



Insight

Health Care in the President's FY 2015 Budget

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This morning, President Obama released his proposed budget for fiscal year (FY) 2015, which provides useful insights into the administration's policy priorities.

All told the president proposes \$77.1 billion in total discretionary funding for the Department of Health and Human Services (HHS) – about \$3 billion less than he proposed for FY2014, and roughly \$800 million less than was ultimately appropriated.

Affordable Care Act Funding

The president's budget would spend \$121 million on implementation of the Affordable Care Act (ACA) in FY2015 – down from \$197 in FY2014. It provides \$836 million for planning and establishment grants to states for the implementation and operation of their state exchanges. The HHS "Budget in Brief" notes that this line item can also be used for the Federally Facilitated Marketplace. The health care highlights fact sheet delves into Community Block Grants, the Indian Health Service, and programs aimed at promoting "responsible fatherhood", absent however is anything but a passing reference to "supporting" the Affordable Care Act (ACA).

Nonetheless, the budget proposal does seek to accelerate and/or strengthen ACA reforms. Included are provisions such as reducing the target Medicare growth rate that triggers Independent Payment Advisory Board action, closing the Medicare Part D coverage gap by requiring larger rebates from drug manufacturers, implementing Medicaid style drug rebates for low-income Medicare beneficiaries, prohibiting agreements between drug manufacturers that delay generic drugs in coming to market, and reducing the market exclusivity period for new biologics from 12 years to 7.

Medicare Proposals

In addition to supporting the health reform law, the president's budget proposes some significant structural changes to the Medicare Part D and B that encourage more cost-sharing and shift more financial responsibility onto beneficiaries. In both programs, income-related premiums would be increased, and the income thresholds would be held constant until 25 percent of enrollees are subject to income-related premiums. Deductibles for Part B (currently \$147) would be increased by \$25 every two years between 2018 and 2022 in conjunction with a newly instituted premium surcharge for enrollees in generous Medigap plans. Other Medicare provisions increase co-pays for brand-name drugs and add copays for some home health episodes.