

Statement by
Sylvia M. Burwell
Secretary
U.S. Department of Health and Human Services
on
The President's Fiscal Year 2016 Budget
before
Committee on Education and the 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 2016 Budget for the Department of Health and Human Services (HHS).

I want to begin by thanking members of this Committee and your colleagues in the House of Representatives and Senate for the bipartisan, bicameral efforts you undertook in passing the Child Care and Development Block Grant (CCDBG) Act last November. This law reauthorizes the child care program for the first time since 1996 and represents an historic re-envisioning of the Child Care and Development Fund (CCDF) program, making significant advancements by defining health and safety requirements for child care providers, outlining family-friendly eligibility policies, and ensuring parents and the general public have transparent information about the child care choices available to them.

Thank you also for your work in passing the Medicare Access and CHIP Reauthorization Act of 2015. As you know, this Act, consistent with proposals included in the President's FY 2016 Budget, establishes a long-term policy solution to fix Medicare's flawed Sustainable Growth Rate (SGR) formula, replacing a broken system with one that offers predictability and advances

value-based payments that reward quality and efficiency. The legislation also includes other provisions that were proposed in the President's Budget, such as requiring that Social Security numbers be removed from Medicare identification cards. These policies, along with other changes in the legislation, will help protect the integrity of Medicare and contribute to slowing health care cost growth.

I also want to express my gratitude for continued funding for the Children's Health Insurance Program, which provides comprehensive and affordable health coverage to millions of children. In addition, thank you for your continued support for critical safety net programs, including our nation's health centers, the Home Visiting Program, and the National Health Service Corps. These programs will ensure that millions of Americans will continue to have access to the health care and services they need to lead healthy and productive lives.

Five years ago, another major piece of legislation was enacted. And today, thanks to the Affordable Care Act (ACA), middle class families have more security, and many of those who already had insurance now have better coverage. After five years of the ACA, about 16.4 million Americans have gained coverage. In the private market, millions more now have access to expanded coverage for preventive health care services, such as a colonoscopy or flu shot, without cost sharing. At the same time, as a nation we are spending our health care dollars more wisely and starting to receive higher quality care.

In part due to the ACA, households, businesses, and the Federal Government are now seeing substantial savings. Today, health care cost growth is at very low levels by historical standards,

and health care price growth has been at its lowest rate in fifty years since the Affordable Care Act. Across the board, the Department has continued its commitment to the responsible stewardship of taxpayer dollars through investments in critical management priorities. We have strengthened our ability to combat fraud and abuse and advance program integrity, further driving savings for the taxpayer while enhancing the efficiency and effectiveness of our programs.

The Department has done important work addressing historic challenges, including the coordinated whole-of-government responses to Ebola both here at home and abroad and to last year's increase in unaccompanied children crossing the Southwest border into Texas.

The President's FY 2016 Budget for HHS builds on this progress through critical investments in health care, science and innovation, public health, and human services. The Budget proposes \$83.8 billion in discretionary budget authority, an increase of \$4.8 billion from FY 2015 appropriations. This additional funding will allow the Department to make the investments that are necessary to serve the millions of American people who count on our services every day, while laying the foundation for healthier communities and a stronger economy for the middle class in the years to come. The Budget also further strengthens the infrastructure needed to prevent, prepare for, and respond to future challenges effectively and expeditiously.

The Department's Budget request recognizes our continued commitment to balancing priorities within a constrained budget environment through legislative proposals that, taken together, would save the American people a net estimated \$249.9 billion in HHS programs over 10 years.

The Budget builds on savings and reforms in the ACA with additional measures to strengthen Medicare and Medicaid, and to continue the historic slow-down in health care cost growth. Medicare proposals in our Budget, for example, more closely align payments with the costs of providing care, encourage health care providers to deliver better care and better outcomes for their patients, improve access to care, and create incentives for beneficiaries to seek high value services.

Ensuring the Building Blocks for Success at Every Stage of Life

As part of the President's plan to bolster and expand the middle class, the Budget includes a number of proposals that help working Americans meet the needs of their families – including young children and aging parents.

Investing in Early Learning. High-quality early learning opportunities both promote children's healthy development and support parents who are balancing work and family obligations. Across the United States, many American families face real difficulties finding and affording quality child care and early education. In 2013, parents on average paid more than \$10,000 per year for full-time care for an infant at a child care center –and in most States, child care costs more than the average cost of a year's in-state tuition and fees at a public 4-year college. The Budget outlines an ambitious plan to make affordable, quality child care available to every low-income and middle-class working family with young children; to build the supply of high-quality early learning opportunities through the Head Start and Early Head Start programs; and to invest in voluntary, evidence-based home visiting programs that have been shown to leave long-lasting, positive impacts on parenting skills, children's development, and school readiness. These

investments complement the Department of Education proposal to provide high-quality preschool to all four-year-olds from low- and moderate-income families and expand programs for middle-class children as well.

The President's child care proposal builds on the reforms passed by Congress in the bipartisan reauthorization of the Child Care and Development Block Grant enacted last fall. The proposal makes a landmark investment of an additional \$82 billion over 10 years in the Child Care and Development Fund (CCDF), which by 2025 would expand access to more than 1 million additional children under age four, reaching a total of more than 2.6 million children overall in the program. At the same time, the proposal provides resources to help states raise the bar on quality, and design programs that better serve families facing unique challenges in finding quality care, such as those in rural areas or working non-traditional hours.

The Budget includes an additional \$1.5 billion above FY 2015 to improve the quality of Head Start services and expand access to Early Head Start, including through Early Head Start – Child Care Partnerships. The proposal will ensure that all Head Start programs provide services for a full school-day and a full-school-year and increase the number of infants and toddlers served in high-quality early learning programs. It will also ensure that program funding keeps pace with inflation and that the program can restore enrollment back to the 2014 level.

The Budget also proposes \$15 billion over ten years to extend and expand access to voluntary evidence-based home visiting programs building on research showing that home visits by a nurse, social worker, or other professional during pregnancy and in the early years of life can

significantly reduce child abuse and neglect, improve parenting, and promote child development and school readiness. More than 115,500 parents and children were served through home visiting programs in FY 2014, in addition to approximately 2,800 American Indian and Alaska Native parents and children served through tribal home visiting programs.

Research by the President's Council of Economic Advisers indicates that investments in high-quality early education generate economic returns of over \$8 for every \$1 spent. Not only that, studies show high-quality early learning programs result in better outcomes for children across the board – with children more likely to do well in school, find good jobs and greater earnings, and have fewer interactions with the criminal justice system. These programs also strengthen parents' abilities to go to work, advance their career, and increase their earnings. That is why the Administration has outlined a series of measures, including tax cuts for working families, to advance our focus on improving the quality of early care and education, while also dramatically expanding access to these important and cost-effective early learning services.

Supporting Older Adults. The number of older Americans age 65 and older with significant level of disability – defined as needing assistance with 3 or more activities of daily living – that are at greatest risk of nursing home admission, is projected to increase by more than 20 percent by the year 2020. With 2015 marking the year of the White House Conference on Aging, the Department's Budget request includes \$1.7 billion for Aging Services within the Administration for Community Living for investments that address the needs of older Americans, many of whom require some level of assistance to continue living independently or semi-independently

within their communities. The Budget includes increased funding to support family caregivers and to expand home and community-based services and supports.

Improving Child Welfare. The Department's Budget also proposes several improvements to child welfare programs that serve children who have been abused and neglected or are at risk of maltreatment. The Budget includes a proposal that has generated bipartisan interest that would provide \$750 million over five years for an innovative collaboration between the Administration for Children and Families (ACF) and CMS that would assist states to provide evidence-based interventions to youth in the foster care system to reduce the over-prescription of psychotropic medications. There is an urgent need for action: ACF data show that 18 percent of the approximately 400,000 children in foster care were taking one or more psychotropic medications at the time they were surveyed. It also requests \$587 million over ten years in additional funding for prevention and post-permanency services for children in foster care, most of which must be evidence-based or evidence-informed. It includes savings of \$69 million over ten years to promote family-based foster care for children with behavioral and mental health needs, as an alternative to congregate care, and provides increased oversight of congregate care when such placements are determined to be necessary.

Providing all Americans with Access to Quality, Affordable Health Care

The President's FY 2016 Budget request builds on progress made to date by focusing on access, affordability, and quality – goals that we share with Congress and hope to work on together, in partnership, moving forward. The Budget also continues to make investments in Federal public

health and safety net programs to help individuals without coverage get the medical services they need, while strengthening local economies.

Expanding Options for Consumers through the Health Insurance Marketplaces. The ACA is making quality, affordable health coverage available to millions of Americans who would otherwise be uninsured. On March 31, 2015, about 10.2 million consumers had “effectuated” coverage, which means those individuals paid for Marketplace coverage and had an active policy. At the same time, consumers are seeing more choice and competition. There are over 25 percent more issuers participating in the Marketplace in 2015 compared to 2014. Also, in 2015, nearly 8 in 10 Federal Marketplace customers had coverage options for \$100 or less per month after applicable tax credits.

Partnering with States to Expand Medicaid for Low-Income Adults. The ACA provides full Federal funding to cover newly eligible adults in states that expand Medicaid up to 133 percent of the Federal poverty level through 2016, and covers no less than 90 percent of costs thereafter. This increased Federal support has enabled 28 states and the District of Columbia to expand Medicaid coverage to more low-income adults. In January, Indiana expanded their Medicaid program and is now bringing much needed access to health care coverage to uninsured low-income residents. Across the country, as of April 2015, over 12.3 million additional individuals are now enrolled in Medicaid and CHIP compared to the summer of 2013. As Secretary, I am personally committed to working with Governors across all 50 states to expand Medicaid in ways that work for their states, while protecting the integrity of the program and those it serves.

Improving Access to Health Care for American Indians and Alaska Natives (AI/AN).

Reflecting the President's commitment to improving health outcomes across Indian Country, the Budget includes \$6.4 billion for the Indian Health Service to strengthen programs that serve over 2.2 million American Indians and Alaska Natives at over 650 health care facilities throughout the United States. The request fully funds estimated Contract Support Costs in FY 2016 and proposes to modify the program in FY 2017 by reclassifying it as a mandatory appropriation, creating a longer-term solution.

Bolstering the Nation's Health Workforce. The Budget invests in our Nation's health care workforce to improve access to healthcare services, particularly in rural and other underserved communities. That includes support for over 15,000 National Health Service Corps clinicians, who will serve the primary care, mental health, and dental needs of nearly 16 million patients in high-need areas across the country. Nearly half of all current Corps providers work in rural communities. The Budget also creates new funding for graduate medical education in primary care and other high-need specialties, which will support more than 13,000 residents over 10 years, and advance the Administration's goal of higher-value healthcare that reduces long-term costs.

To continue encouraging provider participation in Medicaid, the Budget invests \$6.3 billion to extend the enhanced Medicaid reimbursement rate for primary care services, and makes strategic investments to encourage primary care by expanding eligibility to obstetricians, gynecologists, and non-physician practitioners. A January 2015 study by University of Pennsylvania and Urban Institute researchers found that the availability of primary care appointments for Medicaid

enrollees grew by nearly 8 percentage points between 2012 and 2014, when the program was fully implemented.

Investing in Health Centers. Health centers are essential sites where America's most vulnerable populations can access the health care they need. This is true for over 174,000 individuals in Minnesota and over 286,000 individuals in Virginia. Health centers are also key in reducing the use of costlier care through emergency departments and hospitals. The Budget provides the resources to serve approximately 28.6 million patients in FY 2016, including an estimated 10.6 million rural Americans at more than 9,000 sites in medically underserved communities throughout the country.

Delivering Better Care and Spending our Health Care Dollars Wisely

If we find better ways to deliver care, pay providers, and distribute information, we can receive better health care and spend our dollars more wisely, all the while supporting healthier communities and a stronger economy. To build on and drive progress on these priorities, we are focused on the following three key areas:

Improving the Way Care is Delivered. The Administration 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. HHS believes that incentivizing the provision of preventive and primary care services will improve the health and well-being of patients and slow cost growth over the long run through avoided hospitalizations and additional office visits. The Administration's efforts around patient safety

and quality have made a difference – reducing hospital readmissions in Medicare by nearly eight percent, translating into 150,000 fewer readmissions between January 2012 and December 2013 and reducing hospital-acquired conditions by 17 percent from 2010 to 2013, saving 50,000 lives and decreasing health care spending by \$12 billion according to preliminary estimates.

Improving the Way Providers are Paid. The Administration is testing and implementing new payment models that reward value, quality, and care coordination – rather than volume. HHS has seen promising results on cost savings with alternative payment models: already, existing Accountable Care Organizations (ACOs) programs have generated combined total program savings of \$417 million to Medicare. To shift Medicare reimbursement from volume to value, and further drive progress in the health care system at large, the Department has announced its goal of making 30 percent of traditional, or fee-for-service, Medicare payments value providers through alternative payment models by 2016 and 50 percent by 2018.

Improving the Way Information is Distributed. The Administration is working to create transparency of cost and quality information and to bring electronic health information to the point of care – enabling patients and providers to make the right decisions at the right time to improve health and care. The Centers for Medicare & Medicaid Services (CMS) is making major strides to expand and improve its provider compare websites, which empower consumers with information to make more informed health care decisions, encourage providers to strive for higher levels of quality, and drive overall health system improvement. To improve communication and enhance care coordination for patients, the FY 2016 Budget also includes a

substantial investment (\$92 million) in efforts supporting the adoption, interoperability, and meaningful use of electronic health records.

Leading the World in Science and Innovation

Investments in science and innovation have reshaped our understanding of health and disease, advanced life-saving vaccines and treatments, and helped millions of Americans live longer, healthier lives. With the support of Congress, there is more that we can do together. The President's FY 2016 Budget request lays the foundation to maintain our Nation's global edge in medical research. This Budget for the National Institutes of Health (NIH) supports ongoing research and provides real investments in innovative science.

Advancing Precision Medicine. The FY 2016 Budget includes \$215 million for the Precision Medicine Initiative, a new cross-Department effort focused on developing treatments, diagnostics, and prevention strategies tailored to the genetic characteristics of individual patients. This effort includes \$200 million for NIH to launch a national research cohort of a million or more Americans who volunteer to share their information, including genetic, clinical and other data to improve research, as well as to invest in expanding current cancer genomics research, and initiating new studies on how a tumor's DNA can inform prognosis and treatment choices. The Department will also modernize the regulatory framework to aid the development and use of molecular diagnostics, and develop technology and define standards to enable the exchange of data, while ensuring that appropriate privacy protections are in place. With the support of Congress, this funding would allow the Department to scale up the initial successes we have seen to date and bring us closer to curing the chronic and terminal diseases that impact millions of Americans across the country.

Supporting Biomedical Research. The FY 2016 Budget includes \$31.3 billion for NIH, an increase of \$1 billion over FY 2015, to advance basic biomedical and behavioral research, harness data and technology for real-world health outcomes, and prepare a diverse and talented biomedical research workforce. This research is critical to maintaining our country's leadership in the innovation economy, and can result in life-changing breakthroughs for patients and communities. For example, NIH estimates that it will be able to spend \$638 million under this Budget request on Alzheimer's research, an increase of \$51 million over FY 2015, which will position us to drive progress on recent advances in our understanding of the genetics and biology of the disease, including drugs currently in clinical trials, and those still in the pipeline.

Keeping Americans Healthy

The President's FY 2016 Budget strengthens our public health infrastructure, invests in behavioral health services, and prioritizes other critical health issues.

Investing in Domestic and International Public Health Preparedness. The health of people overseas directly affects America's safety and prosperity, with far-reaching implications for economic security, trade, the stability of foreign governments, and the well-being of U.S. citizens abroad and at home. The Budget includes \$975 million for domestic and international public health preparedness infrastructure, including an increase of \$12 million for Global Health Security Agenda implementation to build the capacity for countries to detect and respond to potential disease outbreaks or public health emergencies and prevent the spread of disease across borders.

As new infectious diseases and public health threats emerge, HHS continues to invest in efforts to bolster the Nation's preparedness against chemical, biological, nuclear, and radiological threats. This includes a \$391 million increase for Project BioShield to support procurements and replenishments of new and existing countermeasures and to advance final stage development of new products, and an increase of \$37 million to replace expiring countermeasures and maintain current preparedness levels in the Strategic National Stockpile.

Combating Antibiotic Resistant Bacteria. The Centers for Disease Control and Prevention estimates that each year at least two million illnesses and 23,000 deaths are caused by antibiotic-resistant bacteria in the United States alone. The Budget nearly doubles the amount of federal funding for combating and preventing antibiotic resistance within HHS to more than \$990 million. The funding will improve antibiotic stewardship; strengthen antibiotic resistance risk assessment, surveillance, and reporting capabilities; and drive research innovation in the human health and agricultural sectors.

Addressing Prescription Drug and Opioid Misuse and Abuse. The misuse and abuse of prescription drugs impacts the lives of millions of Americans across the country, and costs the American economy tens of billions of dollars in lost productivity and increased health care and criminal justice expenses. In 2009, total drug overdoses overtook every other cause of injury death in the United States, outnumbering fatalities from car crashes for the first time. In 2012 alone, 259 million opioid prescriptions were written – enough for every American adult to have a bottle. Heroin use has increased, and so have heroin-related overdose deaths. Between 2002 and

2013, heroin-related overdose deaths nearly quadrupled. As part of a new, aggressive, multi-pronged initiative, the Budget includes more than \$99 million in new funding this year in targeted efforts to reduce the prevalence and impact of opioid use disorders. The Budget also includes improvements in Medicare and Medicaid, including a proposal to require states to track high prescribers and utilizers of prescription drugs in Medicaid, which would save \$710 million over 10 years and bolster other efforts to reduce abuse of prescription drugs.

Improving Access to Mental Health Services. Mental and medical condition comorbidity results in decreased length and quality of life, and increased functional impairment and cost. People with serious mental illnesses have been shown to die earlier than other Americans and also face important barriers to obtaining medical care. The Budget includes an increase of \$35 million, a total of \$151 million for the President's Now is the Time initiative to focus on prevention and treatment of mental health conditions among students and young adults. Aiming to reach 750,000 young people per year and training thousands of additional behavioral health professionals and paraprofessionals, this investment represents a substantial step toward reducing barriers for individuals seeking care. The additional funds will be used to increase workforce capacity across the nation by expanding an existing partnership between Substance Abuse and Mental Health Services Administration (SAMHSA) and Health Resources and Services Administration (HRSA) that addresses the number of licensed behavioral health professionals available and by creating a Peer Professionals program to provide training for individuals who have experienced their own behavioral health issues to help reach those in need of treatment. In addition, this increase will raise awareness about mental health and substance use disorders and increase Americans' willingness to seek help through a social media campaign and other

outreach efforts. The Budget also supports ongoing research at the National Institutes of Mental Health to prevent the first episode of serious mental illness and change the trajectory of these disorders and continues support for evidence-based treatment of serious mental illness at an early stage through a five percent set-aside within the SAMHSA Community Mental Health Services Block Grant. Finally, the Budget proposes the elimination of Medicare's 190-day lifetime limit on inpatient psychiatric facility services, removing one of the last obstacles to behavioral health parity in the Medicare benefit.

Leaving the Department Stronger

The FY 2016 Budget request positions the Department to most effectively fulfill our core mission by investing in a number of key management priorities that will strengthen our ability to combat fraud, waste, and abuse, strengthen program integrity, and enable ongoing cybersecurity efforts, among other areas.

Strengthening Program Integrity. The FY 2016 Budget continues to build on progress made by the Administration to eliminate improper payments and fraud. The Budget includes new investments in program integrity totaling \$201 million in FY 2016 and \$4.6 billion over ten years. This includes, for example, the continued funding of comprehensive efforts to combat health care fraud, waste, and abuse through prevention activities, improper payment reductions, provider education, audits and investigations, and enforcement through the full Health Care Fraud and Abuse Control (HCFAC) discretionary cap adjustment. The FY 2016 Budget again requests the full discretionary cap adjustment be provided. This investment builds on important gains over the course of the past several years: from 2009 to 2014, programs supported by

HCFAC have returned over \$22.5 billion in health care fraud related payments. Together, the Department's proposed program integrity investments will yield \$22 billion in gross savings for Medicare and Medicaid over 10 years.

Reforming the Medicare Appeals Process. Between FY 2009 and FY 2014, the number of appeals received by the Office of Medicare Hearings and Appeals has increased by more than 1300%, which has led to a backlog that is projected to reach 1 million appeals by the end of FY 2015. The Department has undertaken a three-pronged strategy to improve the Medicare Appeals process: 1) Take administrative actions to reduce the number of pending appeals and more efficiently handle new cases that are entering the appeals process; 2) Request new resources to invest at all levels of appeal to increase adjudication capacity and implement new strategies to alleviate the current backlog; and 3) Propose legislative reforms that provide additional funding and new authorities to address the appeals volume. The FY 2016 Budget includes a comprehensive legislative package of seven proposals aimed both at helping HHS process a greater number of appeals and more efficiently handle new cases that are entering the appeals process, and requests additional resources for CMS, OMHA, and the Departmental Appeals Board to enhance their capacity to process appeals.

Improving Federal Spending Transparency. A key Congressional priority is implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act) which seeks to improve the transparency of Federal spending. HHS plays a critical, government-wide role in its implementation promoting transparency, facilitating better decision making, and improving operational efficiency. The HHS Budget request includes \$10 million to begin implementing

new data standards, assessing impacts, facilitating long term policies, processes, and systems, and establishing the Section 5 grants pilot in coordination with OMB.

Enhancing the Departments' Cybersecurity. The HHS Budget makes a significant investment in the security of the Department's information technology systems. The FY 2016 Budget includes \$73 million for Cybersecurity, an increase of \$32 million over FY 2015 enacted. HHS operational divisions are responsible for securing millions of individuals' personal health information, conducting highly sensitive biodefense work, reviewing new drug applications and clinical trial data, and issuing more grants than any other federal entity. The Budget reflects a recognition that protection of these systems is key to safeguarding Americans' personally identifiable information and ensuring that sensitive data does not fall into the wrong hands. Specifically, these funds will enable HHS to enhance threat monitoring capabilities, strengthen end-user security tools, and increase the capacity of the Trusted Internet Connection to support Department-wide IT security.

Conclusion

Members of the Committee, thank you for the opportunity to testify today. The President's FY 2016 Budget request for HHS makes the investments critical for today while laying the foundation for a stronger economy for the middle class. I am looking forward to working closely with Congress and Members of this Committee on these priorities moving forward so that together we can best deliver impact for those we serve – the American people. I welcome any questions you may have.