



Background

Today, President Obama released the FY 2011 budget proposal, totaling \$3.834 trillion in spending. Discretionary spending totals \$1.415 trillion.

The proposal anticipates \$1.267 deficit and includes a promised three-year spending freeze on discretionary spending unrelated to national security, defense, Medicare and veterans' affairs. The spending freeze is estimated to save approximately \$250 billion over the next ten years.

SGR costs are not included for purposes of PAYGO. The Administration estimates the costs at \$371 billion over ten years for a full repeal.

Budget documents indicate that the Administration is still anticipating that Congress passes a major health reform bill, estimating the cost of the legislation to reach more than \$740 billion over the next ten years. However, this figure is much lower than the estimated costs of both the House and Senate-passed bills.

The budget also proposes \$23 billion in FY11 savings from 126 terminated or reduced programs. The budget creates a bipartisan fiscal commission to recommend policies to balance the budget by 2015 net of interest on the debt. Congressional leaders have indicated the recommendations would be taken up in a legislative vehicle after the November elections. The Administration states it is committed to cutting the deficit in half by the end of the President's first term in office.

The Senate Finance Committee will meet Wednesday afternoon to review the President's FY 2011 budget with HHS Secretary Kathleen Sebelius.

Impact Analysis: HHS

The FY 2011 budget proposal totals \$81.3 billion in funding for HHS, which is a slight increase over projected 2010 spending (\$79.6 billion).

Medicare and Medicaid Spending

- \$784.3 billion in mandatory and discretionary outlays, a net increase of \$48.3 billion over the FY 2010 level.
- Legislative and administrative changes are estimated to save Medicare and Medicaid \$14.7 billion over 10 years.
- \$110 million for new Health Care Data Improvement Initiative, aimed at transforming focus of CMS data from claims processing to data analysis and information sharing. Will allow CMS to enhance value-based purchasing, improve systems security, increase analytic capabilities and data sharing with key stakeholders.
- \$89 million to continue MIPAA implementation.



- \$732 million for IT systems and support. This includes \$60 million to continue converting to ICD-10.
- \$47 million for research, demonstrations and evaluation (a \$12 million increase over FY 2010). OF this, \$30 million will be put towards expanding Medicare and Medicaid research agenda, including new demo projects and pilot programs that will focus on payment forms and beneficiary education.
- Breakdown of CMS FY 2011 spending (\$911 billion in outlays):
 - Medicare: 51%
 - Medicaid: 33%
 - Discretionary Programs: 10%
 - Children’s Entitlement Programs (includes CHIP): 3%
 - TANF: 2.3%
 - Other: 0.4%

Medicare

- In FY 2011, gross current law spending on Medicare benefits will total \$549.8 billion, and Medicare will provide insurance to 48.1 million individuals.
- Part A spending: \$193 billion.
- Part B spending: \$154 billion gross spending.
- Part C spending: \$132 billion.
- Part D: \$74 billion gross spending.
- Total Medicare Benefits Spending \$549.8 billion:
 - Inpatient hospital: 26.2%
 - Managed Care: 24%
 - Drug benefit: 13%
 - Physicians: 9.6%

Medicaid

- \$25.5 billion in additional FMAP assistance to states. This funding increase would be temporary—lasting six months—through June 2011.
- In FY 2011, an estimated 56 million people will receive health coverage through Medicaid.
- Proposal to track drug utilizers and prescribers to reduce over-utilization.



Health Information Technology

- \$110 million for continuing efforts to strengthen health IT adoption and utilization.
- \$78 million (an increase of \$17 million) for the ONC for HIT to advance adoption of EHRs

Waste, Fraud and Abuse

- Aims to strengthen Medicare, Medicaid and CHIP program integrity by providing \$1.7 billion to HHS (a \$250 million increase over 2010 funding) to help combat waste, fraud and abuse.
 - Proposes to expand the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative.
 - Proposes to expand the Strike Force Teams that target local Medicare fraud.
 - Enhances enrollment scrutiny, claims oversight and data analysis capabilities.

Comparative Effectiveness

- \$261 million to fund research conducted by AHRQ to support new research projects focused on evidence-based treatments.

Food and Drug Administration

- \$2.5 billion in budget authority and \$4 billion in total program resources.

Prevention and Wellness

- \$20 million to fund programs in up to 10 of the largest US cities aimed at reducing rates of morbidity due to chronic disease.

Primary and Preventive Care

- \$2.5 billion for health centers to provide primary and preventive care to underserved/uninsured populations.
- Adds 400 NHSC clinicians to provide primary and preventative care.

Biomedical Research

- NIH would see a 3% budget increase, to \$32.1 billion.