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Memorandum

March 17, 2017

To: Interested Health Clients

From: Holland & Knight

Re: Trump Administration Fiscal Year (FY) 2018 “Skinny” Budget.

On March 16, the Trump Administration released a summary document of his first presidential budget entitled “America’s First: A Budget Blueprint to Make America Great Again.” The 62-page budget blueprint, also known as the “skinny” budget, is both short and very high-level compared with past presidential budgets. For instance, the average length of President Obama’s budgets, not including appendices, was 200 pages. While the President’s budget does not carry with it the force of law, the document has historically served as an important signal to Congress of the Administration’s policy and funding intentions for each fiscal year, and thus typically includes fairly detailed descriptions of funding goals for some of the federal government’s most crucial health-related programs.

The Trump Administration’s budget blueprint provides very basic details on a \$1.151 trillion proposed discretionary spending plan for FY 2018. Overall, the budget creates several discretionary cap adjustments that would reverse sequestration for defense – increasing the defense discretionary cap in FY 2018 from \$529 billion to \$603 billion – and pay for the increase by reducing non-defense spending by a total of \$54 billion in FY 2018. The budget blueprint also includes \$25 billion in supplemental funding in FY 2017, including \$3 billion for the border wall and executive order implementation and \$5 billion in defense Overseas Contingency Operations (OCO) funding. This supplemental funding is not fully offset by the cap on discretionary spending, resulting in a deficit increase of approximately \$10 billion in FY 2017.

It is important to note that many details are still unknown concerning the funding levels in the budget blueprint and how savings provisions will affect operations at individual agencies. These details are unofficially expected in May, when the Office of Management and Budget (OMB) will release a line-by-line addendum to the budget blueprint.

Below please find a brief summary of the budget blueprint’s proposals concerning health-related agencies and programs:

Department of Health and Human Services (HHS):

The President's FY 2018 budget request includes \$65.1 billion in funding for HHS, a decrease of \$12.6 billion from the FY 2017 enacted levels. Despite the 16.2% overall cut to HHS, the President's budget blueprint explicitly includes funding for the Substance Abuse and Mental Health Services Administration's abuse treatment activities and an increase of \$500 million over FY 2017 enacted levels to expand opioid misuse prevention efforts.

Centers for Medicare and Medicaid Services (CMS):

The budget blueprint provides very few funding or programmatic details for CMS despite its oversight over Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). However, the blueprint does specify that the Administration will support efficient operations for these programs by focusing spending on the "highest priority activities necessary" to operate them. The budget blueprint may be largely silent on these programs given that Affordable Care Act (ACA) repeal and replace legislation, entitled the *American Health Care Act* (AHCA), is still being considered by the House of Representatives and includes sweeping changes to these programs.

In addition, the budget blueprint mentions a focus on increasing savings by curbing waste, fraud, and abuse in the Medicare and Medicaid programs, and includes an increase of \$751 million to bolster the Health Care Fraud and Abuse Control (HCFAC) program at CMS.

Food and Drug Administration (FDA):

While not providing a total budget allocation for the FDA in FY 2018, the budget blueprint did expressly recalibrate the FDA's medical product user fees to at least \$2 billion, up from \$1 billion in FY 2017. Members of Congress and the medical products industry have already come out against the increase in user fees, expressing concern that it would supplant rather than supplement additional needed discretionary appropriations for the agency. In addition, there has been concern that the increase would adversely affect the user fee agreements that had already been negotiated between the medical products industry and the Obama Administration last year.

National Institutes of Health (NIH):

The FY 2018 budget blueprint cuts the NIH budget by \$5.8 billion compared with its current funding level. In order to justify this reduction, the blueprint hints at several major changes to the agency, including a major reorganization of the agency's Institutes and Centers, of which there are 27, to focus on high-priority research and eliminating the Fogarty International Center that contributes millions of dollars in grant funding for global health research. In addition, the budget would consolidate the Agency for Healthcare Research and Quality (AHRQ) into the NIH. AHRQ, which has frequently been a target for elimination by congressional budget hawks over the past several years, is currently funded at just over \$330 million per year, and it is unclear

whether the agency would retain its funding under the umbrella of the NIH. It should be noted that this type of overall funding reduction to the NIH flies in the face of strong bipartisan support in Congress for continued financial support and budget increases for the agency over the past several years.

Centers for Disease Control and Prevention (CDC):

The FY 2018 budget blueprint establishes a novel Federal Emergency Response Fund to respond to public health outbreaks, such as the Zika virus outbreak. It is unclear whether this fund will replace CDC’s Emergency Response and Recovery program in its Division of Global Health Protection or whether this will supplement CDC’s current activities in emergency response. It should also be noted that the aforementioned AHCA, which is currently moving through the House of Representatives, has proposed eliminating the ACA-authorized Prevention and Public Health Fund that provides nearly \$1 billion annually to the CDC’s core budget. This amounts to 12% of the CDC’s annual funding.

Other Health-Related Issues:

The FY 2018 budget blueprint eliminates \$403 million in health professions and nursing training programs but will continue to fund health workforce activities that promote service in health professional shortage areas. It is unclear which of the programs authorized under Titles VII and VIII of the Public Health Service Act will be affected by this cut. Currently, programs under Titles VII and VIII receive nearly \$500 million in annual funding.

In addition, the budget blueprint supports direct health care services provided by programs including community health centers, providers supported by the Ryan White HIV/AIDS program at the Health Resources and Services Administration (HRSA), and the Indian Health Service.

Finally, the budget preserved the discretionary funding authorized by the *21st Century Cures Act* (Public Law 114-255) for the NIH and FDA. This funding by law falls outside the discretionary budget caps and is directly appropriated for several provisions, such as the cancer moonshot, the Precision Medicine Initiative, and the Brain Research through Advancing Innovative Neurotechnologies (BRAIN) Initiative.

President’s FY 2018 Budget Blueprint Comparison

	President’s FY 2017 Budget Request	FY 2017 Enacted Level (CR)	President’s FY 2018 Budget Blueprint
Health and Human Services (HHS)	\$82.8 billion	\$77.7 billion	\$65.1 billion
National Institutes of Health (NIH)	\$33.1 billion	\$32.3 billion	\$26.5 billion
Food and Drug Administration (FDA)	\$2.8 billion	\$2.69 billion	TBD

Centers for Disease Control and Prevention (CDC)	\$11.9 billion	\$11 billion	TBD
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Please contact Ethan Jorgensen-Earp with any questions.

Resources

[Trump Administration Skinny Budget Document](#)