



**STATEMENT OF**

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**ON**

**THE PRESIDENT'S FISCAL YEAR 2011 BUDGET**

**BEFORE THE**

**COMMITTEE ON ENERGY AND COMMERCE**

**UNITED STATES HOUSE OF REPRESENTATIVES**

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Chairman Waxman, Chairman Emeritus Dingell, Ranking Member Barton, Representative Pallone, Representative Deal and Members of the Committee, thank you for the invitation to discuss the President's FY 2011 Budget for the Department of Health and Human Services (HHS).

Last week, in his State of the Union, President Obama laid out an aggressive agenda to create jobs, strengthen opportunity for working families, and lay a foundation for long-term growth. His fiscal year (FY) 2011 budget is the blueprint for putting that vision into action.

At HHS, we are supporting that agenda by working to keep Americans healthy, ensure they get the health care they need, and provide children, families, and seniors with the essential human services they depend on.

Our budget will make sure that the critical health and human services our Department offers to the American people are of the highest quality and are directly helping families stay healthy, safe, and secure—especially as we continue to climb out of a recession.

It promotes projects that will rebuild our economy by investing in next generation research and the advanced development of technology that will help us find cures for diseases, innovative new treatments, and new ways to keep Americans safe, whether we are facing a pandemic or a potential terrorist attack.

But this budget isn't just about new programs or new priorities or new research. It is also about a new way of doing business with the taxpayers' money. Where there is waste and fraud, we must root it out. Where there are loopholes, we must close them. And where we have opportunities to increase transparency, accountability, and program integrity, we must take them. These are top priorities of the President. They are top priorities of mine. And our budget will make them top priorities for my department as well.

The President's FY 2011 Budget for HHS totals \$911 billion in outlays, 90 percent of which is within the jurisdiction of the Committee on Energy and Commerce.

### ***Reducing Health Care Fraud***

When American families are struggling to make every dollar count, we need to be just as vigilant about how their money is spent. That's why the Obama Administration is cracking down on criminals who steal from taxpayers, endanger patients, and jeopardize the future of our government health insurance programs.

Last May, President Obama instructed Attorney General Holder and me to create a new Health Care Fraud Prevention and Action Team, which we call HEAT for short. HEAT is an unprecedented partnership that brings together high-level leaders from both

departments so that we can share information, spot trends, coordinate strategy, and develop new fraud prevention tools.

As part of this new partnership, we are developing tools that will allow us to identify criminal activity by analyzing suspicious patterns in claims data. Medicare claims data used to be scattered among several databases belonging to different contractors. If we wanted to find out how many claims had been made for a certain kind of wheelchair, we had to go look in several different places. But now, we are combining all Medicare paid claims data into a single, searchable database. Which means that for the first time ever, we'll have a complete picture of what kinds of claims are being filed across the country and where they're being filed from.

Our FY 2011 Budget includes \$1.7 billion in funding to fight fraud, including \$561 million in discretionary funds, to strengthen these Medicare and Medicaid program integrity activities, with a particular emphasis on fighting health care fraud in the field, increasing Medicare and Medicaid audits, and strengthening program oversight while reducing costs.

This investment, will better equip the Federal government to minimize inappropriate payments, pinpoint potential weaknesses in program integrity oversight, target emerging fraud schemes by provider and type of service, and establish safeguards to correct programmatic vulnerabilities. This multi-year discretionary investment will save \$9.9 billion over ten years.

The Budget also includes a set of new administrative and legislative program integrity proposals that will give HHS the necessary tools to fight fraud by enhancing provider enrollment scrutiny, increasing claims oversight and improving Medicare's data analysis capabilities and will save approximately \$14.7 billion over ten years.

### ***Improving Quality of and Access to Health Care***

At HHS, we continue to find ways to better serve the American public, especially those citizens least able to help themselves. We are working to improve the quality of and access to health care for all Americans by supporting programs intended to enhance the health care workforce and the quality of health care information and treatments through the advancement of health information technology (IT) and the modernization of the health care system.

As Congress continues its work to provide security and stability for Americans with health insurance and expand coverage to those Americans who do not have insurance, HHS maintains its efforts towards achieving those goals through activities with the Children's Health Insurance Program (CHIP), health IT, patient-centered health research, prevention and wellness, community health centers, and the health workforce.

Additional resources distributed to States and Territories after the enactment of the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) resulted in 19 States expanding or improving child health coverage in FY 2009. Forty-seven States

now cover children in families with incomes at or above 200 percent of the Federal poverty guidelines. In September of 2009, CMS awarded \$40 million in grants to assist in enrolling the over 5 million children who are uninsured but eligible for either Medicaid or CHIP.

The Budget includes \$3.6 billion to strengthen the ability of the Centers for Medicare & Medicaid Services (CMS) to meet current administrative workload demands resulting from recent legislative requirements and continued beneficiary growth. The funding provides targeted investments to revamp IT systems and optimize staffing levels so that CMS can meet the future challenges of Medicare and Medicaid while being an active purchaser of high quality and efficient care.

For example, \$110 million will support a comprehensive Health Care Data Improvement Initiative to transform CMS's data environment from one focused primarily on claims processing to one also focused on state-of-the-art data analysis and information sharing. These changes are vital to modernizing the Medicare and Medicaid programs by making CMS a leader in value-based purchasing, improving systems security, and increasing analytic capabilities and data sharing with key stakeholders.

Everyone agrees that the scheduled Medicare physician payment cuts are not sustainable and would likely impact access to care for our Medicare beneficiaries. We look forward to working with Congress to reform Medicare's payment policy and give physicians incentives to improve quality and efficiency. The Budget assumes a zero percent update for physician payments. This is not a proposed policy but an honest and transparent budget display reflecting the Administration's best estimate of future Congressional action based on what Congress has done in recent years for physician payments.

The Budget includes \$995 million for the Health Resources and Services Administration (HRSA) for a wide range of programs to strengthen and support our Nation's health care workforce. This funding will enhance the capacity of nursing schools, increase access to oral health care through dental workforce development grants, target minority and low income students, and place an increased emphasis on ensuring that America's senior population gets the care and treatment it needs.

The Budget includes an increase of \$290 million to ensure better access to health centers through further expansions of health center services and integration of behavioral health into health centers' primary care system. This funding builds on investments made under the American Recovery and Reinvestment Act (Recovery Act) of 2009 and will enable health centers to serve more than 20 million patients in FY 2011, which is more than 3 million patients than were served in FY 2008.

The President is committed to improving health outcomes and reducing health disparities for American Indian and Alaska Native communities. The Budget includes nearly \$5.4 billion in budget authority and collections, an increase of \$354 million, enabling the Indian Health Service (IHS) to focus on reducing health disparities, supporting Tribal efforts to deliver high-quality care, ensuring that IHS services can be supplemented by

care purchased outside the Indian health system where necessary, and funding health facility and medical equipment upgrades.

The Budget advances the President's health IT initiative by accelerating health IT adoption and electronic health records (EHRs) utilization – essential tools for modernizing the health care system. The Budget includes \$78 million, an increase of \$17 million, for the Office of the National Coordinator for Health Information Technology (ONC) to continue its current efforts as the Federal health IT leader and coordinator. During FY 2011, HHS will also begin providing an estimated \$25 billion over 10 years of Recovery Act Medicare and Medicaid incentive payments to physicians and hospitals who demonstrate meaningful use of certified EHRs, which will improve the reporting of clinical quality measures and promote health care quality, efficiency, and patient safety.

To continue to fulfill the President's commitment to ensuring access to health care for millions of Americans, the Budget includes a proposal to extend by an additional six months, through June 2011, the temporary Federal Medical Assistance Percentage (FMAP) increase provided by the Recovery Act. The extension will result in an additional \$25.5 billion to States and Territories for maintaining support for children and families helped by Medicaid and promoting economic recovery by helping State budgets.

The Budget supports HHS-wide patient-centered health research, including \$286 million within the Agency for Healthcare Research and Quality (AHRQ). HHS also continues to invest the \$1.1 billion provided by the Recovery Act to improve health care quality by providing patients and physicians with state-of-the-art, evidence-based information to enhance medical decision-making.

### ***Promoting Public Health***

Whether responding to pandemic flu or preventing food-borne illness, HHS will continue its unwavering commitment to keeping Americans healthy and safe.

The President is committed to securing our Nation's food supply by transforming and improving our food safety system. The Budget includes \$1.4 billion, an increase of \$327 million, for food safety efforts that will strengthen the ability of the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC) to prioritize prevention, strengthen surveillance and enforcement, and improve response and recovery – key priorities of the Food Safety Working Group the President established in March 2009.

In June 2009, the President signed the Family Smoking Prevention and Control Act, providing FDA with new authorities and responsibilities for regulating tobacco use and establishing the FDA Center for Tobacco Products. The Budget includes \$450 million from user fees to reduce tobacco use in minors by regulating marketing and distribution of tobacco products, promote public health understanding of harmful constituents of tobacco products, and reduce the toll of tobacco-related disease, disability, and mortality. In addition, \$504 million in funding for CDC, the National Institutes of Health (NIH), and the Substance Abuse and Mental Health Services Administration (SAMHSA) will

further help reduce smoking among teens and adults and will support research on preventing tobacco use, understanding the basic science of the consequences of tobacco use, and improving treatments for tobacco-related illnesses.

The Budget includes over \$3 billion, an increase of \$70 million, for CDC and HRSA to enhance HIV/AIDS prevention, care, and treatment. This increase includes \$31 million for CDC to integrate surveillance and monitoring systems, address high-risk populations, and support HIV/AIDS coordination and service integration with other infectious diseases. It also includes \$40 million for HRSA's Ryan White program to expand access to care for underserved populations, provide life-saving drugs, and improve the quality of life for people living with HIV/AIDS.

Reducing the burden of chronic disease, collecting and using health data to inform decision-making and research, and building an interdisciplinary public health workforce are critical components to successful prevention efforts. The Budget includes \$20 million for a CDC initiative to reduce the rates of morbidity and disability due to chronic disease in up to ten of the largest U.S. cities. These cities will be able to incorporate the lessons learned from implementing evidence-based prevention and wellness strategies of the Recovery Act's Communities Putting Prevention to Work Initiative.

The Budget also includes \$10 million at CDC for a new Health Prevention Corps, which will recruit, train, and assign a cadre of public health professionals in State and local health departments. This program will target disciplines with known shortages, such as epidemiology, environmental health, and laboratory science.

To improve CDC's ability to collect data on the health of the Nation for use by policy-makers and Federal, State, and local leaders, the Budget provides \$162 million for Health Statistics, an increase of \$23 million above FY 2010. This increase will ensure data availability on key national health indicators by supporting electronic birth and death records in States and enhancing national surveys.

There is \$222 million, an increase of \$16 million, included in the Budget to address Autism Spectrum Disorders (ASD). NIH research will pursue comprehensive and innovative approaches to defining the genetic and environmental factors that contribute to ASD, investigate epigenetic changes in the brain, and accelerate clinical trials of novel pharmacological and behavioral interventions. CDC will expand autism monitoring and surveillance and support an autism awareness campaign. HRSA will increase resources to support children and families affected by ASD through screening programs and evidence-based interventions.

To support teen and unintended pregnancy prevention activities in the Office of Public Health and Science and CDC, the Budget provides \$205 million in funds.

To invest in innovative approaches to prevent and treat substance abuse through evidence-based community prevention programs, a warning system to detect emerging

drug threats, and the expansion of drug courts capacity, the Budget includes \$93 million within SAMHSA.

The Budget includes \$352 million, an increase of \$16 million, for CDC Global Health Programs to build global public health capacity by strengthening the global public health workforce; integrating maternal, newborn, and child health programs; and improving global access to clean water, sanitation, and hygiene. Additionally, the Budget includes \$6.4 million in the Office of Global Health Affairs to support global health policy leadership and coordination.

Finally, for FDA's medical product safety initiative to increase inspections and invest in tools that will enhance the safety of increasingly complex drugs, medical devices, and biological products, the Budget provides \$1.4 billion, an increase of \$101 million above the FY 2010 funding level.

### ***Protecting Americans from Public Health Threats and Terrorism***

Continued investments in countermeasure development and pandemic preparedness will help ensure HHS's preparedness to protect the American people in natural or man-made public health emergencies.

The Budget includes \$476 million, an increase of \$136 million, for the Biomedical Advanced Research and Development Authority to sustain the support of next generation countermeasure development in high priority areas by allowing the BioShield Special Reserve Fund to support both procurement activities and advanced research and development.

Reassortment of avian, swine, and human influenza viruses has led to the emergence of a new strain of H1N1 influenza A virus, 2009 H1N1 flu, that is transmissible among humans. On June 24, 2009, Congress appropriated \$7.65 billion to HHS for pandemic influenza preparedness and response to 2009 H1N1 flu. HHS has used these resources to support H1N1 preparedness and response in States and hospitals, to invest in the H1N1 vaccine production, and to conduct domestic and international response activities. The Budget includes \$302 million for ongoing pandemic influenza preparedness activities at CDC, NIH, FDA, and the Office of the Secretary for international activities, virus detection, communications, and research. In addition, the use of balances from the June 2009 funds, including approximately \$330 million in FY 2011, will enable HHS to continue advanced development of cell-based and recombinant vaccines, antivirals, respirators, and other activities that will help ensure the Nation's preparedness for future pandemics.

### ***Improving the Wellbeing of Children, Seniors, and Households***

In addition to supporting efforts to increase our security in case of an emergency, the HHS Budget also seeks to increase economic security for families and open up doors of opportunity to those Americans who need it most.

The Budget provides critical support of the President's Zero to Five Plan to enhance quality early care and education for our Nation's children. The Budget lays the groundwork for a reauthorization of the Child Care and Development Block Grant and entitlement funding for child care, including a total of \$6.6 billion for the Child Care and Development Fund (discretionary and entitlement child care assistance), an increase of \$1.6 billion. These resources will enable 1.6 million children to receive child care assistance in FY 2011, approximately 235,000 more than could be served in the absence of these additional funds.

The Administration's principles for reform of the Child Care and Development Fund include establishing a high standard of quality across child care settings, expanding professional development opportunities for the child care workforce, and promoting coordination across the spectrum of early childhood education programs. The Administration looks forward to working with Congress to begin crafting a reauthorization proposal that will make needed reforms to ensure that children receive high quality care that meets the diverse needs of families and fosters healthy child development.

To enable families to better care for their aging relatives and support seniors trying to remain independent in their communities, the Budget provides \$102.5 million for a new Caregiver Initiative at the Administration on Aging. This funding includes \$50 million for caregiver services, such as counseling, training, and respite care for the families of elderly individuals; \$50 million for supportive services, such as transportation, homemaker assistance, adult day care, and personal care assistance for elderly individuals and their families; and \$2.5 million for respite care for family members of people of all ages with special needs. This funding will support 755,000 caregivers with 12 million hours of respite care and more than 186,000 caregivers with counseling, peer support groups, and training.

The Head Start program, run by the Administration for Children and Families (ACF), will serve an estimated 971,000 children, an increase of approximately 66,500 children over FY 2008. Early Head Start will serve approximately 116,000 infants and toddlers, nearly twice as many as were served in FY 2008. The Budget includes an additional \$989 million for Head Start to sustain and build on these historic increases enabled by Recovery Act investments. The increase includes \$118 million in funds to improve program quality, and the Administration plans to implement key provisions of the 2007 Head Start Act reauthorization related to grantee recompetition, program performance standards, and technical assistance that will improve the quality of services provided to Head Start children and families.

To continue to fulfill the President's commitment to improving the development, safety, well-being, and permanency of children and youth in foster care, adoption assistance, and guardianship assistance, the Budget includes a proposal to extend by an additional six months, through June 2011, the temporary FMAP increase for foster care and adoption assistance provided by the Recovery Act. This extension will result in an

additional \$237 million to States for maintaining critical services to vulnerable children and youth.

The Budget includes an extension of the Temporary Assistance for Needy Families (TANF) block grant and related programs, including the Contingency Fund and Supplemental Grants, through FY 2011. The Budget also incorporates the Healthy Marriage and Responsible Fatherhood grant funding into a new \$500 million Fatherhood, Marriage, and Families Innovation Fund. The fund will provide competitive grants to States to conduct and rigorously evaluate comprehensive responsible fatherhood programs and new demonstrations geared towards improving child outcomes by improving outcomes for custodial parents with serious barriers to self-sufficiency. Because the TANF Emergency Fund helps States to create subsidized jobs for unemployed low-income individuals, the Budget also includes an additional \$2.5 billion for the TANF Emergency Fund and makes several changes to facilitate State efforts to create jobs and provide work supports for needy families.

The Budget includes a one-year, \$669 million extension of the Federal match to States' reinvestment of incentive payments into Child Support Enforcement programs. Without this critical extension of resources, it is estimated that States would reduce program expenditures by 10 percent. The Budget also includes two proposals focused on increasing child support collections and a proposal to expand resources for non-custodial parents' access to and visitation with their children.

The Budget proposes a new way to fund the Low Income Home Energy Assistance Program (LIHEAP) to help low-income households heat and cool their homes. Our request provides \$3.3 billion in discretionary funding. The proposed new trigger would provide under our current estimates \$2 billion in mandatory funding. Energy prices are volatile, making it difficult to match funding to the needs of low-income families, so under this proposal, mandatory funds will be automatically released in response to quarterly spikes in energy prices or annual changes in the number of people living in poverty. The \$2 billion estimate is based on current projections of Supplemental Nutrition Assistance Program usage and energy prices.

### ***Investing in Scientific Research and Development***

The investments that HHS is proposing in our human services budget will expand economic opportunity but another critical way to grow and transform our economy is through a healthy investment in research that will not only save lives but also create jobs.

The Budget includes a program level of \$32.2 billion for NIH, an increase of \$1 billion, to support innovative projects from basic to clinical research. This effort will be guided by NIH's five areas of exceptional research opportunities: supporting genomics and other high-throughput technologies; translating basic science into new and better treatments; reinvigorating the biomedical research community; using science to enable health care reform; and focusing on global health. The Administration interest for the high-priority areas of cancer and autism fits well into these five NIH theme areas. In FY 2011, NIH

estimates it will support a total of 37,001 research project grants, including 9,052 new and competing awards.

The additional \$1 billion will enable NIH to capitalize upon recent successful investments in biomedical research, such as the Human Genome Project, that have provided a powerful foundation for a deeper level of understanding human biology and have opened another window into the causes of disease. New partnerships between academia and industry are working to revitalize the drug development pipeline. An era of personalized medicine is emerging where prevention, diagnosis, and treatment of disease can be tailored to an individual rather than using the one-size-fits-all approach that all too often falls short, wasting health care resources and potentially subjecting patients to unnecessary and dangerous medical treatments and diagnostic procedures.

To advance regulatory science at FDA, the Budget provides \$25 million. This initiative builds on the President's commitment to harness the power of science for America's benefit and includes \$15 million for nanotechnology related research, which holds great promise for advances in medical products and cosmetics. The additional resources will also enable FDA to update review standards and provide regulatory pathways for new technologies, such as biosimilars.

### ***Recovery Act***

Since the Recovery Act was passed in February 2009, HHS has made great strides in improving access to health and social services, stimulating job creation, and investing in the future of health care reform through advances in health IT, prevention, and scientific research. HHS Recovery Act funds have had an immediate impact on the lives of individuals and communities across the country affected by the economic crisis and the loss of jobs.

As of September 30, 2009, the \$31.5 billion in Federal Payments to States helped maintain State Medicaid services to a growing number of beneficiaries and provided fiscal relief to States. The National Institutes of Health awarded \$5 billion for biomedical research in over 12,000 grants. Area agencies on aging provided more than 350,000 seniors with over 6 million meals delivered at home and in community settings. Health Centers provided primary health care services to over one million new patients.

These programs and activities will continue in FY 2010, as more come on line. For example, 64,000 additional children and their families will participate in a Head Start or Early Head Start experience. Approximately 30,000 American Indian and Alaska Natives' homes will have safe drinking water and adequate waste disposal facilities. HHS will be assisting States and communities to develop capacity, technical assistance and a trained workforce to support the rapid adoption of health IT by hospitals and clinicians. The CDC will support community efforts to reduce the incidence of obesity and tobacco use. New research grants will be awarded to improve health outcomes by developing and disseminating evidence-based information to patients, clinicians, and other decision-makers about what interventions are most effective for patients under specific circumstances.

The Recovery Act provides HHS programs an estimated \$141 billion for Fiscal Years 2009 – 2019. While most provisions in HHS programs involve rapid investments, the Recovery Act also includes longer term investments in health IT (primarily through Medicare and Medicaid). As a result, HHS plans to have outlays totaling \$87 billion through FY 2010.

***Conclusion***

This testimony reflects just some of the ways that HHS programs improve the everyday lives of Americans. Under this budget, we will provide greater security for working families as we continue to recover from the worst recession in 70 years.

We will invest in research on breakthrough solutions for healthcare that will save money, improve the quality of care, and energize our economy. And we will push forward our goal of making government more open and accountable.

My department cannot accomplish any of these goals alone. It will require all of us to work together. And I look forward to working with you to advance the health, safety, and well-being of the American people. Thank you for this opportunity to speak with you today. I look forward to answering your questions.