

23. HEALTH

Table 23-1. FEDERAL RESOURCES IN SUPPORT OF HEALTH

(In millions of dollars)

Function 550	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	26,386	30,070	30,611	30,971	30,846	30,836	30,836
Mandatory Outlays:							
Existing law	106,588	115,481	122,769	131,625	141,724	152,964	165,038
Proposed legislation		8	-52	693	828	890	683
Credit Activity:							
Direct loan disbursements				N/A	N/A	N/A	N/A
Guaranteed loans	94	73	48	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	80,545	85,810	91,795	97,885	104,410	111,640	119,660
Proposed legislation			59	1,235	1,281	1,423	1,577

N/A = Not available

In 2000, the Federal Government will spend about \$152 billion and allocate about \$92 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. Together, these Federal activities will contribute to considerable progress in extending life expectancy, cutting the infant mortality rate to historic lows, preventing and eliminating infectious diseases, improving treatment and quality of care, and improving the quality of life for individuals suffering from chronic diseases and disability. Estimated life expectancy reached a record-high of 76.5 years for those born in 1997, and infant mortality has reached a record low of 7.1 infant deaths per 1,000 live births, an eight-percent reduction from the previous year. Age-adjusted death rates associated with HIV/AIDS fell 47 percent from 1996 to 1997, and the 1997 rate of 5.9 deaths per 100,000 is the lowest since mortality data have been available.

The Department of Health and Human Services (HHS), the Federal Government's lead agency for health, aims: "to enhance

the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services." This mission is supported by the following strategic goals: (1) Reduce the major threats to health and productivity of all Americans; (2) Improve the economic and social well-being of individuals, families, and communities in the United States; (3) Improve access to health services and ensure the integrity of the Nation's health entitlement and safety net programs; (4) Improve the quality of health care and human services; (5) Improve public health systems; and (6) Strengthen the Nation's health sciences research enterprise and enhance its productivity.

Health Care Services and Financing

Of the estimated \$152 billion in Federal health care outlays in 2000, 88 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1998, the latest year for which statistics are currently available. The Federal

Government spent \$101 billion, 57 percent of the total, on the program in 1998 while States spent \$76 billion, or 43 percent. States that participate in Medicaid must cover several categories of eligible people, including certain low-income elderly, women, and children, and people with disabilities, as well as several mandated services, including hospital care, nursing home care, and physician services. States also may cover optional populations and services. Under current law, Federal experts expect total Medicaid spending to grow an average of 7.7 percent a year from 2000 to 2004.

Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1997, but accounted for almost two-thirds of spending on benefits. Other adults and children made up over two-thirds of recipients, but accounted for less than a third of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the nation's long-term care services. Medicaid spends more on institutional care today than it does for home care, but the mix of payment will be almost equal in 10 years.

Enrollment in Medicaid managed care arrangements rose from 7.8 million in 1994 to approximately 15 million in 1997. In 1998, the Federal Government proposed regulations to improve the quality of care and patient protections for Medicaid beneficiaries enrolled in managed care plans.

Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA must consult with State Medicaid agencies to develop and test national performance goals for Medicaid. Understanding that Federal and State Medicaid funding must result in improved health conditions and quality of care for children and low-income families, the State agencies are working with HCFA to define performance goals

and measures that are measurable. The States and HCFA have agreed to increase immunization rates among needy children, to increase the number of children enrolled in the Children's Health Insurance program and Medicaid, and to increase enrollment of dually-eligible Medicare beneficiaries, for example. State cooperation with the Federal GPRA program will produce quantifiable national goals and measures during 1999, for 2000 and beyond.

Children's Health Insurance Program: More than 11 million American children lack health insurance. To increase the number of children with insurance, the Children's Health Insurance Program (CHIP) was established in 1997 to provide \$24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. CHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards. In the program's first year, States have expanded Medicaid, created separate State programs, and developed programs that combine the two.

A State receives CHIP funding after HCFA approves its child health plan. Nearly every State submitted and received approval of its State CHIP plan in 1998. These plans describe the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. In addition, HCFA is working with the States to develop baselines and targets for the CHIP/Medicaid goal as well as to develop additional goals for CHIP:

- Decrease the number of uninsured children by working with States to implement CHIP and by enrolling children in Medicaid. In 1999, HCFA will work with the States to establish performance measurement baselines and performance targets.

Other Health Care Services: HHS supplements Medicare and Medicaid with a number of "gap-filling" grant activities to support health services for low-income or specific populations, including Consolidated Health Center grants, Ryan White AIDS treatment grants, the Maternal and Child Health block grant, Family Planning grants, and the Substance Abuse block grant. In addition, the Indian Health Service (IHS) delivers direct care to

about 1.4 million American Indians and Alaska Natives. In 2000, the following agencies will work to meet the following goals:

- *IHS*: Increase the proportion of women who have annual pap screening to 55 percent, from the 1997 baseline of 43 percent.
- *Substance Abuse and Mental Health Services Administration (SAMHSA)*: Reverse the upward trend and cut monthly marijuana use among 12 to 17-year-olds by 25 percent, from the 1995 baseline of 8.2 percent to 6.2 percent by the end of 2002.
- *Health Resources and Services Administration (HRSA)*: Increase the number of AIDS Drug Assistance Program (ADAP) clients receiving appropriate anti-retroviral therapy (consistent with clinical guidelines) through State ADAPs during at least one month of the year, to a projected monthly average of 82,200 by the year 2000. This would constitute a 49 percent increase over the 1998 baseline of 55,000.
- *HRSA*: Increase the number of women served by family planning clinics by at least two million over the 1995 baseline of 4.5 million women served.
- *Agency for Health Care Policy and Research*: Release and disseminate Medical Expenditure Panel Survey (MEPS) data and associated products to the public within nine to 12 months of data collection.
- *Consumer Product Safety Commission (CPSC)*: CPSC, an independent agency, will reduce product-related head injuries to children by 10 percent in 2000, from a 1997 level of 650,000.

Public Health Initiative for the Uninsured: HHS has established a new initiative to increase the capacity and effectiveness of the Nation's health care safety-net in ways that increase the number of uninsured people receiving needed health care and improve the quality of care that is received.

HHS has set the following performance goals for the year 2000 and beyond:

- Increase the number of new integrated health services networks that are providing care using report card information to

integrate and improve health services for the uninsured.

- Increase the number of uninsured people receiving primary care, mental health, substance abuse, and other health services and expand the number of services supported.
- Reduce, where appropriate, hospital admissions for ambulatory care-sensitive conditions for uninsured people living in project service areas.

Strengthening Graduate Medical Education at the Nation's Children's Hospitals: The budget includes a significant new investment in training pediatric care-givers at the Nation's free-standing children's hospitals. In 2000, this program has the following two goals:

- Increase the number of pediatric care-givers receiving training; and Increase the number of children with acute illnesses receiving appropriate care in their communities.

Prevention Services: Measures to protect public health range from providing sanitation to prevent bacteria from developing resistance to antibiotics. State and local health departments traditionally lead such efforts, but the Federal Government—through HHS' Centers for Disease Control and Prevention (CDC)—also provides financial and technical support.

- Working with HCFA, CDC will continue to help States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.
- With FDA and SAMHSA, CDC will work to reduce the number of children in grades nine through twelve who smoke from 36.4 percent to 21 percent by 2010 by conducting education campaigns, providing funding and technical assistance to state programs, and working with nongovernmental entities.
- CDC will increase purchase of vaccines in support of the World Health Organization's goal to eliminate polio globally by December 31, 2000.

Public Health Electronic Surveillance: Increase the number of State and local health departments that have integrated their electronic surveillance systems for infectious disease, food safety, and bioterrorism, and have electronic linkages to the medical community.

Bioterrorism: While research and product regulation are primarily Federal roles, enhancing surveillance, epidemiologic capabilities, and laboratory capacities, and medical response systems, are activities where the Federal government can work in partnerships with states, providing leadership and funding early in this multi-year effort. States should be expected to assume more responsibility for their share of partnership expenses over time.

- Implement the plan developed in 1999 to ensure ready availability of a national pharmaceutical stockpile to respond to terrorist use of potential biological or chemical agents, including the ability to protect four million civilians from an anthrax attack.
- Develop blood and urine analytical chemistry methods that will rapidly measure 50 chemicals likely to be used in chemical terrorism.
- Create a network of twelve state or major city laboratories to provide rapid and accurate diagnostic and/or reference support for 10–15 select biologic agents.

Biomedical Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH conducts research in its own laboratories and clinical facilities; supports research by non-Federal scientists in universities, medical schools, and hospitals across the Nation, and helps train research investigators. NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. Examples of recent research advances include new discoveries of genes associated with diseases, including a form of Parkinson's disease that occurs early in life; discovery that a drug used to treat breast cancer can also reduce breast

cancer in high-risk women; and the use of high-energy X-rays to visualize how HIV begins to attack the body's immune system. NIH performance goals for the next century of research, include:

- increasing the rate of sequencing to 190 million base pairs a year in 2000 in order to complete the human genome sequencing project by 2003; and
- promoting private sector participation and investment in applications of novel research discoveries by increasing the number of executed cooperative development agreements by five percent over the 1998 level.

Additionally, NIH is leading the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends \$1 billion a year to promote public health by helping to ensure that foods are safe, wholesome, and sanitary; human and veterinary drugs, biological products, and medical devices are safe and effective; and cosmetics and electronic products that emit radiation are safe. It leads Federal efforts to ensure the timely review of products and ensure that regulations enhance public health, and not serve as an unnecessary regulatory burden. In addition, the FDA supports research, consumer education, and the development of both voluntary and regulatory measures to ensure the safety and efficacy of drugs, medical devices, and foods.

To speed the review process, FDA has set the following performance goals for 2000:

- review and process 90 percent of complete new drug applications within a year of submission;
- review and process 85 percent of new medical device applications (know as pre-market applications) within 180 days, compared to 79 percent in 1997. To give the public useful health information, FDA has set the following performance goal:
- Ensure that, by the year 2000, 75 percent of consumers receiving new drug prescriptions will get more useful and readable information about their product.

The Food Safety and Inspection Service (FSIS) in the U.S. Department of Agriculture uses \$600 million annually to inspect the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. In 1996, FSIS began implementing a modernized inspection system, Hazard Analysis and Critical Control Point (HACCP) system, that will begin shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. Together with FSIS, HHS has the following food safety goals:

- By 2000, 99 percent of Federally-inspected meat and poultry plants will comply with the HACCP.
- 80 percent of the domestic seafood industry will be operating preventive controls for safety as evidenced by functioning HACCP systems.
- Increase the frequency of inspection of high-risk domestic food establishments to once every year, from once every three to four years.
- More than double the number of inspections conducted of foreign food processors from 100 to 250.
- Establish and enhance eight active FoodNet food-borne surveillance sites. Expand state health department capacity to subtype and rapidly exchange information using PulseNet for *E.coli* (currently 29 labs) and Typhimurium *Salmonella* (currently 15 labs) to 40 labs for each.
- Increase the number of outbreaks of diarrheal and/or food borne illness that will be detected and investigated to 24.

Workplace Safety and Health

The Federal Government spends \$620 million a year to promote safe and healthy workplaces for over 100 million workers in six million workplaces, mainly through the Labor Department's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Regulations that help businesses create and maintain safe and healthy workplaces have significantly cut illness, injury, and death from exposure to hazardous substances and dan-

gerous employment. In 1997, workplace injuries and illnesses fell to the lowest rate on record.

- To improve workplace safety and health for all workers, by September 30, 2000, OSHA will: (1) reduce injury/illness rates 20 percent in at least 50,000 of the most hazardous workplaces; and (2) initiate investigation of 95 percent worker complaints within one working day or conduct an on-site inspection within five working days.
- MSHA will, in 2000, reduce fatalities and lost workdays in all mines to below the average number recorded for the previous five years. From 1993–1997, there was an average of 95.8 fatalities and 4.29 lost workdays.

Federal Employees Health Benefit Program (FEHBP)

Established in 1960, the FEHBP is America's largest employer-sponsored health benefit program, providing \$17 billion in health care benefits a year to about nine million Federal workers, annuitants, and their dependents. About 85 percent of all Federal employees participate in the FEHBP, and they select from nearly 300 health care plans. The Office of Personnel Management administers the FEHBP. By the year 2000, the FEHBP will be fully compliant with the President's Patients' Bill of Rights. The Patients' Bill of Rights is an Administration initiative to provide health care consumers with rights of information disclosure, choice of providers and plans, access to emergency services, participation in treatment decisions, respect and nondiscrimination, confidentiality of health information, and rights of complaint and appeal.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (60 percent in 1999, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expend-

itures, including other provisions, will reach an estimated \$91.8 billion in 2000, and \$525 billion from 2000 to 2004. The exclusion for employer-provided insurance and related

benefits (including deductions by the self employed) accounts for most of these costs (\$79 billion in 2000 and \$455 billion from 2000 to 2004).