



American Public Health Association

800 I Street, NW • Washington, DC 20001-3710

(202) 777-APHA • Fax: (202) 777-2534 • comments@apha.org • <http://www.apha.org>

Budget of the United States Government, Fiscal Year 2005 An Analysis of the Impact on Public Health

Overview

The Bush Administration's fiscal year (FY) 2005 budget for the Public Health Service— those federal agencies dedicated to preventing disease, advancing medical knowledge, delivering key health care services, ensuring food safety, and training a diverse health and public health workforce—is inadequate.

The FY 2005 budget includes \$571.6 billion for federal health programs and research funded through the Department of Health and Human Services (HHS), an increase of \$15.2 billion, or 2.7 percent, in budget authority over fiscal 2004. However, the budget proposal for the agency calls for \$67.2 billion in discretionary spending, a *decrease* of \$1.1 billion, or 1.6 percent, from FY 2004.

Overall, public health programs and agencies are essentially flat funded—well below a 2 percent inflation level. A number of programs are cut significantly, such as state and local bioterrorism preparedness and health professions programs. Some important increases for certain agencies and programs are included, chief among them a 13.5 percent increase for Community Health Centers, a 7.8 percent increase for food safety initiatives, 5.9 percent more for mental health programs, 6.1 percent more for substance abuse treatment and a \$7.2 million increase for some chronic disease initiatives.

Mandatory spending on programs like Medicare and Medicaid claim the bulk of the HHS budget and reflect rising health care costs. Mandatory spending on Medicare, the federal health program for the elderly and disabled, would increase to \$290 billion from \$266 billion in fiscal 2004. The Administration estimates in the budget proposal show that spending for the Medicare Prescription Drug, Improvement, and Modernization Act is more than one-third higher than original estimates—\$534 billion over ten years, an increase of \$139 billion.

Mandatory spending on Medicaid, the jointly administered state-federal health program for the poor, and the State Children's Health Insurance Program would be \$188 billion in fiscal 2005, up from \$183 billion in fiscal 2004.

The Administration included in the budget \$70 million to reduce the number of uninsured through tax-credit initiative—an ineffective approach that covers less than 5 percent of the 44 million Americans who are uninsured.

National health care spending is now \$1.7 trillion and health threats continue to rise. The United States cannot effectively address escalating health care costs without investing in public health programs that reduce these costs through prevention, control and treatment of disease and injury.

Highlights/Lowlights

Centers for Disease Control and Prevention (CDC)

The budget includes a 2.8 percent reduction for the CDC (\$7.1 billion in '04 to \$6.9 billion in '05)—this is in contrast to a report developed at the request of Congress that outlines the agency's minimum budget needs. This report states that in CDC's professional judgment, the agency requires \$9.5 billion in 2005 to fulfill its mandate.

The hardest hit:

Reduces funding for state and local public health preparedness. A recent poll on America's top health concerns shows that more than three in four (78%) Americans want the government to spend more to protect the nation's health against major diseases and emerging bio-threats. Yet, CDC's state and local preparedness program is *cut* by \$105 million (11%). Proposed cuts to states of \$144 million in terrorism preparedness funding could jeopardize state-based public health's ability to respond to a terror event, outbreak of infectious disease, or other public health threat or emergency.

Guts CDC's Youth Media Campaign. CDC's campaign to increase and maintain physical activity among young teens has been reduced by 86% to only \$5 million. Our nation's obesity epidemic is partly a result of the fact that today's children are much less active and live more sedentary lifestyles. As a result, there has been an increase in the number of overweight youth in the United States. Now is the time to do more to address this critical health issue, not less.

Zeroes out prevention research. The extramural prevention research program (\$16 billion) at CDC was eliminated. In today's world, new health threats are emerging at an alarming rate. It is critical that we invest in the science and systems to stay ahead of the curve. Prevention research in public health identifies the risk factors for disease, designs and tests interventions to prevent them, and develops and evaluates systems to implement the interventions and to deliver and sustain preventive services

Loses ground on domestic funding for HIV/AIDS programs. CDC's HIV/AIDS prevention programs are flat lined for the second year in a row, failing to keep pace with inflation. At a time of rising rates of HIV infection and AIDS, flat funding will not keep the U.S. response apace of the epidemic's spread; instead, it will pitch the response backwards. A study of HIV diagnoses in 29 states from 1999-2002 indicates that HIV diagnoses are increasing among men, particularly men who have sex with men, and also among Hispanics and non-Hispanic whites. Furthermore, inflation and higher drug prices have weakened the dollar's power, placing more strain on HIV/AIDS funding.

Flat lines critical programs to address the leading health threats. The majority of public health programs at CDC are simply flat funded, which means they in effect receive a cut of approximately 2 percent when compared to inflation. Among these programs: the maternal and child health block grant serving low income mothers and disabled children; the preventive health block grant; injury prevention and control programs; birth defects interventions; disability and health initiatives; and occupational safety and health programs.

Stalls efforts to expand programs to address heart disease and stroke. Enactment of the President's budget would jeopardize the CDC's plans to expand both its State Heart Disease and Stroke Prevention Program to help prevent and control heart disease, stroke and other cardiovascular diseases and its Paul Coverdell National Acute Stroke Registry. This Registry tracks and improves delivery of care-care that can mean the difference between a fairly normal life and long-term disability. Despite the fact that cardiovascular disease is the No. 1 killer in every state, CDC provides only 11 states with funding to actually implement state-tailored programs to help prevent and control heart disease, stroke and other cardiovascular diseases.

The good news:

Increases funding to combat chronic diseases. “Steps to a Healthier U.S.” aims to help Americans live longer, better, and healthier lives by reducing the burden of diabetes, overweight, obesity, and asthma and addressing three related risk factors—physical inactivity, poor nutrition and tobacco. With an additional \$81 million in FY 2005, CDC plans to increase support to existing Steps communities and increase the number of communities the program will reach. In addition, CDC will designate up to \$10 million for the Diabetes Detection Initiative (DDI), an existing program aimed at detecting undiagnosed diabetes.

Expands the National Breast and Cervical Cancer Early Detection Program. With an additional \$10 million in resources in FY 2005, CDC will increase support to states to conduct outreach and pay for additional breast and cervical cancer screens for underserved women.

Recognizes the importance of health statistics The National Center for Health Statistics is provided with \$150 million, \$22 million over FY 04. The additional \$22 million requested for fiscal year 2005 will allow NCHS to prevent further erosion of its statistical capacity and to position its surveys to meet new challenges. The increase will help to: preserve and modernize the nation’s vital statistics system; sustain and transform basic operations for the National Health and Nutrition Examination Survey; maintain and redesign systems for tracking the health care delivery system; and redesign the sample for the National Health Interview Survey.

New Global Disease Detection Initiative. CDC will begin a new initiative in FY 2004, Global Disease Detection, that will improve global capacity for disease detection and outbreak response. Increased funding, in the amount of \$27.5 million, will expand efforts in various areas of international public health and invest in new programs that will complement and enhance global disease preparedness and response activities.

Improved surveillance for bioterror attacks. The FY 2005 President’s Budget proposes a new cross-agency Biosurveillance initiative to improve the federal government’s capability to rapidly identify and characterize bioterror attacks. Multiple systems are now in place, both in the U.S. and internationally, to detect disease outbreaks and exposures to contaminants. While we are better prepared to recognize and respond to these threats, more work needs to be done.

National Institutes of Health (NIH)

The budget includes a 2.6 increase for NIH—much lower than the 8% growth rate the NIH has averaged over the last 30 years. This small increase falls short of inflation and may force NIH to choose between ongoing basic research efforts or new clinical research activities, resulting in an overall slowdown in medical discoveries.

Agency for Health Care Quality and Research (AHCQ)

AHRQ is provided with \$304 million, level funding from FY 04. There is widespread agreement that there is a critical need to reduce medical care costs by minimizing medical errors, leveraging the use of technology for management of medical records, and identifying the most effective regimens for the prevention and treatment of disease and disability. However, AHRQ—the agency charged with improving the quality, safety and efficiency of health care for Americans through research—will see its 2005 budget flat lined at the same \$304 million dollar level it received in 2004, according to the Administration’s budget. In addition, the budget does not recognize the \$53 million in authorization Congress provided to the agency under the Medicare drug bill.

Food and Drug Administration (FDA)

The Food and Drug Administration would receive \$1.8 billion, a net program increase of \$149 million. Part of that increase is directed toward improving the FDA's surveillance of the nation's food supply and to help prevent mad cow disease. The good news is that FDA is actually receiving some real money to help upgrade its inspection and oversight/surveillance programs for food, particularly for imports. The bad news is that it is still very far behind the real levels needed to adequately protect the food supply, as FDA has been so underfunded in the food area for so long.

The good news:

Expands the network of food testing laboratories. \$35 million would go to expand a national network of food testing laboratories.

Funds more research on preventing and detecting contaminants in food. \$15 million would go to research on preventing and detecting contaminants in foods. Development of these strategies will shield the food supply from potential attacks and enable rapid response if needed.

Boosts mad cow disease prevention efforts. The budget calls for \$8.3 million in the Animal Drugs and Feeds program to increase inspections and prevent mad cow disease. The proposal would implement new standards developed by the FDA and the United States Department of Agriculture (USDA) following the discovery of an infected cow imported from Canada.

The bad news:

Falls short on needed funding for food inspections. On the food inspection side, only \$7 million new dollars are devoted to increasing import inspections. Currently about 2 percent of all food imports are inspected. There are about 1,300 inspectors for more than 55,000 domestic food-processing plants, which means many plants don't get inspected more than once every 8-10 years; and for bad actors, once every 1-2 years. USDA, in contrast, requires continuous daily inspection for all meat and poultry processing facilities.

Health Resources and Services Administration (HRSA)

As the “Access Agency,” HRSA’s objective is to assure access to care for medically underserved individuals and families, including the nearly 44 million Americans who lack health insurance, 49 million Americans who live where primary health care services are scarce; African-American infants who are 2.4 times more likely than are white infants to die before their first birthday; and

more than 800,000 people living with HIV/AIDS. HRSA receives \$6 billion in the Administration budget, a *decrease* of nearly \$600 million from fiscal 2004.

The hardest hit:

Eliminates most health professions training. The budget eliminates most health professions training programs by slashing spending on these programs from \$294 million this year to \$11 million in fiscal 2005, *a cut of 96 percent*. Funding for nurse training is frozen. Health Professions programs train and retain physicians, nurses, dentists, physician assistants, nurse practitioners, public health personnel, psychologists and other mental health professionals, and allied health providers; assure that underserved communities will have the culturally and linguistically competent providers they need; and assure a diverse and capable health workforce to respond to the aging “Baby Boom.”

Guts Healthy Community Access Programs (CAP). CAP builds on existing models of service integration to help health care providers develop integrated, community-wide systems that serve the uninsured and underinsured. The program was reduced from \$104 million in FY 2004 to \$10 million in FY 2005—a \$94 million cut. CAP grants are designed to increase access to health care by eliminating fragmented service delivery, improving efficiencies among safety net providers, and by encouraging greater private sector involvement.

Slashes rural health activities. The budget cuts rural health activities by \$91 million—64 percent. This cut includes eliminating the \$39 million rural health flexibility grant program and drastically cutting back rural health outreach grants, used to expand clinical services in rural areas.

Underfunds domestic HIV/AIDS programs. The budget provides an inadequate increase of only 5 percent, or \$35 million, for the AIDS Drug Assistance Program, at least \$284 million below the amount needed to ensure that all eligible people with HIV have access to this important program. In addition, the budget freezes all other components of the Ryan White CARE Act (which assists with health care and other supportive services).

The good news:

Increased investment in community health centers. The budget provides an increase of 13.5 percent, or an additional \$219 million, for community health centers. This increase will allow health centers to provide primary care, dental, oral health, and mental health services for 1.6 million more people, in addition to the 15 million they currently serve.

Modest increase for the National Health Service Corps. The President's budget also provides a \$35 million (21 percent) increase for the National Health Service Corps, an essential program for supplying health professionals to inner city and rural areas.

Indian Health Service (IHS)

The President's budget request for the Indian Health Service (IHS) is \$2.97 billion, which constitutes a 1.5% increase over the FY 2004 request, or \$45 million. While this represents a slight increase over last year, the request for IHS falls well short of the amount of funding needed to even maintain current services.

The hardest hit:

Underfunds needed health care facilities. Health care facilities construction is cut by more than half to \$42 million, down from \$92 million in FY 04. This cut will effect the construction of several much-needed facilities across the country.

Flat lines Indian health professions. This important program enables American Indians and Alaskan Natives to enter the health care professions by providing professional training and education assistance programs.

The good news:

Includes long overdue increases in key programs. Clinical Services (\$75 million increase); Contract Health Services (\$18 million increase); Preventive Health (\$5 million increase); Sanitation Construction (\$10 million increase); Facilities and Environmental Health Support (\$5 million increase) and \$1 million increases each for Urban Health and Direct Operations.

Substance Abuse and Mental Health Services Administration (SAMHSA)

The Substance Abuse and Mental Health Services Administration would receive \$3.4 billion, up from \$3.2 billion in fiscal 2004.

The hardest hit:

Terminates important mental health programs. The Administration, in proposing \$30 million in new funding for a needed planning initiative, would also derive planning funds by cutting other important programs. For example, it would terminate mental health support for older Americans (\$5 million), disaster response assistance (\$3 million) and workforce training (\$1.5 million), as well as cut jail diversion (a \$3 million reduction) and efforts to prevent mental illness (\$2 million reduction).

The good news:

Funds implementation of the President's Commission on Mental Health recommendations. With its budget for FY 05, the Administration includes a \$50 million increase in the budget for SAMHSA's Center for Mental Health Services. It proposes grant funding to support an initial 14 states in carrying out comprehensive mental health planning, and includes an important legislative proposal for an HHS/HUD/VA collaboration to help counter homelessness and a modest increase in the agency's vital Children's Mental Health Services Program.

Office of Minority Health (OMH)

The President's budget cuts funding for the Office of Minority Health (OMH) by 15 percent, from \$55 million in FY 2004 to \$47 million for FY 05. OMH plays a critical role in supporting disease prevention, health promotion, service demonstration, and educational efforts that focus on health concerns that cause the high rate of disease in racial and ethnic minority communities.

Head Start

The budget increases funding for the Head Start early childhood program by \$169 million. That amount includes \$45 million for a demonstration program that would allow states to coordinate their early childhood efforts with the federal program.

Medicaid

The budget cuts Medicaid spending by \$23.6 billion over ten years by curbing intergovernmental transfers and the use of the upper 10 payment limit and by limiting Medicaid provider payments to the cost of providing services. When combined with spending increases from other policies, the total effect on Medicaid is a cut of \$15.7 billion over ten years. This cut will make it difficult for cash-strapped states to sustain health services for the poor.

Fails to extend fiscal relief to states despite the looming crisis in state Medicaid budgets.

The fiscal help that Congress provided last year will soon expire. At that point, many states will experience the highest growth in Medicaid costs in years, and unfortunately may again resort to cutting health care services for the low-income children, women, older Americans and individuals with disabilities who depend on Medicaid. As the states continue to struggle with on-going budget difficulties, Congress must help by extending the temporary increase in the federal share of Medicaid spending to maintain health care for these vulnerable populations.

Signals to Congress the Administration's interest in converting Medicaid into a block grant program.

Such a profound change in this safety net program would inevitably result in reductions in coverage that would likely worsen over time and would almost assuredly lessen access to mental health and substance abuse services for the millions of low-income individuals who rely on Medicaid and have no other way to get needed care.

Medicare

The Administration estimates spending for the Medicare Prescription Drug, Improvement, and Modernization Act (P.L. 108-173) at \$534 billion over ten years, an increase of \$139 billion—or more than one-third—over earlier estimates. This budget illustrates a key flaw of the Medicare prescription drug benefit—a specific prohibition against the government negotiating for lower drug prices on behalf of seniors.

Uninsured

The budget offers little help for the uninsured while undermining existing health insurance. The number of individuals lacking health insurance increased by 2.4 million from 2001, for a total of 43.6 million uninsured individuals in 2002. The Administration's response to this problem is a package of ineffectual and potentially damaging health policies that will assist only a fraction of the uninsured.

Tax Credits. The budget proposes a refundable tax credit to purchase health insurance for those who do not have public or employer-provided health plans, at a ten-year cost of \$70.1 billion. However, the tax credits are not sufficient to make insurance affordable for individuals who are older or in poorer health. Individuals who take advantage of these tax credits are likely to be younger and healthier employees, who may healthier employees, who may depart their employer-sponsored insurance, destabilizing that market by leaving it with a sicker pool of people. Furthermore, independent analyses estimate that these tax credits reduce the number of uninsured by only 1.9 million individuals.

Health Savings Accounts. The recently enacted Medicare legislation created Health Savings Accounts (HSAs), which allow tax-free deposits and withdrawals for qualified medical expenses. To participate in the program, an individual must purchase a high-deductible, catastrophic health insurance plan. The budget goes further, making premiums for catastrophic health insurance tax deductible, at a cost of \$24.8 billion over ten years. The

design of HSAs allows the greatest benefits to accrue to affluent workers. Pulling those individuals out of comprehensive insurance leaves an older and sicker pool of workers, driving up premiums and destabilizing the comprehensive insurance market.

Global HIV/AIDS- USAID

Congress and the Administration promised to provide \$3 billion each year for five years for the Global HIV/AIDS Initiative. The Administration's budget is at least \$200 million short of the promised funding level, and fails to invest millions promised for prevention and treatment. Furthermore, of the proposed \$2.7 billion for programs to fight global AIDS, tuberculosis, and malaria in 2005, just 7 percent, or \$200 million, would go to the Global Fund, a partnership headed by HHS Secretary Tommy Thompson. This represents a 63 percent decrease in funding from 2004.

COMPOSITION OF THE HHS BUDGET

(dollars in millions)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2005</u> <u>+/-2004</u>
Mandatory Programs (Outlays):				
Medicare	\$246,810	\$267,348	\$291,501	+24,153
Medicaid	160,693	177,282	182,444	+5,162
Temporary Assistance for Needy Families	19,352	18,866	18,355	-511
Foster Care & Adoption Assistance	6,124	6,442	6,693	+251
State Children's Health Insurance	4,355	5,232	5,299	+67
Child Support Enforcement	3,788	4,098	4,219	+121
Child Care	2,883	2,866	2,719	-147
Social Services Block Grant	1,740	1,767	1,769	+2
Other Mandatory Programs	1,186	1,168	1,485	+317
Proprietary Receipts	-1,346	-1,230	-1,223	+7
Subtotal, Mandatory (Outlays)	\$445,585	\$483,839	\$513,261	+\$29,422
Discretionary Programs (BA):				
Food & Drug Administration	\$1,381	\$1,386	\$1,495	+\$109
Health Resources & Services Administration	6,383	6,600	6,029	-571
Indian Health Service	2,850	2,922	2,967	+45
Centers for Disease Control and Prevention	4,340	4,440	4,180	-260
National Institutes of Health	27,066	27,878	28,607	+729
Substance Abuse & Mental Health Services	3,138	3,234	3,429	+195
Agency for Health Research & Quality	0	0	0	0
<i>AHRQ Program Level (Non-Add)</i>	<i>309</i>	<i>304</i>	<i>304</i>	<i>0</i>
Centers for Medicare & Medicaid Services	2,565	2,637	2,541	-96
Administration for Children & Families	13,155	13,356	13,879	+523
Administration on Aging	1,367	1,374	1,377	+3
Office of the Secretary	440	433	513	+80
PHSSEF	2,266	2,164	2,225	+61
Subtotal, Discretionary (BA)	\$64,950	\$66,424	\$67,243	+\$818
Rescission FY 2001 LIHEAP Contingency Carryover	-100			0
Add Prescription Drug Medicare Reform		1,000		-1,000
Deduct Medicare and Medicaid Savings			-494	-494
Total, Discretionary (BA)	\$64,850	\$67,424	\$66,749	-\$676
Subtotal, Discretionary (Outlays)	\$59,868	\$63,903	\$66,618	+\$2,715
Total, HHS Outlays	\$505,453	\$547,742	\$579,879	+\$32,137

**PRESIDENT'S BUDGET FOR HHS
FY 2005**

