

3. STRENGTHENING HEALTH CARE

[The Balanced Budget Act] strengthens our families by extending health insurance coverage to up to five million children... [The Act] honors our commitment to our parents by extending the life of the Medicare Trust Fund for a decade. It also provides structural reforms that will give Medicare beneficiaries more informed choices among competing health plans, authorizes a number of new anti-fraud provisions, and establishes a wide array of new preventative benefits.

President Clinton
August 1997

The past year has brought a number of improvements in health care that will benefit all Americans.

The 1997 Balanced Budget Act (BBA) represents a major step forward in the President's effort to improve and protect the Nation's health, especially for the almost 70 million vulnerable Americans who rely on Medicare and Medicaid. It strengthened the guarantee of quality health care for nearly 40 million Medicare participants by extending the life of the Medicare Trust Fund until at least 2010, investing in preventive benefits, introducing more choice of health plans, and strengthening our expanding array of activities to combat fraud and abuse. It strengthened Medicaid managed care quality standards and allowed States greater flexibility in designing their programs. And it provided an unprecedented \$24 billion, through the State Children's Health Insurance Program (CHIP) and new Medicaid options, to cover up to five million children in working families—a population in which many have no insurance at all.

These wide-ranging efforts came just a year after the President and Congress enacted the Health Insurance Portability and Accountability Act (HIPAA), which the Administration is now implementing. HIPAA reformed the private insurance market to help people keep their health insurance when they change jobs and limited the ability of insurers to deny coverage due to pre-existing conditions. It also simplified health care paperwork, clarified that certain long-term care insurance policies are tax deductible, and, for the first

time, created a new stable source of funding to control fraud. Also, combined with the 1997 Taxpayer Relief Act, HIPAA boosted the tax deduction for the self-employed, making it cheaper for self-employed persons to get health insurance. In addition, the Administration and Congress enacted legislation that ensured parity in annual and lifetime limits between mental and physical health benefits and required health plans to allow new mothers and their babies to remain in the hospital at least 48 hours following most deliveries.

To ensure that consumers continue to receive high-quality health care, the President created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry early last year to advise him on changes occurring in the health care system and to recommend steps to ensure quality. In the fall, the Commission approved and the President endorsed a Health Care Consumer Bill of Rights, which includes the right to a choice of health care providers; access to emergency room treatments; participation in treatment decisions; assurance that patients are respected and not discriminated against; internal and external grievance and appeals processes; access to accurate, easily understood information; and confidential medical records.

These improvements occurred against a backdrop of dramatic change in the private health care marketplace. After rapid inflation in the 1980s and early 1990s, national health spending growth dropped to a record low of 4.4 percent from 1995 to 1996. A strong

economy, cost consciousness on the part of employers and consumers, and the shift to managed care contributed to this slowdown. In 1995, nearly 75 percent of workers with employer-based insurance were enrolled in managed care, a 22-percent increase since 1993. Nevertheless, the number of uninsured has continued to rise. Thus, the Nation's work is not done; we must guard against the return of rapidly growing health care costs and work to reduce the number of uninsured, while maintaining a high standard of quality.

With this budget, the Administration builds on the recent legislative achievements by committing to work with Congress on bipartisan tobacco legislation; proposing to expand health care coverage for some of the most vulnerable Americans aged 55 to 65; continuing the Administration's aggressive anti-fraud and abuse enforcement activities in Medicare and Medicaid; launching an aggressive outreach campaign to enroll eligible children who are not enrolled in Medicaid; proposing an unprecedented investment in health research; expanding access to powerful AIDS therapies; expanding access to cancer clinical trials; increasing funds for substance abuse treatment and prevention; and helping to reduce health-related disparities across racial and ethnic groups.

Adopting Bipartisan National Tobacco Legislation

The Administration has focused on improving public health—particularly children's health—by pursuing efforts to curtail tobacco use. In 1998, the Administration will work with Congress to enact comprehensive national tobacco legislation to reduce smoking, especially by youth. The President has outlined five key principles that must be at the heart of any national tobacco legislation:

- A comprehensive plan to reduce youth smoking, including: tough penalties on tobacco firms that continue to market to youths; price increases; public education and counter advertising; and expanded efforts to restrict access and limit appeal.
- Full authority of the Food and Drug Administration (FDA) to regulate tobacco products.

- Changes in how the tobacco industry does business, including an end to marketing and promotion to children and broad document disclosure.
- Progress towards other public goals, including a reduction of secondhand smoke; promotion of cessation programs; public health research; the strengthening of international efforts to control tobacco; and other urgent priorities.
- Protection for tobacco farmers and their communities.

In its final form, the legislation will result from extensive bipartisan negotiations between the Administration and Congress. The Administration proposes that the legislation provide for annual lump sum payments by tobacco manufacturers, with the amounts paid by each determined by formula. The budget assumes net Federal receipts from this legislation will total at least \$10 billion in 1999, rising each subsequent year for a total of \$65 billion between 1999 and 2003. These amounts are consistent with the President's call for an increase in per-pack cigarette prices of up to \$1.50 (in constant dollars) over 10 years as necessary to meet the targets set to reduce youth smoking.

The budget applies the receipts from tobacco legislation to finance research into tobacco-related and other diseases through the National Institutes of Health; fund a cancer clinical trial demonstration project for Medicare beneficiaries; support smoking prevention efforts by the Centers for Disease Control (CDC); strengthen the FDA's enforcement programs; fund smoking cessation programs; expand outreach efforts to ensure that children eligible for health care coverage are enrolled; sponsor counter-advertising; protect tobacco farmers; and support other initiatives associated with national tobacco legislation. It proposes that States receive a substantial portion of the net receipts, partly through block grants that they can use to provide child care and reduce class size in schools, and partly through unrestricted funds. (For more information on what the budget proposes to finance through national tobacco legislation, see Table S-7 in "Summary Tables.")

Improving Access to Health Care Coverage

The budget proposes new initiatives to provide access to health insurance for the nearly two million people between 62 and 65 who do not have employer-sponsored insurance; those between 55 and 61 who have been displaced from their jobs; and retirees who have had their insurance terminated by a former employer. The budget also proposes to help States and small employers create voluntary health insurance purchasing cooperatives that will help individuals buy affordable health insurance.

Expanding Health Insurance Options for People Aged 55 to 65: The budget proposes three options to increase access to health insurance for people aged 55 to 65, who face special problems of access and affordability. They face greater risks of health problems, with twice the chances of heart disease, strokes, and cancer, as people aged 45 to 54. As people approach 65, many retire or shift to part-time work or self-employment as a bridge to retirement, sometimes involuntarily. Displaced workers aged 55 to 65 are much less likely than younger workers to be re-employed or re-insured through a new employer. As a result, more of them rely on the individual health insurance market. Without the benefits of having their costs averaged with other younger people, as with employer-based insurance, these people often face high premiums.

Such access problems will increase, due to two trends: declines in retiree health coverage and the aging of the baby boom generation. Recently, businesses have cut back on offering health coverage to pre-65-year-old retirees; only 40 percent of large firms now do so. In several small but notable cases, businesses have dropped retirees' health benefits after workers have retired. These "broken promise" retirees lack access to employer continuation coverage and could have problems finding affordable individual insurance. Finally, the number of people 55 to 65 years old will rise from 22 million to 35 million by 2010—or by 60 percent.

The budget proposes three options that will help an estimated 300,000 members of this vulnerable population:

- ***Allowing Americans between 62 and 65 to buy Medicare coverage:*** The budget proposes to allow Americans between 62 and 65 to buy Medicare coverage by paying a premium based on an actuarially fair rate for that age group. The proposal is self-financing, because, over time, participants pay the full cost of their coverage. And it will give millions of older Americans the security of knowing that they have a health insurance option.
- ***Expanding health insurance options for displaced workers:*** Along with the 62-to-65 age group, the budget offers access to health insurance to displaced workers between 55 and 61—those who have lost or left their jobs due to plant or company closings or moves, slack work, or the abolishment of their positions or shifts. These workers often become uninsured, even if they had insurance on their last job. The budget proposes to allow displaced workers who were insured on their job but are now uninsured to buy Medicare coverage by paying a premium.
- ***Protecting retirees whose retiree health benefits have been dropped:*** In addition, retirees 55 to 65 whose employers have dropped their retiree health coverage will be allowed to buy in to employer continuation coverage (known as COBRA) by paying a premium.

Creating Voluntary Purchasing Cooperatives: The small group health insurance market does not function as efficiently as the large group market. As a result, small business employees and their families will more likely be uninsured and have more expensive premiums. Small businesses also have higher administrative costs and pay more for the same benefits as larger firms.

To help small businesses overcome these disadvantages, the budget includes \$100 million in seed money over five years for selected States to establish voluntary purchasing cooperatives that will allow small employers

to pool their purchasing power and negotiate better rates for their employees.

Providing Cancer Clinical Trials for Medicare Beneficiaries

Less than three percent of cancer patients participate in clinical trials of new therapies. Many scientists believe that higher participation could lead to the faster development of therapies for more of those in need.

Moreover, the elderly, who are most likely to get cancer, often cannot participate in such trials because Medicare does not pay for such treatments until they are established as standard therapies. Americans over 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans.

The budget would give more Americans access to these cutting-edge treatments and encourage higher participation in clinical trials by establishing a three-year, \$750 million demonstration program, specifically for Medicare beneficiaries, to cover the patient care costs for those who participate in certain federally-sponsored cancer clinical trials. Although the Health Care Financing Administration (which administers Medicare) would run the demonstration, it would be funded by specified receipts from national tobacco legislation and, thus, would not draw upon Medicare's Hospital Insurance (HI) or Supplementary Medical Insurance (SMI) trust funds. The proposal includes an evaluation after three years to consider whether to expand the demonstration.

Promoting Program Integrity in Medicare and Medicaid

The Administration has worked hard to promote competition, reduce errors, and eliminate fraud in Medicare and Medicaid. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse and promote competitive pricing, including:

- Initiatives to combat Medicare fraud and abuse and, in turn, extend the life of Medicare's trust funds by enabling Medicare to pay market-oriented prices for prescription drugs; eliminating overpayments that facilities receive for drugs used to treat anemia; reforming outpatient mental health

benefits; and requiring insurance companies to provide information to enable Medicare to make payments only when it is the primary payer.

- An initiative to expand Medicare's ability to use its market power to competitively negotiate rates with providers for selected Medicare procedures. By creating "Centers of Excellence," Medicare will be able to reduce its average cost while improving quality.

The Administration is also considering Medicaid incentive projects that measure errors and fraud in State Medicaid programs and develop performance measures related to such errors and fraud. These projects would help States identify problem areas in their Medicaid programs, target program integrity resources more effectively, and measure the success of their efforts to reduce errors and combat fraud.

Expanding Access to Children's Health Insurance

The new Children's Health Insurance Program enables States to extend health insurance coverage to as many as five million uninsured children. It builds on an already strong Medicaid program that the Administration has worked hard to protect. But with over three million uninsured children eligible for Medicaid, but not enrolled, important work remains.

To achieve the President's goal of working with the States to enroll as many children as possible, the budget contains several outreach proposals, costing \$900 million over five years and financed by receipts from tobacco legislation, including:

- *Outreach in schools and child care sites:* The budget would allow school and child care center staff to enroll children into Medicaid temporarily on the presumption that they are eligible. This proposal would increase enrollment by expanding the network of individuals who can identify and enroll children, and inform families about the potential eligibility of their children. It also would enable Medicaid to cover the costs related to providing this temporary

coverage, rather than requiring States to cover the costs from their CHIP allotment.

- *Matching funds for outreach:* The budget proposes to expand the use of a special \$500 million Medicaid fund—now aimed at outreach for children losing welfare—to fund outreach to all children.
- *Simpler enrollment:* The budget proposes to streamline the Medicaid application process by simplifying eligibility and encouraging the use of mail-in applications.

The budget contains other proposals to further promote the President's goal of reducing the number of uninsured children, including:

- *Aid for the territories:* The budget proposes \$153 million in increased funding under CHIP for Puerto Rico and the other four territories, fulfilling the President's promise to provide more equitable funding for children's health care in the insular areas.
- *Health insurance for legal immigrant children:* The budget would give States the option to provide health coverage to legal immigrant children under Medicaid and CHIP. Currently, States can provide health coverage to legal immigrant children who entered the country before the 1996 welfare reform law was enacted. But immigrant children who entered *after* the law was enacted cannot get benefits for five years. Under this proposal, States could provide coverage to immigrant children through Medicaid or through their current CHIP allotment.

Promoting Public Health

The budget continues the Administration's commitment to invest in key public health areas. In particular, the budget proposes to expand health research; increase access to powerful AIDS therapies; discourage tobacco use among young people; enhance food safety; help reduce disparities in disease rates across racial and ethnic groups; improve substance abuse treatment and prevention; promote childhood immunizations; provide voluntary family planning to low-income women; reduce infant mortality; and improve health care quality.

Increasing Biomedical Research:

Progress in biomedical research has ensured that many diseases that Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the world and polio is gone from the Western Hemisphere. Surgical procedures, such as organ transplants or cardiac pacemakers, can restore normal lives for those who once had few treatment options.

The scientific community is now poised to make even more advances that, with sufficient investment, could dramatically alter and improve the way we treat diseases. Several new technologies in medical research show great promise. Specifically, important strides in imaging technologies make it possible to visualize living cells and entire organs, providing new insights into the structure of disease; computer-based systems give scientists new tools to rapidly analyze vast amounts of new data; and the scientific community stands on the cusp of a host of breakthroughs in genetics that will enable scientists to map the entire human genome and revolutionize how we understand, treat, and prevent some of our most devastating diseases.

The budget proposes an unprecedented commitment in biomedical research that will lay the foundation for new innovations to improve health and prevent disease. It invests \$1.15 billion in the National Institutes of Health (NIH)—the largest increase in history. Moreover, to ensure that the Nation continues to make important investments in biomedical research, the budget proposes—for the first time ever—sustained increases in the NIH over five years. By the year 2003, funding for biomedical research will increase to over \$20 billion, or by nearly half.

Within the NIH increase, the budget provides for increased funding on cancer-related research. In 1999, NIH's cancer-related research will grow by 10 percent and, over the next five years, by almost two thirds. Though the Nation's death rate from cancer fell between 1991 and 1995—the first sustained decline since record-keeping began in the 1930s—nearly one in five people in the United States dies from cancer. The proposed investment in cancer-related research over

the next five years will enable NIH to make further advances in cancer prevention, detection, and treatment.

Making Quality Direct Services and Preventive Care Accessible to Special Populations: Direct health services and prevention activities translate the ground-breaking medical advances often produced by biomedical research into benefits such as disease prevention, medical cost reductions, and public health education. The budget proposes funding increases for the following health service and prevention activities, many of which help serve low-income and other vulnerable populations:

- *Ensuring access to powerful AIDS therapies through Ryan White HIV/AIDS Treatment Grants in partnership with the States:* The budget proposes a \$100 million increase in Ryan White treatment grants to help States provide AIDS treatment, especially the powerful “combination therapy” AIDS drugs. While combination therapy offers tremendous hope to people with HIV, it also presents a tremendous challenge to AIDS services programs to make this hope available to all Americans living with HIV/AIDS. Many States spend a considerable amount of money on the AIDS Drug Assistance Program; others contribute little or nothing. The Federal Government, States, and the private sector all must rise to the challenge of meeting the future needs of people with AIDS. The Administration will work with Congress to develop revised matching requirements or other means of encouraging more State participation on behalf of people living with HIV/AIDS. The budget also includes a \$65 million increase for grants to cities, States, and clinics for medical care, critical support services, and new ways to help people who are HIV-positive. In total, the budget proposes \$1.3 billion in Federal spending for activities authorized by the Ryan White CARE Act, a 14-percent increase over 1998 levels and a 241-percent increase over comparable 1993 levels.
- *Reducing tobacco use among young people:* Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease, and other health problems. Each year, a million young people become regular smokers, 300,000 of whom will die earlier as a result. In August 1996, the Administration approved an FDA regulation to cut tobacco use among young people in half over seven years. The budget includes \$146 million of additional funds for tobacco-related activities in the CDC and the FDA—\$46 million of which will pay for expanding CDC’s existing State-based tobacco prevention activities, and \$100 million of which will support FDA’s outreach and enforcement activities.
- *Improving substance abuse prevention and treatment:* The budget continues to expand substance abuse prevention and treatment activities, enabling hundreds of thousands of pregnant women, high-risk youth, and other under-served Americans to get drug treatment and prevention services. The Substance Abuse and Mental Health Services Administration’s Substance Abuse Block Grant (SABG) funds 40 percent of all the Nation’s publicly-provided substance abuse treatment. To narrow the gap between those who are seeking treatment and those who can be accommodated by the public treatment system, the budget proposes a \$200 million increase for the SABG. Along with continued support from the States, this increase would allow another 50,000 individuals a year to receive substance abuse treatment. This proposal also would help reduce the spread of AIDS by giving intravenous drug users increased access to substance abuse treatment programs.
- *Enhancing food safety:* American consumers enjoy the world’s safest food supply, but too many Americans get sick from preventable food-borne diseases. The budget increases funding by \$101 million, or 12 percent, over the 1998 level for the Administration’s inter-agency food safety initiative, which created a national early warning system for food-borne illnesses and improved Federal-State coordination when food-borne disease outbreaks occur. The budget increase also expands food safety research, risk assessment capabilities, education, and surveillance activities, as well as food import inspections. Furthermore, the budget proposes to expand FDA’s international inspection force to en-

sure that imported fruits and vegetables are as safe as those produced in the United States.

- *Helping to reduce racial disparities in health status:* Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is twice that of Caucasians. American Indian and Alaska Natives are about three times as likely to die from diabetes as other Americans. To address these and other disparities, the budget includes \$80 million for health education, prevention, and treatment services for minority populations. Working with minority public health providers, advocates, and other consumer representatives, CDC will begin a new \$30 million demonstration program to enable selected communities to develop innovative and effective approaches to address these disparities. Each community, chosen through a competitive grant process, would begin an intensive program to address one or more health areas with major disparities, such as infant mortality. The remaining \$50 million will go to various public health programs that serve mostly minority and low-income populations.
- *Enhancing family planning:* The budget provides a \$15 million increase, to \$218 million, to support over 4,000 family planning clinics, a primary source of voluntary family planning services for low-income women Nation-wide. The increase would expand services to adolescents and enable grantees to better meet the rising demand for comprehensive services, such as screening, prevention, and education and counseling. Publicly subsidized family planning services help American women prevent over a million unintended pregnancies each year. The budget also includes \$50 million in mandatory funding for States to conduct abstinence education projects to help reduce out-of-wedlock pregnancies.
- *Promoting full participation in the Women, Infants, and Children (WIC) program:*

WIC reaches nearly 7.5 million women, infants, and children a year, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC provides for prenatal care to those who would not otherwise get it, reducing the incidence of premature birth and infant death. As a result, Medicaid saves significant sums that it would otherwise spend in the first 60 days after childbirth. Largely because of funding increases in the last five years, WIC participation has grown by 30 percent, and the program now helps half of America's infants. The budget proposes \$4.1 billion to serve 7.5 million people through 1999, fulfilling the President's goal of full participation in WIC.

- *Promoting childhood immunizations:* The budget proposes \$973 million for the Childhood Immunizations Initiative, including the Vaccines for Children program and CDC's discretionary immunization program. As a result of the Administration's Childhood Immunization Initiative, the Nation exceeded its childhood vaccination goals for 1996, with 90 percent or more of America's toddlers receiving each basic childhood vaccine. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, are at all-time lows. The budget also includes \$47 million to eradicate polio—preventable through immunization throughout the world.
- *Improving health care quality:* The budget would double, to \$30 million, the Department of Health and Human Services' health care quality activities to expand research on quality and put into practice the recommendations of the President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry. The research will increase knowledge about how best to measure and improve the outcomes and quality of medical services, and reveal ways to encourage health care providers to use this information in their work.

- *Caring for veterans health needs through veterans medical care:* Continuing its commitment to veterans programs, the Administration proposes \$17.7 billion for the Department of Veterans Affairs' (VA) health

system. The funds will enable the VA to continue to restructure its health care system by increasing access and delivering quality care to our Nation's veterans.