

Lewis-Burke Associates LLC

Analysis of the President's FY 2014 Budget Request for Federal Health, Education, and Training Programs

**Prepared for the Council on Social Work Education
by Lewis-Burke Associates LLC
April 10, 2013**



Table of Contents

Executive Summary	3
Department of Education	4
Department of Health and Human Services	9
National Institutes of Health	9
Other HHS Agencies and Priorities	14

Executive Summary

President Obama released his budget request for fiscal year (FY) 2014 on April 10, 2013, more than two months after the required February submission to Congress and in the midst of federal agency implementation of budget sequestration. The budget largely reflects the FY 2013 budget request and offers an optimistic vision for the federal research and education enterprise with a request that is very supportive of the research and education agencies and the importance of universities and non-profit organizations. While the total investment proposed for individual agencies, accounts, or programs is not likely to be fully realized given the significant differences between the President and the Congress, the proposed increases for research, assessment, education, and infrastructure reflect future agency investment areas for the next three and a half years of the Obama Administration and benchmarks for which congressional champions will advocate over the remainder of the appropriations process.

In order to provide for some of the proposed increases, the President assumes a more optimistic scenario for federal discretionary spending than the current caps set by the Budget Control Act of 2011 or the “still in effect” budget sequestration. Moreover, despite the continued disagreement in Congress about federal spending and future tax policy, the President’s budget request identifies cost savings, in the form of additional healthcare provider cuts and changes to entitlement programs such as Social Security and Medicare, as well as additional tax and revenue raisers to help fund signature Obama Administration priorities. Both of these proposals are expected to be met with skepticism on Capitol Hill – complicating the likelihood that the budget request priorities can be adopted in their current form.

Top line objectives of job creation, infrastructure revitalization, clean energy, cybersecurity, manufacturing, and science, technology, engineering, and mathematics (STEM) education, as expressed during the 2012 election cycle and subsequent 2013 State of the Union speech are reinforced throughout the request. The budget would also provide an increase for the National Institutes of Health with continued emphasis on translational science, neuroscience, and certain diseases, and would expand mental health and gun violence research.

In education, while the President maintains his commitment to the high profile Pell Grant program, proposing an increase in the per student maximum award, the primary emphasis is on a recommended change in federal student loans to a variable interest rate. This change must be addressed before July 1, 2013 by Congress in order to avoid an automatic increase in the current student loan interest rates.

As FY 2013 federal agency operating plans have not been finalized, all tables reflect budgetary funding levels without sequestration, congressionally mandated rescissions or across-the-board reductions.

Department of Education

The President's FY 2014 budget request includes \$71.2 billion for the Department of Education (ED), an increase of 2.0 percent over the FY 2013 continuing resolution (CR) level.

- The Obama Administration has made education a priority, and despite partisanship in Congress over many of its education proposals, continues to push education policy changes through non-legislative vehicles such as executive orders and negotiated rulemaking. The Administration will likely continue to do so throughout the second term, particularly with regard to *Elementary and Secondary Education Act* reforms and the pending reauthorization of the *Higher Education Act*.
- Higher education received a significant amount of attention in the budget request. Institutions of higher education are being pressured by the Administration to address rising costs and this budget proposal would fund new and innovative models for providing access, quality, and completion. In addition, early childhood education would receive a historically high increase within the ED budget. The increase is justified by the Administration as a way to reduce the costs of remediation for low income students who do not have access to early childhood education and begin kindergarten already behind.
- The Administration's proposal, as in previous years, includes increases for signature programs such as Race to the Top, Investing in Innovation (i3), the Advanced Research Projects Agency-Education (ARPA-ED), and Promise Neighborhoods. These programs continue to receive significant scrutiny from some Members of Congress, who see them as pushing the Administration's education policies, in the absence of authorizing legislation. In addition, Congress must address the scheduled student loan interest rate increase before July 1, and the Administration's proposal for shifting the student loan interest rate from a fixed rate to a market-based, variable rate will likely draw controversy as Members have already started proposing alternative fixes.

New and Signature Initiatives

Early Childhood Education

Consistent with previous budget requests, the Obama Administration's plans for education center on the Administration's 2020 goal for college completion: "By 2020, America will once again have the highest proportion of college graduates in the world."¹ As part of this goal, and as stated in President Obama's State of the Union address earlier this year, the Administration is focusing on early learning and the budget request would provide the largest increase in funding ever for early childhood education programs by initiating a \$1.3 billion effort over 10 years. The effort, called "Preschool for All", would be coordinated at the state level with the goal of reducing achievement gaps from the very beginning of a child's education.

Higher Education Program Evaluation

The Administration proposes \$67 million for performance data collection and evaluation of *Higher Education Act* programs particularly those that lack a set aside for evaluation or those with insufficient evaluation funds. Another priority is evaluation of the Pell Grant program under the Experimental Sites

¹ http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Address-to-Joint-Session-of-Congress, Remarks of President Obama, Address to Joint Session of Congress, February 2009

Study and research on strategies for additional student aid delivery. This could build on the recent white papers funded by the Gates Foundation for Reimagining Aid Design and Delivery (RADD) and other foundation efforts to identify ways to create new pathways in the federal student aid programs.² Funding is also included to develop and expand dual enrollment programs (details below).

Aligning College and Career Readiness

In addition to investments for early learning programs, the Administration seeks to reach its college completion goal through enhancing college and career ready programs, including programs that seek coordinated partnerships between high schools, universities, businesses, and non-profits to create new and innovative ways of aligning education with workforce needs. The budget proposes \$4 billion in mandatory funding, drawn from the proposed reauthorization of the *Carl D. Perkins Career and Technical Education Act* and available beginning in FY 2015, to create several programs including a Community College to Career Fund, a dual enrollment demonstration and evaluation program, and a new High School Redesign program. The High School Redesign program would provide funds to local education agencies (LEAs) in collaboration with institutions of higher education and businesses or non profits to align education with career readiness programs. Priority would be given to high-poverty and rural areas.

Innovation in Reducing College Costs

As proposed in the 2013 State of the Union address, ED's budget request seeks to hold universities and states accountable for addressing rising costs for higher education and proposes programs to provide financial incentives for states and universities to incorporate innovative practices to reduce costs while maintaining high quality. For example, \$1 billion would be available to states for a new Race to the Top program focused on College Affordability and Completion. The \$1 billion would provide awards for up to 10 states to work on modernizing funding policies for higher education, removing barriers to new degree pathways, improving transparency, and improving pathways into college and transferring between institutions of higher education. According to the proposal, the entire \$1 billion would be dedicated to the College Affordability program rather than previous priorities in the Race to the Top program.

The Administration also proposes a \$260 million two-part First in the World program that would provide \$175 million for development, validation, and scale up grants for cutting edge innovations aimed at reducing college costs, improving productivity, and boosting attainment rates, such as through alternate credentials from tech-based learning platforms, specifically aimed at high-need students. A second component would provide \$75 million for projects focused on individual disciplines that put together validation systems focused on competencies, assessments, and curricula and pay for providers to host free two-year degree programs in disciplines supported in the validation studies. The First in the World and College Affordability and Completion Race to the Top programs were requested last year, but Congress did not provide funding.

² <http://www.gatesfoundation.org/media-center/press-releases/2012/09/postsecondary-financial-aid-grants-announcement>, Gates Foundation Press Release, September 24, 2012

Proposed Reductions, Terminations, or Consolidations

The single biggest consolidation proposed this year is in the area of science, technology, engineering, and mathematics (STEM) education. ED, along with the National Science Foundation (NSF) and the Smithsonian Institution, would oversee interagency efforts regarding this consolidation and house some new STEM programs. One new program proposed would be the STEM Innovation Networks which would seek to leverage regional STEM strengths, such as research facilities or universities. The Administration proposes \$150 million for this initiative.

Ongoing Areas of Interest

Federal Student Aid Programs

As in previous years, the Administration continues to prioritize funding for loan and grant programs to expand access for postsecondary education. The request would increase investment in federal Work-Study to double the number of participants over five years and would direct this additional investment to schools that are enrolling and graduating low-income students. The FY 2014 budget includes a proposal to expand the Perkins Loan program and replace the current program with an ED-based loan program (similar to proposals from previous years).

The Administration includes in the budget request a plan for addressing the scheduled July 1 increase in interest rates for new subsidized student loans from 3.4 percent to 6.8 percent. The budget proposal calls for the student loan interest rate to be changed from a fixed rate to a market-based, variable rate. For all new student loans, a rate would be identified at the beginning of the academic year (in which the loan is first obtained and remaining constant at that rate for the life of the loan) and would be determined based on the 10-year Treasury note rate with add-ons of 0.93 percentage points for Subsidized Stafford Loans, 2.93 percentage points for Unsubsidized Stafford loans, and 3.93 percentage points for PLUS Loans.

In order to address the growing student loan debt burden, the Administration continues to support loan repayment and forgiveness programs so that borrowers pay no more than 10 percent of their discretionary income and balances are forgiven after 20 years. Lastly, the Administration plans to continue to provide tax relief to students and families.

The Administration would continue to support high-need students and would increase the maximum **Pell Grant** award to \$5,785. This is a combination of the standing discretionary maximum award amount of \$4,860 plus a mandatory add on of \$925. While the Pell Grant program does not face a shortfall in funding this year, the Administration remains focused on identifying opportunities to streamline ED programs in order to put savings into sustaining the Pell Grant program.

The **Institute of Education Sciences (IES)** would be funded at \$671 million, an increase of about 13 percent over the FY 2013 level. The increase would fund additional research programs in early learning and elementary, secondary, and postsecondary education and special education. In addition, increases would go to the Statewide Data Systems program for improved data collection for students through high school, college, and into the workforce.

The **Title VI International Education and Foreign Language Studies** programs would receive a slight increase, which is significant given recent severe cuts to this program from Congress. The increase would go to programs focused on uncommon languages and areas.

The Administration continues to pursue its blueprint for ESEA reauthorization and requests funding for provisions included in the blueprint (<http://www2.ed.gov/policy/elsec/leg/blueprint/blueprint.pdf>). This includes requesting funding for state and district-based teacher training and incentive programs and STEM innovation programs. The Administration's ESEA reauthorization proposal would also include authorization for i3, RttT, and ARPA-ED.

The Administration also continues to pursue adjustments to federal career and technical education programs in line with its blueprint (<http://www2.ed.gov/about/offices/list/ovae/pi/cte/transforming-career-technical-education.pdf>).

Sources and Additional Information: ED's FY 2014 budget material can be found at <http://ed.gov/about/overview/budget/budget14/summary/14summary.pdf>.

Department of Education <i>(In thousands)</i>					
	FY 2013 Request	FY 2013 CR/Omnibus*	FY 2014 Request	FY 2014 Request vs. FY 2013 Request	FY 2014 Request vs. FY 2013 CR/Omnibus*
ED, total	69,800,000	68,400,000	71,200,000	1,400,000 (2.0%)	2,800,000 (4.1%)
Elementary and Secondary Education					
Race to the Top	850,000	549,000	1,000,000	150,000 (17.65%)	451,000 (82.2%)
Investing in Innovation	150,000	149,400	215,000	65,000 (43.3%)	65,600 (43.9%)
ARPA-ED	n/a	0	64,000	n/a	64,000 (100%)
STEM Innovation Networks	n/a	n/a	265,000	n/a	n/a
Effective Teaching and Learning (ETL)	426,600	0	411,600	-15,000 (-3.5%)	411,600 (100%)
ETL : Literacy	186,900	0	186,900	--	186,900 (100%)
ETL : STEM	149,700	0	149,700	--	149,700 (100%)
ETL : Well-Rounded Education	90,000	0	75,000	-15,000 (16.7%)	75,000 (100%)
Math and Science Partnerships	0	149,700	0	--	-149,700 (100%)
Promise Neighborhoods	100,000	59,900	300,000	200,000 (200.0%)	240,100 (400%)
Federal Student Aid					

Pell Grant†	5,635	5,645	5,785	150 (2.7%)	140 (2.48%)
Perkins Loan Program‡	8,500,000	8,500,000	8,500,000	--	--
Supplemental Education Opportunity Grants (SEOG)	735,000	734,600	734,600	-400 (0.1%)	--
Federal Work Study	1,127,000	976,700	1,126,700	-300 (0.1%)	150,000 (15.4%)
TEACH Grants	10,500	3,500	1,400	-9,100 (86.7%)	-2,100 (60.0%)
Presidential Teaching Fellows	190,000	0	190,000	--	-190,000 (100%)
Higher Education					
Aid for Hispanic Serving Institutions (Title V)	109,400	109,400	109,400	--	--
Title VI International	75,700	74,100	80,900	5,200 (6.9%)	6,800 (9.2%)
Fund for the Improvement of Postsecondary Education (FIPSE)	70,000	3,500	260,000	190,000 (271.4%)	256,500 (7,328%)
<i>First in the World</i>	55,500	0	247,200	191,700 (345.4%)	247,200 (100%)
TRIO	839,900	839,900	839,900	--	--
GEAR UP	302,200	302,200	302,200	--	--
Graduate Assistance in Areas of National Need (GAANN)	30,900	30,900	30,900	--	--
HEA Program Evaluation	600	600	67,000	66,400 (11,066%)	66,400 (11,066%)
Institute of Education Sciences					
Institute of Education Sciences	621,200	593,700	671,100	49,900 (8.0%)	77,400 (13.0%)

* Does not include rescissions or sequestration.

† The Pell Grant is reported as the maximum grant available to a Pell eligible student.

‡ \$8.5 billion represents the total assets estimated in the Perkins Loan program by the Department of Education.

Department of Health and Human Services

National Institutes of Health

The President's FY 2014 budget request includes \$31.3 billion for NIH, which is a \$274 million (0.9 percent) increase above the FY 2013 level of \$31.1 billion, not including the across-the-board rescissions or sequestration cuts.

- The Obama Administration is highly supportive of NIH, but to an even greater extent than in previous years, the budget request lists specific initiatives that would be supported by the agency's proposed funding increase. This year, the new Brain Research through Application of Innovative Neurotechnologies (BRAIN) Initiative is the centerpiece of the NIH budget request and fits within the Administration's emphasis on bolstering investments in research and development through public-private partnerships.
- Other initiatives identified for funding increases include Alzheimer's research, Big Data, the Cures Acceleration Network (CAN), and training awards. Research center awards are cut by \$106 million (3.6 percent) below the FY 2013 level to help free up funding for investigator-initiated research project grants.
- Congress is generally supportive of NIH with leaders of both parties often praising biomedical research as not just life-enhancing, but also as a national and local economic engine. However, given budget pressures, even a minimal increase for NIH would require a considerable bipartisan effort that is unlikely in the current political environment. An additional strain is the reemerging effort by some Members of Congress to defund social science research in favor of other types of research.

New and Signature Initiatives

The President's FY 2014 budget highlights a few new and continuing NIH initiatives.

BRAIN Initiative

As heralded at the April 2 White House event, the BRAIN Initiative is a collaborative project among research institutions, the private sector, and government agencies to develop new tools for examining brain activity and pathways to gain a new understanding of brain function. See the interagency section of this report for further details on the BRAIN Initiative.

Big Data

The FY 2014 budget request would invest at least \$40 million through the NIH Common Fund in the Big Data to Knowledge (BD2K) program, which would include support for up to 15 Big Data Centers of Excellence to be funded at \$2 to \$5 million per year for three to five years. NIH would coordinate its big data efforts with the National Science Foundation (NSF) and the Department of Energy (DOE), as well as private entities, in keeping with the Administration's effort to encourage public-private partnerships.

Biomedical Workforce

The budget request includes \$776 million for research training in FY 2014, which is a \$10 million (1.3 percent) increase above the FY 2013 level. This amount would support 16,197 scientists and allow for a

2 percent stipend increase for predoctoral research trainees and an average 4 percent increase for postdoctoral trainees. However, the increase would come at the expense of 108 positions. Stipend increases were recommended in the NIH Biomedical Research Workforce Implementation Plan released late last year. The budget also supports components of NIH's Diversity in the Biomedical Research Workforce Implementation Plan, such as the recently announced programs to provide mentorship and resources for undergraduate students at relatively under-resourced institutions and programs that connect students, postdocs, and faculty to experienced mentors.

Translational Sciences

Similar to last year's budget request, the FY 2014 budget supports the National Center for Advancing Translational Sciences (NCATS) and proposes \$50 million for CAN, which is a \$40 million increase above the FY 2013 level for the program. In addition to the increase for CAN, approximately \$48 million in additional funding is proposed to allow NCATS to take on programs such as the Molecular Libraries Program and the Chemical Genomics Center, which previously were supported by the Common Fund.

Also highlighted are NIH's efforts in collaboration with the Agency for Healthcare Research and Quality (AHRQ) and the Patient-Centered Outcomes Research Institute (PCORI) to develop a national clinical research network. NIH plans to initiate a few pilot efforts in FY 2014 to complement the network activities in the following areas: creating a biorepository linking clinical samples to electronic health records; increasing patient participation in research studies; addressing big data through the aforementioned Big Data Centers of Excellence; and increasing outreach to underserved populations.

Alzheimer's Research

NIH is planning to continue its implementation of the research components of the National Plan to Address Alzheimer's Disease announced by President Obama last year. In FY 2014, NIH is expected to spend \$562 million on this research, with the National Institute on Aging (NIA) devoting an additional \$80 million in research grant aimed at drug and therapeutics development and testing. In a change from the previous year's proposed budget, the new research funding would not be drawn from the Prevention and Public Health Fund created in the Affordable Care Act, and it is being reported that the \$80 million would be new money, not shifted from other NIA research activities. Continuing the Administration-wide theme, NIA also will establish new public-private partnerships to speed up drug development.

Proposed Reductions and Terminations

The NIH budget request recommends a \$106 million (3.6 percent) cut to **NIH research center grants** below the FY 2013 level. The cut is spread across various institutes and centers (ICs) as part of an effort to ensure an increase in investigator-initiated research project grants (RPGs) in FY 2014. NIH estimates it will support a total of 36,610 RPGs in FY 2014, including 10,269 new and competing awards.

The budget request includes \$225.4 million for the **Institutional Development Award (IDeA) program** that provides funding to institutions in states that have received limited NIH research support. This is a \$52.2 million (18.8 percent) cut below FY 2013 enacted. However, this program has strong support in Congress, which is likely to ensure the program's funding is not cut.

The budget retains the **salary cap for extramural grants at Executive Level II**, which is the same level as in FY 2013. The decrease from Executive Level I was enacted in the FY 2012 budget.

Ongoing Areas of Interest

The FY 2014 budget request organizes its priority activities into four NIH themes: Today's Basic Sciences for Tomorrow's Breakthroughs; Translational Science; Recruiting and Retaining Diverse Scientific Talent and Creativity; and Restoring American Competitiveness. In addition to the areas outlined above, a number of other activities are highlighted, including the following:

- **New models for scientific and technological collaboration** are cited as part of NIH's efforts to re-engineer the translational research process through engaging the public and private sectors. The example cited is the existing effort led by NCATS to establish a precompetitive consortium of scientists in industry, academia, and government to work together to improve target validation.
- Through Common Fund programs and other efforts, NIH is pursuing a **global health agenda** that includes addressing emerging infectious diseases, non-communicable diseases, and training scientists and researchers in low- and middle-income countries.
- As part of a government-wide reorganization of the science, technology, engineering, and mathematics (STEM) education programs, **nine of the NIH's STEM education programs, including the Science Education Partnership Awards**, will be included in the consolidation. See the interagency section of this report for additional information on this activity.

Sources and Additional Information: NIH's FY 2014 budget materials can be found at:

<http://officeofbudget.od.nih.gov/br.html>.

National Institutes of Health

(In thousands)

	FY 2013 Request	FY 2013 CR/Omnibus*	FY 2014 Request	FY 2014 Request vs. FY 2013 Request	FY 2014 Request vs. FY 2013 CR/Omnibus*
NIH total	30,698,000	31,057,115	31,331,387	633,387 (2.1%)	274,272 (0.8%)
National Cancer Institute (NCI)	5,068,864	5,097,225	5,125,951	57,087 (1.1%)	28,726 (0.6%)
National Heart, Lung, and Blood Institute (NHLBI)	3,076,067	3,094,220	3,098,508	22,441 (0.7%)	4,288 (0.1%)
National Institute of Dental and Craniofacial Research (NIDCR)	408,212	412,738	411,515	3,303 (0.8%)	-1,223 (0.3%)
National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK)	1,942,107	1,805,915	1,811,786	-130,321 (6.7%)	5,871 (0.3%)
National Institute of Neurological Disorders and Stroke (NINDS)	1,624,707	1,634,394	1,642,619	17,912 (1.1%)	8,225 (0.5%)

National Institute of Allergy and Infectious Diseases (NIAID)	4,495,307	4,512,882	4,578,813	83,506 (1.9%)	65,931 (1.5%)
National Institute of General Medical Sciences (NIGMS)	2,378,835	2,442,031	2,401,011	22,176 (0.9%)	-41,020 (1.7%)
Institutional Development Award (IDeA)	276,000	277,646	225,438	-50,562 (18.32%)	-52,208 (18.8%)
Eunice Kennedy Shriver National Institute of Child Health and Human Development (NICHD)	1,320,600	1,327,922	1,339,360	18,760 (1.4%)	11,438 (0.9%)
National Eye Institute (NEI)	693,015	706,181	699,216	6,201 (0.9%)	-6,965 (1.0%)
National Institute of Environmental Health Sciences (NIEHS)	684,030	688,955	691,348	7,318 (1.1%)	2,393 (0.4%)
National Institute on Aging (NIA)	1,102,650	1,108,888	1,193,370	90,720 (8.2%)	84,482 (7.6%)
National Institute of Arthritis and Musculoskeletal and Skin Diseases (NIAMS)	535,610	538,431	540,993	5,383 (1.0%)	2,562 (0.5%)
National Institute on Deafness and Other Communications Disorders (NIDCD)	417,297	418,328	422,936	5,639 (1.4%)	4,608 (1.1%)
National Institute of Mental Health (NIMH)	1,479,204	1,487,572	1,465,782	-13,422 (0.9%)	-21,790 (1.5%)
National Institute on Drug Abuse (NIDA)	1,054,001	1,058,567	1,071,612	17,611 (1.7%)	1,3045 (1.2%)
National Institute on Alcohol Abuse and Alcoholism (NIAAA)	457,104	461,787	463,848	6,744 (1.5%)	2,061 (0.5%)
National Institute of Nursing Research (NINR)	144,153	145,484	146,244	2,091 (1.5%)	760 (0.5%)
National Human Genome Research Institute (NHGRI)	511,370	515,406	517,319	5,949 (1.2%)	1,913 (0.4%)
National Institute of Biomedical Imaging and Bioengineering (NIBIB)	336,896	340,027	338,892	1,996 (0.6%)	-1,135 (0.3%)
National Institute on Minority Health and Health Disparities (NIMHD)	279,389	277,804	283,299	3,910 (1.4%)	5,495 (2.0%)
National Center for Complementary and Alternative Medicine (NCCAM)	127,930	128,688	129,041	1,111 (0.9%)	353 (0.3%)

National Center for Advancing Translational Sciences (NCATS)	639,033	578,207	665,688	26,655 (4.1%)	87,481 (15.1%)
Cures Acceleration Network (CAN)	10,000	11,889	50,000	40,000 (400.0%)	38,111 (320.6%)
John E. Fogarty International Center (FIC)	69,539	69,966	72,864	3,325 (4.8%)	2,898 (4.1%)
National Library of Medicine (NLM)	365,043	375,405	382,252	17,209 (4.7%)	6,847 (1.8%)
Office of the Director (OD)*	1,457,381	1,466,320	1,473,398	16,017 (1.1%)	7,078 (0.5%)
Common Fund	544	548	573	29 (5.3%)	25 (4.6%)
Office of AIDS Research	63	64	64	1 (1.6%)	-
Building and Facilities	125,308	126,111	126,111	803 (0.6%)	-

*Does not include rescissions or sequestration.

Other HHS Agencies and Priorities

The President's FY 2014 budget request includes \$967.3 billion in mandatory and discretionary funding for the Department of Health and Human Services (HHS), which is an increase of 6.6 percent over the FY 2013 level. Of that total, \$80.58 billion is included for discretionary programs at HHS, which is an increase of 3.2 percent above the FY 2013 level.

- The budget would continue to make the necessary investments needed for full implementation of the *Patient Protection and Affordable Care Act (ACA)*.
- In the wake of recent violent events, and keeping with the President's *Now is the Time* initiative (<http://www.whitehouse.gov/issues/preventing-gun-violence>) the budget request would support investments in gun violence programs and research. The budget would also support new programs that target detecting mental health issues in students and young adults, increasing access to mental health services, and training professionals who work with students and young adults.
- The President's budget, in an effort to find common ground in the midst of entitlement reform discussions and ahead of the next debt ceiling negotiation, outlines several cuts and reforms to healthcare entitlements. Most of the cuts would impact the Medicare program and would fall heavily on health providers.

New and Signature Initiatives

The President's budget request would provide new investments in violence prevention and mental health services, which follows the President Obama's executive decision to lift the ban on gun violence research. The President's budget request would provide \$20 million to the Centers for Disease Control and Prevention (CDC) to support violence surveillance activities and \$10 million to support research on the causes and prevention of gun violence. According to the CDC "topics will follow the research agenda currently being developed with external partners and will address questions aimed at understanding the characteristics of gun violence, the risk and protective factors associated with firearm violence, and the role of violent video and violent media content on behavior."³

In addition, the President's budget request would provide funding to support new mental health treatment and prevention activities through the Substance Abuse and Mental Health Services Administration (SAMHSA) in schools and communities. The new activities would be part of the Advancing Wellness and Resilience in Education (AWARE) project. The AWARE project would provide \$55 million to help detect mental health issues and provide access to mental health services for students and young adults. Of the \$55 million, \$40 million would support the AWARE project through grants to states and \$15 million would support *Mental Health First Aid* which is training for teachers and other adults who work with youth. In addition, the President's budget would support "\$50 million to train 5,000 new mental health professionals including social workers, counselors, and psychologists, and other mental health professionals."⁴

³ http://www.cdc.gov/fmo/topic/Budget%20Information/appropriations_budget_form_pdf/FY2014_CJ_CDC_FINAL.pdf, Centers for Disease Control and Prevention, Justification of Estimates for Appropriation Committees, Page 12

⁴ <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/health.pdf>, Department of Health and Human Services Funding Highlights, Page 95-96

The President's budget request proposes a joint HRSA/SAMHSA one year \$35 million grant program to expand the mental and behavioral health workforce for master's level social workers, psychologists, marriage and family therapists, as well as behavioral health paraprofessionals focused on youth (ages 16-25). This is in addition to flat funding for the annual **Mental and Behavioral Health Education and Training** program within HRSA. In addition, SAMHSA proposes to increase funding for the **Minority Fellowship Program** (MFP) by \$4 million and create a new MFP-Youth program that would provide \$5 million for graduate students working with underserved youth populations. The focus of the program would be on master's level psychology, social work, professional counseling, marriage and family therapy, and nursing training programs.

CDC would receive a new investment to modernize infectious disease efforts under the Advanced Molecular Detection and Response to Infectious Disease Outbreaks Initiative proposed in the budget request. As a result of a 2011 blue ribbon panel identifying a number of gaps in CDC's surveillance, the President's budget request would invest \$40 million in this initiative to start those recommendations, which include investing in staff development, infrastructure improvement, partner laboratory development, and dissemination of new approaches throughout CDC and its partner public health laboratories.

The healthcare reform law, the *Patient Protection and Affordable Care Act (ACA)*, is nearing full implementation with most of the major reforms expected to begin taking effect in 2014. The President's budget request would continue to invest in programs to support implementation of major provisions including implementation of the Health Insurance Exchanges, but there seems to be an undertone of acknowledgement in the budget that implementation is taking longer than originally expected. For example, with many states working on implementing exchanges and many states continuing to struggle with Medicaid expansion, the **budget proposes delaying Medicaid Disproportionate Share Hospital (DSH) cuts until 2015 instead of 2014 to allow states more time to implement programs to reduce the number of uninsured**. While this proposal would be a welcome relief for many teaching hospitals, to keep the provision budget neutral, the cuts to DSH funding expected in 2014 would instead be spread across 2016 and 2017. The budget proposal would also accelerate the implementation of state innovation waivers starting in 2014.

The President's budget request also touts the activities supported by the Center for Medicare and Medicaid Innovation, which was authorized in the ACA and strives to improve care, improve health, and reduce costs. By the end of 2014 the Innovation Centers' obligations are expected to expand to \$3.6 billion with 94 percent of the funding projected to be on specific models and initiatives.⁵

Proposed Reductions and Terminations

The President's budget request offers a "package of Medicare legislative proposals" that would save an estimated \$371 billion from the program over 10 years.⁶ The proposal is part of a larger package of entitlement reforms offered in the budget that appears to be an olive branch to Congressional

⁵ <http://www.hhs.gov/budget/fy2014/fy-2014-budget-in-brief.pdf>, Budget in Brief, Department of Health and Human Services, Page 85

⁶ <http://www.hhs.gov/budget/fy2014/fy-2014-budget-in-brief.pdf>, Budget in Brief, Department of Health and Human Services, Page 52

Republicans who remain steadfast in their support for substantial reform. Overall, reductions to Medicare and health programs in the legislative package total about \$400 billion. Many of these reductions could impact teaching hospitals and academic health centers. However, many of the cuts have already been discussed by bipartisan commissions such as the Bowles-Simpson Commission; in budget discussions between the President and Congressional leaders as they tried to reach a “grand bargain;” and/or in the President’s FY 2013 budget request. Some of the reductions include:

- Further reducing the amount Medicare reimburses providers for bad debts on behalf of beneficiaries from 65 percent to 25 percent. The *Middle Class Tax Relief and Job Creation Act of 2012* already reduced bad debt reimbursement from 70 percent to 65 percent.
- Reducing the adjustment for payments for **indirect graduate medical education (IME)** by 10 percent, which was also included in the President’s 2013 budget request; however the President’s budget also proposes allowing the Secretary of HHS to “set standards” to promote primary care training and “high-quality and high-value” care for hospitals that receive graduate medical education payments (GME).⁷
- Rebasing Disproportionate Share Hospital (DSH) payments in 2023.

While the President’s budget request outlines support for the healthcare workforce by investing \$856 million in health workforce programs at the Health Resources and Services Administration (HRSA), this would actually be a \$181 million decrease below the FY 2013 level. Reductions in primary care workforce at HRSA would include a reduction in funding for Children’s Hospital Graduate Medical Education by \$177 million, eliminating funding for Area Health Education Centers (AHECs) and the Health Careers Opportunity Program (HCOP), and a reduction in funding for diversity training.

Other reductions and terminations in the President’s FY 2014 budget request include eliminating funding for Education Research Centers at the CDC. The President’s FY 2014 request would also reduce funding for Prevention Research Centers by \$3.87 million below the FY 2012 level of \$28.77 million (the CDC Budget Justification for FY 2014 does not include the FY 2013 enacted amount for this program).

Ongoing Areas of Interest

While the President’s budget would reduce funding for several workforce programs, it would include continued support for some workforce programs.

- **National Health Service Corps** – The National Health Service Corps will be appropriated \$305 million in mandatory funding FY 2014, an increase of \$5 million and in accordance with ACA. This will allow the program to fund over new scholarships and scholarship continuations, 2,300 new loan repayment awards, and 285 new State loan repayment awards.
- **Faculty Loan Repayment Program** – The Faculty Loan Repayment Program, which provides repayment to health professionals from disadvantaged backgrounds who serve as faculty in qualified health professions universities, would receive \$1.2 million in FY 2014, flat with FY 2013.
- **Pediatric Specialty Loan Repayment Program** – Authorized in ACA, this program is requested to receive first year funding in FY 2014. The request proposes \$5 million for the program, which would allow for 64 initial two-year awards. If funded, child and adolescent mental and

⁷ <http://www.hhs.gov/budget/fy2014/fy-2014-budget-in-brief.pdf>, Budget in Brief, Department of Health and Human Services, Page 53

behavioral health care professionals would be eligible for the program. The President requested funding for this program last year, but due to the continuing resolution, no new programs were started in FY 2013.

- **Centers of Excellence** – The budget request includes \$22.9 million for the Centers of Excellence program in FY 2014, flat with FY 2013. This program supports the increase of underrepresented minority students and faculty in health professions programs. Graduate programs in behavioral or mental health are eligible to apply for Centers of Excellence.
- **Scholarships for Disadvantaged Students** – This program, which seeks to increase diversity in the health professions and nursing workforce, would receive flat funding of \$47.5 million in FY 2014, flat with the FY 2013 amount. Schools offering graduate programs in behavioral and mental health practice are eligible to apply.
- **Geriatrics Programs** – HRSA's geriatrics training programs would receive flat funding in FY 2014 at \$30.6 million. These include the Geriatric Education Centers; Geriatric Training for Physicians, Dentists, and Behavioral and Mental Health Professions program; and the Geriatric Academic Career Awards.

In addition, The President's FY 2014 proposal highlights the Administration's continued commitment to Alzheimer's research and support. In addition to supporting \$80 million at NIH for research (see NIH section), the President's budget request would provide \$20 million for the Alzheimer's Initiative. Of the \$20 million, \$15 million would support efforts at the Administration for Community Living (ACL) for state and local dementia activities and \$5 million would expand HRSA's efforts to provide training to healthcare workers.

Sources and Additional Information: HHS FY 2014 Budget in Brief materials can be found at <http://www.hhs.gov/budget/fy2014/fy-2014-budget-in-brief.pdf>; HHS FY 2014 budget highlights can be found at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/health.pdf>; HHS budget justifications can be found at <http://www.hhs.gov/budget/#brief>

Department of Health and Human Services*

(In thousands)

	FY 2013 Request	FY 2013 CR/Omnibus*	FY 2014 Request	FY 2014 Request vs. FY 2013 Request	FY 2014 Request vs. FY 2013 CR/Omnibus†
HHS, total	932,234,000	907,797,000	967,295,000	35,061,000 (3.8%)	59,498,000 (6.6%)
Health Resources and Services Administration (HRSA)	8,431,000	8,547,000	9,043,000	612,000 (7.2%)	496,000 (5.8%)
<i>Title VII</i>	228,088	211,192	211,781	-16,307 (17.0%)	589 (0.2%)
<i>Title VIII</i>	251,099	215,173	251,099	--	35,926 (16.7%)
Substance Abuse and Mental Health Services Administration (SAMHSA)	3,423,000	3,499,000	3,572,000	149,000 (4.4%)	73,000 (2.1%)

<i>Center for Mental Health Services</i>	952,000	955,000	1,039,000	87,000 (9.1%)	84,000 (8.8%)
<i>Center for Substance Abuse Treatment</i>	1,813,000	2,214,000	2,155,000	342,000 (18.9%)	-59,000 (2.7%)
<i>Center for Substance Abuse Prevention</i>	470,000	187,000	176,000	-294,000 (62.6%)	-11,000 (5.9%)
Agency for Healthcare Research and Quality (AHRQ)	409,000	423,000	434,000	25,000 (6.1%)	11,000 (2.6%)
Food and Drug Administration (FDA)	4,486,000	4,184,000	4,654,000	168,000 (3.7%)	470,000 (11.2%)
Centers for Disease Control and Prevention (CDC)	11,236,000	10,039,000	11,257,000	21,000 (0.2%)	1,218,000 (12.1%)
<i>Chronic Disease prevention and Health Promotion</i>	1,145,000	805,000	1,036,000	-109,000 (9.5%)	231,000 (28.7%)
<i>National Institute for Occupational Safety and Health (NIOSH)</i>	420,000	327,000	272,000	-148,000 (35.2%)	-55,000 (16.2%)
<i>Environmental Health</i>	133,000	124,000	155,000	22,000 (16.5%)	31,000 (25.0%)
Indian Health Service (IHS)	5,502,000	5,464,000	5,662,000	160,000 (2.9%)	198,000 (3.6%)
Administration on Community Living (ACL)	2,012,000	2,201,000	2,129,000	117 (5.8%)	-72,000 (3.3%)
Administration for Children and Families (ACF)	16,181,000	16,549,000	17,786,000	1,605,000 (9.9%)	1,237,000 (7.5%)
Office of the National Coordinator for Health IT	66,000	61,000	78,000	12,000 (18.2%)	17,000 (27.9%)

*This chart uses program funding levels, consistent with the President's DHHS budget request.

†Does not include rescissions or sequestration.



Lewis-Burke Associates LLC

This report was prepared by Lewis-Burke Associates LLC and may be used by our clients in whole or in part with attribution. This report may not be quoted or reproduced by other entities without the express prior written consent of Lewis-Burke Associates LLC.

1341 G Street, NW
Eighth Floor
Washington, DC 20005
t: 202.289.7475
f: 202.289.7454
www.lewis-burke.com