Issue Brief

FEDERAL ISSUE BRIEF

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

March 12, 2024

President's FY 2025 Budget Released

President Biden has released his Fiscal Year (FY) 2025 budget.

The following material is based on the budget from the Department of Health and Human Services (DHHS). A copy of the 182-page budget is available at: https://www.hhs.gov/sites/default/files/fy-2025-budget-in-brief.pdf.

Comment

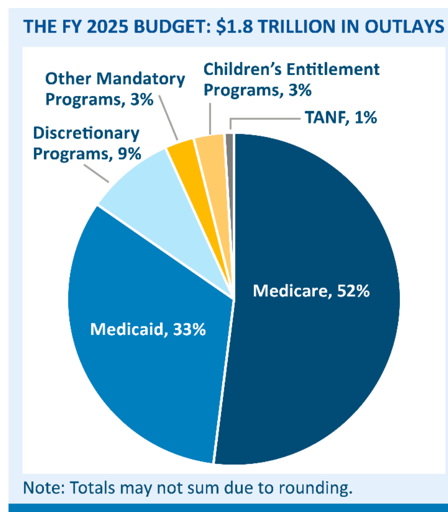
Over the past year's, Presidential budgets are usually "dead upon arrival" by the Congress. This year is no exception. The priorities, especially in the House, are not in sync with those of the Administration.

We are only focusing on Medicare and Medicaid below.

HHS FY 2025 Budget

The table numbers are in millions of dollars.

HHS Budget	2023	2024	2025
Budget Authority[1]	1,800,628	1,701,408	1,843,677
Total Outlays	1,709,408	1,669,782	1,801,536



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Below is a breakdown of the mandatory budget programs.

COMPOSITION OF THE HHS BUDGET MANDATORY PROGRAMS

The table numbers are in millions of dollars.

Mandatory Programs (Outlays)[19]	2023	2024	2025	2025 +/- 2024
Medicare	839,114	838,777	936,378	+97,601
Medicaid	615,772	567,143	588,903	+21,760
Temporary Assistance for Needy Families[20]	17,065	16,635	16,755	+120
Foster Care and Adoption Assistance	9,799	9,850	10,374	+524
Children's Health Insurance Program[21]	17,588	17,244	18,136	+892
Child Support Enforcement	4,617	4,783	4,958	+175
Child Care Entitlement	3,628	3,540	3,676	+136
Social Services Block Grant	1,599	1,600	1,602	+2
Universal Preschool	0	0	5,000	+5,000
Affordable Child Care	0	0	9,900	+9,900
Other Mandatory Programs[22]	56,158	64,048	51,744	-12,304
Offsetting Collections	-664	-617	-519	+98
Subtotal, Mandatory Outlays	1,564,676	1,523,003	1,646,907	+123,904
Total, HHS Outlays	**1,709,408**	**1,669,782**	**1,801,536**	**+131,754**

19 Totals may not add due to rounding.

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

21 Includes outlays for the Child Enrollment Contingency Fund.

22 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.

FY 2025 Medicare Budget Proposals

"The FY 2025 President's Budget estimates $1.6 trillion in mandatory and discretionary outlays for CMS, a net increase of $123.0 billion above FY 2024 estimates. Net costs are due to projected increases in Medicare and Medicaid enrollment and payments between 2024 and 2025."

Comment

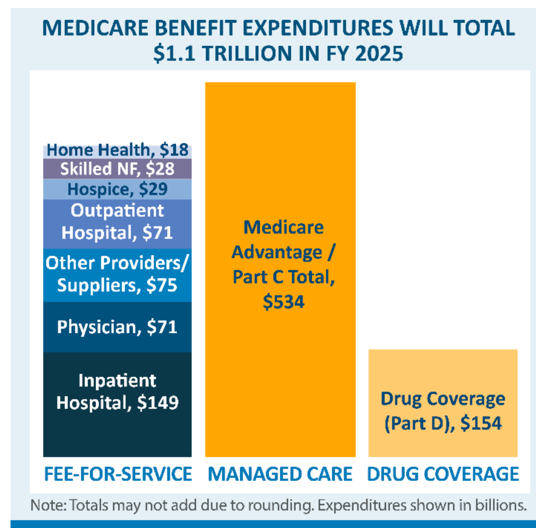
Please be careful with interpreting the cited numbers. CMS says Medicare and Medicaid outlays are projected to be $1.6 trillion. However, adding the mandatory Medicare and Medicaid amounts in the table above results in spending of $1,525 trillion. Part of the problem stems from mandatory versus discretionary items.

Medicare

"The budget extends Medicare solvency indefinitely without cutting benefits, and it includes over $260.0 billion in net savings over 10 years. Key improvements and investments in Medicare benefits include preventing diabetes, providing further access to nutrition and obesity counseling services, expanding access to behavioral health services and community health workers, improving the quality and safety of long-term care services, and advancing equity. The budget also builds on efforts in the ***Inflation Reduction Act*** to lower prescription drug prices."

Medicare provides health benefits to individuals who are aged 65 or older, have a disability, or have End-Stage Renal Disease. In FY 2025, the Office of the Actuary estimates that gross current law spending on Medicare benefits will total $1.1 trillion and the program will provide health benefits to 68.7 million beneficiaries.

Part A gross fee-for-service spending will total an estimated $212.6 billion in FY 2025. Part B gross fee-for-service spending will total an estimated $228.3 billion. Part C (Medicare Advantage) is expected to total $533.5 billion. CMS estimates total Part D program costs of $154.3 billion in FY 2025.



FY 2025 Budget Proposals Identified as Requiring Legislation

"The budget extends Medicare solvency indefinitely, without cutting benefits. Beginning in 2025, the budget directs revenues from the net investment income tax, including tax code reforms that make high-income earners (those making above $400,000) pay their fair share, into the Part A Trust Fund. The budget also credits an amount equivalent to the savings from Medicare drug reforms into the Part A trust fund."

Reported below are most items requiring legislative action. Many are repeats from the FY 2004 budget.

Prescription Drug Reforms

This proposal builds on the success of the ***Inflation Reduction Act*** by significantly increasing the pace of negotiation, bringing drugs into negotiation sooner after they launch, expanding inflation rebates and the $2,000 out-of-pocket prescription drug cost cap beyond Medicare and into the commercial market, and other steps to build on the ***Inflation Reduction Act*** drug provisions. [$200.0 billion in savings over 10 years]

Limit Medicare Part D Cost-sharing on High Value Generic Drugs to $2

This proposal adds a new permanent benefit to Part D coverage and requires all Part D plans, including both standalone prescription drug plans and Medicare Advantage prescription drug plans, to offer a Medicare standard list of generic drugs at a maximum copayment of $2 for a 30-day supply across all phases of the prescription drug benefit until the beneficiary reaches the out-of-pocket maximum.

[$1.3 billion in costs over 10 years]

Permit Biosimilar Substitution without Prior FDA Determination of Interchangeability

This proposal would amend section 351 of the Public Health Service Act to no longer include a separate statutory standard for a determination of interchangeability and to deem all approved biosimilars to be interchangeable with their respective reference products. [Budget Neutral]

Eliminate the 190-day Lifetime Limit on Psychiatric Hospital Services

HHS commits to protecting the safety of patients with serious mental illness by establishing regulations to ensure appropriate lengths of stay and maintaining access to community-based mental healthcare. [$2.9 billion in Medicare costs over 10 years]

Revise Criteria for Psychiatric Hospital Terminations from Medicare

This proposal gives CMS flexibility to allow a psychiatric hospital to continue receiving Medicare payments when deficiencies are not considered to immediately jeopardize the health and safety of its

patients and where the facility is actively working to correct the deficiencies identified in an approved Plan of Correction. [Budget Neutral]

Modernize Medicare Mental Health Benefits

This proposal allows Medicare to identify and designate additional professionals who could enroll in Medicare and be paid when furnishing behavioral health services within their applicable state licensure or scope of practice that would otherwise be covered when furnished by a physician. The proposal also establishes a Medicare benefit category for these professionals that authorizes direct billing and payment for these practitioners; removes limits on the scope of services for which they can be paid by Medicare; allows these practitioners to bill Medicare directly for their mental health services for covered Part A qualifying Skilled Nursing Facility stays; establishes payment under Part B for services provided under an Assertive Community Treatment delivery system which provides treatment for the severe functional impairments associated with serious mental illness; allows payment to Rural Health Clinics and Federally Qualified Health Centers for these additional behavioral health professionals providing mental health services; and enables Medicare coverage of evidence-based digital applications and platforms that facilitate the delivery of mental health services. [Not Scoreable]

Require Medicare to Cover Three Behavioral Health Visits without Cost Sharing

This proposal requires Medicare to cover up to three behavioral health visits per year without cost-sharing when furnished by participating providers, beginning in 2026. [$1.5 billion in costs over 10 years]

Broaden the Health Professional Shortage Area Incentive Program to Include Additional Non-physician and Behavioral Health Practitioners

This proposal would extend the 10 percent incentive payment for physicians' services provided in Health Professional Shortage Areas to a broader range of clinicians, such as nurse practitioners, physician assistants, and certified nurse specialists, as well as behavioral health practitioners, including clinical psychologists, licensed clinical social workers, mental health counselors, and marriage and family therapists starting in CY 2025. [Not Scoreable]

Provide Healthcare Coverage for Drugs, Vaccines, and Devices During a Public Health Emergency

This proposal provides the Secretary with broader authority for limited and temporary coverage of medical products and services directly related to the diagnosis, treatment, and/or prevention (such as immunization) of a specific disease or diseases during a declared disaster, pandemic, or other public health emergency, in Medicare, Medicaid, CHIP, and for uninsured people. Under this proposal, the Secretary could authorize or require coverage of drugs, vaccines, or devices authorized by the FDA for emergency use, or other items and services used to treat a pandemic disease during a public health emergency, including associated administration, vaccine counseling, or dispensing fees, without cost-

sharing to respond rapidly and effectively to a public health emergency. [Not Scoreable]

Hold Long-Term Care Facility Owners Accountable for Noncompliant Closures and Substandard Care

This proposal changes the individual subject to a civil money penalty from "administrator" to "owner, operator, or owners or operators" of a facility and adds a provision that grants the Secretary authority to impose enforcement on the owners of a facility after the facility has closed. [Budget Neutral]

Increase Per Instance Civil Monetary Penalty Authority for Long-Term Care Facilities

The proposal increases the level of civil money penalties and creates a penalty scale based on the severity of the deficiencies within a facility. The most egregious offenses of non-compliance would be assigned a civil money penalty up to $1 million. [Budget Neutral]

Improve the Accuracy and Reliability of Nursing Home Care Compare Data

CMS would be able to take enforcement action against facilities that submit data that is found to be inaccurate by the validation process, which could include a two percent reduction in claims payments, similar to the existing payment reduction for facilities that do not submit complete skilled nursing facility quality reporting data. [Budget Neutral]

Expand and Enhance Access to Medicare Coverage of Nutrition and Obesity Counseling

This proposal expands access to additional beneficiaries with nutrition or obesity-related chronic diseases and makes additional providers eligible to furnish services. [$1.8 billion in costs over 10 years]

Conduct a Subnational Medicare Medically-Tailored Meal Demonstration

Beginning in 2025, this proposal establishes a 3-year demonstration to test Medicare coverage of medically-tailored meals delivered to the home. The demonstration will operate out of at least 20 hospitals across 10 different states. [Not scoreable]

Provide Cybersecurity Support for Hospitals

This proposal first invests $800 million from the Medicare Hospital Insurance Trust Fund over FY 2027 and FY 2028 to approximately 2,000 "high-needs" hospitals. Beginning in FY 2029, new penalties would apply within the Promoting Interoperability program as specific consequences of failing to adopt essential cybersecurity practices. Hospitals that fail to adopt essential cybersecurity standards face penalties of up to 100 percent of the annual market basket increase and beginning in FY 2031 potential additional penalties of up to 1 percent off the base payment.

The proposal also invests $500 million from the Medicare Hospital Insurance Trust Fund for all hospitals to implement enhanced cybersecurity practices, available for FY 2029 and FY 2030. Beginning in FY 2031, CMS would be able to add enhanced cybersecurity practices to the list of required cybersecurity practices, subject to a higher total maximum penalty level of 100 percent of the annual market basket increase and up to 1 percent off the base payment. Critical Access Hospitals would be subject to up to a one percent payment reduction. A Critical Access Hospital's total penalty is capped at a total of one percent if it would otherwise incur higher total penalties due other elements of the Promoting Interoperability Program. [$1.3 billion over 10 years]

Fully Cover Costs for all Living Organ Donors for Medicare Beneficiaries

This proposal entitles any living individual who donates a non-renal organ for transplant into a Medicare beneficiary to benefits under Medicare Part A and Part B directly related to such donation. [Budget Neutral]

Implement Value-Based Purchasing and Quality Programs for Medicare Facilities

Beginning in CY 2027, this proposal implements new value-based purchasing programs for inpatient psychiatric facilities, hospital outpatient departments, ambulatory surgical centers, long-term care hospitals, cancer hospitals, inpatient rehabilitation facilities, hospices, rural emergency hospitals, and community mental health centers with incentives and penalties to improve quality and health outcomes. [Not Scorable]

Prohibit Billing of Beneficiaries after certain Medicare Bad Debt Payments

This proposal would make Medicare Part A and certain Part B bad debt payments, along with payments for Part A and Part B covered items and services, represent payment in full for beneficiaries enrolled in Original Medicare. [Budget Neutral]

Create a Consolidated Medicare Hospital Quality Payment Program

This proposal establishes a new consolidated hospital quality payment program that combines and streamlines all programs except for the Promoting Interoperability Program. Starting in 2027, the Medicare payment withhold amount increases from the current level of two percent by one percentage point per year until it reaches six percent. [Budget Neutral]

Comment

As previously noted, the above legislative items are not all-inclusive. Please refer to pages 87 and 88 of the budget document (using Adobe page counting) which contains the table reflecting all of the Medicare legislative required changes.

Medicaid

Medicaid provides critical health coverage to an estimated enrollment of 82.9 million people in FY 2024 at a projected FY 2025 projected cost of $589 billion.

Current Law Outlays	2023	2024	2025	2025 +/- 2024
Benefits Spending	591,314	540,890	560,180	19,290
State Administration	24,458	26,261	26,392	131
Total Net Outlays, Current Law	**615,772**	**567,151**	**586,572**	**19,421**
Proposed Law	**2023**	**2024**	**2025**	**2025 +/- 2024**
Legislative Proposals[114]	0	0	2,364	2,364
Mandatory Total Net Outlays, Proposed Law	**615,772**	**567,151**	**588,936**	**21,785**

FY 2025 Medicaid Budget Proposals Requiring Legislation

Legislative Proposals	2025	2025-2029	2025-2034
Prescription Drug Savings and Other Reforms			
Eliminate Barriers to Pre-Exposure Prophylaxis under Medicaid and CHIP	-730	-4,280	-10,550
Modify the Medicaid Drug Rebate Program in Territories	0	0	0
Authorize HHS to Negotiate Medicaid Supplemental Rebates on Behalf of States	0	-1,360	-5,180
Subtotal, Prescription Drug Savings and Other Reforms	**-730**	**-5,640**	**-15,730**
Modernizing Benefits and Lowering Health Care Costs			
Allow States to Provide 36-Month Continuous Eligibility for All Children	100	1,800	5,240
Allow States to Provide Continuous Eligibility up to Age Six	30	1,210	4,160
Align Medicare Savings Programs and Part D Low-income Subsidy Eligibility Methodologies	320	1,810	4,340
Align Qualified Medicare Beneficiary Renewal Period with Other Medicaid Groups	0	0	0
Unify Medicare and Medicaid Appeals Procedures	0	0	0
Allow Retroactive Coverage of Part B Premiums for Qualified Medicare Beneficiary Applicants	50	340	890
Subtotal, Modernizing Benefits and Lowering Health Care Costs	**500**	**5,160**	**14,630**
Promoting Effective and Efficient Stewardship and Competition			

Legislative Proposals	2025	2025-2029	2025-2034
Enhance Medicaid Managed Care Enforcement	-120	-700	-1,680
Require Remittance of Medical Loss Ratios in Medicaid and CHIP Managed Care	0	-3,200	-8,400
Require Medicaid Adult and Home and Community-Based Services Quality Reporting (CMS Administrative Impact, non-add)	*25*	*135*	*299*
Subtotal, Promoting Effective and Efficient Stewardship and Competition	**-120**	**-3,900**	**-10,080**
Protecting the Health of All Americans			
Require 12 Months of Postpartum Coverage	40	200	440
Expand Access to Maternal Health Supports in Medicaid	6	74	204
Subtotal, Protecting the Health of All Americans	**46**	**274**	**644**
Strengthening Long-Term Care in All Settings			
Improve Medicaid Home and Community-Based Services	3,000	28,700	150,000
Subtotal, Strengthening Long-Term Care in All Settings	**3,000**	**28,700**	**150,000**
Legislative Proposals in Other Chapters Impacting Medicaid			
Expand Vaccines for Children Program to all CHIP Children and Make Program Improvements	378	2,102	4,104
Convert Medicaid CCBHC Demonstration into a Permanent Program	0	864	11,418
Add 20,000 Special Immigrant Visas	35	290	550
Establish the National Hepatitis C Elimination Program	-700	-5,790	-13,140
Treat Certain Populations as Refugees for Public Benefit Purposes	32	275	405
Eliminate the 190-day Lifetime Limit on Psychiatric Hospital Services	-50	-330	-770
Other Medicaid Interactions	-27	-486	-1,416
Social Security Administration Program Integrity (non-add)	*-23*	*-644*	*-2,636*
Subtotal, Proposals in Other Chapters Impacting Medicaid	**-332**	**-3,075**	**1,151**
Total Medicaid Outlays	**2,364**	**21,519**	**140,615**

Final Comments

A couple of observations. First, the budget does not identify any changes that could be implemented by regulatory fiat.

Second, the number of items stated to be "budget neutral" or unable to score seems difficult to comprehend. CMS rules continue to forecast extensively of items being added, deleted of modified.

While we have addressed the Medicare items to provide more information, we have not done so with the Medicaid changes. There aren't as many Medicaid items as Medicare, and many impact the state plans.

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