

Proposals Affecting Health Programs in Budget Function 550— CBO’s Estimate of the President’s Fiscal Year 2020 Budget

The programs within budget function 550 provide health care services, health research and training, and consumer and occupational health. The largest provide health insurance coverage:

- Medicaid is the main source of coverage for Americans who have very low income.
- The marketplaces established under the Affordable Care Act provide health insurance subsidies for eligible people whose household income is between 100 percent and 400 percent of the federal poverty guidelines.
- The Federal Employees Health Benefits Program provides coverage to civilian federal employees and annuitants.
- The Department of Defense’s Medicare-Eligible Retiree Health Care Fund provides Medicare wraparound coverage and pharmacy benefits to Medicare-eligible retirees of the uniformed services and their families through the TRICARE program.
- The Children’s Health Insurance Program provides coverage for children in families whose income, although modest, is too high for them to qualify for Medicaid.

Budget function 550 also includes other programs, including the following:

- Food and Drug Administration
- National Institutes of Health
- Centers for Disease Control and Prevention
- Substance Abuse and Mental Health Services Administration
- Health Resources and Services Administration
- World Trade Center Health Program
- Postal Service Retiree Health Benefits Fund
- United Mine Workers of America Health Funds
- Agency for Toxic Substances and Disease Registry
- Agency for Healthcare Research and Quality
- Center for Medicare and Medicaid Innovation
- Prevention and Public Health Fund

Proposals Affecting Medicaid, Marketplaces, and Other Accounts in Budget Function 550—CBO's Estimate of the President's Fiscal Year 2020 Budget

May 9, 2019

Millions of Dollars, by Fiscal Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Increases or Decreases (-) in Direct Spending Outlays												
Cross-Cutting Proposals												
1. Proposal modeled after legislation sponsored by Senators Graham-Cassidy-Heller-Johnson (a)												
Medicaid	-45	-70,086	-76,775	-127,538	-153,916	-175,832	-199,743	-225,622	-252,996	-277,214	-428,360	-1,559,768
Marketplaces	0	-37,183	-51,676	-54,609	-56,940	-60,308	-62,504	-63,368	-64,693	-66,991	-200,409	-518,273
Market-Based Health Care Grant Program	0	31,440	101,252	111,445	109,641	117,681	123,367	127,858	132,067	135,759	353,779	990,510
Implementation grants	21	224	425	471	402	259	113	29	4	*	1,543	1,947
Total Outlays (b)	-24	-75,605	-26,773	-70,231	-100,814	-118,200	-138,768	-161,103	-185,619	-208,446	-273,447	-1,085,584
2. Reform the medical liability system, Budget Function 550 only (a), (c)												
Medicaid	-41	-277	-763	0	0	0	0	0	0	0	-1,081	-1,081
CHIP	-2	-18	-47	-75	-78	-82	-85	-89	-91	-96	-221	-665
Marketplaces	-8	-4	0	0	0	0	0	0	0	0	-12	-12
FEHB/PSRHF	-3	-24	-68	-109	-116	-123	-129	-137	-145	-153	-320	-1,008
3. Reform GME payments (c), (d)	0	12,150	12,160	12,153	12,138	12,102	12,054	12,001	11,938	11,863	48,601	108,559
4. Modify payments to hospitals for uncompensated care (c)	0	7,790	7,987	8,184	8,380	8,577	8,777	8,983	9,193	9,409	32,341	77,280
Other Medicaid Proposals												
5. Address inappropriate financing of Medicaid state share by public providers	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
6. Allow rebates on drugs that exceed 100 percent of the Average Manufacturer Price	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
7. Allow states to apply asset tests to modified adjusted gross income standard populations (d)	-4	-36	-121	-278	-419	-502	-578	-649	-720	-794	-857	-4,100
8. Allow states to extend Medicaid coverage for pregnant women with substance use disorder to one year postpartum (d)	10	10	11	11	12	13	13	14	15	15	54	124
9. Clarify authorized generic sales under the Medicaid Drug Rebate program (d)	-70	-270	-280	-300	-320	-340	-360	-380	-400	-430	-1,240	-3,150
10. Clarify definitions under the Medicaid Drug Rebate Program to prevent inappropriately low manufacturer rebates	<i>Enacted in P.L. 116-16, the Medicaid Services Investment and Accountability Act of 2019</i>											
11. Clarify Medicaid treatment of third-party payments for DSH allotments	0	0	0	0	0	0	0	0	0	0	0	0
12. Exclude brand name and authorized generic drug prices from Medicaid federal upper limit	0	0	0	0	0	0	0	0	0	0	0	0
13. Implement Medicaid community engagement requirement (d)	-1,830	-3,976	-6,564	-9,720	-10,741	-11,799	-12,920	-14,113	-15,348	-16,642	-32,831	-103,653
14. Increase flexibility in the duration of section 1915(b) managed care waivers	0	0	0	0	0	0	0	0	0	0	0	0
15. Increase limit on Medicaid copayments for nonemergency use of emergency departments (d)	1	3	7	12	15	18	22	25	29	33	37	165
16. Prohibit Medicaid payments to public providers in excess of costs	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
17. Provide a pathway to make permanent established Medicaid managed care waiver	0	0	0	0	0	0	0	0	0	0	0	0
18. Provide flexibility for enrolling out-of-state providers in Medicaid (d)	400	900	1,400	1,500	1,500	1,600	1,700	1,800	1,900	2,000	5,700	14,700
19. Reduce maximum allowable home equity for Medicaid eligibility (d)	-5	-12	-13	-13	-14	-15	-16	-17	-18	-19	-57	-142
20. Require documentation of satisfactory immigration status before receipt of Medicaid benefits (d)	0	-50	-105	-110	-120	-125	-135	-140	-150	-160	-385	-1,095
21. Test allowing state Medicaid programs to negotiate prices directly with drug manufacturers and set formulary for coverage	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
22. Continue Medicaid DSH allotment reductions	0	0	0	0	0	0	-519	-1,162	-1,936	-2,839	0	-6,455
23. Strengthen CMS's ability to recoup Medicaid improper payments	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
24. Streamline the Medicaid terminations process	0	0	0	0	0	0	0	0	0	0	0	0
25. Address inappropriate financing of Medicaid state share by public providers	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
26. Consolidate provider screening for Medicaid and CHIP	0	0	0	0	0	0	0	0	0	0	0	0
27. Expand Medicaid Fraud Control Unit review to additional care settings (d), (e)	8	8	9	11	12	13	14	16	18	20	48	129
28. Implement prepayment controls to prevent inappropriate personal care services payments	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>

Proposals Affecting Medicaid, Marketplaces, and Other Accounts in Budget Function 550—CBO's Estimate of the President's Fiscal Year 2020 Budget

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29. Impose greater penalties for manufacturer reporting of false information or false product data under the Medicaid Drug Rebate Program	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
30. Modify the Medicaid fair-hearing requirement to eliminate duplicative appeals	0	0	0	0	0	0	0	0	0	0	0	0
31. Reform and expand durable medical equipment competitive bidding	0	0	0	0	0	0	0	0	0	0	0	0
32. Rescind remaining balances from the Medicaid Improvement Fund	0	-6	0	0	0	0	0	0	0	0	-6	-6
33. Reform exclusivity for first generics to spur greater competition and access (d)	0	-2	-4	-5	-5	-5	-5	-6	-6	-6	-15	-43
34. Medicaid interactions with proposal modeled after GCHJ	959	2,124	3,598	8,922	10,341	11,575	12,922	14,391	15,938	17,482	25,944	98,252

Proposals Affecting Other Programs in Budget Function 550

35. Prohibit governmental discrimination against health care providers who refuse to cover abortions	0	0	0	0	0	0	0	0	0	0	0	0
36. Introduce minimum required contribution for premium tax credits (a)	-291	-97	0	0	0	0	0	0	0	0	-388	-388
37. Reduce the grace period for exchange premiums (a)	-173	-74	0	0	0	0	0	0	0	0	-247	-247
38. Provide appropriation to pay cost-sharing reductions	0	0	0	0	0	0	0	0	0	0	0	0
39. Extend health centers	1,640	3,240	2,360	760	0	0	0	0	0	0	8,000	8,000
40. Extend the National Health Service Corps	108	239	180	65	16	0	0	0	0	0	608	608
41. Extend teaching health centers, GME	51	98	76	29	0	0	0	0	0	0	254	254
42. Extend family-to-family health information centers	5	6	1	0	0	0	0	0	0	0	12	12
43. Extend the Special Diabetes program												
NIH	38	119	103	27	9	4	0	0	0	0	296	300
Indian Health Service	50	125	100	25	0	0	0	0	0	0	300	300
44. Provide CMS program management implementation funding	12	150	38	0	0	0	0	0	0	0	200	200
45. Modify the Public Health Service Commissioned Corps retirement pay source	0	-558	-632	-613	-588	-666	-695	-726	-819	-728	-2,391	-6,025
46. GDM user fees for Departmental Appeals Board	-1	-1	0	0	0	0	0	0	0	0	-2	-2
47. Strengthen the CHIP safety net for states	0	0	0	0	0	0	0	0	0	0	0	0
48. Reform 180-day exclusivity forfeiture provision for first generics to increase competition	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
49. Enhance Food and Drug Administration authority to address abuse of petition process	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
50. Revise U.S. Pharmacopeia compendium requirements for biological products to encourage biosimilar development	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>	<i>n.e.</i>
51. Reform exclusivity for first generics to spur greater competition and access (a), (c)												
Marketplace	0	-1	0	0	0	0	0	0	0	0	-1	-1
TRICARE for Life	0	*	-1	-1	-1	-1	-1	-1	-1	-1	-4	-10
FEHB/PSRHBFB	0	-1	-1	-2	-2	-2	-2	-2	-2	-2	-5	-14
52. Modify the federal contribution to FEHB premiums (c)	0	0	-127	-190	-204	-213	-223	-231	-239	-249	-521	-1,677
Total, Direct Spending	830	-54,050	-7,469	-49,947	-80,999	-98,172	-118,934	-141,526	-166,462	-189,744	-191,636	-906,475

Increases or Decreases (-) in Revenues (f)

1. Proposal modeled after legislation sponsored by Senators Graham-Cassidy-Heller-Johnson (a)												
On-budget	-268	-3,151	-5,408	-9,788	-12,880	-14,671	-17,286	-19,490	-21,264	-22,124	-31,497	-126,331
Off-budget	-105	-975	-2,883	-4,833	-6,137	-7,029	-7,425	-7,897	-8,413	-9,047	-14,933	-54,744

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2. Reform the medical liability system (a), (c), (d)												
On-budget	17	123	358	627	742	793	842	890	941	1,001	1,867	6,333
Off-budget	8	56	163	284	332	352	372	392	413	438	843	2,811
36. Introduce minimum required contribution for premium tax credits (a)												
On-budget	64	21	0	0	0	0	0	0	0	0	85	85
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
37. Reduce the grace period for exchange premiums (a)												
On-budget	27	12	0	0	0	0	0	0	0	0	39	39
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
51. Reform exclusivity for first generics to spur greater competition and access (a), (c)												
On-budget	0	2	4	5	5	6	6	7	7	8	16	50
Off-budget	0	1	2	2	2	2	2	2	2	3	6	18
53. Establish Food Safety and Inspection Service user fee												
On-budget	0	687	686	685	684	682	667	662	662	662	2,741	6,076
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
54. Adjust Food Safety and Inspection Service holiday and voluntary overtime user fee												
On-budget	0	0	0	0	0	0	0	0	0	0	0	0
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
Total Changes in On-Budget Revenues	-160	-2,306	-4,361	-8,472	-11,450	-13,190	-15,771	-17,931	-19,654	-20,454	-26,748	-113,748
Total, Changes in Unified-Budget Revenues	-97	-918	-2,719	-4,546	-5,803	-6,675	-7,050	-7,502	-7,998	-8,607	-14,084	-51,915

Net Increase or Decrease (-) in the Deficit From Direct Spending and Revenues

Changes in On-Budget Deficits	990	-51,744	-3,108	-41,475	-69,549	-84,982	-103,163	-123,595	-146,808	-169,290	-164,887	-792,725
Total, Changes in Unified-Budget Deficits	927	-53,132	-4,750	-45,401	-75,196	-91,497	-111,884	-134,024	-158,464	-181,137	-177,552	-854,560

Memorandum: (g)

2. Reform the medical liability system (reflects effects on budget functions 370, 550, and 570)

Outlays

Medicaid (function 550)	-41	-277	-763	0	0	0	0	0	0	0	-1,081	-1,081
CHIP (function 550)	-2	-18	-47	-75	-78	-82	-85	-89	-91	-96	-221	-665
Marketplaces (function 550)	-8	-4	0	0	0	0	0	0	0	0	-12	-12
Medicare (function 570)	0	0	0	0	0	0	0	0	0	0	0	0
FEHB/PSRHHF												
On-budget (function 550)	-3	-24	-67	-109	-116	-123	-129	-137	-145	-153	-319	-1,007
Off-budget (function 370)	-1	-6	-17	-26	-28	-29	-31	-32	-34	-35	-78	-239
Total Outlays	-55	-329	-894	-210	-222	-234	-246	-259	-270	-284	-1,711	-3,004

Revenues (f)

On-budget	17	123	358	627	742	793	842	890	941	1,001	1,867	6,333
Off-budget	8	56	163	284	332	352	372	392	413	438	843	2,811
Total Revenues	25	179	521	911	1,074	1,145	1,214	1,282	1,354	1,439	2,710	9,144
Changes in On-Budget Deficits	-72	-446	-1,235	-811	-936	-998	-1,056	-1,116	-1,177	-1,249	-3,500	-9,098
Changes in Unified-Budget Deficits	-80	-508	-1,415	-1,122	-1,296	-1,379	-1,460	-1,541	-1,625	-1,722	-4,421	-12,148

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3. Consolidate GME payments												
Medicaid	0	-3,140	-3,364	-3,599	-3,834	-4,084	-4,349	-4,622	-4,907	-5,211	-13,937	-37,110
Medicare	0	-14,260	-15,100	-15,960	-16,810	-17,700	-18,610	-19,520	-20,810	-21,850	-62,130	-160,620
New combined GME pool	0	15,290	15,524	15,752	15,972	16,187	16,403	16,623	16,846	17,074	62,537	145,669
Total Outlays	0	-2,110	-2,940	-3,807	-4,672	-5,598	-6,556	-7,519	-8,872	-9,987	-13,529	-52,061
4. Modify payments to hospitals for uncompensated care												
Medicare	0	-14,830	-16,380	-17,070	-17,620	-19,360	-20,540	-21,700	-24,130	-23,730	-65,900	-175,360
New uncompensated care pool	0	7,790	7,987	8,184	8,380	8,577	8,777	8,983	9,193	9,409	32,341	77,281
Total Outlays	0	-7,040	-8,393	-8,886	-9,240	-10,783	-11,763	-12,717	-14,937	-14,321	-33,559	-98,079
27. Expand MFCU review to additional care settings	-3	-6	-10	-14	-16	-18	-19	-21	-23	-26	-49	-156
51. Reform exclusivity for first generics to spur greater competition and access (d)												
Medicare (function 570, on-budget)	0	-10	-25	-30	-30	-35	-35	-40	-45	-40	-95	-290
Other health programs (function 550, on-budget)	0	-3	-6	-7	-8	-8	-8	-9	-9	-10	-24	-68
Postal Service (function 370, off-budget)	0	*	*	*	*	*	*	*	*	*	-1	-2
Total Outlays	0	-13	-31	-37	-38	-43	-43	-49	-54	-50	-120	-360
Revenues (f)												
On-budget	0	2	4	5	5	6	6	7	7	8	16	50
Off-budget	0	1	2	2	2	2	2	2	2	3	7	18
Total Revenues	0	3	6	7	7	8	8	9	9	11	23	68
Changes in On-Budget Deficits	0	-15	-35	-42	-43	-49	-49	-56	-61	-58	-135	-408
Changes in Unified-Budget Deficits	0	-16	-37	-44	-45	-51	-51	-58	-63	-61	-143	-428

Components may not sum to totals because of rounding; n.e. = not estimated—policy was not sufficiently specified for CBO to assess whether the proposal would result in costs or savings; * = an increase or decrease of less than \$500,000.

- (a) Proposal would affect both direct spending and revenues, which are shown separately.
- (b) Total does not include spending effects in Medicare arising from changes in Disproportionate Share Hospital payments.
- (c) Effects on budget function 550 are shown in the table; effects on other health programs, including Medicare are shown in the memorandum.
- (d) Medicaid interactions with GCHJ are shown in line 34.
- (e) Nonscoreable effects are shown in memorandum.
- (f) For revenues, positive numbers indicate a decrease in the deficit and negative numbers indicate an increase in the deficit.
- (g) Memorandum details cross-cutting policies with significant budgetary effects in budget function 550 or with nonscoreable effects in budget function 550.

CHIP = Children's Health Insurance Program; CMS = Centers for Medicare & Medicaid Services; DSH = Disproportionate Share Hospital; FEHB = Federal Employees Health Benefits Program; GDM = General Departmental Management of the Department of Health and Human Services; GME = graduate medical education; GCHJ = legislation sponsored by Senators Graham-Cassidy-Heller-Johnson on September 25, 2017; MFCU = Medicaid Fraud Control Units; NIH = National Institutes of Health; PSRHBF = Postal Service Retiree Health Benefits Fund; TRICARE = the health plan operated by the Department of Defense