

**From:** Venn Strategies  
**Re:** Summary of Health Proposals in President's Fiscal Year (FY) 2016 Budget  
**Date:** 02-02-15

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Today, President Obama released his \$4.066 trillion budget proposal for fiscal year (FY) 2016, outlining the administration's policy priorities for the coming year. The proposal is largely viewed as a Democratic blueprint for lofty policy proposals that will face strong opposition by the Republican-controlled Congress.

The administration's request includes raising the post-sequester discretionary spending caps, resulting in overall base discretionary spending of \$1.091 trillion in FY 2016, \$75 billion above the \$1.016 trillion allowed by the 2011 debt limit law and markedly higher than the \$1.014 trillion that was requested in 2015. The administration notes that spending above the discretionary caps would be more than offset through long-term savings, including \$640 billion in new tax revenues, almost \$400 billion in "reforms" to federal health care programs aimed at building on the 2010 health care law, and \$160 billion in deficit reduction that the Congressional Budget Office said would be realized if Congress passed legislation to overhaul the nation's immigration system.

This year's proposal is the first White House Budget since Senator Murray (D-WA) and Congressman Ryan (R-WI) reached a budget compromise in 2013, which eliminated a number of mandatory spending cuts created by sequestration, and set topline spending levels for fiscal years 2014 and 2015. The lack of agreed upon topline budget numbers means that the president and congressional Republicans will need to reach an agreement to adjust, suspend, or repeal the across-the-board cuts in order to avoid mandatory spending caps created by the sequester. While the president's budget proposes closing that gap through the creation of new revenues, as well as a number of other targeted spending reductions, it is unlikely that Republicans will agree to a similar framework.

The president's budget provides \$83.8 billion in base discretionary resources for the Department of Health and Human Services (HHS), \$4.8 billion more than the 2015 enacted level. Health care spending for both Medicare and Medicaid, combined with spending on public health programs and medical research, will continue to be a primary focus of the administration. In addition to committing to fully fund the implementation of the Affordable Care Act (ACA), the budget specifically includes:

- \$31.3 billion to the National Institutes of Health (NIH), an increase of \$1.1 billion over FY 2015;

- \$11.5 billion to the Centers for Disease Control (CDC)—a \$250 million increase from FY 2015—which includes \$914 million from the Affordable Care Act’s Prevention and Public Health Fund; and
- \$4.9 billion in total resources to the Food and Drug Administration (FDA)—an increase of \$425 million, or 9 percent, above FY 2015. Of this increase, \$148 million is in budget authority and \$277 million in user fees.

Additionally, of note is the president’s request for a 6 percent increase in overall funding for research and development, including the Precision Medicine Initiative, which he unveiled during the State of the Union and which aims to develop more personalized approaches to medical treatments and cures. The president’s budget includes \$250 million for the initiative across various agencies.

The budget also includes \$400 billion in savings over the next decade in Medicare, Medicaid and other federal health programs, among them:

- \$116.1 billion by aligning Medicare payments for drugs with Medicaid policies for low-income beneficiaries (Part D rebates);
- \$10.1 billion by ending anti-competitive deals (“pay for delay”) between generic and brand manufacturers, reducing biologic exclusivity to seven years rather than the current twelve years;
- \$66.4 billion by increasing income-related premiums under Medicare Parts B and D (“means testing”);
- \$3.3 billion in rebasing future Medicaid Disproportionate Shares Hospital allotments.

In the coming weeks, House and Senate appropriating and authorizing committees will be holding hearings to consider the president’s budget proposal. However, we do not anticipate this budget to make any meaningful headway.