



STATEMENT OF
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ON

THE PRESIDENT'S FISCAL YEAR 2014 BUDGET

BEFORE THE
COMMITTEE ON EDUCATION AND THE WORKFORCE
UNITED STATES HOUSE OF REPRESENTATIVES

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**Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
before the
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Committee on Education and the Workforce
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Chairman Kline, Ranking Member Miller, and Members of the Committee, thank you for the invitation to discuss the President's FY 2014 Budget for the Department of Health and Human Services (HHS).

The Budget for HHS provides critical investments in health care, disease prevention, social services, and scientific research in order to create healthier and safer families, stronger communities, and a thriving America.

The President's fiscal year (FY) 2014 Budget for HHS includes investments needed to support the health and well being of the nation, and legislative proposals that would save an estimated \$361.1 billion over 10 years. The Budget totals \$967.3 billion in outlays and proposes \$80.1 billion in discretionary budget authority. With this funding HHS will continue to improve health care and expand coverage, create opportunity and give kids the chance to succeed, protect vulnerable populations, promote science and innovation, protect the nation's public health and national security, and focus on responsible stewardship of taxpayer dollars.

Improving Health Care and Expanding Coverage

Expanding Health Insurance Coverage. Implementation of the Exchanges, also referred to as Marketplaces, will expand access to affordable insurance coverage for 25 million Americans. Marketplaces make purchasing private health insurance easier by providing eligible consumers and small businesses with one-stop-shopping where they can compare across plans. New premium tax credits and rules ensuring fair premium rates improve affordability of private coverage. Marketplaces will be operational in 2014; open enrollment begins October 1, 2013 for the coverage year beginning January 1, 2014. The Budget supports operations in the Federal Marketplaces, as well as oversight and assistance to State-based and Partnership Marketplaces.

Beginning in January 2014, Medicaid coverage rules will be simplified and aligned with rules for determining eligibility for tax credits for private insurance in the Marketplaces, and millions of low-income people will gain coverage. The Centers for Medicare & Medicaid Services (CMS) is committed to working with states and other partners to advance state efforts that promote health, improve the quality of care, and lower health care costs.

Also beginning in 2014, consumers will benefit from a number of new protections in the private health insurance market. Most health insurers will no longer be allowed to charge more or deny coverage to people because of pre-existing conditions. These new protections will also prohibit most health insurers from putting annual dollar limits on benefits and from varying premiums based on gender or any factor other than age, tobacco use, family size, or geography. In addition, new plans in the individual and small group market will be required to cover a

comprehensive package of items and services known as Essential Health Benefits, which must include items and services within ten benefit categories. Finally, most individuals choosing to participate in clinical trials will not face limits in health insurance coverage. This protection applies to all clinical trials that treat cancer or other life-threatening diseases.

Expanding Access to Care through Health Centers. The FY 2014 Budget includes \$3.8 billion for the Health Centers program, including \$2.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund. In FY 2014, 23 million patients will receive health care through more than 8,900 sites in medically underserved communities throughout the nation. The Budget funds 40 new health center sites for the provision of preventive health care services, expanding outreach and care to approximately 1.5 million additional patients.

Increasing Access to Mental Health Services

The FY 2014 Budget includes over \$1 billion for mental health programs at the Substance Abuse and Mental Health Services Administration (SAMSHA), including the \$460 million for the Community Mental Health Services Block Grant. This block grant provides States flexible funding to maintain community based mental health services for children and adults with serious mental illnesses, including rehabilitation, supported housing, and employment opportunities. The Budget also proposes funding within the block grant to encourage States to build provider capacity to bill public and private insurance. This will support States in an effective transition in the first year of the Affordable Care Act, which will include expanded coverage for mental health and substance abuse treatment services.

Expand Prevention and Treatment for Youth and Families. While the vast majority of Americans with a mental illness are not violent, and are in fact more likely to be the victims of violence, recent tragedies have brought to light a hidden crisis in America's mental health system. The Budget addresses these issues by investing \$130 million to help teachers and other adults recognize signs of mental illness in students and refer them to help if needed, support innovative state-based programs to improve mental health outcomes for young people ages 16-25, and train 5,000 more mental health professionals with a focus on serving students and young adults.

Helping Families and Children Succeed

In his State of the Union Address, President Obama proposed a series of new investments to create a continuum of high-quality early learning services for children beginning at birth through age five. As part of this initiative, HHS and the Department of Education are working together to make high-quality preschool available to four-year olds from low- and moderate-income families through a partnership with states, expand the availability of high-quality care for infants and toddlers, and increase highly-effective, voluntary home visiting programs to provide health, social, and education supports to low-income families. Specifically, the FY 2014 HHS Budget includes:

Early Head Start—Child Care Partnerships. The Budget proposes \$1.4 billion in FY 2014 for new Early Head Start – Child Care Partnerships that will expand the availability of early learning programs that meet the highest standards of quality for infants and toddlers, serving children from birth through age three. In addition to the new Partnerships, the Budget provides \$222 million above FY 2012 to strengthen services for children currently enrolled in the program, avoid further enrollment reductions, and support the Head Start Designation Renewal System. Together, these investments total \$9.6 billion, an increase of \$1.7 billion over FY 2012.

Head Start Reform. The Budget proposes a \$197 million cost of living adjustment in FY 2014 which will strengthen existing services for children currently enrolled in Head Start and avoid further reductions in enrollment. Additionally, the Budget proposes \$25 million in FY 2014 to minimize potential service disruptions by providing new grantees funding for start-up costs associated with transitioning from an incumbent grantee as a result of recompetition in the Designation Renewal System. Under the Designation Renewal System, Head Start grantees who do not meet quality thresholds established by the department have to compete for their continued funding with other potential providers from the community. Requiring grantees who are not meeting quality benchmarks to compete for funding will improve the quality of the program.

Improving the Safety and Quality of Child Care. The Budget provides \$500 million above FY 2012 in mandatory funds to serve 1.4 million children, approximately 100,000 more than would otherwise be served. In addition to this funding, the request includes \$200 million above FY 2012 in discretionary funds to help states raise the bar on quality by strengthening health and safety measures in child care settings, supporting professional development for providers, and promoting transparency and consumer education to help parents make informed child care choices.

The additional funding to improve child care quality also will support changes that may come as a result of a new regulation that the department recently issued for public comment that will better ensure children’s health and safety in child care and promote school readiness. Under the proposed rule, states, territories and tribes would be required to strengthen their standards to better promote the health, safety and school readiness of children in federally funded child care.

While states can use their existing funds to implement potential changes in these areas, these new resources dedicated to quality improvement would help states that have further to go in improving their programs.

We also will continue to work with Congress to reauthorize the Child Care and Development Block Grant, which was last reauthorized in 1996.

Child Support and Fatherhood Initiative. Additionally, the Budget includes a set of proposals to encourage states to pay child support collections to families rather than retaining those payments. This effort includes a proposal to encourage states to provide all current monthly child support collections to Temporary Assistance for Needy Families recipients. Recognizing that healthy families need more than just financial support alone, the proposal requires states to include parenting time provisions in initial child support orders, to increase resources to support, and

facilitate non-custodial parents' access to and visitation with their children. The Budget also includes new enforcement mechanisms that will enhance child support collections.

Home Visiting. The Budget extends and expands this voluntary evidence-based program that has shown to be critical in improving maternal and child health outcomes in the early years, leaving long-lasting, positive impacts on parenting skills; children's cognitive, language, and social-emotional development; and school readiness. The Budget proposes a long-term \$15 billion investment beginning in FY 2015.

Protecting Vulnerable Populations

Addressing the Unique Needs of Communities. The Administration for Community Living (ACL) was formed in April 2012 as a single agency designed to help more people with disabilities and older adults have the option to live in their homes and participate fully in their communities. The FY 2014 Budget reflects the creation of ACL by bringing together the resources for the Administration on Aging, the Office on Disability, and the Administration on Intellectual and Developmental Disabilities, into a consolidated request. This newly organized agency works across HHS to harmonize efforts to promote community living, which can both save federal funds and allow people who choose to live with dignity in the communities they call home. ACL's Older Americans Act programs, as an example, last year served nearly 11 million seniors and their caregivers through home and community-based services. These critical supports complement medical and health care systems, help to prevent hospital readmissions, provide transportation to doctor appointments, and support some of life's most basic functions, such as assistance to elders in preparing and delivering meals, or helping them with bathing. It is important that we continue to support alternatives to institutional care that are person-centered, consumer-driven and support individuals in their homes through the best evidence-based practices.

Promoting Science and Innovation

Advancing Scientific Knowledge. The FY 2014 Budget includes \$31.3 billion for the National Institutes of Health (NIH), an increase of \$471 million over the FY 2012 level, reflecting the Administration's priority to invest in innovative biomedical and behavioral research that spurs economic growth while advancing medical science. In FY 2014, NIH will focus on investing in today's basic research for tomorrow's breakthroughs, advancing translational sciences, and recruiting and retaining diverse scientific talent and creativity. Investment in NIH also helps drive the biotechnology sector and assure the nation's place as a leader in science and technology.

Alzheimer's Disease Initiatives. The Department continues to implement the National Plan to Address Alzheimer's Disease, as required by the National Alzheimer's Project Act. In FY 2014, the Budget includes a \$100 million initiative targeted to expanding research, education, and outreach on Alzheimer's disease, and to improving patient, family, and caregiver support. Included in this initiative is \$80 million within the NIH budget to be devoted to speeding drug development and testing new therapies. Also, the request for the Prevention and Public Health Fund (Prevention Fund) includes \$20 million for the Alzheimer's Disease Initiative. Of this,

ACL will use \$15 million to strengthen state and local dementia intervention capabilities and for outreach to inform those who care for individuals with Alzheimer's disease about resources available to help them. HRSA will use the other \$5 million to expand efforts to provide training to healthcare providers on Alzheimer's disease and related dementias.

Focusing on Responsible Stewardship of Taxpayer Dollars

Contributing to deficit reduction while maintaining promises to all Americans. The HHS Budget makes the investments the nation needs right now, while reducing the deficit in the long term and ensuring the programs that millions of Americans rely on will be there for generations to come. While it maintains ongoing investments in areas most central to advancing the HHS mission to the Budget reduces support for lower priority areas, reduces duplication, and increases administrative efficiencies. Overall, the FY 2014 Budget includes nearly \$2.3 billion in discretionary terminations and budget reductions.

The Affordable Care Act has already helped to slow rising costs through innovations that tackle the underlying health care costs that have been driving Medicare and Medicaid spending. In fiscal year 2012, per beneficiary Medicare spending grew by only 0.4 percent, and total per beneficiary Medicaid spending actually decreased by 1.9 percent. For the first time in a decade, overall health care costs grew more slowly than the economy. We are driving down costs while improving quality for patients by building a smarter system – for example, after decades stuck at 19 percent, avoidable hospital readmissions fell to 17.8 percent in Medicare last year with the help of payment reforms and assistance to hospitals. The Budget invests in programs and policies that enable HHS to build on this work.

Combating fraud, waste, and abuse in health care. The FY 2014 Budget makes cutting fraud, waste, and abuse a top Administration priority. In addition to the base discretionary Health Care Fraud and Abuse Control (HCFAC) funding in FY 2013 and FY 2014, the Budget seeks new mandatory funding to support these efforts. Starting in FY 2015, the Budget proposes that all new HCFAC investments be mandatory spending, consistent with levels in the Budget Control Act. This investment supports initiatives like the Fraud Prevention System and screening for Medicare providers and suppliers to reduce improper payments in Medicare, Medicaid and CHIP; and HHS-Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiatives, including the Medicare Strike Force teams and the Fraud Prevention Partnership between the federal government, private insurers, and other key stakeholders.

From 1997 to 2012, HCFAC programs have returned more than \$23 billion to the Medicare Trust Funds, and the current three-year return-on-investment of 7.9 to 1 is the highest in the history of the HCFAC program. The Budget's 10-year HCFAC investment yields a conservative estimate of \$6.7 billion in Medicare and Medicaid savings.

The Budget includes \$389 million in discretionary and mandatory funding for the Office of Inspector General (OIG), an increase of \$101 million above the FY 2012 level. This increase will enable OIG to expand CMS Program Integrity efforts for the Health Care Fraud Prevention and Enforcement Action Team and improper payments, and also enhance investigative efforts focused on civil fraud, oversight of grants, and the operation of Affordable Care Act programs.

The Budget also includes \$82 million for the Office of Medicare Hearings and Appeals (OMHA), an increase of \$10 million from FY 2012, to address OMHA's adjudicatory capacity and staffing levels and maintain quality and accuracy of its decisions. The increase allows OMHA to establish a new field office in the Central time zone supported by additional Administrative Law Judge teams and attorneys, and operational staff.

Thank you for the opportunity to testify. I will be happy to answer any questions you may have.