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To: American Society of Transplant Surgeons
From: Peter Thomas, Adam Chrisney and Theresa Morgan
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Re: FY 2009 Labor, HHS and Education Appropriations

On February 25, the House passed by a vote of 245 to 178 a \$410 billion FY 2009 omnibus spending bill, finishing up the work left over from the past Congress. The agencies covered by the bill, including the Department of Health and Human Services, the Department of Labor and the Department of Education, are currently being funded at 2008 levels under a continuing resolution that is set to expire in less than 10 days on March 6. The Senate is expected to take up the bill towards the end of next week.

Overview:

Before adjourning in 2008, Congress failed to pass most of the FY 2009 appropriations bills, deciding instead to fund the government through a continuing resolution (CR) that kept federal agencies funded at 2008 levels through March 6, 2009. The 111th Congress commenced early this year to give the new Obama Administration an early start in tackling the fiscal woes of the nation, including the development of an economic recovery package. This early start also allowed for a behind-closed-doors conference on the remaining 2009 spending bills.

The new appropriations package marks a break from the previous administration. In his last year in office, President Bush's 2009 budget request was dismissed by Democrats as "dead on arrival" around August of last year. Under the Bush Administration's original budget, many programs under the Department of Health and Human Services (HHS) would have received little

or no increases. In addition, that budget request called for \$200 billion in cuts to Medicare and Medicaid – by far the largest such recommendations made during the Bush presidency.

In contrast, the belated FY 2009 spending plan provides about \$152 billion to labor, health & human services and education programs, nearly a \$6 billion increase over 2008. When entitlement spending such as Medicare and Medicaid is included, the total reaches \$625 billion, which is approximately \$25 billion more than last year. Under the Democrats' current omnibus package, HHS receives a 4 percent increase and Education receives a 7 percent increase; the Bush Administration had proposed cutting both budgets in 2009.

The increased funding comes on the heels of President Obama's signing of a \$787 billion economic stimulus bill in an attempt to bring the economy out of the current recession. That package also includes significant boosts for healthcare and education programs, including nearly \$90 billion in Medicaid funding and \$10 billion additional federal dollars for the National Institutes of Health.

HEALTHCARE FUNDING

Health Resources and Services Administration:

The omnibus bill provides over \$7.25 billion for the **Health Resources and Services Administration** (HRSA) – nearly \$1.4 more than President Bush requested for HRSA for FY 2009. The funding level falls just short of the Friends of HRSA recommendation of at least \$7.9 billion for the agency. The funding for HRSA, which provides a health safety net for medically underserved populations, will help the agency meet its goal of achieving 100 percent access to healthcare. In addition, funding for the **Traumatic Brain Injury Protection and Advocacy Services** (administered by HRSA) remains at the FY 2008 level; the budget request, if adopted, would have provided no funding for this initiative.

For HRSA's **Division of Transplantation**, the agency that oversees and funds the organ allocation system in this country, the bill provides about \$24 million, which is \$1 million over the budget request and nearly \$1.5 million over the 2008 funding level. This additional funding is very significant for the transplant community, as this is the first time the agency's budget has been increased in many years.

National Institutes of Health:

The omnibus bill provides just over \$30 billion for the **National Institutes of Health (NIH)**, over \$1 billion more than the budget request, and the first time the agency's one year budget has exceeded \$30 billion. After accounting for this increase and the additional temporary funding in the recent stimulus legislation, NIH will have \$11 billion over their existing budget to spend over the next two years. The NIH has reported that this influx of funds will allow the agency to capitalize on unprecedented scientific opportunities with almost 10,600 new research grants. Before this infusion, funding for NIH projects had been at critically low levels.

NIH's **Office of Director** will receive a total of \$1.24 billion in funding, \$25 million towards flexible research funding and \$192 million towards the National Children's Study, which examines the effects of environmental influences on the health and development of 100,000 children across the US. This year, the administrators will begin recruiting participants for the study. This is significant for the National Center for Medical Rehabilitation Research (NCMRR) as this center is housed in the Child Health Institute and the children's study has been attracting most of the uncommitted funds of the agency in recent years.

The **National Institute of Diabetes and Digestive Kidney Diseases and Kidney Diseases** is provided \$1.76 billion in funding, almost \$60 million more than in 2008.

The **National Heart, Lung, and Blood Institute** is provided just over \$3 billion, an increase of \$79 million in funding.

The **National Institute of Allergy and Infectious Diseases** is provided \$4.4 billion, an increase of \$138.8 million in funding.

The bill provides \$14.4 million increase for a total of nearly \$529 million for the **National Institute of Arthritis and Musculoskeletal and Skin Disorders**.

The **National Cancer Institute** will receive nearly \$5 billion in funding for 2009, close to \$167 million more than the 2008 funding level.

Agency for Health Research & Quality (AHRQ):

The bill provides for a nearly \$1.8 billion increase for a total of \$47.5 billion in FY 2009 funding to improve the quality, safety, efficiency, and effectiveness of health care through establishing a broad base of scientific research to promote improvements in clinical and health system practices, including the prevention of diseases and other health conditions. The bill includes nearly \$42 million for **Patient Safety Threats and Medical Errors**. The bill includes increased funding to reduce **healthcare-associated infections (HAIs)** and to expand the **Methicillin-Resistant Staphylococcus Aureus (MRSA)** program begun in FY 2008. The bill includes \$50 million for **comparative effectiveness research**.

Centers for Disease Control and Prevention (CDC):

The omnibus report provides \$6.6 billion for the public health programs administered by CDC, which is \$239 million above last year's funding. About \$900 million is designated for **chronic disease prevention, health promotion and genomics** programs - \$76 million more than the budget request. \$138 million will go towards health promotion programs involving **birth defects, developmental disabilities, disability and health**.

Healthcare Professions Training:

At HHS, the bill will boost funding to train health workers, including nurses and primary care physicians, by 12 percent, to \$393 million. President Bush had proposed cutting spending on the training by two-thirds, to just \$110 million.

The bill supports nursing education programs at a time when our country faces a nursing shortage, with \$15 million above 2008 for a total of \$171 million and supports Health Professions Training to train doctors and other professionals so that more people have access to quality health care with \$28 million above 2008 for a total of \$222 million.

Other Funding:

The bill also provides an additional \$470,000 for **Community Health Centers** – an increase of \$125 million above last year for a total of \$2.2 billion.

The omnibus bill also provides \$75 million for **State High Risk Insurance Pools**, a mechanism which helps insure people who cannot obtain health insurance in the commercial market because they are medically high risk. The funding is an increase of \$26 million from the 2008 funding level.

OUTLOOK FOR 2009

Normally, the President would release his budget in early February but with the Administration having just started and with the transition of new agency leaders still on-going in many Cabinet departments and many related offices, a final comprehensive budget is not expected until late March. However, the Obama Administration just released a bare-bones budget including many key priorities and changes it will push for this year. This should allow the House and Senate Budget Committees to proceed in the development and passage of their budgets for the coming fiscal year thereby keeping the FY 2010 appropriations process more or less on schedule for the year (meaning they should be on schedule for formal committee consideration this summer).

Since Democrats now hold a significant majority in both chambers of Congress, as well as the Presidency, it is expected that the appropriations bills that follow the President's budget will be ambitious and will stand a significantly better chance of timely passage, even over Republican opposition.

Regarding healthcare reform, both Senators Max Baucus (D-MT) and Senator Ted Kennedy (D-MA) have taken on healthcare reform as a priority for 2009. Last year, Baucus released his white paper that called for an individual mandate to have health insurance and an expansion of Medicare and Medicaid eligibility. Kennedy has formed a committee of healthcare stakeholders to frequently meet with his staff to provide feedback on reform policies. Kennedy has said he would prefer a single, bi-partisan bill. Chairman Baucus is actively working on a bipartisan basis and has said that health care reform could require more than one piece of legislation to fully enact.

At the end of November, Kennedy invited to these meetings staff of other members of the HELP Committee. In an attempt to make the process more bi-partisan, Kennedy hosted a members only

meeting with Senators Dodd, Baucus, Rockefeller, Reid, Grassley, Enzi, Hatch, Conrad, Gregg and McConnell. To date, the Republican staffs have opted out of attending the Kennedy meetings. However, discussions with them outside of the meetings are ongoing and it is still possible they will attend future sessions with the intention of bringing forward a bipartisan bill. The stakeholder group met multiple times over the last few months to discuss a healthcare reform plan. Since Kennedy chose Senator Dodd to serve as the deputy on health care reform for the workhorse group, his staff has attended the meetings. Kennedy has also tapped Democratic Senators Tom Harkin (IA), Barbara Mikulski (MD) and Jeff Bingaman (NM) to lead on prevention, quality improvement and coverage, respectively.

In the Senate, the health status of Senator Ted Kennedy (D-MA), HELP Committee Chairman, could also affect the course of the health policy debate this year. Kennedy has long championed universal health care, and the momentum to reform America's healthcare system can be attributed in part to the Chairman's activities. Senator Dodd is the next senior Democrat on the committee and will likely become the next Chairman of the Committee. Baucus is reportedly also putting together a stakeholder committee on healthcare reform.