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TO: State Units on Aging Directors  
FROM: Martha Roherty, Melanie McNeil, and Cathy Rudd  
RE: Highlights of FY 2010 Presidential Budget Proposal

The Office of Management and Budget released today, Thursday, February 26, the president's broad themes for the FY 2010 budget.<sup>1</sup> The total budget projected for FY 2010 is \$3.552 trillion with a projected deficit of \$1.171 trillion. While budget highlights for each department are included in the document, in many instances an actual dollar figure is not included. This memorandum notes some of the provisions of interest. Many of the items build on projects funded in the American Recovery and Reinvestment Act (ARRA) that Congress passed earlier in February. There are no specific details on any of the agency budgets including specific funding levels for AoA activities. More details of the president's budget are expected in late April.

For the first time, the administration set the stage for the health reform agenda setting \$630 billion in funds over a ten year period. According to the proposal, the president's goals in transforming the health care system include: protecting families financial health, making health coverage affordable, aiming for universality, providing portability of coverage, guaranteeing choice, investing in prevention and wellness, improving patient safety and quality care, and maintaining long-term fiscal sustainability.

#### Government Reform Proposals Reform Asset Tests

The document states that the Administration believes asset limits for Federal means-tested programs should be revisited in view of new and expanded refundable tax credits. The Administration believes that the current asset rules present obstacles to self-sufficiency and that further, the "intersection of the new credits and outdated asset rules may disqualify new and current individuals and families from Federal benefits, including Medicaid and SNAP."

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<sup>1</sup> The document is entitled "A New Era of Responsibility Renewing America's Promise" and it is available at [www.budget.gov](http://www.budget.gov).

### Ensuring Taxpayer Dollars Are Spent Wisely on Entitlements

The Administration proposes making significant investments in activities to ensure accuracy in payments in all entitlements including food stamps and Medicaid. The administration proposes the creation of a new federal–state partnership to reduce errors and improper payments in federal means-tested programs administered by the states. According to the administration’s proposal, there is a concern that because multiple state agencies are providing services for the same low-income population, there may be inefficiencies in the system. This new partnership would be designed to combat overspending and duplication in the states. The “partnership” would focus on efforts to “improve services to beneficiaries, improve eligibility determination, and reduce errors.”

### Limit Pay Increases in the Federal Workforce

The president proposes limiting the cost of living adjustment for federal workers to 2.0 percent for FY10.

### Department of Agriculture

Funding is to be included for the Supplemental Nutrition Assistance Program (SNAP) for an “innovative pilot initiative to increase participation among low-income seniors, who are among the most vulnerable and hardest-to-reach populations in SNAP, to ensure they receive the benefits for which they qualify.” No dollar figure is provided.

### Department of Health and Human Services

#### *Health Care Reform*

The administration proposes establishing a reserve fund of \$630 billion over 10 years to finance reform. Funded half by new revenue and half by savings proposals including the following:

Reducing Medicare Advantage payments and setting rates based on average of plans’ submitted bids.

Reducing drug prices by accelerating approval of generics; prohibiting reformulations from extending exclusivity periods; preventing drug companies from entering into anticompetitive agreements to delay generics entry into the market. In addition, the budget proposes reducing Medicaid drug costs by increasing drug rebates (from 15.1 to 22.1 percent of Average Manufacturer Price), applying it to new drug formulations, and allowing states to collect rebates on drugs provided through managed care organizations. All savings would go into the health care reserve fund.

Improving payment accuracy in Medicare and Medicaid through increased program integrity activities.

Reducing hospital readmission rates by bundling Medicare hospital payments to include care from certain providers rendered during the 30 days after discharge.

Expanding the hospital quality improvement program by linking a portion of Medicare payments for acute care hospital services to specific quality measures.

Reforming physician payment system to improve quality and efficiency (no detail provided).

Limiting tax rate at which high-income taxpayers can take itemized deductions to 28 percent. The initial reserve fund would be funded through this provision.

#### *Health Information Technology*

The document describes the president's budget as building on the investment from the ARRA for Health Information Technology (HIT) to further promote the adoption and implementation of HIT that includes incentives and penalties for physicians and hospitals participating in Medicare and for physicians and children's hospitals participating in Medicaid.

#### *Prescription Drugs*

The budget supports the Food and Drug Administration's new efforts to allow Americans to buy safe and effective drugs from other countries.

#### *Program Integrity*

Additional resources will be included to improve oversight and program integrity activities for the Medicare Program, the Medicare Prescription Drug Program, Medicare Advantage and Medicaid. The resources are intended to allow the Centers for Medicare and Medicaid Services to more quickly respond to program integrity vulnerabilities identify excessive payments and establish new processes for correcting problems.

#### *Medicare and Medicaid Research Agenda*

New Medicare and Medicaid demonstration and pilot projects are included in the proposal that will evaluate payment reforms, identify ways to provide better care at lower costs, improve beneficiary education and understanding of benefits offered and better align payments with costs.

#### *Health Professions Workforce*

\$330 million is proposed for initiatives to address the shortage of health care providers including doctors, nurses and dentists who agree to practice in medically underserved areas.

#### *Access to Health Care for Native Americans and Alaska Natives*

More than \$4 billion will be included for Indian Health Services to support and expand the provision of services and public health programs for Alaska Natives and Native Americans.

#### *Rural Health*

\$73 million is included to improve access and quality of health care in rural areas including strengthening regional and local partnerships, expanding prevention activities and modernizing the rural health care infrastructure.

#### *Compare Effectiveness of Treatments*

The president recommends building on the state-of-the-science regarding the effectiveness of particular treatments for specific conditions. This effort was begun with funding in the ARRA.

#### Low Income Home Energy Assistance Program

\$3.2 billion for Low Income Energy Assistance Program (LIHEAP) is recommended in the FY 2010 budget. A new feature is a trigger that will provide for automatic increases in energy assistance when a spike in energy costs occurs.

#### Department of Housing and Urban Development

\$4.5 billion for Community Development Block Grants (CDBG) is recommended for communities to provide economic opportunities for low-income families. As a part of the budget, reforms to CDBG include a more effective formula, incentives and accountability measures, and a new Sustainable Communities Initiative to better target funds to distressed communities.

The administration also creates a new initiative that would create a “New Choice Neighborhoods” which would provide HUD funding to support a range of “transformative interventions” in neighborhoods of concentrated poverty. It is unclear from the summary budget whether this funding could be used for the establishment of “village” models.

#### Department of Labor

The budget proposes an automatic workplace pension system (direct-deposit IRA accounts) to operate “alongside Social Security” to increase the number of workers saving for retirement and increase the amount of personal savings. The plan would automatically enroll individuals in the plan but allow employees to opt out if they choose.

#### Department of Veterans Affairs

The administration proposes expanding the Veteran’s Affairs budget by \$25 billion over the next five years and provides for restoration of cuts in services to veterans as well as expansions of some health care programs. Special programs are also proposed in mental health programs and rural outreach and services. The administration also proposes to restore eligibility for VA health care to non-disabled veterans earning modest incomes.

#### Social Security Administration

The budget proposes a ten percent increase in the expected FY 2009 budget to ensure more staff is in place to increase the level of work processed in key service delivery areas such as processing initial retirement and disability claims and disability appeals. The budget also proposes \$759 million for SSA program integrity. These activities will include Continuing Disability Reviews, which have fallen off in recent years. These reviews are intended to ensure that individuals continue to meet medical eligibility criteria.

#### Corporation for National and Community Service

The president proposes creating a new social innovation fund for testing promising new approaches to major challenges, leveraging private and foundation capital and scaling up research-proven programs.

In addition the budget includes new efforts to tap older Americans through expanding and improving Senior Corps programs. It appears from its placement in the document that the Senior Corp Program would be included in the Corporation for National and Community Service.

NASUA staff will continue to monitor the proposed FY10 budget and will provide a more detailed summary for members when the administration releases the full budget document later this spring. Please feel free to contact us if you have any questions.