

# Pharmacy Impact of the President's Proposed Fiscal Year 2011 Budget

February 1, 2010

President Obama kicked off the annual budget process today with the release of his Fiscal Year 2011 Budget proposal. Over the coming weeks, members of the Cabinet will go to Capitol Hill to defend the Administration's proposals through a series of hearings. After the Administration has the opportunity to defend its proposals, Congress will pivot to the consideration of their FY 2011 Budget Resolution.

The Budget Resolution, which serves as a blueprint for the work of the Appropriations and Authorizing Committees, will give us a good indication of the remaining Congressional agenda in the run up to the 2010 elections. However, final resolution on the President's proposals will not be determined until after the conclusion of the annual appropriations process.

Each step in the budget process gives Congress the opportunity to evaluate the President's proposals and determine whether or not they will accept the proposals or chart their own course. Below is a summary of the President's Budget:

## Key Pharmacy Issues

- Continues \$25 billion in increased temporary Medicaid payments to states through June 2011
- **NO** new proposals to cut Medicaid generic drug reimbursements
- **NO** new proposals to cut DME payments to pharmacies
- **NO** proposals for TRICARE mail order drugs
- Renewed emphasis on reducing overutilization in Medicaid prescription drug program by targeted provider overprescribing and patient overutilization.

## The President's 2011 Budget (October 1, 2010 – September 30, 2011)

- \$3.8 trillion in total spending;
- \$1.415 trillion in discretionary spending;
- \$1.3 trillion deficit in 2011

## **Macro Budget Proposals**

- A three-year spending freeze on non-security spending (defense, homeland, vets, and foreign aid are exempted)—baseline will return to basically inflation after the three years.
- \$1.2 trillion deficit reduction package over 10 years.
  - TARP Fee on Banks--\$90 billion
  - Expiration of Bush tax cuts on families over \$250,000--\$678 billion
  - Reduces the itemized deduction write-off for families with incomes over \$250,000--\$291 billion
  - Non-Security Freeze--\$250 billion
  - Elimination of Fossil Fuels Subsidies--\$40 billion
- Extends the Bush tax cuts for families making under \$250,000.
- Proposes a Deficit Commission to balance the Budget less debt service by 2015.

## **Small Business Proposals**

- Expiration of Bush tax cuts and reduction of itemized deduction write-off for family incomes over \$250,000 could affect some independent pharmacy owners who file as a small business through their personal tax forms.
- \$100 billion jobs package, including small business tax credit, infrastructure, and clean energy.
  - \$33 billion for Small Business Tax Credit
- Elimination of Capital Gains on new investments in small business.
- Extends through 2010 the provision that allows small businesses to expense up to \$250,000 of qualified investment.

## **Health Related Proposals**

- No proposals related to DME or AMP.
- \$741 million in savings from CMS Program Integrity Allocation Adjustment—Fraud, Waste, and Abuse.
  - Activities include investigations, audits, educational activities, and data analysis.
  - \$561 million in 2011 for Health Care Fraud and Abuse Control Activities, which is designed to expand Health Care Fraud Prevention & Enforcement Action Teams (coordinated with DOJ).
  - Enable CMS to respond to emerging program integrity vulnerabilities through identifying excessive payments and new processes for identifying and correcting problems.
- \$109 million in savings from Expansion of CMS Program Integrity—Empowers CMS to take specific actions against providers who inappropriately bill Medicare, including:

- recouping overpayments
- allowing additional flexibilities in medical review and access to certain information about fraudulent suppliers
- requiring State Medicaid agencies to track and monitor prescription drug billing, prescribing, and utilization patterns that could be indicative of abuse or overutilization
- **Medicare Demonstration Projects** that evaluate reforms to provide higher quality care at lower costs, improve beneficiary education and understanding of benefits offered, and better align provider payments with costs and outcomes.
  - Special emphasis will be placed on demonstrations that improve care coordination for beneficiaries with chronic conditions, better integrate Medicare and Medicaid benefits, and provide higher value for dollars spent.
- \$25 billion for continuing temporary Medicaid **FMAP extension through June 2011**
- \$110 million for continuing efforts to strengthen **health IT policy**, coordination, and research.
- **\$2.5 billion for health centers to provide primary and preventative care for underserved populations**, including a continuation of services for 2 million patients who were able to receive care because of the Stimulus Bill.
- \$169 million in the National Health Service Corps (NHSC) to place **providers** in medically underserved areas to improve access to needed health care services. Under the NHSC, **primary health professionals such as physicians, nurse practitioners, and dentists** serve in a medically underserved community in exchange for having a portion of their student loans paid off.
- Add 400 NHSC clinicians to the more than 8,100 who will **provide essential primary and preventative care services** in health care facilities across the country.
- \$20 million to fund a new effort in up to 10 of the largest U.S. cities to reduce the rates of morbidity and disability due to chronic disease.
- **\$79 million for initiatives to strengthen regional and local partnerships among rural health care providers.**
- FDA budget authority has increased to \$2.51 billion (\$2.365 billion for FY 2010 - estimated); \$2.062 billion for FY 2009 (actual)
  - Includes increases to bring more safe, effective, and lower cost generic drugs and generic biologics to market expand post-market safety surveillance of medical products, and support FDA's efforts to make such safety data more comprehensive and accessible to patients, providers, and scientists in a way that also protects privacy.

- Agency for Healthcare Research & Quality Funding--\$661 million for FY 2011; a \$214 million (54%) increase over FY 2010. Of note:
  - \$32 million for HIT research (+4 million).
  - \$65 million for patient safety research (-\$26 million). This includes \$34 million for healthcare-associated infections including MRSA. It does not include \$25 million for medical liability demos provided in FY 2010.

### **Military/Defense Health Program**

- \$30.9 billion overall for medical care, an increase of 5.8% over 2010 enacted.
- No mention of TRICARE reforms.
- Supports DOD efforts to update health IT—Virtual Lifetime Electronic Record (Coordinated with VA).

### **Veterans Health**

- Authorize the dispensing of prescription drugs from Veterans Health Administration facilities to enrolled veterans with privately written prescriptions.

### **Office of Personnel Management (OPM)/FEHBP**

- Provides agency-wide audit authority, including audits of PBMs.
- Continues the development of its prescription drug audit program, which includes audits of pharmacy benefit managers.

### **Federal-Wide Improper Payments**

- More transparency—online dashboard of key indicators and statistics by agency and program.
- Require the designation of one Senate-confirmed appointee at each agency to be accountable for meeting improper payment reduction targets and consolidating program integrity activities.
- Incentives for States, agencies, and recipients to report and reduce payment errors by using rewards and penalties.
- Launching the Partnership Fund for Program Integrity Innovation.