

MEMORANDUM

To: RWC-340B Members and Subscribers

From: Powers Law

Date: March 21, 2017

Re: Trump Administration Releases Blueprint Budget for Fiscal Year 2018

Overview

On March 16, 2017, the White House's Office of Management and Budget (OMB) released the [blueprint](#) of the President's \$1.1 trillion budget for fiscal year 2018, called *America First: A Budget Blueprint to Make America Great Again* (the Blueprint). Notably, Blueprint (also referred to as the "Skinny Budget") states that funding for Ryan White HIV/AIDS providers is one of the "highest priorities" for Department of Health and Human Services.

The Blueprint calls for a \$54 billion increase in defense spending in 2018 that is offset by targeted reductions in non-Defense discretionary programs. More specifically, the Blueprint calls for increased funding to three agencies, as compared to the 2017 annualized continuing resolution spending levels:

- The Department of Defense (\$639 billion, a nine percent increase);
- The Department of Homeland Security (\$44.1 billion in net discretionary spending, a seven percent increase); and
- The Department of Veterans Affairs (\$78.9 billion in discretionary funding, a six percent increase).

The Blueprint calls for decreased funding for most other federal agencies, including:

- The Environmental Protection Agency (\$5.7 billion, a 31 percent cut);
- The Department of State and US AID (\$25.6 billion, a 28 percent cut);
- The Department of Agriculture (\$17.9 billion, a 21 percent cut);
- The Department of Labor (\$9.6 billion, a 21 percent cut); and
- The Department of Health and Human Services (\$69 billion, an 18 percent cut). Of this number, the Blueprint allots \$65.1 million in base discretionary spending, which is a 16.2% decrease from 2017, and \$0.4 million in program integrity cap adjustment funding, a 17.3% increase from 2017.

The budget proposal delivers on many of President Donald Trump's presidential campaign promises, including increased funding for defense and veterans while also reducing the cost of the federal bureaucracy. Highlights of the Blueprint's health-care related provisions are discussed below. A more detailed budget for FY 2018 is expected to be released by the Trump Administration in May.

Department of Health and Human Services

The Blueprint requests \$69.0 billion for HHS, a \$15.1 billion or 17.9 percent decrease from the 2017 annualized Continuing Resolution (CR) level. This funding level excludes certain mandatory spending changes but includes additional funds for program integrity (fraud and abuse) efforts. The Blueprint calls for the following:

National Institutes of Health (NIH)

- A reduction in NIH's spending by \$5.8 billion to \$25.9 billion (as compared to \$31.7 billion at the 2017 annualized CR level), an 18.3 percent decrease. [Given that the current extramural budget of the National Center for Medical Rehabilitation Research (NCMRR) is approximately \$70 million, an 18.3 percent decrease, assuming an equal decrease among all sectors of NIH, would equal a \$12.8 million decrease in funds to NCMRR. This funding cut could be greater if Congress chooses to pass a budget that makes greater cuts to NCMRR's parent institute, the National Institute of Child Health & Human Development (NICHD), which also funds studies regarding reproductive and maternal health.];
- The consolidation of the Agency for Healthcare Research and Quality (AHRQ) within NIH;
- The elimination of the Fogarty International Center;
- General consolidation and structural reforms of NIH organizations and activities; and
- Reduction of administrative costs, as well as rebalancing of Federal contributions to research funding.

Medicare and Medicaid Fraud and Abuse

- An increase in funding for the Health Care Fraud and Abuse Control (HCFAC) program by \$70 million (as compared to the 2017 annualized CR level) to \$751 million. [These funds may increase the number of Medicare appeals being processed, and/or increase the amount of Administrative Law Judges (ALJs) needed to process these appeals, although their exact intended use is not clear from the budget blueprint document at this time.]

Health Professions

- The elimination of \$403 million in health professions and nursing training programs based on the fact that they "lack evidence" that they significantly improve the Nation's health workforce; and
- The continual funding of health workforce activities that provide scholarships and loan repayments in exchange for service in areas of the United States where there is a shortage of health professionals.

Medicare, Medicaid and Children's Health Insurance Program (CHIP)

- Supporting these programs' "efficient operations" with a focus on "the highest priority activities necessary to effectively operate these programs."

Substance Abuse and Opioid Treatment

- An increase in funding by \$500 million above 2017 enacted levels to expand opioid misuse prevention efforts and to increase access to treatment and recovery services.

Office of Community Services

- Savings of \$4.2 billion from the 2017 annualized CR level through the elimination of the discretionary programs within the Office of Community Services, including the Low

Income Home Energy Assistance Program (LIHEAP) and the Community Services Block Grant (CSBG).

Direct Health Care Services

- Supporting direct health care services, such as those delivered by community health centers, Ryan White HIV/AIDS providers, and the Indian Health Service.

Food and Drug Administration (FDA)

- An increase in funding of \$1 billion over the 2017 annualized CR level, to \$2 billion total, for FDA's medical product user fee program;
- Replacing the need for new budget authority to cover pre-market review costs;
- A package of administrative actions designed to achieve regulatory efficiency and speed regarding development of safe and effective medical products.
- Industry to "pay for their share" of the FDA approval process costs.

Mental Health

- Investment in mental health activities, focusing on "high performing entities" and high priority areas such as suicide prevention, serious mental illness, and children's mental health.

Public Health, Emergency Preparedness, and Prevention Programs

- Reforming key public health, emergency preparedness, and prevention programs to reduce overlap and administrative costs;
- Re-structuring the Centers for Disease Control and Prevention (CDC) with the creation of a new \$500 million block grant for the CDC to increase State flexibility and focus on the leading public health challenges specific to each State; and
- A new Federal Emergency Response Fund to rapidly respond to public health outbreaks, such as the Zika virus.

Affordable Care Act

The Blueprint is silent on funding for the Affordable Care Act (ACA) or its proposed replacement, the American Health Care Act (AHCA). For example, the Blueprint is silent on whether or not the Administration seeks to fund the ACA's cost-sharing subsidies. The AHCA, in its current form, would eliminate these subsidies beginning in 2020. A repeal of these subsidies without an adequate replacement is viewed by insurers and experts as a catalyst for the collapse of the ACA's federal exchanges. Some Republicans have hinted that they would be willing to temporarily fund these subsidies if the White House drops a pending court appeal on the matter. That appeal has been delayed for the near term as new health care reform proposals are debated.

Department of Labor

The Blueprint requests \$9.6 billion for the Department of Labor, a \$2.5 billion or 21 percent decrease from the 2017 annualized CR level. Among other things, the Blueprint recommends the following:

Office of Disability Employment Policy (ODEP)

- A reform of ODEP, eliminating technical assistance grants deemed "less critical;" and

- An early intervention demonstration project to allow States to test and evaluate methods that help individuals with disabilities remain attached to or reconnect to the labor market.

Occupational Safety and Health Administration (OSHA)

- A decrease in funding of almost \$11 million from the 2017 annualized CR level through the elimination of training grants that it deems “unproven;” and
- Assistance to states in their apprenticeship programs.

Department of Education

The Blueprint requests \$59 billion in discretionary funding for the Department of Education, a \$9 billion or 13 percent reduction below the 2017 annualized CR level. Among other things, the Blueprint recommends the following:

Individuals with Disabilities Education Act (IDEA) programs

- The maintenance of \$13 billion in funding for IDEA programs to support students with special education needs, including those with disabilities.

Department of Veterans Affairs

The President’s 2018 Budget requests \$78.9 billion in discretionary funding for VA, a \$4.4 billion or 6 percent increase from the 2017 enacted level. Among other things, the Blueprint recommends the following:

- An increase in discretionary spending by \$4.6 million for VA health care, including primary care, specialized care, and related medical and social support services;
- Extending and funding the Veterans Choice Program that gives veterans the choice to seek care at the VA or through a private provider;
- Access to education benefits, enhanced services, and other programs to assist veterans’ transition to civilian life;
- Resources to reduce the time required to process and adjudicate veterans’ disability compensation claims; and
- Investments in information technology to improve the efficiency and efficacy of VA services.

Conclusion

The Blueprint represents the first step in the release of the president’s FY 2018 budget. The current “skinny” budget does not make projections beyond fiscal year 2018, nor does it have recommendations for mandatory spending programs like Medicare or Social Security. The President is expected to release a full budget, including a more detailed budget for HHS, in May. We will keep you apprised of developments.