



TESTIMONY
BEFORE THE SUBCOMMITTEE ON LABOR, HEALTH AND
HUMAN SERVICES, EDUCATION AND RELATED AGENCIES
UNITED STATES SENATE

STATEMENT BY

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SECRETARY

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

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STATEMENT OF
KATHLEEN SEBELIUS,
SECRETARY
DEPARTMENT OF HEALTH AND HUMAN SERVICES
ON
FY 2010 BUDGET
BEFORE THE
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. SENATE
JUNE 9, 2009

Chairman Harkin, Senator Cochran, and Members of the Committee, thank you for the invitation to discuss the President's FY 2010 Budget for the Department of Health and Human Services (HHS).

In these times of economic uncertainty, we at HHS are even more cognizant of the health care needs of American citizens. It is during times like these that we must be especially mindful to answer the call as public servants to protect the health of the American people as well as ensure the availability of health care resources. At HHS, we are dedicated to the continued improvement and accessibility of health care in the United States and committed to providing essential human services that families depend on, particularly in times of economic crisis.

The HHS FY 2010 Budget reflects a dedication to focus resources in the areas of health reform, improving the quality and accessibility of health care, delivering human services to vulnerable populations, securing and promoting public health, investing in scientific research and development, and ensuring the successful implementation of the American Recovery and Reinvestment Act.

The President's FY 2010 Budget for HHS totals \$879 billion in outlays. The Budget proposes \$78 billion in discretionary budget authority for FY 2010, of which \$72 billion is within the jurisdiction of the Labor, Health and Human Services, Education, and Related Agencies Subcommittee.

Health Reform

I would like to begin my comments by addressing our efforts in the area of health reform.

One of the biggest drains on American family budgets and the performance of the economy is the high cost of health care. American families and small businesses are being crushed by sky-rocketing health care costs and they are losing the very choices they value most.

Health insurance premiums have doubled since 2000, rising four times faster than wage growth. This increase strains both families and the businesses that struggle to sustain health benefits for their employees. At the same time, health care costs are consuming a rapidly growing share of Federal and State government budgets.

The United States spends over \$2.2 trillion on health care each year, a number that represents about 16 percent of the total economy. Experts predict that by 2018, 20 percent of the economy will be spent on health care.

Despite this record spending, about 46 million Americans lack health care coverage. The President is committed to reform that assures quality, affordable health care for all Americans. Covering all Americans is not only a moral imperative, but it is also essential to a more effective and efficient health care system.

HHS has already made major strides towards this goal.

We have supported efforts at the Centers for Medicare and Medicaid Services such as the Children's Health Insurance Program (CHIP), which has provided health care for millions of previously uninsured children.

The Administration is using Recovery Act dollars wisely to protect coverage for families and help strengthen our health care system. The funds this Committee provided are protecting Medicaid coverage and improving health services to low income Americans. The Recovery Act temporarily lowers the cost of COBRA coverage by 65% for some workers and their families, helping workers who lost their jobs hold onto the coverage they need.

The Recovery Act advances the President's health IT initiative and accelerates the adoption of health information technology – an essential tool to modernize the health care system – and the utilization of electronic health records. We are striving to improve care and give patients and doctors more information by devoting \$1.1 billion to comparative effectiveness research. In addition, we are working to improve the health of all Americans by investing \$1 billion in prevention and wellness.

These are important first steps, but there is much more work to be done to ensure all Americans have the high-quality, affordable coverage they deserve.

Consistent with the President's vision for a reformed health care system that offers affordable, quality health care to all Americans, the HHS Budget invests in key priority areas and puts us on the path to health reform.

The Budget sends a clear message that we can't afford to wait any longer if we want to get health care costs under control and improve our fiscal outlook. Investing in health reform today will help bring down costs tomorrow and ensure all Americans have access to the quality care they need and deserve.

Consistent with these principles, the Budget takes a significant step towards comprehensive reform and establishes a health care reserve fund of \$635 billion over 10 years to finance health reform that brings down costs, improves quality, and assures coverage for all Americans. The reserve will be funded by new revenue and by savings from Medicare and Medicaid. While the reserve fund is a significant commitment, we are aware that this amount is not sufficient to fully fund comprehensive reform, and we look forward to working with the Congress to identify additional resources.

This saving proposal is supported by the following initiatives:

Aligning Incentives Toward Quality: The Budget includes proposals intended to improve incentives to provide high quality care in Medicare, including quality incentive payments to hospitals and voluntary physician groups and reduced payments to hospitals with high readmission rates.

Promoting Efficiency and Accountability: The Budget includes savings resulting from increased efficiency and accountability in Medicare and Medicaid, including reducing Medicare payments to private insurers by encouraging competition, implementing policies to decrease Medicaid costs for prescription drugs, improving Medicare and Medicaid payment accuracy, and bundling Medicare payments for inpatient hospital and certain post-acute care.

Encouraging Shared Responsibility: The Budget recognizes that successfully moving toward a reformed health system will require all stakeholders to contribute a proportionate share. The Budget includes a proposal to require certain higher-income Medicare beneficiaries enrolled in Part D to pay higher premiums, as is currently required for physician and outpatient services.

New Revenues: Among other changes, the Budget includes a proposal to limit the rate at which high-income taxpayers can take itemized deductions against revenues dedicated to health reform. This will help provide the savings needed to fund comprehensive health reform.

Improving Quality and Access to Health Care

At HHS, we continue to strive to find ways to better serve the American public, especially those citizens less 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 as well as the quality of health care information and treatments through the advancement of health information technology (IT) and the modernization of the health care system.

The Budget includes over \$1 billion within the Health Resources and Services Administration (HRSA) to support 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 also supports HHS-wide comparative effectiveness research, including \$50 million within the Agency for Healthcare Research and Quality (AHRQ). This research will improve health care quality by providing patients and physicians with state-of-the-science information about which medical treatments work best for a given clinical condition.

The Budget advances the President's health IT initiative and accelerates the adoption of health information technology – an essential tool to modernize the health care system – and the utilization of electronic health records (EHR). The Office of the National Coordinator for Health Information Technology (ONC) will continue its current efforts as the Federal health IT leader and coordinator. During FY 2010, HHS will prepare to provide Recovery Act Medicare and Medicaid incentive payments to physicians and hospitals who demonstrate meaningful use of certified EHRs.

The Centers for Medicare & Medicaid Services (CMS) Program Management account increases by \$235 million in FY 2010 to cover statutory and policy workloads in claims processing and in health care facility survey frequencies to adequately protect beneficiary quality of care and safety. CMS Program Management funding increases will also go to important initiatives such as ICD-10 implementation and additional funding for Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) implementation as well as the necessary increase in staff to administer new workloads from MIPPA and other recent legislation. CMS will also expand its research efforts to lay the groundwork for long-term reforms of CMS' programs and the Nation's health care system.

Delivering Human Services to Vulnerable Populations

HHS shares the President's belief in increasing access to critical services and health care for citizens most in need of assistance. HHS takes seriously our responsibility to reach out to those Americans least able to provide for themselves such as children and senior citizens as well as those in rural areas where quality, affordable health care and services are less accessible.

Due chiefly to Recovery Act funding, the Head Start program run by the Administration for Children and Families (ACF), will serve 978,000 children in FY 2009, an increase of approximately 70,000 over FY 2008. Approximately 115,000 infants and toddlers, nearly twice as many as in FY 2008, will have access to Early Head Start services in FY 2009 and

FY 2010. The Budget includes an additional \$122 million to enable Head Start to sustain the historic increase in children served.

The Budget includes \$178 million in funds to support evidence-based teen pregnancy prevention programs. To improve outcomes for women and children, the President's Budget also assumes \$124 million for a new mandatory Home Visitation program to establish and expand home visitation programs for low-income families.

The Budget includes \$3.2 billion for the ACF Low Income Home Energy Assistance Program (LIHEAP), one of the largest LIHEAP funding requests ever. Energy prices are volatile, making it difficult to match funding to the needs of low income families. For this reason, the Budget includes a legislative proposal to provide additional mandatory LIHEAP funding if energy prices increase significantly.

The Budget includes \$59 million, an increase of \$35 million, within the Substance Abuse and Mental Health Services Administration (SAMHSA) to expand the treatment capacity of drug courts. Within this increased funding for drug courts, \$5 million will support families affected by methamphetamine abuse. The Budget also includes \$986 million, an increase of \$17 million, for the prevention and treatment of mental illnesses.

Securing and Promoting Public Health

Whether it's responding to the H1N1 flu virus or the recent recall of peanuts, HHS is responsible for keeping Americans healthy and safe, and we take that responsibility seriously.

The Budget will help ensure we remain prepared to protect the American people. The investments we made in pandemic planning and preparation allowed us to respond quickly and efficiently to the H1N1 virus in this country and helped get Americans the information and resources they needed early on during the outbreak.

The Administration has requested supplemental funding to support the Federal response to the recent outbreak of 2009 H1N1 influenza. Resources will be vital to support the immediate response and to support potential longer term needs as determined by the severity of the virus in the Southern Hemisphere. It is important that we take steps now to ensure resources are available a contingency basis in case they are needed. These funds, in addition to the FY 2010 Budget of \$584 million, will allow HHS to develop and produce vaccines as well as distribute antivirals, personal protective equipment, and other medical countermeasures. This funding will also support public health surveillance and response efforts in the face of the current outbreak.

HHS has been working diligently to ensure that the public will be protected from this H1N1 virus and has created an H1N1 virus reference strain that has been distributed to the manufacturers to create a virus master seed. HHS recently committed \$1.1 billion, through new orders on existing manufacturer contracts, to develop and test bulk supply of vaccine antigen and adjuvant for the production of pilot lots of an H1N1 vaccine. CDC, ASPR,

FDA and NIH are working together to develop a commercial scale vaccine production strategy, as well as working on the development of vaccine candidates.

HHS has also declared a nationwide Public Health Emergency; deployed teams to affected States according to the CDC Incident Action Plan; released 25%, or 11 million treatment courses of the antivirals in the Strategic National Stockpile for distribution to States; issued Emergency Use Authorization (EUA) of diagnostic laboratory tests and to treat children under the age of 1 year with Tamiflu; issued regularly updated guidance for health care providers, public health officials, and the public on recommendations on antivirals, symptoms and reducing spread of the virus; and continued surveillance activities, particularly in the southern hemisphere to monitor the H1N1 virus.

People living with HIV disease are, on average, poorer than the general population, and Ryan White HIV/AIDS Program clients are poorer still. For them, the Ryan White HIV/AIDS Program is the payor of last resort because they are uninsured or have inadequate insurance and cannot cover the costs of care on their own, and because no other source of payment for services, public or private, is available. The Budget includes over \$3 billion in CDC and HRSA to enhance HIV/AIDS prevention, care, and treatment. Within HRSA, an additional \$54 million is included for the Ryan White HIV/AIDS program to increase access to health care among uninsured and underinsured individuals living with HIV/AIDS and to help reduce HIV/AIDS related health disparities. Within CDC, an additional \$53 million is included to enhance testing and other HIV/AIDS prevention efforts.

The President's request also includes \$354 million for combating health disparities and will help improve the health of racial and ethnic minorities and low-income and disadvantaged populations. This proposal includes \$143 million for the Minority AIDS Initiative under the Ryan White Act, \$116 million for Health Professions and Nursing Training Diversity Programs, \$56 million for the Office of Minority Health, and \$40 million for the REACH program administered by the Centers for Disease Control and Prevention (CDC).

Rural Americans also often receive substandard care and the FY 2010 Budget includes \$73 million for a new "Improve Rural Health Care" initiative, which increases access and improves the quality of care in rural areas.

Investing in Scientific Research and Development

HHS is dedicated to finding better ways to treat and prevent illnesses such as cancer through the support of programs dedicated to advancing medical research and development. The HHS Budget includes nearly \$31 billion for the National Institutes of Health (NIH) to continue support of biomedical research. These funds build on the unprecedented \$10.4 billion in total provided to NIH in the Recovery Act. Within the Budget total, more than \$6 billion will support cancer research across NIH. This funding is central to the President's sustained plan to double NIH cancer research over eight years. In FY 2010, NIH estimates it will support a total of 38,042 research project grants, including 9,849 new and competing awards.

Recovery Act

The Department's portion of the American Recovery and Reinvestment Act of 2009 addresses and responds to critical challenges in our health care system and enhances human services through investments that immediately impact the lives of Americans.

The American Recovery and Reinvestment Act includes an estimated \$167 billion over ten years for programs at HHS. HHS mandatory budget authority is increased by an estimated \$144 billion, which includes \$113 billion for Medicaid, \$23 billion for Medicare, \$7 billion for the Administration for Children and Families entitlement programs, and \$1 billion for administration. Most of the increase in this funding will take place in FY 2009 and FY 2010.

HHS also received \$22 billion in discretionary budget authority. The majority of these funds will be obligated by September 2010 to achieve the most rapid impact for citizens and States affected by the current economic downturn.

HHS Recovery Act activities support efforts to increase access to health care, protect those in greatest need, expand educational opportunities, and modernize the Nation's infrastructure. HHS is committed to quickly and carefully distributing Recovery Act funds in an open and transparent manner that will achieve the objectives of the Recovery Act. HHS released over \$16 billion in Recovery Act funds within the first 30 days of enactment, including crucial fiscal relief to States through increased Medicaid funding, funds for Health Centers, and funds for Foster Care and Adoption Assistance. Overall, HHS will distribute more than 90 percent of its increased discretionary funding, and approximately two-thirds of its increased mandatory spending, within two years of enactment.

Consistent with the President's call for accountability and responsible management in the Federal government, HHS has established new policy and technical processes to review spending plans and to implement the Recovery Act requirements for transparency and accountability. To coordinate and manage the complexity of HHS' role and processes in the Recovery Act, HHS established an Office of Recovery Act Coordination run out of the Office of the Secretary. The Recovery Act also provides \$48 million for the Office of Inspector General to enhance accountability and enforcement activities to prevent waste, fraud and abuse.

In Closing

Consistent with the President's vision for a safer, healthier, and more prosperous America, HHS will continue to seek improvements and strive to exceed expectations in areas such as securing and promoting public health, delivering human services to vulnerable populations, and improving quality of and access to health care. HHS will continue to make investments that will improve the lives of children, families, and seniors by creating a healthy foundation for everyone to fully participate in the American community.

Again, I would like to thank the Committee for this opportunity to offer my comments and I look forward to working with you to advance the health, safety, and well-being of the American people.

SECRETARY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
KATHLEEN SEBELIUS

Kathleen Sebelius was sworn in as the 21st Secretary of the Department of Health and Human Services (HHS) on Tuesday, April 29, 2009. The Secretary governs one of the largest civilian departments in the federal government with more than 67,000 employees. HHS is the principal agency for protecting the health of all Americans by providing effective health and human services, especially for those who are least able to help themselves.

Secretary Sebelius has over 20 years of experience in state government, and has been a leader on health care issues for over a decade. She was first elected governor of Kansas in 2003 and was reelected in 2006. Throughout her tenure, Sebelius was lauded for her record of bipartisan accomplishment. She worked tirelessly to grow the state's economy and to create jobs, to ensure that every Kansas child received a quality education, and to improve access to quality and affordable health care. As Governor, Sebelius expanded Kansas' newborn screenings, put a renewed emphasis on childhood immunization and increased eligibility for children's health coverage. More than 59,000 additional children were enrolled in health coverage during her time in office. Sebelius also worked closely with Kansas first responders and law enforcement to prepare for natural disasters and other emergencies. In 2005, Time magazine named her one of the nation's top five governors.

Prior to her tenure as Governor, Secretary Sebelius spent 8 years serving as the Kansas State Insurance Commissioner. In that capacity, Sebelius turned her department into a steadfast advocate for Kansas consumers, and helped senior citizens save more than \$7 million on prescription drugs. She also won praise for blocking the sale of Kansas Blue Cross/Blue Shield by an out-of-state, for-profit health care conglomerate, and for her role in drafting a proposed national bill of rights for patients. Previously, she was a member of the Kansas House of Representatives from 1986-1994.

Married to husband, Gary, a federal magistrate judge, for 34 years, they have two sons: Ned and John.