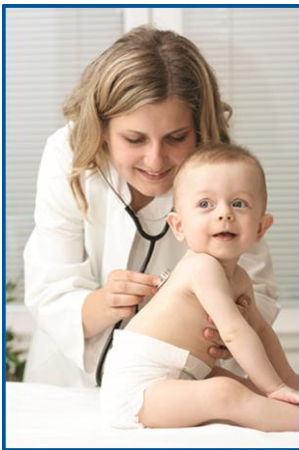


# CHILDREN'S HEALTH IN THE PRESIDENT'S FY 2013 BUDGET



FIRST FOCUS



On February 13, 2012, President Obama presented his \$3.8 trillion FY 2013 budget request to Congress, outlining his spending priorities for the coming year. Similar to the plan the Administration released in September, the budget focuses on reducing the federal deficit, proposing \$4 trillion in deficit-reduction measures with an additional \$1.2 trillion in savings from across-the-board cuts to federal programs. The budget also includes \$1.5 trillion in proposed tax increases targeting high-income earners. On the health care front, overall funding for the Department of Health and Human Services (HHS) would increase by a modest \$300 million, up to \$76.4 billion in FY 2013. This flat-funding trend was seen widely across HHS, with the exception of the Centers for Medicare and Medicaid Services (CMS), which scored a \$1 billion increase to fund implementation activities related to the Affordable Care Act (ACA).

## BLENDED MEDICAID/CHIP RATE PUTS CHIP AT RISK

While directly rejecting any plan to block grant Medicaid, the President's budget includes \$55.7 billion in Medicaid cuts. Notably, the Administration proposes to establish a "blended" Medicaid/Children's Health Insurance Program (CHIP) federal matching rate for states. This "blended rate" proposal was initially offered by the White House during the debt ceiling negotiations last summer. Like last year's plan, the budget proposes that beginning in 2017, rather than having different matching rates for Medicaid and CHIP states would get a new "blended" rate which averages current state Medicaid and CHIP matching percentages to cover the federal share of costs for Medicaid and CHIP enrollees. The goal of blending the rates is to simplify state Medicaid and CHIP financing.

In all cases, a blended rate would mean a slight bump up for states in their Medicaid FMAs but a dramatic drop in the enhanced state FMAP for CHIP. As a result, we are concerned that a blended rate would have a devastating impact on CHIP and could result in significant coverage disruptions for low-income children.

While the President's proposal does not specifically address the impact on CHIP, without its enhanced FMAP, states would have to pay more of the costs to continue operating their CHIP programs. Any gain that might come from streamlining Medicaid and CHIP rates must be measured against the potential for state cutbacks and coverage losses that would likely result. With state budgets already severely pressed, it is unlikely that states would be able to absorb billions of dollars in new health expenses and the future of CHIP would certainly be imperiled.

The Administration estimates that this proposal would result in \$3.4 billion in savings in 2017 and \$17.9 billion over 10 years. The remainder of the Administration's projected Medicaid savings would be derived by limiting financing practices used by states to increase federal support for their Medicaid programs and other program integrity measures.

## OTHER PROPOSALS SIGNIFICANT FOR CHILDREN'S HEALTH

- The President's budget provides \$3.8 billion for the **Centers for Medicare and Medicaid Services (CMS)**, a 26 percent increase (\$1 billion) over FY 2012, to continue the administration of the Medicare, Medicaid, and CHIP programs and implement the ACA. The bulk of the new funding, approximately \$860 million, is to be used to help states set up their health exchanges, which are to be up and running in January 2014.

February, 2012

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- According to the FY 2013 budget request, federal **Medicaid** spending under current law would total \$282.8 billion in FY 2013, a \$27.5 billion increase over FY 2012. The budget includes several proposals to cut Medicaid by \$55.7 billion over ten years, including: the creation of a blended Medicaid/CHIP matching rate (see discussion above), limiting states' abilities to use provider taxes to increase federal matching payments, and other program integrity-related activities.
- The budget provides \$10.23 billion in FY 2013 funding for the **Children's Health Insurance Program (CHIP)**, up from 9.9 billion in FY 2012 (this includes outlays for the Child Enrollment Contingency Fund).
- The President's budget cuts funding for **CHIP Outreach and Enrollment Grants** by \$13 million in FY 2013. This grant program was initiated as part of CHIPRA with \$100 million in grants to fund a nationwide campaign to improve outreach and enrollment of eligible children into Medicaid or CHIP. The ACA expanded this funding to \$140 million and extended its availability through FY 2015.
- The President's budget also includes a significant rescission of unspent funds from the **CHIP State Performance Bonus Pool**. During FY 2012 appropriations, \$6.3 billion was rescinded from this fund. The President's FY 2013 budget proposes to rescind another \$6.7 billion. While this is a significant amount of funding to be returned to the federal Treasury, the monies are authorized for state spending on CHIP based on projections of state need and not actual spending. It is good news that CHIPRA established this CHIP set-aside to prevent states from experiencing funding shortfalls, however, the bad news is that when the projections of state need are overestimated and a surplus exists the funding is not available to be repurposed for spending on other aspects of the program.
- The President's budget cuts funding for HRSA's **Children's Hospitals Graduate Medical Education Program** by nearly two-thirds, from \$265 million to \$88 million. This program supports physician training at children's hospitals which ensures an adequate supply of pediatricians and pediatric subspecialists. Currently, there are approximately 60 freestanding children's hospitals that receive these payments – about 1 percent of all the nation's hospitals. These hospitals train 40 percent of general pediatricians and 43 percent of pediatric specialists.
- The **Centers for Disease Control and Prevention (CDC)** took the largest cut out of all discretionary health spending, with funding down to \$5.1 billion in FY 2013, a \$664 million or 11.6 percent decrease from FY 2012. The CDC would receive approximately \$903 million of the \$1.2 billion made available for the ACA's Prevention and Public Health Fund. Notably, the budget provides another significant increase of \$265 million for the CDC's Vaccines for Children Program, up to \$4.3 billion in FY 2013.
- According to the President's budget, overall funding for the **Health Resources and Services Administration (HRSA)** would decrease by \$138 million to \$6.08 billion in FY 2013. However, HRSA's Community Health Centers (CHCs) program would be funded at \$3.1 billion in FY 2013, including \$1.5 billion in ACA mandatory funding and an additional \$295 million increase in discretionary funding.
- The President's budget also specifically mentions its support for budget-neutral ACA-related **State Innovation Waivers**, which would allow states to implement their own health reform systems beginning in 2014, rather than 2017, as directed by the ACA, as long as states meet certain federal requirements.

Other notable items in the President's FY 2013 budget related to children's health include:

- **The Title V Maternal and Child (MCH) Services Block Grant** would be funded at \$640 million in FY 2013, a \$1 million increase over FY 2012.
- **Home-visiting funding**, now mandatory under the ACA, would see a \$50 million increase, up to \$400 million in FY 2013.
- Funding for the **Eunice Kennedy Shriver National Institute of Child Health and Human Development** is increased to \$1.32 billion in FY 2012, a \$1 million increase over FY 2012. Also at NIH, the National Children's Study is cut by \$28 million (a decrease of 14.7 percent) down from \$194 million in FY 2013.

- HRSA's funding for its **HIV/AIDS Children Youth, Women, and Families program** is reduced by \$8 million to \$70 million in FY 2013.
- The budget request includes \$133 million for **CDC's Environmental Health programs**, a decrease of \$7 million from FY 2012. The budget consolidates the CDC's Healthy Homes/Childhood Lead Poisoning Prevention/Asthma initiative into a new Healthy Home and Community Environments Program line-item, which is funded at \$27 million in FY 2013.
- The President also proposes to streamline the **CDC's Birth Defects, Developmental Disabilities**, and Health activities into three budget lines—Child Health and Development, Health and Development for People with Disabilities, and Public Health Approach to Blood Disorders. This will allow CDC to track birth defects and developmental disabilities more aggressively. The Birth Defects, Developmental Disabilities and Health Program, is cut by \$12 million to \$126 million.
- The **CDC's Disease Prevention and Health Promotion programs** related to Nutrition, Physical Activity and Obesity (funded at \$34 million in FY 2012) and School Health (funded at \$13.5 million in FY 2012) are eliminated in the President's budget.
- The Substance Abuse and Mental Health Services Administration's (SAMHSA) **Children's Mental Health Services** program is cut by \$29 million (or 25 percent) to \$89 million in FY 2013.

As we saw in the President's budget last year, several children's health-related line-items are level-funded in FY 2013, including:

- **School-Based Health Centers**, flat-funded at \$50 million.
- HRSA programs related to **autism and other developmental disorders** are flat-funded at \$47 million.
- **Oral Health Training**, flat-funded at \$32 million.
- **Universal Newborn Screening**, flat-funded at \$19 million.
- **Emergency Medical Services for Children**, flat-funded at \$21 million.
- **Poison Control Centers**, flat-funded at \$19 million.
- **Healthy Start**, flat-funded at \$104 million.
- **CDC's Safe Motherhood program**, flat-funded at \$44 million.

It is important to remember that the President's budget represents only the Administration's wish list of priorities. Usually, it serves as a blueprint for Congress to consider as it begins the process of allocating federal dollars for spending on programs. However, given the contentious nature of election-year politics and the severe gridlock on Capitol Hill this year, it is unlikely that Congress will be able to reach agreement on appropriations legislation or make any serious headway on budgetary or deficit-reduction issues before November. No matter the outcomes of the elections, it is almost a certainty that Congress will be back in Washington for an end-of-year lame-duck session to tackle a host of pressing deadlines, not the least of which are the expiring Bush tax cuts and Budget Control Act-related across-the-board spending cuts.

While the political climate in Washington diminishes the immediate impact of the President's FY 2013 budget, we expect that many of the policy proposals and spending guidelines will be back on the agenda in 2012. Importantly on Medicaid, with the President already conceding billions in Medicaid cuts and Republican lawmakers expected to reprise last year's Medicaid block grant proposal, Medicaid will be a major target for "reform" when the 113th Congress gets underway no matter who is in the White House or at the helm on Capitol Hill.

As the budget season moves forward, First Focus will continue to urge Congress to maintain support for the programs that serve as lifelines for our nation's children, ensuring that their basic needs can be met. Deficit-reduction cannot and should not be undertaken at the expense of our children's health.