



**STATEMENT OF**  
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**ON**

**THE PRESIDENT'S FISCAL YEAR 2012 BUDGET**

**BEFORE THE**  
**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,**  
**EDUCATION, AND RELATED AGENCIES**  
**COMMITTEE ON APPROPRIATIONS**

**UNITED STATES SENATE**

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**Testimony of  
Secretary Kathleen Sebelius  
U.S. Department of Health and Human Services  
before the  
United States Senate  
Committee on Appropriations  
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies  
March 30, 2011**

Chairman Harkin, Senator Shelby, and Members of the Subcommittee, thank you for the invitation to discuss the President's FY 2012 Budget for the Department of Health and Human Services (HHS).

In President Obama's State of the Union address he outlined his vision for how the United States can win the future by out-educating, out-building and out-innovating the world so that we give every family and business the chance to thrive. His 2012 budget is the blueprint for putting that vision into action and making the investments that will grow our economy and create jobs.

At the Department of Health and Human Services this means giving families and business owners better access to health care and more freedom from rising health costs and insurance abuses. It means keeping America at the cutting edge of new cures, treatments and health information technology. It means helping our children get a healthy start in life and preparing them for academic success. It means promoting prevention and wellness to make it easier for families to make healthy choices. It means building a health care workforce that is ready for the 21<sup>st</sup> century health needs of our country. And it means attacking waste and fraud throughout our department to increase efficiency, transparency and accountability.

Our 2012 budget does all of this.

At the same time, we know that we can't build lasting prosperity on a mountain of debt. And we can't win the future if we pass on massive debts to our children and grandchildren. We have a responsibility to the American people to live within our means so we can invest in our future.

For every program we invest in, we know we need to cut somewhere else. So in developing this budget, we took a magnifying glass to every program in our department and made tough choices. When we found waste, we cut it. When we found duplication, we eliminated it. When programs weren't working well enough, we reorganized and streamlined them to put a new focus on results. When they weren't working at all, we ended them. In some cases, we cut programs we wouldn't in better fiscal times.

The President's FY 2012 Budget for HHS totals \$891.6 billion in outlays. The Budget proposes \$79.9 billion in discretionary budget authority for FY 2012, of which \$72.4 billion is within the jurisdiction of the Labor, Health and Human Services, Education, and Related Agencies Subcommittee.

The Department's discretionary budget is slightly below the 2010 level. Within that total we cover the increasing costs of ensuring the safety of our food supply, providing medical care to American Indians and Alaska Natives, managing our entitlement programs, investing in early childhood, and advancing scientific research. We contribute to deficit reduction and meet the President's freeze to non-security programs by offsetting these investments with over \$5 billion in targeted reductions. These reductions are to real programs and reflect tough choices. In some cases the reductions are to ineffective or outdated programs and in other areas they are cuts we would not have made absent the fiscal situation.

The Budget proposes a number of reductions and terminations in HHS.

- The Budget cuts the Community Services Block Grant in half, a \$350 million reduction, and injects competition into grant awards.
- The Budget cuts the Low Income Home Energy Assistance Program by \$2.5 billion bringing it back to the 2008 level appropriated prior to energy price spikes.
- The Budget eliminates subsidies to Children's Hospitals Graduate Medical Education focusing instead on targeted investments to increase the primary care workforce.
- The Budget reduces the Senior Community Services Employment Program by \$375 million, proposes to transfer this program from the Department of Labor to HHS, and refocuses the program to train seniors to help other seniors.

The Budget also stretches existing resources through better targeting.

- The Budget redirects and increases funding in CDC to reduce chronic disease. Rather than splitting funding and making separate grants for heart disease, diabetes, and other chronic diseases, the Budget proposes one comprehensive grant that will allow States to address chronic disease more effectively.
- The Budget redirects prevention resources in SAMHSA to fund evidence-based interventions and better respond to evolving needs. States and local communities will benefit from the additional flexibility while funds will still be competed and directed toward proven interventions.

These are the two goals that run throughout this budget: making the smart investments for the future that will help build a stronger, healthier, more competitive, and more prosperous America, and making the tough choices to ensure we are building on a solid fiscal foundation.

The budget documents are available on our website. But for now, I want to share an outline of the budget, including the areas of most interest to this Committee, and how it will help our country invest in, and win, the future.

That starts with giving Americans more freedom in their health care choices, so they can get affordable, high-quality care when they need it.

## **TRANSFORM HEALTH CARE**

***Expanding Access to Coverage and Making Coverage More Secure:*** The Affordable Care Act expands access to affordable coverage to millions of Americans and strengthens consumer protections to ensure individuals have coverage when they need it most. These reforms create an important foundation of patients' rights in the private health insurance market and put Americans in charge of their own health care. As a result, we have already implemented historic private market reforms including eliminating pre-existing condition exclusions for children; prohibiting insurance companies from rescinding coverage and imposing lifetime dollar limits on coverage; and enabling many adult children to stay on their parent's insurance plan up to age 26. The Affordable Care Act also established new programs to lower premiums and support coverage options, such as the Pre-Existing Condition Insurance Plans Program and the Early Retiree Reinsurance Program. The Act provides Medicare beneficiaries and enrollees in most private plans access to certain covered preventative services free of charge. Medicare beneficiaries also have increased access to

prescription drugs under Medicare Part D by closing the coverage gap, known as the “donut hole,” by 2020 so that seniors no longer have to fear being unable to afford their prescriptions. The Act also provides for an annual wellness visit to all Medicare beneficiaries free of charge.

Beginning in 2014, State-based health insurance Exchanges will create affordable, quality insurance options for many Americans who previously did not have health insurance coverage, had inadequate coverage, or were vulnerable to losing the coverage they had. Exchanges will make purchasing private health coverage easier by providing eligible consumers and small businesses with “one-stop-shopping” where they can compare a range of plans. New premium tax credits and cost-sharing reductions will also increase the affordability of coverage and care. The Affordable Care Act will also extend Medicaid insurance to millions of low-income individuals who were previously not eligible for coverage, granting them access to affordable health care.

***Ensuring Access to Quality, Culturally Competent Care for Vulnerable Populations:*** The Budget includes \$3.3 billion for the Health Centers Program, including \$1.2 billion in mandatory funding provided through the Affordable Care Act Community Health Center Fund, to expand the capacity of existing health center services and create new access points. The infusion of funding provided through the Affordable Care Act, combined with the discretionary request for FY 2012, will enable health centers to serve 900,000 new patients and increase access to medical, oral, and behavioral health services to a total of 24 million patients.

***Reducing Health Care Costs:*** New innovative delivery and payment approaches will lead to both more efficient and higher quality care. For example, provisions in the Affordable Care Act designed to reduce health care acquired conditions and preventable readmissions will both improve patient outcomes and reduce unnecessary health spending. The Innovation Center, in coordination with private sector partners whenever possible, will pursue new approaches that not only improve quality of care, but also lead to cost savings for Medicare, Medicaid, and CHIP. Rate adjustments for Medicare providers and insurers participating in Medicare Advantage will promote greater efficiency in the delivery of care. Meanwhile, new rules for private insurers, such as medical loss ratio standards and enhanced review of premium increases, will lead to greater value and affordability for consumers.

***Combating Healthcare Associated Infections:*** HHS will use measures related to healthcare-associated infections (HAIs) for hospital value-based purchasing beginning in FY 2013, as called for in the Affordable Care Act. The FY 2012 Budget includes \$86 million – of which \$20 million is funded in the Prevention and Public Health Fund Prevention Trust Fund - to the Agency for Healthcare Research and Quality (AHRQ), the Centers for Disease Control and Prevention (CDC), and the Office of the Secretary to reduce healthcare-associated infections. In FY 2012, HHS will continue research on health-care associated infections and tracking infections through the National Healthcare Safety Network. HHS will also identify and respond to new healthcare-associated infections by conducting outbreak and epidemiological investigations. In addition, HHS will implement, and ensure adherence to, evidence-based prevention practices to eliminate healthcare-associated infections. HHS activities, including those that the Innovation Center sponsors, will further the infection reduction goals of the Department’s Action Plan to Prevent Healthcare-Associated Infections. HHS has made progress in reducing HAIs. For instance, in 2009, an estimated 25,000 fewer Central line-associated blood stream infections (CLABSIs) occurred among patients in ICUs in the United States than in 2001 (a 58% reduction). Progress in reducing CLABSIs highlights the preventability of these infections, and HHS will continue to support HAI prevention in collaboration with States and facility partners.

***Health Services for 9/11 Terrorist Attacks:*** To implement the James Zadroga 9/11 Health and Compensation Act, the FY 2012 Budget includes \$313 million in mandatory funding to provide

medical monitoring and treatment to responders of the September 11, 2001 terrorist attacks and initial health evaluations, monitoring, and treatment to others directly affected by the attacks. In addition to supporting medical monitoring and treatment, HHS will use funds to establish an outreach program for potentially eligible individuals, collect health data on individuals receiving benefits, and establish a research program on health conditions resulting from the terrorist attacks.

#### **ADVANCE SCIENTIFIC KNOWLEDGE AND INNOVATION**

***Accelerating Scientific Discovery to Improve Patient Care:*** The Budget includes \$32.0 billion for the National Institutes of Health (NIH), an increased investment of \$745 million over the FY 2010 enacted level, to support innovative basic and clinical research that promises to deliver better health and drive future economic growth. In FY 2012, NIH estimates it will support a total of 36,852 research project grants, including 9,158 new and competing awards.

Recent advances in the biomedical field, including genomics, high-throughput biotechnologies, and stem cell biology, are shortening the pathway from discovery to revolutionary treatments for a wide range of diseases, such as Alzheimer's, cancer, autism, diabetes, and obesity. The dramatic acceleration of our basic understanding of hundreds of diseases; the establishment of NIH-supported centers that can screen thousands of chemicals for potential drug candidates; and the emergence of public-private partnerships to aid the movement of drug candidates into the commercial development pipeline are fueling expectations that an era of personalized medicine is emerging where prevention, diagnosis, and treatment of disease can be tailored to the individual and targeted to be more effective. To help bridge the divide between basic science and therapeutic applications, NIH plans to establish in FY 2012 the National Center for Advancing Translational Sciences (NCATS), of which one component would be the new Cures Acceleration Network. With the creation of NCATS, the National Center for Research Resources will be abolished and its programs transferred to the new Center or other parts of NIH.

***Advancing Patient-Centered Health Research:*** The Affordable Care Act created the Patient-Centered Outcomes Research Institute to fund research and get relevant, high quality information to patients, clinicians and policy-makers so that they can make informed health care decisions. The Patient-Centered Outcomes Research Trust Fund will fund this independent Institute, and related activities within HHS. In FY 2012, the Budget includes \$620 million in AHRQ, NIH and the Office of the Secretary, including \$30 million from the Trust Fund, to invest in core patient-centered health research activities and to disseminate research findings, train the next generation of patient-centered outcomes researchers, and improve data capacity.

***Advancing Health Information Technology:*** The Budget includes \$78 million, an increase of \$17 million, for the Office of the National Coordinator for Health Information Technology (ONC) to accelerate health information technology (health IT) adoption and promote electronic health records (EHRs) as tools to improve the health of individuals and transform the health care system. The increase will allow ONC to assist health care providers in becoming meaningful users of health IT.

#### **ADVANCE THE HEALTH, SAFETY, AND WELL-BEING OF THE AMERICAN PEOPLE**

***Enhancing the Quality of Early Care:*** The Budget provides \$6 billion in combined discretionary and mandatory funding for child care. These resources will enable 1.7 million children to receive child care services. The Administration also supports reforms to the child care program to serve more low-income children in safe, healthy, and nurturing child care settings that are highly effective in promoting early learning; supports parental employment and choice by providing information to parents on quality; promotes continuity of care; and strengthens program integrity and accountability. Additionally, the President's Budget includes \$8.1 billion for Head Start, which will

allow us to continue to serve 968,000 children in 2012. The Administration is also working to implement key provisions of the Head Start Reauthorization, including requiring low-performing programs to compete for funding, that will improve program quality. These reforms and investments at HHS, in conjunction with the Administration's investments in the Early Learning Challenge Fund, are key elements of the broader education agenda designed to help every child reach his or her academic potential and improve our Nation's competitiveness.

***Preventing and Treating HIV/AIDS:*** The Budget supports the goals of the National HIV/AIDS Strategy to reduce HIV incidence, increase access to care and optimize health outcomes for people living with HIV, and reduce HIV-related health disparities. The request focuses resources on high-risk populations and allocates funds to State and local health departments to align resources to the burden of the epidemic across the United States. The Budget includes \$2.4 billion, an increase of \$85 million, for HRSA's Ryan White program to expand access to care for persons living with HIV/AIDS who are otherwise unable to afford health care and related support services. The Budget also includes \$858 million for domestic HIV/AIDS Prevention in CDC, an increase of \$58 million, which will help CDC decrease the HIV transmission rate; decrease risk behaviors among persons at risk for acquiring HIV; increase the proportion of HIV infected people who know they are infected; and integrate services for populations most at risk of HIV, sexually transmitted diseases, and viral hepatitis. In addition, the Budget proposes that up to one percent of HHS discretionary funds appropriated for domestic HIV/AIDS activities, or approximately \$60 million, be provided to the Office of the Assistant Secretary for Health to foster collaborations across HHS agencies and finance high priority initiatives in support of the National HIV/AIDS Strategy. Such initiatives would focus on improving linkages between prevention and care, coordinating Federal resources within targeted high-risk populations, enhancing provider capacity to care for persons living with HIV/AIDS, and monitoring key Strategy targets.

***Addressing the Leading Causes of Death and Disability:*** Chronic diseases and injuries represent the major causes of morbidity, disability, and premature death and contribute to the growth in health care costs. The Budget aims to improve the health of individuals by focusing on prevention of chronic diseases and injuries rather than focusing solely on treating conditions that could have been prevented. Specifically, the Budget includes \$705 million for a new competitive grant program in CDC that refocuses disease-specific grants into a comprehensive program that will enable health departments to implement the most effective strategies to address the leading causes of death. Because many chronic disease conditions share common risk factors, the new program will improve health outcomes by coordinating the interventions that can reduce the burden of chronic disease. In addition, the allocation of the \$1 billion available in the Prevention Fund will improve health and restrain the growth of health care costs through a balanced portfolio of investments. The FY 2012 allocation of the Fund builds on existing investments and will align with the vision and goals of the National Prevention and Health Promotion Strategy under development. For instance, the CDC Community Transformation Grants create and sustain communities that support prevention and wellness where people live, learn, work and play through the implementation, evaluation, and dissemination of evidence-based community preventive health activities.

***Preventing Substance Abuse and Mental Illness:*** The Budget includes \$535 million within the Substance Abuse and Mental Health Services Administration (SAMHSA) for new, expanded, and refocused substance abuse prevention and mental health promotion grants to States and Tribes. To maximize the effectiveness and efficiency of its resources, SAMHSA will deploy mental health and substance abuse prevention and treatment investments more thoughtfully and strategically. SAMHSA will use competitive grants to identify and test innovative prevention practices and will leverage State and Tribal investments to foster the widespread implementation of evidence-based prevention strategies through data driven planning and resource dissemination.

***Supporting Older Adults and their Caregivers:*** The Budget includes \$57 million, an increase of \$21 million over FY 2010, to help seniors live in their communities without fear of abuse, and includes an increase of \$96 million for caregiver services, like counseling, training, and respite care, to enable families to better care for their relatives in the community. The Budget also proposes to transfer an Older Americans Act program that provides community service opportunities and job training to unemployed older adults from the Department of Labor to HHS. As part of this move, a new focus will be placed on developing professional skills that will enable participants to provide services that allow fellow seniors to live in their communities as long as possible.

***Pandemic and Emergency Preparedness:*** While responding to the H1N1 influenza pandemic has been the focus of the most recent pandemic investments, the threat of a pandemic caused by H5N1 or other strains has not diminished. HHS is currently implementing pandemic preparedness activities in response to lessons learned from the H1N1 pandemic in order to strengthen the Nation's ability to respond to future health threats. Balances from the FY 2009 supplemental appropriations are being used to support recommendations from the HHS Medical Countermeasure Review and the President's Council of Advisors on Science and Technology. These multi-year activities include advanced development of influenza vaccines and the construction of a new cell-based vaccine facility in order to quickly produce vaccine in the U.S., as well as development of next generation antivirals, rapid diagnostics, and maintenance of the H5N1 vaccine stockpile.

The HHS Medical Countermeasure Review described a new strategy focused on forging partnerships, minimizing constraints, modernizing regulatory oversight, and supporting transformational technologies. The request includes \$665 million for the Biomedical Advanced Research and Development Authority, to improve existing and develop new next-generation medical countermeasures and \$100 million to establish a strategic investment corporation that would improve the chances of successful development of new medical countermeasure technologies and products by small and new companies. The Budget includes \$70 million for FDA to establish teams of public health experts to support the review of medical countermeasures and novel manufacturing approaches. Additionally, NIH will dedicate \$55 million to individually help shepherd investigators who have promising, early-stage, medical countermeasure products. Finally, the Budget includes \$655 million for the Strategic National Stockpile to replace expiring products, support BioShield acquisitions, and fill gaps in the stockpile inventory.

## **STRENGTHEN THE NATION'S HEALTH AND HUMAN SERVICE INFRASTRUCTURE AND WORKFORCE**

***Strengthening the Health Workforce:*** A strong health workforce is key to ensuring that more Americans can get the quality care they need to stay healthy. The Budget includes \$1.3 billion, including \$315 million in mandatory funding, within HRSA, to support a strategy which aims to promote a sufficient health workforce that is deployed effectively and efficiently and trained to meet the changing needs of the American people. The Budget will initiate investments that will expand the capacity of institutions to train over 4,000 new primary care providers over five years.

***Health Workforce Diversity:*** As part of these health workforce investments, the Budget also includes \$163 million at HRSA for Health Workforce Diversity programs to improve the diversity of the Nation's health workforce and improve care to vulnerable populations. This funding will support training programs and scholarship opportunities to students from disadvantaged backgrounds enrolled in health professions and nursing programs.

***Expanding Public Health Infrastructure:*** The FY 2012 Budget supports State and local capacity so that health departments are not left behind. Specifically, the Budget requests \$73 million, of which \$25 million is funded in the Prevention Fund, for the CDC public health workforce to increase the number of trained public health professionals in the field. CDC's experiential fellowships and

training programs create an effective, prepared, and sustainable health workforce to meet emerging public health challenges. In addition, the Budget requests \$40 million in the Prevention Fund to support CDC's Public Health Infrastructure Program. This program will increase the capacity and ability of health departments to meet national public health standards in areas such as information technology and data systems, workforce training, and regulation and policy development.

#### **INCREASE EFFICIENCY, TRANSPARENCY, AND ACCOUNTABILITY OF HHS PROGRAMS**

***Strengthening Program Integrity:*** Strengthening program integrity is a priority for both the President and myself. The Budget includes \$581 million in discretionary funding, a \$270 million increase over FY 2010, to expand prevention-focused, data-driven, and innovative initiatives to improve CMS program integrity. The Budget request also supports the expansion up to 20 Strike Force cities to target Medicare fraud in high risk areas and other efforts to achieve the President's goal of cutting the Medicare fee-for-service error rate in half by 2012. The proposed ten year discretionary investment yields \$10.3 billion in Medicare and Medicaid savings, a return of about \$1.5 for every dollar spent. In addition, the Budget includes a robust package of program integrity legislative proposals to expand HHS program integrity tools and produce \$32.3 billion in savings over ten years. We appreciate the support of Congress, particularly Chairman Harkin, on efforts to fight Medicare fraud. I look forward to working with the Subcommittee on this issue.

In addition, the Affordable Care Act provides unprecedented tools to CMS and law enforcement to enhance Medicare, Medicaid, and Children's Health Insurance Program (CHIP) program integrity. The Act enhances provider screening to stop fraudsters from participating in these programs in the first place, gives the Secretary the authority to implement temporary enrollment moratoria for fraud hot spots, and increases law enforcement penalties. Additionally, the continued implementation of the Secretary's Program Integrity Initiative seeks to ensure that every program and office in HHS prioritizes the identification of systemic vulnerabilities and opportunities for waste and abuse, and implements heightened oversight.

***Implementing the Recovery Act:*** The American Recovery and Reinvestment Act provides \$138 billion to HHS programs as part of a government-wide response to the economic downturn. HHS-funded projects around the country are working to achieve the goals of the Recovery Act by helping State Medicaid programs meet increasing demand for health services; supporting struggling families through expanded child care services and subsidized employment opportunities; and by making long-term investments in health information technology (IT), biomedical research and prevention and wellness efforts. HHS made available a total of \$118 billion to States and local communities through December 31, 2010; recipients of these funds have in turn spent \$100 billion by the same date. Most of the remaining funds will support a signature Recovery Act program to provide Medicare and Medicaid incentive payments to hospitals and eligible health care providers as they demonstrate the adoption and meaningful use of electronic health records. The first of these Medicaid incentive payments were made January 5, 2011. More than 23,000 grantees and contractors of HHS discretionary programs have to submit reports on the status of their projects each calendar quarter. These reports are available to the public on [Recovery.gov](http://Recovery.gov). For the quarter ending December 31, 2010, 99.6 percent of the required recipient reports were filed timely. Recipients that do not comply with reporting requirements are subject to sanction.

#### **CONCLUSION**

This Budget is about investing our resources in a way that pays off again and again. By making smart investments and tough choices today, we can have a stronger, healthier, more competitive America tomorrow. This testimony reflects just some of the ways that HHS programs improve the everyday lives of Americans.

Under this Budget, we will continue to work to make sure every American child, family, and senior has the opportunity to thrive. And we will take responsibility for our deficits by cutting programs that were outdated, ineffective, or that we simply could not afford. But, we need to make sure we're cutting waste and excess, not making across the board, deep cuts in programs that are helping our economy grow and making a difference for families and businesses. We need to move forward responsibly, by investing in what helps us grow and cutting what doesn't.

My department can't accomplish any of these goals alone. It will require all of us to work together. 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 our conversation.