

*****TESTIMONY IS EMBARGOED UNTIL THE START OF THE HEARING AT
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**Statement by Alex M. Azar II
Secretary, U.S. Department of Health and Human Services
on
The President's Fiscal Year 2019 Budget
before
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

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The mission of the Department of Health and Human Services (HHS) is to enhance and protect the health and well-being of the American people.

President Trump and all of us at HHS take that charge seriously. So, when programs are not as effective as they can be, or cost more than they ought to, or fail to deliver on their promise, change and reform are necessary.

The President's Fiscal Year (FY) 2019 Budget applies this reform mindset to the work of the Department, making thoughtful and strategic investments to protect the health and well-being of the American people, while addressing the opioid crisis, promoting patient-centered healthcare, strengthening services for American Indians and Alaska Natives, encouraging innovation in America's healthcare future, addressing high drug prices, reforming the Department's regulations, and generally focusing resources toward proven and effective initiatives. The Budget also recognizes the fiscal challenges our country faces today, and the need to focus our investments and update them to meet the needs of a rapidly changing world.

The President's Budget for HHS also reflects proposals to meet the President's comprehensive Government-wide Reform Plan through a Department initiative called *ReImagine HHS*. *ReImagine HHS*, through a range of initiatives, aims to identify opportunities to improve the work HHS does for the American people, in terms of its efficiency, quality, and cost-effectiveness. In particular, *ReImagine HHS* offers a unique opportunity for the experienced career staff of the Department to lead initiatives that will advance the work of the Department and revamp outdated processes and structures.

Across all of HHS's priorities, the Budget makes clear that business-as-usual will not suffice, and that the substantial investments made every year at HHS ought to be allocated with efficiency and toward programs that work.

Tackling the Opioid Epidemic

One of the Department's top priorities is fighting the scourge of opioid addiction facing our country.

Due to skyrocketing numbers of opioid overdoses, deaths by drug overdose have become the leading cause of injury death in the United States. In 2016, 174 Americans died each day from drug overdoses. American life expectancy has dropped for the second year in a row—a tragic development not seen in more than a half century.

The President's Budget recognizes the devastation caused by this crisis in communities across America, by providing a historic new investment of \$10 billion in HHS funding to address the opioid crisis and serious mental illness, and building upon the work started under the 21st Century Cures Act.

The Budget's targeted investments advance the Department's five part strategy, which complements work being done elsewhere in the Administration and covers:

- Access: Improving access to prevention, treatment, and recovery services, including medication-assisted treatment;
- Overdoses: Targeting availability and distribution of overdose-reversing drugs;
- Data: Strengthening our understanding of the epidemic through better public health data and reporting;
- Research: Supporting cutting edge research on pain and addiction; and
- Pain: Advancing better practices for pain management.

The Budget proposes to improve ways in which the Federal Government helps communities respond to the opioid epidemic. As just one example, the Budget directs resources to the Substance Abuse and Mental Health Services Administration to improve access to medication-assisted treatment services, boost state capacity to establish and operate comprehensive prevention systems, and disseminate high-quality resources on best practices for treatment.

The Budget includes a total of \$126 million to support efforts by the Centers for Disease Control and Prevention (CDC) to prevent the abuse and overdose of opioids. This investment supports key public health and surveillance activities at the state level, recognizing that states can best determine their unique needs. CDC will also continue to increase the awareness and adoption of the CDC Guideline for Prescribing Opioids for Chronic Pain. In all of these activities, CDC will endeavor to support and execute programs that have a proven track record of success.

We recognize that government at the Federal, state, and local levels cannot defeat the opioid crisis alone, so HHS will continue to leverage the resources and expertise of the private sector and academia to develop new tools to end the epidemic. This includes a \$500 million investment in a National Institutes of Health (NIH) public-private partnership to accelerate the development of new treatments for pain and addiction.

To help address the drivers of the epidemic, current practices for pain management must also be rethought, including in the work of Federal agencies that prescribe painkillers. The FY 2019 Budget will support the Pain Management Best Practices Inter-Agency Task Force, which will determine whether there are gaps or inconsistencies in pain management best practices among Federal agencies; propose recommendations on addressing gaps or inconsistencies; provide the public with an opportunity to comment on any proposed recommendations; and develop a strategy for disseminating information about these best practices.

Effectively Treating Serious Mental Illness

Serious mental illness, such as a psychotic or major depressive disorder, afflicts nearly 10 million American adults each year, and remains one of the nation's most difficult healthcare challenges. Without treatment, many of these individuals cycle repeatedly among the health, behavioral health, and criminal or juvenile justice systems, with each system insufficiently prepared to meet their needs. According to one report, 10 times as many Americans with serious mental illness are in jail or prison than in inpatient psychiatric treatment, and tragically, Americans with serious mental illness live lives at least 10 years shorter, on average, than others.

The Budget recognizes that there are effective, proven forms of treatment for those struggling with serious mental illness, which have not always received the necessary support. One is “assertive community treatment,” which places individuals in the care of a multidisciplinary behavioral health staff to deliver comprehensive services and treatment and has been shown to reduce hospitalization and improve patient satisfaction compared with other interventions of the same cost. The Budget fully funds a new Assertive Community Treatment for Individuals with Serious Mental Illness program, authorized by the 21st Century Cures Act.

Another effective approach to serious mental illness is the Budget's support of Certified Community Behavioral Clinics, funded as part of the new \$10 billion investment to address the opioid epidemic and serious mental illness. The Budget also continues to direct 10 percent of state allocations from the Community Mental Health Services Block Grant to bring care more quickly to those experiencing a first episode of psychosis, a proven intervention.

Advancing Health Reform That Works

A Washington-centric, one-size-fits-all approach to healthcare —especially in insurance markets most affected by Obamacare — is simply not working and must change. The President's Budget proposes a bold plan to redirect a significant amount of healthcare funding back to the states and individuals, where healthcare decisions should be made, while also taking major steps to encourage innovation and better quality of care.

The Budget supports repealing Obamacare and replacing the law with flexibility for states to create a free and open healthcare market tailored to their citizens' needs. The two-part approach is modeled closely after the Graham-Cassidy-Heller-Johnson amendment to H.R. 1628, the

American Health Care Act of 2017, and also includes additional reforms to put healthcare spending on a sustainable fiscal path.

The proposed Market-Based Health Care Grant Program will help states stabilize their insurance markets and provide for a smooth transition away from Obamacare. The Budget would also fix the perverse incentive structures created by Obamacare, by ending the disparity between states that expanded Medicaid to new populations and those that did not and providing states with a choice between a per capita cap and a block grant.

The Budget also proposes reforming our broken medical liability system, to ensure it is not driving excess costs. Finally, the Budget proposes consolidating the byzantine system of graduate medical education funding into a single, direct grant program that will streamline incentives and better serve patients and providers.

Bringing Down Drug Prices

As President Trump has repeatedly made clear, the prices Americans pay for prescription drugs are simply too high. The Budget proposes a range of legislative measures to build on the proven success of the Medicare Part D prescription drug program, including through giving drug plans more tools to negotiate with manufacturers and encourage use of higher value drugs.. In addition, the Budget discourages rebate and pricing strategies that increase spending for both beneficiaries and the Government and, for the first time in the program's history, provides beneficiaries with more predictable annual drug expenses through the creation of a new out-of-pocket spending cap for seniors with especially high drug costs.

Sustainable Medicaid and Medicare Reforms

Millions of Americans rely on Medicaid and Medicare to meet their everyday healthcare needs. Together, federal health care programs comprise the largest portion of the Federal budget. The President's Budget proposes several legislative solutions to improve the programs, promote greater efficiencies, advance patient-centered care, and reduce government-imposed burden on providers.

The Administration recognizes that the over-50-year-old structure of the Medicaid program has failed to create a sustainable Federal-state partnership that is capable of controlling costs. In fact, its outdated design incentivizes cost increases without delivering commensurate benefits or allowing for much-needed local health innovation.

Our Budget proposes a new future for Medicaid that will restructure Medicaid financing, provide states with new flexibilities to better serve their communities, improve the state plan and waiver processes, and provide the right incentives to preserve the program for future generations.

Boosting Upward Economic Mobility

There is no more effective anti-poverty program than helping someone find a job. Recognizing this common-sense approach, the President's Budget re-focuses HHS's public assistance programs on helping low-income Americans find gainful employment, providing them with a sense of purpose, personal dignity, and independence.

Importantly, the Budget proposes key reforms to the Temporary Assistance for Needy Families program that reinforce its focus on promoting work as the best pathway to self-sufficiency. Specifically, the Budget strengthens the program's accountability framework related to work requirements and ensures that states allocate sufficient funds to work, education, and training activities.

The Budget also proposes establishing Welfare to Work Projects that will allow states to streamline funding from multiple public assistance programs and redesign service delivery to meet their constituents' specific needs. Importantly, these Welfare to Work Projects would be rigorously evaluated, expanding the evidence base that informs how assistance programs can be most effectively structured to help Americans achieve self-sufficiency.

In January, for the first time in the history of the Medicaid program, the Federal Government indicated openness to state-led innovations that promote work or community engagement activities for working age, able-bodied enrollees. Productive work and community engagement is associated with improved health and well-being, meaning this reform can achieve the goals of the Medicaid program while also supporting independence and economic self-sufficiency for millions of able-bodied adults.

Promoting Efficiency and Innovation in Scientific Work

Supporting and encouraging scientific research is a longstanding Federal priority, one that results in both a growing economy and longer lives. Executing this responsibility demands that the Federal Government regularly consider how to organize such support in the most efficient manner possible.

The administration believes it is a priority to support NIH, a crown jewel of American science, and proposes to do so not just through continued financial investments but also through innovative partnerships with non-federal entities, administrative reforms, and better coordination and planning.

Among other efforts to derive maximum benefit from the substantial Federal investments made in NIH research, the Budget supports expanding public-private partnerships that will challenge private sector partners to match Federal investments; increasing coordination across NIH's Institutes and Centers; focusing grant awards on projects with the highest potential to accrue benefits for public health; assessing new and current strategic investments in research; curtailing the rate at which high researcher salaries at private institutions are reimbursed with taxpayer dollars; and implementing burden reduction measures to reduce costs for grant recipients.

The Budget also supports administrative reforms for NIH, including efforts to harmonize operational functions and break down silos within the agency. In addition, the Budget proposes to consolidate three other major HHS research institutions in NIH to maximize the effectiveness of their research.

The Food and Drug Administration (FDA) is another crown jewel of American science. But its needs and priorities must change as the face of medical innovation changes, too. The Budget includes investments for FDA to speed the development and approval of new drugs and medical devices, and to increase the quality and safety of next generation manufacturing practices, including approximately \$500 million to strengthen medical product safety development and access.

Investing in Our Biodefense, Preparedness, and Global Health Security Programs

The President's Budget aims to improve our nation's preparedness for, and capabilities to respond to, chemical, biological, radiological, and nuclear threats; pandemic influenza; natural disasters; emerging infectious diseases; and cybersecurity challenges.

In each area, smart investments that empower the private sector and our global partners will help keep our country safe.

Chemical, Biological, Radiological, and Nuclear Threat Preparedness

The Budget includes \$512 million for the Biomedical Advanced Research and Development Authority (BARDA) and \$510 million for Project BioShield, which fund successful public-private partnerships that support the development and procurement of new medical products crucial to defending our country against chemical, biological, radiological, nuclear, and infectious disease threats. Prior HHS investments in these programs have resulted in more than 190 medical countermeasure candidates, 34 FDA-approved products from BARDA, and the procurement of 14 new products for the Strategic National Stockpile. Funding will also be available for exercises to build preparedness for threats such as emerging infectious diseases, natural disasters, and manmade biological, chemical, nuclear, and radiation threats

The Budget proposes to transfer the Strategic National Stockpile to the Office of the Assistant Secretary for Preparedness and Response, to boost operational efficiencies and streamline development and procurement of medical countermeasures. It also provides \$575 million to maintain and replenish the stockpile, the nation's largest supply of life-saving medical countermeasures that can be deployed in the event of a public health emergency. .

Natural Disaster Preparedness

Following the powerful hurricanes and historic wildfires of 2017, HHS remains ready to respond to any and all hazards when disaster strikes. The Budget ensures the Department is able to support essential emergency preparedness activities to refine our disaster responses. In

particular, Hospital Preparedness Program resources will continue to be allocated to states and localities according to risk, ensuring communities with more risk have the necessary coordination and resources. The Budget also continues to provide \$50 million to support the National Disaster Medical System. Through this cost-effective and successful program, HHS trains and deploys teams of American healthcare professionals from across the country to provide medical care to our fellow Americans in the event of an emergency.

Global Health Security

One of the most effective ways to protect Americans from the threat of infectious diseases is to enable other countries to follow through on their own commitments to contain and respond to disease threats. Such investments are far less expensive than mounting an international public health response to control an epidemic.

To support this goal, the Budget provides a total of \$409 million for CDC's global health activities, which strengthens CDC's international preparedness and response capabilities. The Budget would also build on substantial progress that has been made toward global health security goals under the Global Health Security Agenda (GHTA), including a \$59 million investment that provides funding for CDC to continue this work into FY 2020.

Cybersecurity

The Budget recognizes that HHS must continue robust operations to meet today's cybersecurity needs and includes \$68 million to ensure the Department is able to protect sensitive and critical information in an ever-changing threat landscape. The Department will also focus on support for and coordination with the healthcare and public health sectors in close coordination with the Department of Homeland Security, to promote information and resource sharing across levels of government and the private sector.

Strengthening the Indian Health Service

Through the Indian Health Service (IHS), HHS is responsible for providing quality healthcare services to more than 2.2 million eligible American Indians and Alaska Natives. The Budget prioritizes funding for this agency, and in particular for direct health services. The Budget also makes significant investments to assist IHS facilities with meeting CMS quality health standards.

Looking forward, and consistent with our statutory authorities, we recognize that how we provide quality healthcare in Indian Country and beyond must change to achieve and ensure the high quality of these services. More Tribes have assumed the responsibilities of providing healthcare for their members with support from the IHS, and investments in the Budget reflect our support for the growth of tribal self-governance in the provision of healthcare.

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The President's 2019 Budget for HHS recognizes the importance of focusing government spending on programs that work and reforming our nation's healthcare programs for a fast-changing world. This Budget recognizes that securing America's future demands sound fiscal management and responsible decisions about our priorities. If we are serious about fulfilling HHS's mission of enhancing and protecting the well-being of all Americans, we must adopt the bold innovation and direction espoused by the President's Budget.

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