

Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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President FY 2024 Budget Released

President Biden has released his Fiscal Year (FY) 2024 budget.

The following material is based on the budget document from the Department of Health and Human Services (DHHS). A copy of the 169-page document is available at: <https://www.hhs.gov/about/budget/fy2024/index.html>.

The Budget includes much narrative regarding recent program developments including the **Inflation Reduction Act**, drug price negotiations and insulin payments at \$35 per month.

Comment

The budget contains much boilerplate regarding the health care system and changes being sought. Presidential budgets are usually “dead upon arrival” by the Congress. This year is no exception. The priorities, especially in the House, are not in sync with those of the administration. Perhaps the issue gaining most attention will be the debt ceiling.

HHS FY 2024 Budget

Overall, HHS proposes \$144.3 billion in discretionary and \$1.7 trillion in mandatory proposed budget authority for FY 2024.

The table numbers are in millions of dollars.

HHS Budget	2022	2023	2024
Budget Authority	1,635,534	1,772,315	1,737,965
Total Outlays	1,643,127	1,701,433	1,691,374

Below is a specific breakdown of the mandatory budget programs.

COMPOSITION OF THE HHS BUDGET MANDATORY PROGRAMS

The table numbers are in millions of dollars.

Mandatory Programs (Outlays) ²⁰	2022	2023	2024	2024+ / -2023
Medicare	790,129	835,893	845,051	+9,158
Medicaid ²¹ ²²	591,949	607,677	558,100	-49,577
Temporary Assistance for Needy Families ²³	15,900	16,204	16,501	+297

Questions? Contact Andrew Wheeler, MHA's Vice President of Federal Finance, at 573-893-3700 | ext. 1336 or awheeler@mhanet.com.

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Mandatory Programs (Outlays)²⁰	2022	2023	2024	2024+ / -2023
Foster Care and Adoption Assistance	9,173	11,935	12,007	+72
Children's Health Insurance Program ²⁴	16,670	17,702	17,863	+161
Child Support Enforcement	4,245	4,403	4,539	+136
Child Care Entitlement	3,206	3,490	3,590	+100
Social Services Block Grant	1,492	1,473	1,587	+114
Universal Preschool	--	--	5,000	+5,000
Affordable Child Care for America	--	--	9,900	+9,900
Other Mandatory Programs ²⁵	29,838	60,918	64,240	+3,322
Offsetting Collections	-2,070	-837	-575	+262
Subtotal, Mandatory Outlays	1,460,532	1,558,858	1,537,803	-21,055
Total, HHS Outlays	1,643,127	1,701,433	1,691,374	-10,059

20 Totals may not add due to rounding.

21 Reflects changes in Medicaid spending from the Consolidated Appropriations Act, 2023, including expiration of the COVID-19 continuous enrollment requirement and phase down of the enhanced match. See Medicaid chapter for more detail.

22 Excludes discretionary funding of \$5 million in FY 2023 and \$8 million in FY 2024.

23 Includes outlays for the Temporary Assistance for Needy Families, and the Temporary Assistance for Needy Families Contingency Fund.

24 Includes outlays for the Child Enrollment Contingency Fund.

25 Includes outlays for No Surprises Implementation Fund, Defense Production Act Medical Supplies Enhancement, Prepare for Pandemic and Biological Threats, and all other remaining mandatory outlays not broken out in the Mandatory Programs table above.

CMS FY 2024 Budget

"As the largest single health payer in the United States, the Centers for Medicare & Medicaid Services (CMS) administers Medicare, Medicaid, the Children's Health Insurance Program (CHIP), and the federal Marketplace, Healthcare.gov. Over 160 million Americans rely on CMS programs for health coverage. The President's Fiscal Year (FY) 2024 Budget estimates \$1.5 trillion in mandatory and discretionary outlays for CMS, a net decrease of \$38 billion below FY 2023."

The table numbers are in millions of dollars.

Current Law	2022	2023	2024	2024+ / -2023
Total, Net Outlays, Current Law	1,413,737	1,489,806	1,451,781	-38,025

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Comment

CMS notes that many of its budget numbers are being rounded, and as a result, amounts do not often total. Some rounding items are significant. For example, as noted above, the document says that budget estimates for CMS is \$1.5 trillion in outlays. However, as shown in the table above the rounding for 2024 amounts to \$49 billion. This is not a rounding amount. (\$1,500 trillion minus \$1,451 trillion is a rounding of \$49 billion).

FY 2024 Medicare Budget Proposals

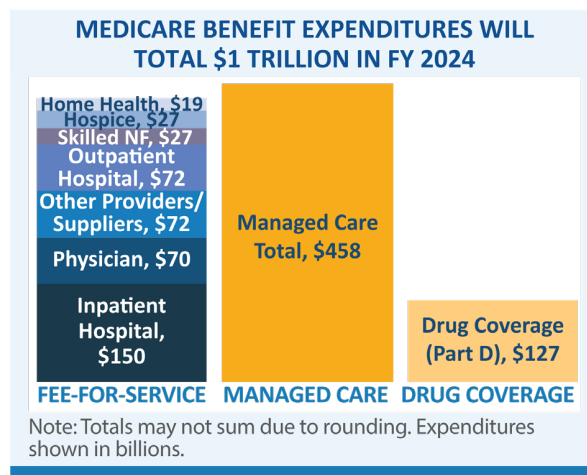
For Fiscal Year (FY) 2024, the Office of the Actuary estimates that gross current law spending on Medicare benefits will total \$1 trillion and the program will provide health benefits to 67 million beneficiaries.

Part A gross fee-for-service spending totals an estimated \$209.9 billion. Part B gross fee-for-service spending will total about \$225.7 billion.

Medicare payments for private health coverage under Part C are expected to total \$458.3 billion.

For FY 2024, CMS expects Medicare Part D enrollment to increase three percent from FY 2023 to 54 million, including 14 million beneficiaries who receive the low-income subsidy. CMS estimates Part D program costs total \$127.4 billion.

The table below identifies the various components of the FY 2024 Medicare outlays. The chart appears distorted in the fee-for-service column, but it is not. The row heights of the individual sectors equates to each spending category amount.



Comment

The totals for the fee-for-service items equals \$437 billion. Adding managed care at \$458 billion and drug coverage at \$127 billion equates to \$1.022 trillion. Rounding down \$22 billion is again significant.

FY 2024 Budget Proposals Identified as Requiring Legislation

The following tables are all in millions of dollars.

Mental Health	2024	2024- 2028	2024- 2033
Apply the Mental Health Parity and Addiction Equity Act to Medicare		*	* *
Eliminate the 190-day Lifetime Limit on Psychiatric Hospital Services	160	1,030	2,440
Revise Criteria for Psychiatric Hospital Terminations from Medicare	--	--	--
Modernize Medicare Mental Health Benefits		*	* *
Require Medicare to Cover Three Behavioral Health Visits without Cost-Sharing		--	550 1,450
Total, Mental Health	160	1,580	3,890

Pandemic Preparedness	2024	2024- 2028	2024- 2033
Authorize Coverage for Specific Products and Services, including Drugs, Vaccines, and Devices Authorized for Emergency Use		*	* *
Enable the Secretary to Temporarily Modify or Waive the Application of Specific Requirements of the Clinical Laboratory Improvement Amendments of 1988 Act		*	* *
Total, Pandemic Preparedness		--	-- --

Long-Term Care	2024	2024- 2028	2024- 2033
Hold Long-Term Care Facility Owners Accountable for Noncompliant Closures and Substandard Care		--	-- --
Provide Authority for the Secretary to Collect and Expend Re-Survey Fees		--	-- --
Increase Per Instance Civil Monetary Penalty Authority for Long-Term Care Facilities		--	-- --
Improve the Accuracy and Reliability of Nursing Home Care Compare Data		--	-- --
Adjust Survey Frequency for High Performing and Low Performing Facilities		--	-- --
Total, Long-Term Care		--	-- --

Cancer Moonshot	2024	2024- 2028	2024- 2033
Expand Cancer Care Quality Measurement		*	**
Total, Cancer Moonshot		*	**

Nutrition	2024	2024- 2028	2024- 2033
Expand and Enhance Access to Medicare Coverage of Nutrition and Obesity Counseling		20	570
Conduct a Subnational Medicare Medically-Tailored Meal Demonstration		*	*
Total, Nutrition		20	560
			1,740

Medicare Modernization and Benefit Enhancements	2024	2024- 2028	2024- 2033
Create a Permanent Medicare Diabetes Prevention Program Benefit		*	*
Implement Value-Based Purchasing Programs for Inpatient Psychiatric Facilities, Outpatient Hospitals, and Ambulatory Surgical Centers		--	--
Create a Permanent Medicare Home Health Value-Based Purchasing Program		--	--
Add Medicare Coverage of Services Furnished by Community Health Workers		*	*
Total, Medicare Modernization and Benefit Enhancements		--	--

Good Governance and Quality Improvement	2024	2024- 2028	2024- 2033
Create a Consolidated Medicare Hospital Quality Payment Program		--	--
Refine the Quality Payment Program: Measure Development Funding for the Quality Payment Program		--	--
Establish Meaningful Measures for the End-Stage Renal Disease Quality Incentive Program		--	--
Strengthen Medicare Advantage by Establishing New Medical Loss Ratio Requirements for Supplemental Benefits		*	*
Require Average Sales Price (ASP) Reporting for Oral Methadone		*	*
Total, Good Governance and Quality Improvement		--	--

Other Technical Proposals	2024	2024- 2028	2024- 2033
Standardize Data Collection to Improve Quality and Promote Equitable Care		--	--
Allow Collection of Demographic and Social Determinants of Health Data through CMS Quality Reporting and Payment Programs		--	--
Increase Transparency by Disclosing Accreditation Surveys		--	--
Remove Restrictions on the Certification of New Entities as Organ Procurement Organizations and Increase Enforcement Flexibility		--	--
Use Administrative Law Judge Written Decisions		--	--
Change Medicare Appeal Council's Standard of Review		--	--
Total, Other Technical Proposals		--	--

Medicare Interactions	2024	2024- 2028	2024- 2033
Subtotal, Medicare Legislative Proposals	180	-32,381	-153,042
National Hepatitis C Elimination Program in the United States	183	1,177	984
Extension of Sequester	--	--	-36,774
<i>Eliminate the 190-day Lifetime Limit on Psychiatric Hospital Services</i> <i>(Medicaid Impact - Non-Add)</i>	-40	-275	-655
Total Outlays, Medicare Proposals	363	-31,204	-188,832

Medicare Proposed Policy	2024	2024- 2028	2024- 2033
Total Outlays, Medicare Legislative Proposals	363	-31,204	-188,832
Savings from Program Integrity investments	-1,502	-10,415	-27,153
Total Outlays, Medicare Proposed Policy	-1,139	-41,619	-215,985

-- Zero or budget neutral

* Not scoreable

Medicaid

Tables are in millions of dollars.

Current Law	2022	2023	2024	2024+/-2023
Benefits	568,077	583,804	531,537	-52,267
State Administration	23,872	23,878	24,622	+744
Total Net Outlays, Current Law	591,949	607,682	556,159	-51,523

Proposed Policy	2022	2023	2024	2024+/-2023
Legislative Proposals ⁹⁴	--	--	1,975	+1,975
Total Net Outlays, Proposed Policy	591,949	607,682	558,134	-49,548

FY 2024 Medicaid Budget Proposals Requiring Legislation

Address Current and Future Pandemic and Public Health Threats	2024	2024-2028	2024-2033
Eliminate Barriers to PrEP under Medicaid		-710-4,150	-10,230
Strengthen Long-Term Sustainability and Integrity of CMS Programs	2024	2024-2028	2024-2033
Modify the Medicaid Drug Rebate Program in Territories		--	--
Authorize HHS to Negotiate Medicaid Supplemental Rebates on Behalf of States		--	-1,400
Enhance Medicaid Managed Care Enforcement		--	-500
Require Remittance of Medical Loss Ratios in Medicaid and CHIP Managed Care		--	-7,700
Promote Equity and Address Social Determinants of Health	2024	2024-2028	2024-2033
Require Medicaid Adult and Home and Community-Based Services Quality Reporting (non-add)		25	131
Align Medicare Savings Programs and Part D Low-Income Subsidy Eligibility Methodologies		100	2,060
Align Qualified Medicare Beneficiary Renewal Period with Other Medicaid Groups		--	--
Require 12-Months of Postpartum Coverage		200	1,060
Modernize and Enhance Program Benefits	2024	2024-2028	2024-2033
Improve Medicaid Home and Community-Based Services	3,000	28,700	150,000
Legislative Proposals in Other Chapters Impacting Medicaid	2024	2024-2028	2024-2033
Expand Vaccines for Children Program to all CHIP Children and Make Program Improvements	470	1,570	3,180
Convert Medicaid CCBHC Demonstration into a Permanent Program	--	2,895	20,056

Legislative Proposals in Other Chapters Impacting Medicaid	2024	2024-2028	2024-2033
Add 20,000 Special Immigrant Visas		35	550
National Hepatitis C Elimination Program	-1,130	-6,330	-7,180
Treat Certain Populations as Refugees for Public Benefit Purposes	50	285	363
Eliminate the 190-day Lifetime Limit on Psychiatric Hospital Services	-40	-275	-655
<i>Social Security Administration Program Integrity (non-add)</i>	-26	-624	-2,155
Medicaid Legislative Proposals Totals	2024	2024-2028	2024-2033
Subtotal Net Outlays, Medicaid Legislative Proposals	1,975	16,505	137,504

Medicare Solvency

“More than 67 million Americans depend on Medicare, and we must work to ensure millions more can depend on the program in the future. The FY 2024 budget proposes new tax revenue sources and drug reform savings that extend the solvency of the Medicare Hospital Insurance Trust Fund by at least 25 years.”

A good description of these elements were previously provided in a press release. The Budget extends the life of Medicare by:

“Modestly increasing the Medicare tax rate on income above \$400,000. The Budget proposes to increase the Medicare tax rate on earned and unearned income above \$400,000 from 3.8 percent to 5 percent.

“Closing loopholes in existing Medicare taxes and dedicating the Medicare net investment income tax to the HI Trust Fund. High-income people are supposed to pay a 3.8 percent Medicare tax on all of their income, but some high-paid professionals and other wealthy business owners have managed to shield some of their income from tax by claiming it is neither earned income nor investment income. The Budget would ensure that Medicare taxes apply to incomes over \$400,000 per year, without loopholes. It would also dedicate the revenue from the Medicare net investment income tax to the HI Trust Fund, as originally intended.

“Crediting savings from prescription drug reforms to the HI Trust Fund. Building on the Inflation Reduction Act (IRA), which gave Medicare the authority to negotiate prices for high-cost drugs, the Budget strengthens this newly-established negotiation power by allowing Medicare to negotiate prices for more drugs and bringing drugs into negotiation sooner after they launch. It also strengthens the IRA requirement that drug companies pay rebates to Medicare when they increase prices faster than inflation by extending this rule to commercial health insurance. The Budget credits the savings from these additional prescription drug reforms, amounting to \$200 billion over 10 years, to the HI Trust Fund.”

Lowering Costs for Beneficiaries

“Not only does the President’s Budget extend the life of the Medicare Trust Fund without benefit cuts, it does so while lowering costs for beneficiaries in key areas.”

Lower out-of-pocket costs for drugs subject to negotiation. Reducing prices for high-cost drugs.

\$2 cost-sharing for generic drugs for chronic conditions. Capping Part D cost-sharing on certain generic drugs, such as those used to treat chronic conditions like hypertension and high cholesterol, to \$2 per prescription per month.

Lowering behavioral health care costs in Medicare. Eliminating cost-sharing for three mental health or other behavioral health visits per year and requires parity between physical health and mental health coverage in Medicare. It also requires coverage and payment for new types of Medicare providers, such as peer support workers and certified addiction counselors, and evidence-based digital applications and platforms that facilitate delivery of mental health services, while removing unnecessary limitations on beneficiary access to psychiatric hospitals.

Final Thoughts

This an extraordinary complex document. The rounding issue distorts many assumptions.

The tables are fairly descriptive and provide a succinct understanding of overall changes.

The budget appears to be relying on the continuation of the 2.0 percent sequester reduction.

The House Republicans say they will provide their own Medicare changes, shortly.