

Issue Brief

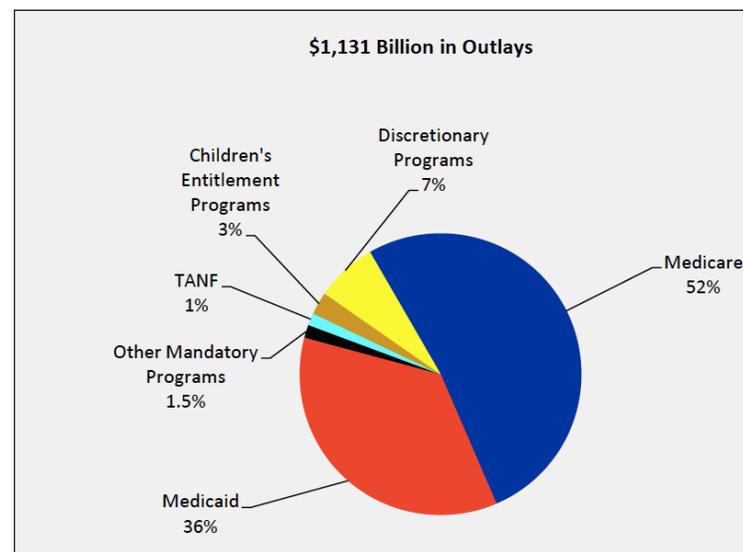
FEDERAL ISSUE BRIEF • May 23, 2017

President's FY 2018 Budget Released to Congress: Would Not Reduce Medicare Directly; Would Reduce Medicaid by \$627 Billion Throughout 10 Years

The White House has released President Trump's fiscal year 2018 budget. The budget calls for \$4.1 trillion in spending. The Department of Health & Human Services amount is \$1.131 trillion. Of the total HHS budget, the estimate for the Centers for Medicare & Medicaid Services is \$1 trillion in mandatory and discretionary outlays, a net increase of \$13 billion from the FY 2017 level. Medicare would account for 58 percent and Medicaid 39.5 percent. These items finance Medicare, Medicaid, the Children's Health Insurance Program, other health insurance programs, program integrity efforts, and operating costs.

While the budget does not "directly" reduce Medicare spending, it would significantly reduce federal Medicaid spending by some \$627 billion over 10-years. The Medicaid changes have leaked and are already a source of debate and controversy. The HHS budget detail consists of 108 pages. A copy is available at: <http://www.hhs.gov/sites/default/files/fy2018-budget-in-brief.pdf>.

THE FY 2018 HHS BUDGET — \$1.131 TRILLION



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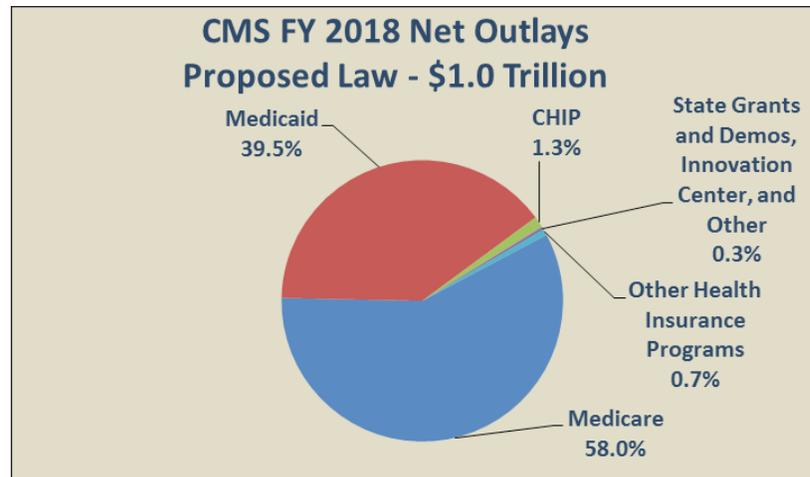
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THE PRESIDENT'S FY 2018 CMS BUDGET \$1 TRILLION



COMMENT

While the HHS document addresses all aspects of the department, the material below focuses on CMS. Following the budget and its projections is complex. Amounts, numbers and offsets seem to constantly change. The budget proposes targeted savings of \$636 billion to the CMS federal health benefit programs over the next decade. Any reductions to Medicaid would require Congressional action, action that at this point is far from certain.

MEDICARE

The budget does not include any direct Medicare cuts. The budget proposes to repeal the Independent Payment Advisory Board and also provides resources and signals a commitment to reform the Medicare appeals process.

In FY 2018, the Office of the Actuary estimates that gross current law spending on Medicare benefits will total \$704.6 billion. Medicare will provide health insurance to 60 million individuals who are age 65 or older, disabled, or have end-stage renal disease.

THE FOUR PARTS OF MEDICARE

- Part A (\$202.8 billion gross fee-for-service spending in 2018)
- Part B (\$201.9 billion gross fee-for-service spending in 2018)
- Part C (\$203.0 billion gross spending in 2018)
- Part D (\$96.8 billion gross spending in 2018)

COMMENT

While the above says Medicare outlays will be \$704.6 billion, the second table above says Medicare spending will be 58 percent of \$1 trillion, or approximately \$580 billion. The table below suggests the amount is \$587 billion. The differences are probably attributable to beneficiary copays and deductible offsets.

Composition of the HHS Budget Mandatory Programs				
dollars in millions	2016	2017	2018	2018 +/- 2017
Mandatory Programs (Outlays):¹				
Medicare	588,309	592,593	586,579	-6,014
Medicaid	368,280	378,455	403,713	+25,258
Temporary Assistance for Needy Families ^{2, 3}	16,196	17,120	15,436	-1,684
Foster Care and Adoption Assistance	7,700	8,025	8,457	+432
Children's Health Insurance Program ⁴	14,358	16,879	13,417	-3,462
Child Support Enforcement	4,079	4,266	4,302	+36
Child Care Entitlement	2,788	2,968	2,946	-22
Social Services Block Grant	1,780	1,699	362	-1,337
Other Mandatory Programs	20,414	19,371	17,735	-1,636
Offsetting Collections	-975	-1,373	-1,243	+130
Subtotal, Mandatory Outlays	1,022,929	1,040,003	1,051,704	+11,701
Total, HHS Outlays				
	1,103,145	1,130,835	1,131,256	+421
¹ Totals may not add due to rounding.				
² Includes outlays for the TANF program and TANF contingency Fund.				
³ The amounts listed for FY 2018 Outlays do not take into account updated scoring of legislative proposals in Temporary Assistance for Needy Families that are displayed in A/F Budget documents.				
⁴ Includes outlays for the Child Enrollment Contingency Fund.				

MEDICAL LIABILITY REFORM/MEDICARE APPEALS

The budget proposes nationwide medical liability reforms that would “reduce medical malpractice costs and the practice of defensive medicine, saving HHS programs a combined \$31.8 billion over 10 years; decreasing provider burdens; and reducing costs for patients, States, and insurers.”

Specifically, the budget proposes the following medical liability reforms:

- Capping awards for noneconomic damages at \$250,000 indexed to inflation;
- Providing safe harbors for providers based on clinical standards;
- Authorizing the Secretary to provide guidance to States to create expert panels and administrative health care tribunals;
- Allowing evidence of a claimants' income from other sources such as workers compensation and auto insurance to be introduced at trial;
- Providing for a three-year statute of limitations;
- Allowing courts to modify attorney's fee arrangements;
- Establishing a fair share rule to replace the current rule of joint and several liability;
- Excluding provider expressions of regret or apology from evidence; and
- Requiring courts to honor a request by either party to pay damages in periodic payments for any award equaling or exceeding \$50,000.

FY 2018 Medicare Legislative Proposals (Negative numbers reflect savings and positive numbers reflect costs)			
dollars in millions	2018	2018-2022	2027
Medicare Appeals Proposals			
Provide Additional Resources for Medicare Appeals	127	635	1,270
Remand Appeals to the Redetermination Level with the Introduction of New Evidence	—	—	—
Increase Minimum Amount in Controversy for Administrative Law Judge Adjudication of Claims to Equal Amount Required for Judicial Review	—	—	—
Establish Magistrate Adjudication for Claims with Amount in Controversy Below New Administrative Law Judge Amount in Controversy Threshold	—	—	—
Expedite Procedures for Claims with No Material Fact in Dispute	—	—	—
Other Medicare Benefits Proposals			
Repeal the Independent Payment Advisory Board	—	—	7,621
Medicare Interactions			
Medical Liability Reform (Medicare Impact)	-88	-6,422	-31,449
Total ¹	39	-5,787	-22,557

¹ Total may not add due to rounding.

PROGRAM INTEGRITY

The FY 2018 budget is intended to strengthen the integrity and sustainability of Medicare and Medicaid by investing in activities that prevent fraud, waste, and abuse and promote quality and efficient health care. For FY 2018, the budget assumes \$2.1 billion in total mandatory and discretionary investments in the Health Care Fraud and Abuse Control program.

dollars in millions	2016	2018	2018-2022	2018-2027
Health Care Fraud and Abuse Control Discretionary ¹	681	681	751	+70
Health Care Fraud and Abuse Control Mandatory ^{2,3}	1,279	1,270	1,352	+82
Total, Budget Authority	1,960	1,951	2,103	+152

¹ Reflects the annualized level of the Continuing Resolution that ended April 28, 2017, including the across the board reduction, the 21st Century Cures Act, and directed transfers.
² The FY 2016 and FY 2017 mandatory base includes sequester reductions.
³ Does not include Deficit Reduction Act funding for the Medicaid Integrity Program, which is discussed in this chapter but is in the State Grants and Demonstrations account.

REPEAL AND REPLACE

The Budget includes \$250 billion in net deficit savings over 10 years related to repealing and replacing the Affordable Care Act.

MEDICAID

The document says the “budget makes fundamental reforms to Medicaid’s fiscal structure and gives States greater flexibility to implement solutions reflective of the needs of their unique populations. The Budget includes an initiative that helps to rebuild the patient-physician relationship.”

Reform Medicaid Funding to States and Provide Additional Flexibility

The budget provides “additional flexibility to States and reforms the fiscal structure of Medicaid, allowing a choice between a per capita cap or a block grant beginning in FY 2020.”

The document says that “the Administration is determined to work with Congress to put in place a plan to give States the flexibility they need to achieve better health outcomes for patients while putting Medicaid on a more sustainable fiscal trajectory. [\$610 billion in Medicaid savings over 10 years]

CHIP

Finally, the budget extends CHIP for two budget through FY 2019, and makes modest reforms that taken together save a net \$5.8 billion over the Budget window.

dollars in millions	2018	2018-2022	201-2027
Medicaid Fiscal Sustainability and Flexibility			
Reform Medicaid Funding to States and Provide Additional Flexibility	—	-70,000	-610,000
Medicaid Interactions			
Medical Liability Reform (Medicaid Impact) ¹	-62	-399	-399
Extend CHIP Funding through 2019 (Medicaid Impact) ²	-3,800	-16,700	-16,700
Extend Special Immigrant Visa Program (Medicaid Impact) ³	5	49	94
Total Outlays, Legislative Proposals⁴	-3,857	-87,050	-627,005

¹ See the Budget in Brief Overview for proposal descriptions.
² See Children’s Health Insurance Program chapter for proposal description.
³ This proposal is included in the State Department’s FY 2018 Budget Request.
⁴ Totals may not add due to rounding.

Analysis provided for MHA
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