

Statement by
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on
The President's Fiscal Year 2017 Budget
before
Committee on Education and Workforce

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Chairman Kline, Ranking Member Scott, and Members of the Committee, thank you for the opportunity to discuss the President's FY 2017 Budget for the Department of Health and Human Services (HHS). In recent legislative sessions, this Committee took important steps to pass the Workforce Innovation and Opportunity Act, which strengthens our workforce, and the Child Care and Development Block Grant Act of 2014, which supports high quality early learning programs and builds on our early learning continuum. We thank you for your leadership on these important issues and look forward to working with you on implementation in the year ahead.

The Department has made historic strides towards ensuring that all Americans have access to the building blocks of healthy and productive lives—a priority that I know we share. Thanks to the Affordable Care Act, we have helped millions of Americans find quality, affordable insurance, and slowed the growth in health care costs for families and taxpayers. At the same time, we have worked to improve the quality of coverage—with more protections and benefits, like wellness visits and some cancer screenings now offered at no extra cost—no matter where you get your insurance. Alongside this work, we have responded to a number of national and global health challenges. In coordination with our partners across the federal government, we led a response to the Ebola outbreak in West Africa and prepared our infrastructure here at home, and have

helped to unite global health leaders to prevent and respond to future outbreaks. We continue these efforts to protect the public health in our work responding to the lead crisis in Flint, Michigan and implementing essential strategies to prevent, detect, and respond to the spread of Zika. We convened state leaders in our fight against prescription opioid misuse, abuse, and overdose as part of a nationwide three-pronged strategy to drive progress. And we advanced the frontier of medicine through cutting-edge research in genomics and technology. Through all these efforts, we have worked to ensure the responsible stewardship of taxpayer dollars by taking steps to further strengthen program integrity, saving money for the taxpayer and making sure our programs deliver in the best possible way for those we serve.

The President's FY 2017 Budget for HHS builds on this progress through critical investments in health care, science and innovation, and human services. The Budget proposes \$82.8 billion in discretionary budget authority, and additional mandatory funding to further support specific initiatives in the discretionary budget. This includes investments in critical priorities that I know we share—cancer research, opioids abuse prevention and treatment, and behavioral health efforts. The Budget recognizes our continued commitment to balancing priorities within a constrained budget environment through legislative proposals that, taken together, would save on net an estimated \$242 billion over 10 years.

Building upon the Successes of the Affordable Care Act

The FY 2017 Budget advances access, affordability, and quality in our nation's health care system—goals that we share with Congress and this Committee. Through targeted investments, the Budget expands access to care, particularly for rural and other underserved populations,

strengthens services for American Indians and Alaska Natives, and supports primary and preventive care.

Expanding Access to Health Insurance Coverage. The Affordable Care Act is expanding access to care for millions of Americans who would otherwise be uninsured, improving quality of care for people no matter how they get their insurance, while slowing the growth in healthcare costs nationwide. To encourage more states to expand Medicaid, the Budget would give any state that chooses to expand Medicaid eligibility three years of full federal support, no matter when the state expands. The Budget also funds the Children’s Health Insurance Program through FY 2019 to ensure comprehensive and affordable coverage for beneficiaries as well as budget stability for states. We look forward to working with Congress to extend this program for the millions of children who depend upon it.

Investing in Health Centers. For 50 years, health centers have delivered comprehensive, high-quality, cost-effective primary health care to patients regardless of their ability to pay. Today, more than 1,300 health centers operate over 9,000 sites and provide health care services to 1 in 14 people in the United States, including to nearly 175,000 patients at 81 service delivery sites in Minnesota and 290,000 patients at 145 service delivery sites in Virginia. Health centers also play a role in reducing the use of costlier care through emergency departments and hospitals. The Budget invests \$5.1 billion in health centers, including \$3.75 billion in mandatory resources, to serve over 27 million patients across the country in FY 2017.

Bolstering the Nation's Health Care Workforce. The Budget includes investments of nearly \$14 billion over ten years in our Nation's health care workforce to improve access to healthcare services, particularly in rural and other underserved communities. This includes support for over 10,150 National Health Service Corps clinicians serving the primary care, behavioral health and dental needs of more than 10.7 million patients in areas with limited access to care. The request includes additional funding to place providers in rural areas and other underserved communities in order to expand access to treatment for prescription opioid and heroin abuse and to improve access to crucial behavioral health services.

Strengthening Health Outcomes in Indian Country. The FY 2017 Budget continues the Administration's commitment to support and strengthen services in Indian Country. The Budget funds the Indian Health Service (IHS) at \$6.6 billion, an increase of \$402 million over FY 2016, to bolster programs that serve over 2 million American Indians and Alaska Natives at over 650 health care facilities across the United States. The Budget includes \$67 million in new investments in the critical area of behavioral health to address high rates of mental illness, substance abuse, and suicide in tribal communities. The Budget also fully funds contract support costs, which provides critical overhead funding to tribes who operate facilities under self-determination and self-governance agreements.

Strengthening Health Programs in the Territories. The Budget removes the cap on funding to Medicaid programs in the U.S. territories to better align territory Medicaid programs with those of States and expands eligibility to 100 percent of the Federal poverty level in territories currently below this level. This proposal would gradually increase the share of Medicaid costs

covered by the federal government as territories modernize their Medicaid programs—providing critical healthcare funding to Puerto Rico and helping to mitigate the effects of its fiscal crisis.

Building Blocks for Success at Every Stage of Life

The Budget request supports the Department’s efforts to serve Americans at every stage of life, including by promoting the safety and well-being of our nation’s children, and helping older Americans live as independently as possible.

Investing in Child Care and Early Learning. Research has shown the significant positive impact that early learning programs can have on a child’s development and lifelong well-being. The Budget proposes strategic investments to make affordable, quality child care available to every low- and moderate-income family with young children; to build on investments to expand access to high quality early learning programs including both Head Start and the newly authorized Preschool Development Grant program; and to invest in voluntary, evidence-based home visiting programs that have long-lasting, positive impacts on child development.

The Administration’s investment in Head Start services has more than doubled access for infants and toddlers over the course of the Administration, and significant investments have been made to strengthen the quality of services that Head Start provides. The FY 2017 Budget provides a total of \$9.6 billion for the Head Start program, which includes the resources necessary to maintain this expansion of services. In addition, the Budget builds on the investments made in FY 2016 to expand the number of children attending Head Start programs that offer a full school

day and year program, which is proven to be more effective than programs of shorter duration and helps meet the needs of working parents. In collaboration with the Department of Education, the Budget includes \$350 million for Preschool Development Grants to support states in building and expanding high-quality preschool systems.

The President's Budget continues the historic proposal to provide \$82 billion over 10 years in additional mandatory funds for child care to ensure that all low- and moderate-income working families with young children have access to high-quality child care. This proposal will increase the number of children served to a total of 2.6 million by 2026 and raise the quality of care children receive. In addition, the FY 2017 Budget includes almost \$3.0 billion in discretionary child care funding, an increase of about \$200 million, to support states, tribes, and territories as they implement the new health, safety, and quality requirements of the bipartisan child care reauthorization, and to create pilots that will test and evaluate strategies for addressing the child care needs of working families, including in rural areas and for families working non-traditional hours.

Preventing Child Trafficking. The President's Budget requests almost \$44 million for efforts to prevent, identify, and treat child abuse and neglect, an increase of nearly \$11 million from the FY 2016 enacted level. With these funds, ACF plans to provide \$9.5 million in demonstration grants to help states and tribes implement the Preventing Sex Trafficking and Strengthening Families Act of 2014. This will help develop strategies to prevent, identify, and respond to child trafficking. In addition, grants will also be awarded for the development of comprehensive

services to children and youth who have already been trafficked and are in the care of the child welfare system.

Supporting Child Welfare. The Department plays a critical role in supporting child welfare, particularly among vulnerable populations. The Budget includes \$1.8 billion over 10 years to ensure that child welfare professionals have the right training and skills—proven to be linked to better outcomes for children across a range of measures. The Budget also includes a package of investments designed to do more to prevent the need for foster care and assist children and families so that children can either be reunited with their biological parents or placed in a permanent home.

Modernizing the Approach for Addressing Poverty. Finally, the Budget seeks to strengthen the nation's safety net to meet our 21st century poverty challenges. A total of 15.5 million children lived in poverty in 2014, a staggering number that translates into lost opportunity, productivity, quality of life, and lifespan. Twenty years after creating the Temporary Assistance for Needy Families (TANF) program, funds are proposed to reform and strengthen this critical program that serves approximately 3 million children per month. The Budget increases funding for TANF to help offset some of the erosion to the block grant, while laying out the basic principles for reform—including moving towards a stronger accountability framework for states coupled with increased flexibility, ensuring better targeting of TANF funds, and creating a renewed focus on reducing child poverty. We look forward to working with lawmakers to strengthen the program's effectiveness in accomplishing its goals.

Supporting Older Adults. As members of this Committee are aware, the population age 65 and over is projected to more than double to 98 million in 2060. In FY 2017, HHS continues to make investments to address the needs of older Americans, many of whom require some level of assistance to live independently and remain in their homes and communities for as long as possible. The Budget continues to propose reforms that help to protect older Americans from identity theft, to support access to counseling, respite, and nutrition services that will allow states to provide approximately 205 million meals to over 2 million older Americans nationwide. The Budget also continues the Department's commitment to support effective Alzheimer's disease research, education, and outreach, as well as patient, family, and caregiver services.

Healthcare Delivery System Reform

At HHS, we are focused on moving towards a health care system that delivers better quality of care, spends dollars in a smarter way, and keeps people healthy. The Budget advances the Department's work in three critical areas: improving the way providers are paid, finding better ways to deliver care, and creating better access to health care information for providers and patients.

Improving the Way Providers Are Paid. Rather than paying for the quantity of tests and screenings that providers order—a common practice—the Department is moving toward paying for the quality of care given. For patients, this can lead to more frequent communication with their care provider and fewer unnecessary trips back to the hospital. The Budget includes proposals to establish competitive bidding for Medicare Advantage payments and introduce value-based purchasing for certain Medicare providers. The Budget also encourages

participation in alternative payment models through a number of proposals, including creating a bonus payment for hospitals that collaborate with certain alternative payment models. In January 2015, the Department set the goal of tying 30% of Medicare fee-for-service payments to alternative payment models by the end of 2016, and 50% by 2018. We announced earlier this month that we have met the first goal ahead of schedule: as of January 1, 2016, an estimated 30% of Medicare payments are tied to alternative payment models. We look forward to working with Congress to build on this progress.

Improving Care Delivery. To drive progress in the way care is provided, HHS is focused on improving the coordination and integration of health care, engaging patients more fully in decision-making, and improving the health of patients—with an emphasis on prevention and wellness. As part of that, we are focused on improving access to care by investing in and supporting telehealth, especially for rural areas. The Budget proposes to expand the ability of Medicare Advantage plans to deliver services via telehealth, and to enable rural health clinics and federally qualified health centers to qualify as originating telehealth sites under Medicare.

Improving Access to Information. In an effort to promote transparency on price, cost, and billing for consumers, the Budget supports the standardization of billing documents and elimination of surprise out-of-network charges for privately insured patients receiving care at an in-network facility. The Budget also provides continued investments to achieve secure, seamless data interoperability in order to better serve individuals, providers, and payers, including a funding increase and new authorities for the Office of the National Coordinator for Health Information Technology.

Building Evidence to Drive Systemic Improvement. Reforming the delivery system requires an evidence base of effective practices. The Budget proposes an increase of \$24 million for health services research at the Agency for Healthcare Research and Quality (AHRQ) to advance and improve the performance of the healthcare system. For example, AHRQ data show that 87,000 fewer patients died in hospitals due to patient harms from 2010 to 2014—saving nearly \$20 billion. While we are encouraged by this progress, substantial challenges remain to build a health system that meaningfully involves patients in decision making, and consistently uses high quality evidence to provide safe and high quality care for all.

Reducing the Cost of Prescription Drugs in Medicaid and Medicare. Nationally, prescription drug spending growth has accelerated to its highest rate since 2002 and is projected to drive overall healthcare cost growth. New therapies and cures change lives, but too many Americans struggle to afford the medications they need. The Department is focused on improving patient access to affordable prescription drugs, developing innovative purchasing strategies, and incorporating delivery system reform concepts like value- and outcome-based models into drug purchasing arrangements. The Budget includes a number of proposals, including Medicare Part D negotiation, aimed at improving access to necessary treatments and increasing the value that Americans are getting from their medications, while continuing to encourage important and lifesaving innovations.

Improving Healthcare for Dual Eligible Beneficiaries. As members of this Committee are aware, people enrolled in both Medicaid and Medicare have complex and often costly health care

needs. The Budget includes legislative proposals to improve access to care for dual-eligible beneficiaries, while decreasing overlap and inefficiencies that currently exist between the two payers.

Keeping People Healthy and Safe

The President's Budget builds on the Department's strategy to address prescription opioid and heroin misuse, abuse, and overdose; and invests in crucial behavioral health services, and strengthens our nation's public health infrastructure.

Preventing Prescription Opioid Abuse. Prescription drug abuse impacts the lives of millions of people across the country—with 78 Americans dying of opioid-related causes every single day. The Budget proposes significant new discretionary and mandatory funding totaling nearly \$1.1 billion to build on investments funded by Congress in FY 2016 and to execute on the Department's three-pronged evidence-based approach to combat the opioids crisis:

- ***Expanding the Use of Medication-Assisted Treatment.*** The new two-year, \$1 billion mandatory funding investment will help ensure that every American who wants to get treatment for an opioid use disorder will be able to. These funding levels will enable individuals with opioid use disorder to get treatment in FY 2017 and FY 2018 by reducing costs, engaging patients, and expanding access to treatment.
- ***Improving Prescribing Practices.*** The Budget invests in programs that support improved prescribing practices, including by supporting improved uptake of CDC's upcoming prescribing guidelines for providers. The Budget also proposes to require states to track

high prescribers and utilizers of prescription drugs in Medicaid—saving \$770 million over 10 years—and bolsters other critical efforts to support providers with the tools they need.

- ***Expanding the Development and Use of Naloxone.*** To best prepare communities and first responders, the Budget includes a total of \$22 million for programs that support the use of naloxone – a life-saving drug. Among other critical programs, the Budget invests in the Rural Opioid Overdose Reversal Grant program to target rural areas hit hardest by opioid abuse.

Expanding Access to Behavioral Health Care. Despite the expanded behavioral health coverage for millions of Americans by the Affordable Care Act, less than half of children and adults with diagnosable mental health disorders receive the treatment they need. To address this gap, the Budget proposes a total of \$999 million, including a new two-year \$500 million investment in behavioral health care, to help engage individuals with serious mental illness in care, improve access to care by increasing service and workforce capacity, and ensure that the behavioral health care system works for everyone. A portion of the two-year, \$500 million mandatory initiative will allow six additional states to participate in the Certified Community Behavioral Health Clinic Demonstration.

Combating Antibiotics Resistant Bacteria. The emergence of antibiotic-resistant bacteria continues to be a significant public health concern. The FY 2017 Budget includes \$877 million to continue expanding the nation’s ability to protect patients and communities by implementing interventions that reduce the emergence and spread of antibiotic-resistant pathogens. This

funding will also support ongoing ground-breaking research to aid the development of new drugs and diagnostic products, building the nation's treatment options for these dangerous pathogens.

Investing in Domestic and International Preparedness. The Department leads critical efforts to strengthen our public health infrastructure here at home and bolster the nation's preparedness against chemical, biological, nuclear and radiological attacks. The Budget invests \$915 million, an increase of \$2 million, for domestic and international public health infrastructure, including funding to expand implementation of the Global Health Security Agenda (GHSAs) to strengthen capacity in Phase 2 countries to address public health emergencies. Over the next five years, the United States will work with more than 30 partner countries—representing over four billion people—to help them prevent, detect, and effectively respond to infectious disease threats. I am pleased to share that work with many of these countries has already begun. We appreciate the funding provided by Congress last year for this crucial priority.

As we work aggressively to combat the spread of Zika, the Administration is requesting \$1.9 billion in emergency funding, including \$1.5 billion for HHS, to enhance our ongoing efforts both domestically and internationally. The requested resources will build on our ongoing preparedness efforts and will support essential strategies to combat this virus, such as rapidly expanding mosquito control programs; accelerating vaccine research and diagnostic development; enabling the testing and procurement of vaccines and diagnostics; educating health care providers, pregnant women and their partners; improving epidemiological capacity and expanding laboratory and diagnostic testing capacity; improving health services and supports for low-income pregnant women, and enhancing the ability of Zika-affected areas to better combat

mosquitoes and control transmission. We appreciate the Congress's consideration of this important request.

Serving Refugees and Unaccompanied Children. In light of a global displacement crisis, the Administration has committed to expanding the Refugee Admissions Program in FY 2016 and FY 2017. All refugees are subject to the highest level of security checks of any category of traveler to the United States. At HHS, the Administration for Children and Families' role is to link newly-arrived humanitarian populations, including refugees as well as asylees, Cuban entrants, and special immigrant visa-holders, to key resources necessary to becoming self-sufficient, integrated members of American society. The Budget provides initial financial and medical assistance for an estimated 213,000 entrants, 100,000 of which are refugees, consistent with the Administration's commitment to admitting at least 100,000 refugees in FY 2017.

HHS is legally required to provide care and custody to all unaccompanied children apprehended by immigration authorities until they are released to an appropriate sponsor to care for them while their immigration cases are processed. Based upon the increase in unaccompanied children apprehended at the Southwest border this fall, ACF has taken prudent steps to identify temporary capacity so that we are adequately prepared if additional shelter space is needed. To ensure that HHS can provide appropriate care for unaccompanied children in FY 2017, the Budget includes the same amount of total base resources available in FY 2016, as well as a contingency fund that would trigger additional resources only if the caseload exceeds levels that could be supported with available funding.

Leading the World in Science and Innovation

The FY 2017 Budget builds on the historic gains the Department has made in medical and scientific research and lays the ground work for scientific and technological breakthroughs for the 21st century. Thanks to biomedical research, including NIH investments, cardiovascular death rates in the United States have fallen by more than 70% in the last 60 years. Cancer death rates are now falling 1-2% per year; each 1% drop saves approximately \$500 billion.

Breakthroughs in HIV therapies enable people in their 20's to live a full life span. The FY 2017 Budget includes \$33.1 billion for the NIH, an increase of \$825 million, to build on the funding provided by this Congress in order to advance our shared commitment to support research that promotes economic growth and job creation, and advances public health.

Launching the Cancer Moonshot. Investments in research have led to significant developments in the prevention, screening, and treatment of cancer. To support the Vice President's Cancer Moonshot, the Budget includes a multi-year \$755 million initiative that accelerates the nation's fight against cancer by expanding access to clinical trials, pursuing new vaccine technology, and funding exceptional opportunities in cancer research. These investments will drive scientific advances that aim to understand the causes of cancer, discover new prevention strategies, improve early detection and diagnosis, and develop effective treatments.

Advancing Precision Medicine. Recent breakthroughs in genomics, computing, and molecular medicine have ushered in a new era where more treatments are based on the genetic characteristics of each patient. The Budget increases funding for the Precision Medicine Initiative by \$107 million to a total of \$309 million to support critical new studies on therapies, and to continue to scale a cohort study to gather data on the interplay of environmental exposures, physical parameters, and genetic information.

Investing in the BRAIN Initiative. Despite the advances in neuroscience in recent years, the underlying causes of most neurological and psychiatric conditions remain largely unknown due to the vast complexity of the human brain. To further revolutionize our understanding, the Budget provides an increase of \$45 million, for a total of \$195 million within NIH, for the BRAIN Initiative. This research has the potential to discover underlying pathologies in a vast array of brain disorders and provide new avenues to treat, cure, and even prevent common conditions, such as Alzheimer’s disease, autism, depression, schizophrenia, and addiction.

Making the Department Stronger

One of my top priorities as Secretary is to position the Department to most effectively fulfill its core mission by investing in key management priorities, including program integrity and cybersecurity. I appreciate the Committee’s interest in these critical issues.

Strengthening Program Integrity. The Budget continues to make cutting fraud, waste, and abuse a top Administration priority by requesting \$199 million in new program integrity investments in FY 17. The Budget fully funds the Health Care Fraud and Abuse Control

(HCFAC) discretionary cap adjustment. In FY 15 alone the HCFAC program returned over \$2.3 billion to the Federal government and private citizens. The Budget includes proposals that will expand and strengthen the tools available to CMS and states to combat fraud, waste, and abuse, including in state Medicaid programs. In total, proposed program integrity investments and authorities in the Budget will yield an estimated \$25.7 billion in scorable and non-scorable savings to Medicare and Medicaid over ten years.

Focusing on Stewardship. To improve the efficiency of the Medicare appeals system and reduce the backlog of appeals awaiting adjudication at the Office of Medicare Hearings and Appeals (OMHA), HHS has developed a comprehensive strategy that involves additional funding, administrative actions, and legislative proposals. The Budget includes resources at all levels of appeal to increase adjudication capacity and advances new strategies to alleviate the current backlog. The Budget also includes a package of legislative proposals that provide new authority and additional funding to address the backlog.

Conclusion

Members of the Committee, thank you for the opportunity to testify today and for your continued leadership on these important issues. I am grateful to have you as partners as we make the investments critical for today while laying a stronger foundation for tomorrow. I want to conclude by thanking the men and women of our Department, who work tirelessly every day to deliver impact for those we serve—the American people. I welcome your questions.