



WSC BRIEF March 11, 2019

Trump Administration FY 2020 Budget Request

Overview

On March 11, 2019, President Donald Trump released his administration's Fiscal Year 2020 budget request. The proposal asks for \$2.7 trillion in spending cuts, a higher proposed reduction than any other administration in history.

The proposed cuts to non-defense spending would hit the Departments of State, Agriculture, Education, Health and Human Services, Labor, Transportation and the Environmental Protection Agency. The 5 percent cuts proposed by the administration would not be evenly distributed, with some agencies targeted for deeper cuts. The 2020 Budget requests \$87.1 billion for HHS, a 12 percent decrease from the 2019 estimated level. The Budget proposes \$1.25 trillion in net mandatory health savings, reducing longer-term deficits.

This WSC Policy Brief outlines significant health care policy proposals included in the president's budget request.

Opioid Epidemic and Mental Health

Opioid Response: The Budget includes \$1.5 billion for State Opioid Response grants, which fund prevention, treatment, and recovery support services in all States and Territories. The Budget maintains more than \$1 billion in the National Institutes of Health (NIH) for opioid and pain research, including the continuation of the Helping to End Addiction Long-term Initiative that began in 2018. The Budget includes \$221 million to expand the behavioral health workforce, including an additional \$4 million for a new effort authorized in the SUPPORT for Patients and Communities Act to increase the number of providers that are able to prescribe medication-assisted treatment. The Budget also enables States to more easily provide one year of post-partum Medicaid coverage for women with a substance use disorder, to improve health outcomes for mothers and their infants.



Mental Health: The Budget includes \$723 million for the Community Mental Health Services Block Grant, which provides funding to every State to provide services to seriously mentally ill adults and children with serious emotional disturbances, and \$150 million for Certified Community Behavioral Health Centers, which provide comprehensive healthcare services, including 24-hour crisis response services to individuals with serious mental illness.

Drug Prices

Part D Drug Prices: The Budget intends to address “misaligned incentives” of the Medicare Part D benefit structure by encouraging utilization of higher value drugs by eliminating cost-sharing for generic drugs for beneficiaries who receive the low-income subsidy; removing the competitive disadvantage placed on generic drugs that increases spending; and providing beneficiaries with more predictable annual drug expenses through the creation of a new out-of-pocket spending cap.

Part B Drug Prices: For Part B drugs, the Budget includes proposals targeted at: removing the three-year payment protection of average sales price (ASP) plus six percent for certain new drugs provided in outpatient hospitals; deterring anti-competitive behavior from drug manufacturers that exploit aspects of the patent system to keep out competition; and moving coverage of some Part B drugs to Part D to reduce spending while protecting beneficiaries from increased out of pocket costs. In addition, the Budget limits growth in Part B drug payment to an inflation benchmark and mandates manufacturers report ASP data for all Part B drugs to improve payment accuracy.

340B Drug Pricing Program: The Budget modifies hospitals’ payment for drugs acquired through the 340B drug discount program by “rewarding” hospitals that provide charity care and reducing payments to hospitals that provide little to no charity care. It also includes broad regulatory authority for the 340B Drug Pricing Program to set enforceable standards of program participation and requires all covered entities to report on use of program savings.

Medicaid Rebates: The Budget proposes removing the cap on Medicaid manufacturer drug rebates, to ensure rebates reflect all price increases for a drug. In addition, the Budget includes new demonstration authority allowing States to test innovative approaches for Medicaid prescription drug coverage. Under the demonstration, participating States would test a closed formulary and negotiate prices directly with manufacturers. The Budget also prevents manufacturers from using authorized generics to lower their rebate obligations and includes



payment changes so State Medicaid programs do not overpay for generic drugs, saving money for States and taxpayers.

Medicare

Medicaid Block Grants: The Budget proposes the enactment of legislation, modeled after the Graham-Cassidy-Heller-Johnson bill proposed in September 2017, that would convert Medicaid spending to a block grant or per capita caps. Beginning in 2021, the Market-Based Health Care Grant Program, the Medicaid block grant, and the per capita cap program are set to grow at the Consumer Price Index. States would be required to include plans for protection of individuals with pre-existing conditions in their application for the block grants. Specifically, States would be required to allocate at least 10 percent of their grant funding to be used to ensure protections for high-cost individuals, including those with pre-existing conditions.

State Medicaid Flexibility: The Budget proposes to give States additional flexibility over their Medicaid programs by transferring control of Medicaid transformation efforts locally "where it belongs." According to the budget, a new Federal-State partnership is necessary to eliminate inefficient Medicaid spending, including repeal of the Medicaid expansion, and reducing financing gimmicks such as provider taxes. The Budget would also give States additional flexibility around benefits and cost-sharing, such as increasing copayments for non-emergency use of the emergency department to encourage appropriate use of healthcare resources, as well as allowing States to consider savings and other assets when determining Medicaid eligibility.

Work Requirements: The Budget proposes requiring that able-bodied, working-age individuals find employment, train for work, or volunteer (community service) in order to receive welfare benefits.

Health Savings Accounts: The Budget includes a series of reforms to expand access to HSAs. Notably, the Budget proposes that all plans with an actuarial value of up to 70 percent may be integrated with HSAs. According to the Trump administration, this would enable consumers to utilize the benefits of HSAs with a larger number of innovative plan designs.

DSH Cuts: The Budget extends current law reductions in Medicaid disproportionate share hospital (DSH) payments.



Emergency Preparedness and Response

Strategic National Stockpile: The Budget includes an increase of \$10 million for the Strategic National Stockpile, compared to 2019 enacted, to enhance medical preparedness for chemical, biological, radiological, and nuclear threats.

Influenza: Through the Assistant Secretary for Preparedness and Response and the Office of Global Affairs, the Budget provides \$260 million to support investments in critical domestic influenza vaccine manufacturing facility infrastructure. The Budget also includes an increase of \$10 million for CDC's influenza activities compared to 2019 enacted to support vaccine effectiveness studies, help expand the production capacity of cell-grown vaccine candidates, and undertake other high priority flu activities in support of the Administration's efforts to modernize influenza vaccines.

Outlook

Presidential budgets are aspirational political documents. The president's annual budget – regardless of party affiliation – routinely faces challenges on Capitol Hill, as lawmakers jealously guard their prerogative to control federal spending and shape government programs. President Trump's budget, in particular, faces long odds, with Democrats uniformly opposed and many Republicans already showing themselves to be squeamish about some of the president's plans. While the budget proposal itself has little chance of becoming law, the annual budget proposal serves as a starting point for negotiations and as a messaging document for the president and his party.
