

**Testimony of
Secretary Kathleen Sebelius
U.S. Department of Health and Human Services
before the
U.S. House of Representatives
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Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
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Chairman Kingston, Ranking Member DeLauro, and Members of the Committee, thank you for the invitation to discuss the President's Fiscal Year 2014 Budget for the U.S. Department of Health and Human Services.

This budget for the Department of Health and Human Services (HHS) provides critical investments in health care, disease prevention, social services, and scientific research in order to create healthier and safer families, stronger communities, and a thriving America. While it invests in areas that are critical to our long-term prosperity, the budget also helps tackle our deficit with legislative proposals that would save an estimated net \$361.1 billion over 10 years. The Budget totals \$967.3 billion in outlays and proposes \$80.1 billion in discretionary budget authority. With this funding HHS will continue to improve health care and expand coverage, create opportunity and give kids the chance to succeed, protect vulnerable populations, promote science and innovation, protect the nation's public health and national security, and focus on responsible stewardship of taxpayer dollars.

Improving Health Care and Expanding Coverage

Expanding Health Insurance Coverage. Implementation of the Exchanges, also referred to as Marketplaces, will improve access to insurance coverage for more than 25 million Americans. Marketplaces make purchasing private health insurance easier by providing eligible consumers and small businesses with one-stop-shopping where they can compare plans. New premium tax credits and the increased transparency and competition in the Marketplaces will improve affordability of private coverage. FY 2014 is the first coverage year for plans purchased through the Marketplaces; open enrollment begins October 1, 2013 for the coverage year beginning January 1, 2014. The Budget supports operations in the Federal Marketplaces, as well as oversight of and assistance to State-based Marketplaces.

Beginning in 2014, consumers will benefit from a number of new protections in the private health insurance market. Most health insurers will no longer be allowed to charge more or deny coverage to people because of pre-existing conditions. These new protections will also prohibit most health insurers from putting annual dollar limits on benefits and from varying premiums based on gender or any factor other than age, tobacco use, family size, or geography. In addition, new plans in the individual and small group market will be required to cover a comprehensive package of items and services known as Essential Health Benefits, which must include items and services within ten benefit categories. Finally, most individuals choosing to participate in clinical trials will generally not face limits in health insurance coverage for routine patient costs. This protection applies to all clinical trials that treat cancer or other life-threatening diseases.

Expanding Access to Care through Health Centers. The FY 2014 Budget includes \$3.8 billion for the Health Centers program, including \$2.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund. In FY 2014, 23 million patients will receive health care through more than 8,900 sites in medically

underserved communities throughout the nation. The Budget funds new health center sites for the provision of preventive health care services, expanding outreach and care to approximately 1.5 million additional patients.

Improving Patient Safety. HHS is committed to improving patient safety and reducing the risks and harm to patients. The Budget includes \$63 million for patient safety research at the Agency for Healthcare Research and Quality (AHRQ). This research focuses on the risks of harm inherent in the delivery of health care, which helps us understand the factors that can contribute to adverse events and how to prevent them. In FY 2014, AHRQ will fund projects on improving team performance, provider training, and coordination, as well as establishing cultures conducive to patient safety in health care organizations. This research will help the medical community reduce errors and improve patient safety.

Increasing Access to Mental Health Services

The FY 2014 Budget includes over \$1 billion for mental health programs at the Substance Abuse and Mental Health Services Administration (SAMSHA), including the \$460 million for the Community Mental Health Services Block Grant. This block grant provides States flexible funding to maintain community based mental health services for children and adults with serious mental illnesses, including rehabilitation, supported housing, and employment opportunities. The Budget also proposes funding within the block grant to encourage States to build provider capacity to bill public and private insurance. This will support States in an effective transition in the first year of the Affordable Care Act, which will include expanded coverage for mental health and substance abuse treatment services.

Expand Prevention and Treatment for Youth and Families. While the vast majority of Americans with a mental illness are not violent, and are in fact more likely to be the victims of violence, recent tragedies have brought to light a hidden crisis in America's mental health system. The Budget addresses these issues by investing \$130 million to help teachers and other adults recognize signs of mental illness in students and refer them to help if needed, support innovative state-based programs to improve mental health outcomes for young people ages 16-25, and train 5,000 more mental health professionals with a focus on serving students and young adults.

Helping Families and Children Succeed

In his State of the Union Address, the President proposed a series of new investments to create a continuum of high-quality early learning services for children beginning at birth through age five. As part of this initiative, HHS and the Department of Education are working together to make universal, high-quality preschool available to four-year olds from low- and moderate-income families through a partnership with states, expand the availability of high-quality care for infants and toddlers, and increase highly-effective, voluntary home visiting programs to provide health, social, and education supports to low-income families. Specifically, the FY 2014 HHS Budget includes:

Early Head Start—Child Care Partnerships. The Budget proposes \$1.4 billion in FY 2014 for new Early Head Start – Child Care Partnerships that will expand the availability of early learning programs that meet the highest standards of quality for infants and toddlers, serving children from birth through age three. In addition to the new Partnerships, the Budget provides \$222 million above FY 2012 to strengthen services for children currently enrolled in the program, avoid further enrollment reductions, and support the Head Start Designation Renewal System. Together, these investments total \$9.6 billion, an increase of \$1.7 billion over FY 2012.

Child Care Quality Fund. The request includes an additional \$700 million above FY 2012 to expand early learning opportunities. Within this total, \$200 million will help states raise the bar on quality by strengthening health and safety measures in child care settings, supporting professional development for providers, and promoting transparency and consumer education to help parents make informed child care choices. In addition to this funding, the Budget provides \$500 million above FY 2012 to serve 1.4 million children, approximately 100,000 more than would otherwise be served.

Home Visiting. The Budget extends and expands this voluntary evidence-based program that has shown to be critical in improving maternal and child health outcomes in the early years, leaving long-lasting, positive impacts on parenting skills; children's cognitive, language, and social-emotional development; and school readiness. The Budget proposes a long-term \$15 billion investment beginning in FY 2015.

Unaccompanied Alien Children. I would like to thank the Congress for providing an additional \$248 million for the refugee appropriation in FY 2013 to accommodate the increased number of unaccompanied alien children (UAC) while maintaining services for refugees. While sequestration and the across-the-board rescission still leave a shortfall, we are taking necessary action to ensure we can accommodate all UAC arrivals without reducing essential refugee services. The FY 2014 budget request includes \$1.1 billion, an increase of \$355 million over FY 2012, to accommodate 26,000 UAC while maintaining services for refugees. HHS has kept Congress informed about the continuing UAC increase and looks forward to working with Congress to ensure both UAC and refugees are served.

Protecting Vulnerable Populations

Addressing the Unique Needs of Communities. The Administration for Community Living (ACL) was formed in April 2012 as a single agency designed to help more people with disabilities and older adults have the option to live in their homes and participate fully in their communities. The FY 2014 Budget reflects the creation of ACL by bringing together the resources for the Administration on Aging, the Office on Disability, and the Administration on Intellectual and Developmental Disabilities, into a consolidated request. This newly organized agency works across HHS to harmonize efforts to promote community living, which can both save federal funds and allow people to choose to live with dignity in the communities they call home. ACL's Lifespan Respite Care program, as an example, focuses on providing a testbed for needed infrastructure changes and on filling gaps in service by putting in place coordinated systems of accessible, community-based respite care services for family caregivers of children and adults with special needs.

Ryan White. The Budget includes \$2.4 billion for the Ryan White HIV/AIDS program to continue its critical role in support of patients across the HIV/AIDS continuum, by linking patients to care, prescribing and improving adherence to antiretroviral medicine, and achieving viral suppression. Included in this total is \$943 million for the AIDS Drug Assistance Program (ADAP), an increase of \$10 million over FY 2012 to provide life-saving and life-extending medications to 218,900 individuals. This investment will allow ADAP to serve an additional 1,600 people living with HIV/AIDS relative to the estimated number of clients served in FY 2012.

Promoting Science and Innovation

Advancing Scientific Knowledge. The FY 2014 Budget includes \$31.3 billion for the National Institutes of Health (NIH), an increase of \$471 million over the FY 2012 level, reflecting the Administration's priority to invest in innovative biomedical and behavioral

research that spurs economic growth while advancing medical science. In FY 2014, NIH will focus on investing in today's basic research for tomorrow's breakthroughs, advancing translational sciences, and recruiting and retaining diverse scientific talent and creativity. Investment in NIH also helps drive the biotechnology sector and assure the nation's place as a leader in science and technology.

Alzheimer's Disease Initiatives. The Department continues to implement the National Plan to Address Alzheimer's Disease, as required by the National Alzheimer's Project Act. In FY 2014, the Budget includes a \$100 million initiative targeted to expanding research, education, and outreach on Alzheimer's disease, and to improving patient, family, and caregiver support. Included in this initiative is \$80 million within the NIH budget to be devoted to speeding drug development and testing new therapies. Also, the Prevention and Public Health Fund (Prevention Fund) allocation includes \$20 million for the Alzheimer's Disease Initiative. Of this, ACL will use \$15 million to strengthen state and local dementia intervention capabilities and for outreach to inform those who care for individuals with Alzheimer's disease about resources available to help them. HRSA will use the other \$5 million to expand efforts to provide training to healthcare providers on Alzheimer's disease and related dementias.

Protecting the Nation's Public Health and National Security

Project BioShield and Advanced Development. In FY 2014, HHS will continue to support the development and procurement of medical countermeasures (MCMs) against chemical, biological, radiological, and nuclear (CBRN) threats. This funding includes \$415 million to support advanced research and development of MCMs through the Biomedical Advanced Research and Development Authority. Additionally, the Budget includes \$250 million as the first installment of a multi-year commitment to support Project BioShield, aimed to facilitate the procurement of these MCMs for the Strategic National Stockpile. Together, these efforts will enhance the nation's ability to acquire MCMs that will be vital to mitigating or preventing the effects of CBRN threats.

Infectious Disease Surveillance Modernization. The Budget invests \$40 million to modernize CDC's surveillance technology and methods to better detect and track infectious disease. This investment will allow CDC to retool its national surveillance systems and detect and respond to emerging health threats in a timely manner. CDC's infectious disease surveillance technologies are becoming increasingly outdated and threaten the basic public health mission of the agency. In an effort to keep up with advances, CDC is making substantial investments in bioinformatics, database development, data warehousing, and analytics. This initiative requires strategic and sustained investment in the following areas: pathogen identification and detection using genomics, adaptation of new diagnostics, state assistance and coordination, enhanced and integrated sustainable laboratory systems, and tool development to support prediction and modeling for early disease detection.

Focusing on Responsible Stewardship of Taxpayer Dollars

Contributing to Deficit Reduction while Maintaining Promises to all Americans. The Budget makes the investments the nation needs right now while reducing the deficit in the long term and ensuring the programs that millions of Americans rely on will be there for generations to come.

The Budget maintains ongoing investments in areas most central to advancing the HHS mission while making reductions to lower priority areas, reducing duplication, and increasing administrative efficiencies. Overall, the FY 2014 Budget includes nearly \$2.3 billion in discretionary terminations and reductions.

Combating Fraud, Waste, and Abuse in Health Care. The FY 2014 Budget makes continuing to cut fraud, waste, and abuse a top Administration priority. In addition to the \$311 million in base discretionary Health Care Fraud and Abuse Control (HCFAC) funding, the Budget invests \$329 million in new mandatory funding in FY 2014 to ensure that HHS and the Department of Justice (DOJ) have the resources they need to conduct critical program integrity activities. Starting in FY 2015, the Budget proposes all new HCFAC investments be mandatory, consistent with levels in the Budget Control Act. This investment supports fraud prevention initiatives like the Fraud Prevention System and provider screening; reducing improper payments in Medicare, Medicaid and CHIP; and HHS-Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiatives, including the Medicare Strike Force teams and the Fraud Prevention Partnership between the federal government, private insurers, and other key stakeholders.

From 1997 to 2012, HCFAC programs have returned over \$23.0 billion to the Medicare Trust Funds, and the current three-year return-on-investment of 7.9 to 1 is the highest in the history of the HCFAC program. The Budget's 10-year HCFAC investment yields a conservative estimate of \$6.7 billion in Medicare and Medicaid savings.

The Budget includes \$389 million in discretionary and mandatory funding for the Office of Inspector General (OIG), an increase of \$101 million above the FY 2012 level. A portion of this increase is funded through the additional mandatory HCFAC investment, which is a top priority in this Budget. This increase will enable OIG to expand Program Integrity efforts for the Health Care Fraud Prevention and Enforcement Action Team and improper payments, and also enhance investigative efforts focused on civil fraud, oversight of grants, and the operation of Affordable Care Act programs.

The Budget also includes \$82 million for the Office of Medicare Hearings and Appeals (OMHA), an increase of \$10 million from FY 2012, to address OMHA's adjudicatory capacity and staffing levels and maintain quality and accuracy of its decisions. The increase allows OMHA to establish a new field office in the Central time zone supported by additional Administrative Law Judge teams, attorneys, and operational staff.

Performance, Evaluations and Effectiveness

Assessing the Impact of Health Insurance Coverage Expansions on Safety Net Programs. The Budget includes \$3 million to the Assistant Secretary for Planning and Evaluation to evaluate the impact of health insurance coverage and benefit expansions among beneficiaries of HHS direct service programs. This request supports the continuation of research and evaluation studies, collection of data, and assessments of the costs, benefits and impacts of policies and programs under consideration by HHS or the Congress.

Improving the Use of Evidence-Based Interventions. The Budget includes proposals to improve the use of evidence-based interventions in SAMHSA's Mental Health Block Grant to ensure that federal resources are invested in strategies that work. This proposal will require states to target resources, through their formula grant allocations, to evidence-based interventions.

The Budget will also substantially increase support for the National Registry of Evidence-based Programs and Practices. This searchable online system supports states, communities, and tribes in identifying and implementing evidence-based mental health and substance abuse prevention and treatment interventions. Additional funding will be used to ensure the registry includes cutting edge innovations that work.

Thank you for the opportunity to testify. I will be happy to answer any questions you may have.