payment policies as well as providing \$10 million in funds to a "Health Care Fraud and Abuse Control" program designed to strengthen the Federal oversight of state's Medicaid programs.

### Health Resources and Services Administration (HRSA)

The mission of HRSA is to ensure access to health care for all Americans in partnership with states, universities and colleges, and other entities. HRSA has identified four broad strategies to guide its diverse grant portfolio: 1) eliminate barriers to care; 2) eliminate health disparities of minority populations; 3) assure quality of care; and 4) improve public health and health care systems. Under the Administration's FY 2003 budget, HRSA would suffer significant funding reductions of \$741 million or 12 percent from what was enacted in FY 2002. The HRSA Health Professions budget constitutes a substantial portion of the agency's overall budget cuts accounting for approximately \$278 million of proposed funding reductions. Additional funding reductions within the HRSA budget include a \$33 million or 85 percent decrease to the Telehealth budget, an \$85 million or 30 percent decrease in funding for children's graduate medical education and a zeroing out of the Community Access Program. Despite these reductions, the FY 2003 budget includes a \$114 million increase in funding for Community Health Centers, a \$44 million increase for the National Health Service Corps and \$518 million of new funding for bioterrorism hospital preparedness and infrastructure. In addition, \$60 million of new funding is targeted for bioterrorism medical school curriculum.

In FY 2001, UC campuses successfully competed for 83 HRSA grants amounting to \$24.7 million.

### Agency for Healthcare Research and Quality (AHRQ)

The mission of AHRQ is to support, conduct, and disseminate research that improves the outcomes and quality of health care, reduces costs, improves patient safety, and broadens access to services. The FY 2003 Budget request for

AHRQ provides a total program level of \$252 million, a decrease of \$48 million or 16 percent from FY 2002. This reduction reflects an intent to achieve efficiencies in research activities within the Department. Specifically, the President's Budget provides a total of \$185 million to the Health Costs, Quality and Outcomes budget. This represents a \$64 million or 26 percent decrease in overall funding from FY 2002. Within this total funding, patient safety efforts will increase from \$55 million to \$60 million and funding for translating Research into Practice, the Consumer Assessment of Health Plans, and the Healthcare Cost and Utilization Project will total \$14 million, the same as in FY 2002.

In FY 2001, UC received \$12.9 million in funding from AHRQ.

#### Centers for Disease Control and Prevention (CDC)

The mission of the CDC is to promote health and quality of life by preventing and controlling disease, injury and disability. The FY 2003 Budget request a total of \$4.0 billion for the CDC, a decrease of \$170 million or 4.1 percent from FY 2002. A major component of the CDC's FY 2003 budget includes line items relating to bioterrorism preparedness. Specifically, the CDC budget includes \$1.6 billion, a net decrease of \$661 million, for CDC bioterrorism preparedness. This reflects a one-time decrease of \$757 million in the costs associated with the procurement of vaccines and pharmaceuticals in FY 2002. In addition, the budget includes \$940 million, the same level as FY 2002, for state and local bioterrorism preparedness. Within this amount, funds will be available to continue to support the Laboratory Response Network as well as disease detection and outbreak control, including epidemiological and medical response; State, local and regional preparedness planning and coordination; and training exercises that include State public health and hospital systems.

UC campuses received \$19.5 million in funding from the CDC in FY 2001.

#### UC FY 2003 Budget Priorities

- UC urges Congress to increase funding for health professions training. UC trains a significant portion of the nation's health care professionals, including physicians, dentists, nurses, and pharmacists. Such funding is critical to ensure a well-trained and diverse supply of health care workers, which, in turn, is crucial in meeting UC's role in the provision of health services and the advancement of medical services and research.
- UC favors additional extramural research within the CDC budget that would result in increased competitive grant opportunities for research in the public health field.
- UC joins other university health centers, the AAMC, and other associations in opposing additional Medicare or Medicaid provider cuts to those already enacted in the Balanced Budget Act.
- UC urges Congress to protect the Medicare and Medicaid programs from additional cuts that will adversely impact the elderly and the poor. UC's health care delivery system is already operating under a significant wave of reductions in federal health care funding, even as the state struggles to ensure coverage for the uninsured.
- The University's concerns regarding federal support for the training of our nation's future health care workforce include
  - national averaging for the Direct Graduate Medical Education (DGME)
  - stable funding for Indirect Medical Education (IME)
  - protection of Medicaid Disproportionate Share Hospital (DSH) funding