



**STATEMENT OF**

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**ON**

**FISCAL YEAR 2015 DEPARTMENT OF HEALTH & HUMAN SERVICES BUDGET**

**BEFORE THE**

**UNITED STATES SENATE COMMITTEE ON APPROPRIATIONS**

**SUBCOMMITTEE ON**

**LABOR, HEALTH AND HUMAN SERVICES, EDUCATION,**

**AND RELATED AGENCIES**

**MAY 7, 2014**

**U.S. Senate Committee on Appropriations**  
**Subcommittee on Labor, Health and Human Services, Education, and Related Agencies**  
**Hearing on: Fiscal Year 2015 Department of Health & Human Services Budget**  
**May 7, 2014**

Chairman Harkin, Ranking Member Moran, and members of the Subcommittee, thank you for the invitation to discuss the Centers for Medicare & Medicaid Services discretionary budget request included in the President's Fiscal Year 2015 Budget. Our request will allow us to build on the successes we have achieved in helping more Americans access health care coverage and improving the quality and value of care provided across our delivery system.

In FY 2014, CMS led efforts to expand affordable health insurance coverage to Americans through the Health Insurance Marketplace. We are pleased to report that 8 million Americans have signed up for private health insurance through the Marketplace and more than 4.8 million more Americans enrolled in Medicaid and the Children's Health Insurance Program (CHIP). Additionally outside experts estimate that millions more enrolled directly with insurers for new high quality coverage. In 2015, we will continue our work to expand quality, affordable coverage to millions of Americans. In addition to the Marketplace, CMS continues to serve 54 million Americans through Medicare, 65 million through Medicaid, and nearly 6 million through CHIP.

Fixing America's health care system doesn't stop with guaranteeing that everyone has coverage. To address the rising costs of health care, we must improve the way that health care is delivered, including the coordination and safety of care. We are working closely with providers, hospitals, and others to improve our health care delivery system for all patients. Already, we have made significant progress. For the second consecutive year, overall health costs grew more slowly than the economy as a whole. We have also seen low spending growth per enrollee in 2012 for

Medicare (0.7 percent), Medicaid (1.3 percent), and private health insurance premiums (2.7 percent).

We began tying Medicare payments for hospitals to their readmission rates, and saw the 30-day, all-cause readmission rate decline in both 2012 and 2013. In 2012, Medicare Accountable Care Organizations (ACOs) began participating in the Shared Savings Program that encourages providers to invest in redesigning care for higher quality and more efficient service delivery, without restricting patients' freedom to go to the Medicare provider of their choice. The program is off to a strong start with 338 Medicare ACOs participating in the Shared Savings Program. We are encouraged by the interim results and we look forward to final performance year one results later this year.

### **Program Management**

The Budget for CMS Program Management enables reforms in health care delivery while continuing to support the ongoing Medicare, Medicaid, and CHIP programs in CMS, as well as the recently implemented Health Insurance Marketplace. The request also accommodates substantial increases in CMS' workload because of demographic trends and program changes driving higher Medicare and Medicaid enrollment and implements responsibilities assigned in the Affordable Care Act and other legislation related to Medicare, Medicaid, and CHIP. The FY 2015 discretionary budget request for CMS Program Management is \$4.2 billion, an increase of \$108 million above FY 2014. This request will allow CMS to continue to effectively administer Medicare, Medicaid, and the Children's Health Insurance Program (CHIP), as well as new health insurance reforms contained in the Affordable Care Act.

With Medicare enrollment projected to grow to 55 million beneficiaries in FY 2015, CMS will require additional resources to effectively oversee the programs. For example, the budget requests an additional \$49 million in Survey and Certification funds to conduct mandated federal inspections of key facilities – such as nursing homes - serving beneficiaries. This increase is needed to complete surveys at frequencies consistent with statutory and policy requirements, given continued growth in the number of participating facilities, increased survey responsibility, and inflation. The budget improves survey frequencies for dialysis facilities, non-accredited hospitals, ambulatory surgical centers, and other providers. Additionally, this budget requests funding to survey community mental health centers for the first time.

### **Private Insurance and the Marketplaces**

The Affordable Care Act provides vital new protections for consumers receiving or shopping for private health insurance. New reforms ensured that essential care will become a standard part of most private health insurance plans, and that consumers can continue to rely upon their insurance when they become ill. Consumers are able to purchase more efficient coverage due to rate review and medical loss ratio protections. By providing one-stop shopping, the Marketplace has helped individuals better understand their insurance options and assisted them in shopping for, selecting, and enrolling in high quality private health insurance plans.

The budget includes \$629 million for CMS activities and administrative expenses to support Marketplace operations in FY 2015. For the Federally-facilitated Marketplace (FFM), CMS performs eligibility and appeals work, certification and oversight of qualified health plans,

payment and financial management functions, and operates the Small Business Health Options Program (SHOP). As a part of this work, CMS operates a number of IT systems to support the Marketplaces, such as the system that operates FFM functions including eligibility, and plan management. The data services hub provides eligibility verification services to all Marketplaces through interfaces with trusted data sources in other Federal departments. Other IT costs include hosting services and data management systems.

Additionally, CMS oversees operations of State-based Marketplaces and provides technical assistance as needed. To help individuals better understand their coverage options, CMS provides Marketplace consumer assistance through a call center and website for the FFM, as well as in-person support through Navigator grants.

### **Program Integrity**

The FY 2015 Budget supports fraud prevention and the reduction of improper payments, which are top priorities of the Administration. For FY 2015, the Budget invests a total of \$428 million in new Health Care Fraud and Abuse Control Program (HCFAC) and Medicaid program integrity funds. Together the program integrity investments in the Budget will yield \$13.5 billion in gross savings for Medicare and Medicaid over 10 years. The Budget also proposes legislative changes to give HHS important new tools to enhance program integrity oversight; cut fraud, waste, and abuse in Medicare, Medicaid, and Children's Health Insurance Program (CHIP); and generate an additional \$1 billion in program savings over 10 years.

The HCFAC investment supports efforts to reduce the Medicare fee-for-service improper payment rate and initiatives of the joint HHS-DOJ Health Care Fraud Prevention and Enforcement Action Team task force, including Strike Force teams in cities where intelligence and data analysis indicate high levels of fraud, and the Health Care Fraud Prevention Partnership between the federal government, private insurers, and other stakeholders. CMS will also make further investments in innovative prevention initiatives, such as the Fraud Prevention System that analyzes all Medicare FFS claims using sophisticated algorithms to identify suspicious behavior. In FY 2015 and beyond, CMS will continuously refine these technologies to better combat fraud, waste, and abuse in Medicare, Medicaid, and CHIP. Finally, these funds will support more rigorous data analysis and an increased focus on civil fraud, such as off-label marketing and pharmaceutical fraud.

### **Improving the Efficiency of Medicare and Medicaid**

The Budget includes a package of Medicare legislative proposals that will save \$407.2 billion over 10 years by more closely aligning payments with costs of care, strengthening provider payment incentives to promote high-quality efficient care and making structural changes that will reduce federal subsidies to high-income beneficiaries and create incentives for beneficiaries to seek high-value services. Together, these measures will extend the Hospital Insurance Trust Fund solvency by approximately five years. The Budget seeks to preserve stability in the Medicaid program and CHIP during the first full year of the Affordable Care Act expansion of coverage while also including \$7.3 billion in Medicaid savings and \$345 million in CHIP investments over ten years to make Medicaid and CHIP more flexible, efficient and accountable.

## **Conclusion**

The President's FY 2015 Budget request reflects the Administration's commitment to fiscal responsibility, while also providing CMS with the resources it needs to support beneficiary growth in Medicare, Medicaid, and CHIP, continue administration of the FFM, and conduct effective oversight of State-based Marketplaces. Thank you for your interest in CMS' efforts to strengthen and modernize the nation's health care system to provide access to high quality care and improved health at lower costs, and I look forward to continuing to work with the Subcommittee on these important issues.