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President Obama Issues FY 2011 Budget: Assumes Enactment of Comprehensive Health Reform in 2011

Two weeks after the Democratic Party lost its 60-vote majority in the United States Senate, which many viewed as essential to enacting comprehensive health reform, President Barack Obama unveiled a Fiscal Year (FY) 2011 budget proposal that assumes Congress will move forward to enact “fiscally responsible” health reform this year. In fact, the President’s budget assumes that the enactment of comprehensive health reform will result in \$150 billion in savings over the next ten years.

Health Reform Building Blocks.

Demonstrating his Administration’s continued commitment to the passage of comprehensive health reform, dubbed “health insurance reform” in the FY 2011 budget, the President’s budget proposal outlines several important investments to support the eventual passage of such legislation, including:

- \$2.5 billion for community health centers to maintain health services for the two million new patients covered through the American Recovery and Reinvestment Act (ARRA)—an increase of \$290 million over FY 2010 levels;
- \$110 million to the Office of the National Coordinator and the Agency for Healthcare Research and Quality to continue efforts to implement health information technology (HIT), adding to funds made available under ARRA—an increase of \$21 million over FY 2010 levels; and
- \$286 million in funding for comparative effectiveness research—an increase of \$261 over FY 2010 levels.

Proposals to Achieve Fiscal Responsibility.

Despite the President’s continued commitment to adopting comprehensive health reform, the President’s FY 2011 budget proposal is clearly focused on job creation and fiscal responsibility. The budget proposes a three-year freeze on spending for all non-security discretionary programs, for a total savings of \$250 billion over ten years. Notably, this freeze does not apply to mandatory spending programs, such as Medicare, Medicaid, and the Children’s Health Insurance Program. Moreover, the President’s budget includes no Medicare or Medicaid provider payment reductions.

Such payment reductions may be on the horizon, however, as the President’s budget proposes the creation of a bipartisan fiscal commission charged with identifying policies to balance the federal budget by 2015 and with addressing the growth of entitlement spending. Although the Senate voted down a bill to create such a commission just last week, the President is likely to move forward to establish a fiscal commission by Executive Order. Implementation by Executive Order, however, would lack the fast track, up-or-down Congressional consideration of the commission’s recommendations that were a key enforcement mechanism of the rejected Senate proposal.

New Investments in Health Care.

Even in this time of budget austerity, the President’s budget outlines a variety of important spending initiatives, including the following:

- **Provides Assistance to States.** Recognizing the deep fiscal crises affecting many state governments, the President's budget proposes to extend the enhanced federal medical assistance percentage (FMAP) that Congress adopted as part of ARRA for an additional six months. Such an extension would provide \$25.5 billion in additional Medicaid funding to states through the end of June 2011.
- **Extends COBRA Subsidies.** The President's budget proposes a 12-month extension of the 65 percent COBRA insurance subsidy enacted under ARRA to assist individuals who become unemployed to retain their employer-sponsored insurance (the current subsidies are scheduled to expire February 28, 2010).
- **Invests in Program Integrity.** The President's budget proposes to invest an additional \$250 million in new funding (for a total of \$562 million in funding) and to establish new programs to combat Medicare and Medicaid fraud, which are estimated to save \$25 billion over the next ten years. In addition to expanding the Health Care Fraud Prevention and Enforcement Action Team, the President has proposed a variety of new program integrity initiatives, including: modifying existing Medicare medical review limitations; establishing a CMS-Internal Revenue Service data match to identify fraudulent providers; and tracking drug utilizers and prescribers to reduce Medicaid drug over-utilization.
- **Calls for New Medicare and Medicaid Demonstration Authority.** The President's budget calls for \$30 million in additional funds for Medicare and Medicaid research, including the creation of new Medicare and Medicaid demonstration projects to improve quality and lower costs, with an emphasis on improving care coordination for individuals with chronic conditions and better integrating Medicare and Medicaid benefits.

Other notable proposals include:

- A \$169 million increase for the **National Health Service Corps**, which is estimated to support funding for 400 new primary care provider positions in medically underserved areas;
- A 3.2 percent increase in funding for the **National Institutes of Health** (for total funding of \$1 billion);
- A \$70 million increase for **HIV/AIDS** treatment, care, and prevention (for total funding of \$3 billion);
- A \$6 million increase in **prevention and wellness** funding, the total appropriation for which would now include \$10 million for a new Health Prevention Corps to recruit, train, and assign a cadre of public health professionals to state and local health departments, as well as \$20 million for a new wellness and prevention initiative in up to 10 of the largest U.S. cities; and
- Finally, the President's budget assumes that Congress will enact legislation to override scheduled **Medicare physician fee schedule cuts**, at an estimated cost of \$371 billion over ten years.

The full budget documents, including the Health and Human Services budget, are posted to Ropes & Gray's [Health Reform Resource Center](#). For further information please contact your regular Ropes & Gray attorney.

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