Insight

Highlights of President Biden's FY2024 Health Budget

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Executive Summary

- President Biden's fiscal year 2024 budget proposes $144 billion in discretionary spending for the Department of Health and Human Services, with a large amount of additional mandatory spending added on.
- The Biden Administration claims this budget would extend the solvency of the Medicare Part A Hospital Insurance Trust Fund by 25 years, namely through a proposed combination of increasing the number of drugs that Medicare can negotiate and increasing income taxes.
- The president's budget also proposes to expand Medicaid-like coverage to eligible individuals in states that did not expand Medicaid under the Affordable Care Act, make permanent the expanded premium tax credits from the Inflation Reduction Act, invest in pandemic preparedness, "transform" behavioral health care, and make funding for the Indian Health Service mandatory, among other proposals.

Introduction

On March 9, the Biden Administration released the president's fiscal year 2024 budget, which includes $144 billion in discretionary spending for the Department of Health and Human Services (HHS) – an 11.5 percent or $14.8 billion increase from the 2023 enacted spending level. The proposed budget claims it would make Medicare solvent for the next 25 years, expand Medicaid-like coverage to eligible individuals in states that did not expand Medicaid under the Affordable Care Act (ACA), make permanent the expanded premium tax credits from the Inflation Reduction Act (IRA), invest in pandemic preparedness, increase investments in behavioral health via funding for clinics and the workforce, and make funding for the Indian Health Service mandatory, among numerous other proposals. This

primer reviews the major proposals of the president's budget and their budgetary impacts.

Health Care in the Budget

Medicare

The president's budget claims it would extend the solvency of the Medicare Part A's Hospital Insurance (HI) Trust Fund by another 25 years. To accomplish this, the Biden Administration proposes increasing income taxes and the number of drugs for which Medicare can "negotiate" price as specified in the IRA. Regarding the tax increases, the budget proposes raising the 3.8 percent "Medicare tax" currently paid by all individuals making over $200,000 to 5 percent for individuals making over $400,000. The budget also proposes to count pass-through business income as part of an individual's total income alongside earned and investment income, and then dedicate the new revenue from the "net investment income" tax (from both realized investment income and pass-through business income) to the HI Trust Fund.

For drug pricing, the budget proposes to increase the number of drugs for which Medicare would be allowed to negotiate prices and shorten the length of time from launch that drugs become eligible for price negotiation. Additionally, the budget proposes to extend the inflation rebate rule in the IRA beyond Medicare to include commercial insurance as well. The administration claims that expanding the drug pricing proposals would bring in an additional $200 billion in revenue over 10 years, while the tax proposals would bring in over $650 billion in new revenue over 10 years. It should be emphasized that the proposed reforms are only aimed at Part A, and Part A is not the only Medicare program with sustainability problems. As of the latest 2022 Medicare Trustees Report, Medicare Part B is facing a cash deficit of $294.5 billion and Part D a deficit of $88 billion.

The president's budget also proposes to limit cost sharing for generic drugs for chronic conditions to $2 per prescription, per month for Medicare Part D beneficiaries, which the administration expects would cost $1.3 billion over 10 years in mandatory funding. Additionally, the budget proposes to eliminate cost sharing for three behavioral health visits a year for a cost of $1.45 billion over 10 years in mandatory funding. On the nutrition front, the budget proposes to expand Medicare coverage of obesity and nutrition counseling at a cost of more than $1.7 billion over 10 years in mandatory funding, while creating a subnational medically tailored meal program in Medicare (it provides no cost estimate). Finally, the budget further proposes to revise Medicare's criteria for psychiatric hospital admission and to apply the Mental Health Parity and Addiction Equity Act to Medicare (it provides no cost estimate).

Medicaid

The president's budget proposes several major changes to Medicaid. First, the budget proposes the provision of "Medicaid-like" coverage to everyone in states that did not adopt Medicaid expansion under the ACA. Although the exact meaning of "Medicaid-like coverage" is unclear, the administration expects this proposal to cost $200 billion in mandatory funding over 10 years. The administration would also require state Medicaid programs to cover 12 months of postpartum care for mothers, with an expected 10-year cost of just under $2.4 billion in mandatory funding.

The budget includes a proposal to allow HHS to negotiate supplemental drug rebates on behalf of participating states' Medicaid programs and Childrens Health Insurance Programs (CHIP), claiming a savings of just under $5.3 billion over 10 years. The form and extent of this negotiation is unclear. The budget also proposes to apply Medicaid drug rebates to separate CHIP programs, with an expected savings of over $2.3 billion over 10 years.

Long-term care (LTC) services, mostly covered under Medicaid, would receive $150 billion in mandatory funding over 10 years under the proposed budget. These funds would go toward the expansion of home and community-based services in Medicaid and increased compensation for the LTC workforce, as well as greater oversight of LTC facilities. Additionally, Medicaid Managed Care plans would be required to refund states and the federal government if their medical loss ratios exceed an as-yet unspecified percentage, which the administration claims will save $21.7 billion over 10 years. Finally, the budget proposes to reduce unspecified barriers to PrEP medication, used for HIV prevention, for Medicaid patients, which the Biden Administration claims will save $10.2 billion over 10 years.

Private Insurance/ACA

One large proposal in the budget is the permanent expansion of the enhanced premium tax credits first passed in the American Rescue Plan Act and extended by the IRA. The budget projects that this will cost $183 billion over 10 years in mandatory funding. The budget also proposes to extend the $35 cap on insulin to the commercial market, projected to cost a little under $1.4 billion over 10 years in mandatory funding. Additionally, the budget would replenish and extend the No Surprises Act implementation fund at a cost of $500 million over 10 years in mandatory funding and proposes to expand surprise billing protection to ground ambulances, which the administration predicts will save $948 million over 10 years. The budget also proposes to require three cost-sharing free behavioral health visits in the private insurance market with an estimated cost of $17.6 billion over 10 years in mandatory funding. Finally, the budget proposes to "improve access to behavioral health care in the

private insurance market," presumably by the budget's proposal to invest in the behavioral health workforce, clinics, and the expansion of several suicide prevention programs, at an estimated cost of $29 billion in mandatory funding.

Indian Health Service

The administration proposes to make Indian Health Service (IHS) funding permanently mandatory, with ramp-ups beginning in 2024 and IHS becoming fully mandatory in 2025. This change is projected to cost a total of $288 billion over 10 years.

Public Health

The president's budget proposes $20 billion in mandatory funding for public health agencies to support the administration's pandemic prevention priorities. An additional $10.5 billion over 10 years in discretionary funding is proposed to build public health capacity at the Centers for Disease Control and Prevention and at state and local levels. The budget further proposes to invest $850 million over 10 years in the Ending the HIV Epidemic Initiative across HHS. The budget also calls for $400 million in new discretionary spending over 10 years for the Administration for Strategic Preparedness and Response to bolster preparedness for pandemics and biological threats, as well as investments in the Biomedical Advanced Research and Development Authority and the Strategic National Stockpile to support the development of vaccines, diagnostics, and treatments for these threats.