The President’s 2009 Budget will:

- Prevent and prepare the Nation for health emergencies, including pandemic influenza and bioterrorism;
- Prioritize the healthcare of low-income children by reauthorizing the State Children’s Health Insurance Program;
- Ensure efficient and high-quality care for beneficiaries and improve the fiscal sustainability of the Medicare and Medicaid programs;
- Promote market-based and high-tech reforms so that health care is more accessible and affordable for families;
- Expand and promote the use of health information technology and increase the transparency of health care price and quality information;
- Improve public health through science that protects food supplies and research that delivers new advances towards the cures for tomorrow; and
- Continue to assist low-income children, vulnerable populations, and families in need, including through the President’s Faith-Based and Community Initiative.

**Preparing the Nation for Health Emergencies**

- *Prepares against an influenza pandemic.* $507 million to improve America’s readiness for an influenza pandemic, including working toward the goal of acquiring 20 million courses of pre-pandemic vaccine for the national stockpile.
- *Reinforces biodefense and protects the Nation from health emergencies.* Over $4.4 billion to continue efforts to prevent and protect the public from a bioterrorism attack or other public health emergency.

**Reauthorizing the State Children’s Health Insurance Program (SCHIP)**

- *Prioritizes health care coverage for children.* $19.7 billion in SCHIP allotment increases through 2013 to meet anticipated State needs in covering low-income, uninsured children.
  - Provides funding to cover eligible, uninsured children at or below 200 percent of the Federal poverty level.
  - Includes Federal outreach grants of $50 million in 2009 and $100 million in each of the following four years to reach eligible uninsured children.
  - Clarifies eligibility for SCHIP by clearly defining income.
Modernizing and Improving Medicare

- **Encourages and recognizes provider competition, efficiency, and high-quality care.**
  - Adjusts annual provider updates to encourage implementation of best practices that will restrain costs and improve efficiencies.
  - Supports payment reforms for providers, such as physicians and hospitals, that do not increase Medicare spending and that encourage providers to provide high-quality, efficient care.
- **Rationalizes Medicare payment policies.** Refines Medicare payment policies for certain medical items and services to better align them with appropriate costs.
- **Increases beneficiary awareness and responsibility for their own health care.** Gives beneficiaries who are most able to contribute to the costs of their coverage more responsibility for their health care utilization and costs.
- **Improves fiscal sustainability.** Reduces Medicare’s long-term budget shortfall by more than $10 trillion over 75 years, nearly one-third of the unfunded obligation.
- **Improves Medicare program integrity.** Fights waste, fraud, and abuse by recovering over-payments and collecting criminal fines and penalties, and addresses other program integrity vulnerabilities.
- **Sustains historic reforms to Medicare.**
  - Continues successful implementation of the Medicare prescription drug benefit, which is projected to have over 25 million beneficiaries enrolled in private Prescription Drug Plans (PDPs) and Medicare Advantage Prescription Drug Plans (MA-PDs) and saves these enrollees an average of $1,200 annually on their drug costs.
  - Offers beneficiaries greater choices and higher-quality health care through access to private health plans, which compete for their enrollment in Medicare Advantage.
  - For additional discussion of these Medicare reforms, please see the chapter, The Nation’s Fiscal Outlook, in this Budget volume.

Enhancing and Reforming Medicaid

- **Provides greater access to health insurance.** Extends existing Medicaid eligibility for welfare recipients transitioning to work; continues Medicare Part B premium assistance for qualified low-income seniors; and enhances States’ ability to implement premium assistance programs.
- ** Increases program flexibility and efficiency.**
  - Preserves long-term care benefits for individuals with limited resources.
  - Provides States with greater flexibility to manage care for special populations and clarifies services States may offer with managed care savings.
  - Supports market-driven prescription drug reforms.
  - Creates consistency in, and preserves the integrity of, the Federal matching rate structure.
  - Codifies longstanding Department of Health and Human Services (HHS) policy not to bill Medicaid when services are provided free of charge to the public.
- **Reduces waste, fraud, and abuse and increases accountability.**
  - Provides States with new tools to verify eligibility and identify improper provider claims.
  - Strengthens Medicaid’s position as the payer of last resort by facilitating payment by other liable third parties before paying for covered health care expenses.
  - Introduces performance reporting and links State performance to grant awards.
  - Increases transparency through the publication of an annual financial status report.
**Promoting Market-based Health Care**

- **Fosters a true marketplace for health care.** Encourages competition, improves efficiency, and reduces the ranks of the uninsured by promoting access to private insurance.
  - Replaces the existing—and unlimited—exclusion for employer-sponsored insurance with a standard deduction.
  - Increases small employers’ power to negotiate lower-priced health premiums, allows competition among health plans across State lines, and reforms the medical liability law.
  - Provides $75 million in both 2009 and 2010 to help high-risk populations gain access to health insurance.
  - Promotes the use of health savings accounts, including allowing health plans with at least 50-percent coinsurance to qualify as a high-deductible health plans.
- **Advances affordable insurance options.** Pursues opportunities to work toward State-based, budget-neutral initiatives to expand access to affordable insurance.
- **Facilitates health information technology advancements.** Supports adoption of health information technology as a normal cost of doing business, including policies that will encourage physicians and others to adopt electronic health records and through furthering technologies for safe, secure health information exchange.

**Improving Public Health through Science**

- **Supports the Nation’s biomedical research efforts.** $29 billion for the National Institutes of Health to enhance research on the fundamentals of diseases, disorders, and conditions while testing new therapeutics, tools, technologies, and applications.
- **Protects the Nation’s food supply.** Builds on the Administration’s Import Safety Action Plan and the Food and Drug Administration’s (FDA’s) Food Protection Plan by providing $662 million to protect against intentional and unintentional contamination.
- **Establishes a pathway for FDA’s approval of follow-on biologics.** Proposes new FDA authorities to approve follow-on protein products through a new regulatory pathway that protects patient safety, promotes innovation, and includes a financing structure to cover the costs of this activity through user fees.

**Expanding Care for Vulnerable Populations**

- **Strengthens access to priority drug treatment and prevention activities.** $40 million for drug court services, and $56 million to integrate screening, brief intervention, and referral to treatment of drug abuse in emergency departments and other health care settings.
- **Expands health care access.** $2 billion for Health Centers, including an increase to create up to 40 new Health Centers in high-poverty areas.
**Strengthening Programs for Children**

- *Promotes school readiness.* $7 billion to provide comprehensive, high-quality educational, health, nutritional, and social services to approximately 895,000 disadvantaged children and families through Head Start.
- *Increases adoption incentives.* $20 million to build on the substantial increases in the number of adoptions since the mid-1990s.

**Supporting Faith-Based and Community Programs**

- *Builds capacity of faith-based and community organizations.* $75 million to help grassroots faith-based and community-based organizations expand their capacity to provide social services for poor and low-income individuals and families, of which $35 million is for Communities Empowering Youth, a grant aimed at presenting young people with alternatives to gang involvement and violence.
- *Mentors children of prisoners.* $50 million to improve long-term outcomes for vulnerable children with parents in prison. Since 2004, the program has made 70,425 mentoring matches.
- *Expands access to substance abuse treatment.* $98 million to expand substance abuse treatment capacity, including clinical treatment and recovery support services. The Access to Recovery program has served more than 199,000 people since 2004.
- *Educates youth about abstinence.* $204 million to prevent teenage pregnancy, pre-marital sexual activity, and the incidence of sexually transmitted disease.

**Major Savings and Reforms**

- 13 programs representing nearly $2.8 billion have been identified for major termination or reduction, including:
  - Recovery Community Services Program, because services provided, such as manicures and other non-traditional therapies, are not based on evidence-based practices for recovery and grantees have not consistently met all performance measures.
  - Health Professions Grants, because evaluations have found these activities do not have a demonstrated impact on the placement of health professionals in underserved areas.
- Medicare continues to reduce its improper payment rate, down from 4.4 percent of payments in 2006 to 3.9 percent in 2007—the lowest since HHS began tracking the statistic in 1996.

**Since 2001, the Department of Health and Human Services has:**

- Surpassed in 2007 the President’s goal of creating 1,200 new or expanded Health Center sites. By 2009, Health Centers will have served over 100 million low-income patients.
- Continued the work of the landmark 1996 welfare reform by reauthorizing the Temporary Assistance for Needy Families program through 2010, including $150 million for the healthy marriage and responsible fatherhood programs.
- Worked with States to make strong gains in child support collections, which reached $23.9 billion and served an estimated 16 million child support cases in 2006.
- Implemented the voluntary Medicare prescription drug benefit, which is projected to have over 25 million enrollees in private PDPs and MA-PDs and receives consistent satisfaction rates around 75 percent; most recently, a *Wall Street Journal* poll found satisfaction rates as high as 87 percent.
• Increased enrollment in Medicare private plan options through the Medicare Advantage program to nine million beneficiaries.

• Promoted quality health care through the expanded use of health information technology as part of the President’s goal of most Americans having access to an electronic health record by 2014.

• Invested more than $9 billion to support public health systems improvements at the State and local levels and to increase hospital preparedness against a bioterrorism attack or other public health emergencies.

• Enhanced readiness of the U.S. Public Health Service Commissioned Corps, whose officers provide medical and health advice and services to the American people in times of peace and crisis.

• Strengthened mechanisms for detection of, mitigation of, and response to biological weapons attacks on the United States through coordination among Federal agencies and cooperation with State, local, international, and tribal governments.

### Department of Health and Human Services

(Dollar amounts in millions)

<table>
<thead>
<tr>
<th>Spending</th>
<th>2007 Actual</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>Discretionary Budget Authority:</td>
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<tr>
<td>Food and Drug Administration</td>
<td>1,760</td>
<td>1,413</td>
<td>1,771</td>
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<td>Health Resources and Services Administration</td>
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<td>6,860</td>
<td>5,779</td>
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<td>Indian Health Service</td>
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<td>Centers for Disease Control and Prevention</td>
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<td>Substance Abuse and Mental Health Services Administration</td>
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<td>Centers for Medicare and Medicaid Services (CMS)</td>
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<td>Discretionary Health Care Fraud and Abuse Control</td>
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<td>Administration on Aging</td>
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<td>Office for Civil Rights</td>
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<td>Office of the National Coordinator for Health Information</td>
<td>42</td>
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<td>Office of Medicare Appeals</td>
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<td>Public Health and Social Services Emergency Fund</td>
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<tr>
<td>All other</td>
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<td>48</td>
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<tr>
<td>Total, Discretionary budget authority</td>
<td>69,073</td>
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### Department of Health and Human Services—Continued

(Dollar amounts in millions)

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<th>2007 Actual</th>
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<td>Memorandum: Budget authority from enacted supplementals</td>
<td>63</td>
<td>307</td>
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</table>

Total, Discretionary outlays

**Mandatory Outlays:**

Medicare:

- Existing law
- Legislative proposal

Medicaid/SCHIP:

- Existing law
- Legislative proposal

All other programs:

- Existing law
- Legislative proposal

Total, Mandatory outlays

Total, Outlays

### Major Savings, Discretionary

<table>
<thead>
<tr>
<th>Program Type</th>
<th>Number of Programs</th>
<th>2009 Savings</th>
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<tr>
<td>Terminations</td>
<td>9</td>
<td>$-1,656</td>
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<tr>
<td>Reductions</td>
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<td>$-1,140</td>
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1. 2007 and 2008 FDA net budget authority increased by $186 million and decreased by $307 million, respectively, due to the timing and availability of user fee collections.
2. Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.
3. Includes $31 million in 2007 and $60 million in 2008 of CMS Program Management mandatory funding.
4. The costs for the Qualified Individuals proposal ($105 million in 2008 and $270 million in 2009) are included in the Medicaid totals and excluded from the Medicare totals.