

## **Proposals Affecting Health Programs in Budget Function 550— CBO’s Estimate of the President’s Fiscal Year 2021 Budget**

The programs within budget function 550 provide health care services, health research and training, and consumer and occupational health. The largest provide health insurance coverage:

- Medicaid is the main source of coverage for Americans who have very low income.
- The marketplaces established under the Affordable Care Act provide health insurance subsidies for eligible people whose household income is between 100 percent and 400 percent of the federal poverty guidelines.
- The Federal Employees Health Benefits Program provides coverage to civilian federal employees and annuitants.
- The Department of Defense’s Medicare-Eligible Retiree Health Care Fund provides Medicare wraparound coverage and pharmacy benefits to Medicare-eligible retirees of the uniformed services and their families through the TRICARE program.
- The Children’s Health Insurance Program provides coverage for children in families whose income, although modest, is too high for them to qualify for Medicaid.

Budget function 550 also includes other programs, including the following:

- Food and Drug Administration
- National Institutes of Health
- Centers for Disease Control and Prevention
- Substance Abuse and Mental Health Services Administration
- Health Resources and Services Administration
- World Trade Center Health Program
- Postal Service Retiree Health Benefits Fund
- United Mine Workers of America Health Funds
- Agency for Toxic Substances and Disease Registry
- Agency for Healthcare Research and Quality
- Center for Medicare and Medicaid Innovation
- Prevention and Public Health Fund

These estimates are based on CBO’s baseline budget projections as of March 6, 2020, which do not incorporate changes to the nation’s economic outlook and fiscal situation arising from the recent and rapidly evolving public health emergency related to the novel coronavirus.

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March 25, 2020

Millions of Dollars, by Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020-2025	2020-2030
<b>Increases or Decreases (-) in Direct Spending Outlays</b>													
1. President's health reform vision allowance	<i>n.e.</i>												
2. Enact comprehensive drug pricing reform	<i>n.e.</i>												
<b>Cross-Cutting Proposals</b>													
3. Reform the medical liability system, budget function 550 only (a), (b)													
Medicaid	0	-45	-397	-1,097	-1,769	-1,878	-1,992	-2,110	-2,232	-2,359	-2,494	-5,186	-16,373
CHIP	0	-2	-18	-49	-78	-81	-85	-88	-90	-94	-99	-228	-684
Marketplaces	0	-7	-57	-155	-240	-255	-270	-280	-290	-305	-325	-714	-2,184
FEHB/PSRHBF	0	-3	-25	-68	-110	-116	-122	-129	-136	-143	-150	-322	-1,002
4. Reform GME payments (b)	0	0	12,181	12,487	12,787	13,083	13,380	13,681	13,988	14,301	14,620	50,539	120,509
5. Modify payments to hospitals for uncompensated care (b)	0	0	7,732	7,926	8,117	8,305	8,493	8,684	8,879	9,077	9,280	32,080	76,493
6. Marketplace interaction with Medicaid policies (a), (c)	0	-1	-1	0	3	10	13	14	15	16	17	11	86
<b>Other Medicaid Proposals</b>													
7. Strengthen CMS's ability to recoup Medicaid improper payments	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Continue Medicaid disproportionate share hospital allotment reductions	0	0	0	0	0	0	-429	-975	-1,663	-2,488	-3,034	0	-8,588
9. Allow states to partner with the Treasury Offset Program to recover Medicaid and CHIP debts	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Make the Medicaid Recovery Audit Contractor Program optional for states	0	0	1	1	2	3	3	3	3	3	3	6	21
11. Enact financial penalties for states that are not complying with provider screening, enrollment, and revalidation requirements	<i>n.e.</i>												
12. Strengthen CMS's ability to recover Medicaid and CHIP overpayments resulting from noncompliance with provider screening and enrollment requirements	<i>n.e.</i>												
13. Streamline the Medicaid terminations process	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Address patient abuse or neglect in noninstitutional settings (d)	0	8	9	10	11	13	14	15	17	19	21	51	137
15. Implement prepayment controls to prevent inappropriate personal care services payments	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Implement Medicaid community engagement requirement (c)	0	-2,143	-4,701	-10,363	-11,395	-12,471	-13,603	-14,804	-16,041	-17,333	-18,337	-41,072	-121,190
17. Create new Money Follows the Person option for states	0	56	116	123	129	137	72	0	0	0	0	561	633
18. Allow states to apply asset tests to modified adjusted gross income standard populations (c)	0	-61	-140	-240	-360	-414	-474	-539	-606	-675	-351	-1,216	-3,861
19. Increase limit on Medicaid copayments for nonemergency use of emergency departments	0	2	5	9	16	18	22	25	29	32	36	50	193
20. Reduce maximum allowable home equity for Medicaid eligibility	0	-7	-15	-16	-17	-18	-19	-20	-21	-23	-24	-74	-181
21. Require documentation of satisfactory immigration status before receipt of Medicaid benefits	0	0	-45	-100	-105	-110	-120	-125	-135	-140	-295	-360	-1,175
22. Address Medicaid IMD exclusion	<i>n.e.</i>												
23. Exempt Qualified Residential Treatment Programs from Medicaid IMD payment exclusion	0	0	0	0	0	0	0	0	0	0	0	0	0
24. Extend the Certified Community Behavioral Health Clinics Demonstration Program (e)	149	342	160	62	0	0	0	0	0	0	0	713	713
25. Prohibit states from terminating Medicaid coverage for inmates for six months	0	628	656	686	718	751	786	823	862	903	951	3,438	7,763
26. Allow states to extend Medicaid coverage for pregnant women with substance use disorder to one year postpartum (c)	0	74	152	245	348	369	390	412	431	449	476	1,188	3,346
27. Reform and expand DME competitive bidding	0	0	0	0	0	0	0	0	0	0	0	0	0
28. Standardize and enhance VA compensation and pension benefit programs	0	0	0	0	0	0	0	0	0	0	0	0	0
29. Use retail price information for Medicare DME fee schedule rates	0	0	-5	-7	-7	-8	-8	-9	-9	-10	-10	-27	-74
30. Medicaid interactions	0	0	-3,713	-3,965	-4,229	-4,502	-4,785	-5,082	-5,388	-5,708	-6,047	-16,409	-43,420



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Millions of Dollars, by Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2020- 2025	2020- 2030
On-budget (budget function 550)	0	-3	-25	-68	-110	-116	-122	-129	-136	-143	-150	-322	-1,002
Off-budget (budget function 370)	0	0	-1	-7	-18	-28	-30	-31	-33	-34	-36	-53	-217
<b>Total Outlays</b>	<b>0</b>	<b>-57</b>	<b>-499</b>	<b>-1,376</b>	<b>-2,215</b>	<b>-2,358</b>	<b>-2,498</b>	<b>-2,639</b>	<b>-2,781</b>	<b>-2,935</b>	<b>-3,104</b>	<b>-6,503</b>	<b>-20,460</b>
<b>Revenues (d)</b>													
On-budget	0	21	192	570	1,002	1,165	1,218	1,269	1,322	1,387	1,455	2,950	9,601
Off-budget	0	6	57	173	302	352	372	392	413	438	463	890	2,968
<b>Total Revenues</b>	<b>0</b>	<b>27</b>	<b>249</b>	<b>743</b>	<b>1,304</b>	<b>1,516</b>	<b>1,591</b>	<b>1,661</b>	<b>1,736</b>	<b>1,824</b>	<b>1,918</b>	<b>3,839</b>	<b>12,569</b>
<b>Changes in On-Budget Deficits</b>	<b>0</b>	<b>-78</b>	<b>-690</b>	<b>-1,939</b>	<b>-3,199</b>	<b>-3,495</b>	<b>-3,686</b>	<b>-3,876</b>	<b>-4,070</b>	<b>-4,288</b>	<b>-4,523</b>	<b>-9,400</b>	<b>-29,844</b>
<b>Changes in Unified-Budget Deficits</b>	<b>0</b>	<b>-84</b>	<b>-748</b>	<b>-2,119</b>	<b>-3,519</b>	<b>-3,874</b>	<b>-4,089</b>	<b>-4,300</b>	<b>-4,517</b>	<b>-4,759</b>	<b>-5,022</b>	<b>-10,342</b>	<b>-33,029</b>
<b>4. Reform GME payments</b>													
Medicaid	0	0	-3,713	-3,965	-4,229	-4,502	-4,785	-5,082	-5,388	-5,708	-6,047	-16,409	-43,420
Medicare	0	0	-14,950	-15,820	-16,680	-17,590	-18,490	-19,430	-20,410	-21,380	-22,770	-65,040	-167,520
New combined GME pool	0	0	12,181	12,487	12,787	13,083	13,380	13,681	13,988	14,301	14,620	50,539	120,509
<b>Total Outlays</b>	<b>0</b>	<b>0</b>	<b>-6,481</b>	<b>-7,299</b>	<b>-8,122</b>	<b>-9,009</b>	<b>-9,896</b>	<b>-10,831</b>	<b>-11,810</b>	<b>-12,787</b>	<b>-14,197</b>	<b>-30,911</b>	<b>-90,431</b>
<b>5. Modify payments to hospitals for uncompensated care</b>													
Medicare	0	0	-14,390	-15,000	-15,450	-17,070	-18,100	-19,160	-21,110	-20,620	-23,160	-61,910	-164,060
New uncompensated care pool	0	0	7,732	7,926	8,117	8,305	8,493	8,684	8,879	9,077	9,280	32,080	76,493
<b>Total Outlays</b>	<b>0</b>	<b>0</b>	<b>-6,658</b>	<b>-7,074</b>	<b>-7,333</b>	<b>-8,765</b>	<b>-9,607</b>	<b>-10,476</b>	<b>-12,231</b>	<b>-11,543</b>	<b>-13,880</b>	<b>-29,830</b>	<b>-87,567</b>
<b>14. Address patient abuse or neglect in noninstitutional settings (d), (g)</b>	<b>0</b>	<b>-3</b>	<b>-7</b>	<b>-11</b>	<b>-15</b>	<b>-17</b>	<b>-18</b>	<b>-20</b>	<b>-23</b>	<b>-25</b>	<b>-28</b>	<b>-53</b>	<b>-167</b>
<b>42 Change to FEHB administrative funding (d), (g)</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>11</b>	<b>12</b>	<b>14</b>	<b>15</b>	<b>26</b>	<b>87</b>

These estimates are based on CBO's baseline budget projections as of March 6, 2020, which do not incorporate changes to the nation's economic outlook and fiscal situation arising from the recent and rapidly evolving public health emergency related to the novel coronavirus.

Components may not sum to totals because of rounding; n.e. = not estimated—policy was not sufficiently specified for CBO to assess whether the proposal would result in costs or savings.

- (a) Proposal would affect direct spending and revenues, which are shown separately.
- (b) Effects on budget function 550 are shown in the table; effects on other health programs, including Medicare, are shown in the memorandum.
- (c) Effects on the marketplaces from indicated Medicaid policies.
- (d) Nonscoreable effects are shown in the memorandum.
- (e) Proposal would increase direct spending in fiscal year 2020.
- (f) For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.
- (g) Memorandum details cross-cutting policies with significant budgetary effects in budget function 550 or with nonscoreable effects in budget function 550.

CHIP = Children's Health Insurance Program; CMS = Centers for Medicare & Medicaid Services; DME = durable medical equipment; FEHB = Federal Employees Health Benefits Program; GME = graduate medical education; IMD = Institutions of Mental Diseases; PSRHBFB = Postal Service Retiree Health Benefits Fund; VA = Department of Veterans Affairs.