May 23, 2017

This morning President Trump released his first comprehensive budget proposal that includes funding recommendations for every part of the Federal government, as well as a wide range of legislative proposals that would make significant changes to a large number of Federal programs and policies. The recommendations cover Federal Fiscal Year 2018 (FY18) which runs from October 1, 2017 through September 30, 2018. Today's release provides considerably more detail regarding individual programs and legislative proposals than the Administration's "skinny budget" that was released in March.

The document is not a binding statement of policy, nor is it a specific legislative package that will enact changes to programs and financing levels. Instead, it is a proposal that Congress must digest and consider as it develops legislative and appropriations bills throughout the year. Many Congressmen in both parties have expressed concern about the scope of reductions proposed, making it unlikely that the budget will be enacted as written. However, the President does have regulatory authority to shape some programs and the Administration will likely engage with Congress to attempt advancement of some of the policies included in today's release.

Overall, the President's Budget for FY2018 presents a vision of the Federal government that would consolidate and reduce the support currently provided through an array of different agencies and programs. Instead, the Federal government would shift its focus towards safety and security related activities and would rely on the private sector, nonprofits, and philanthropic organizations to deliver and coordinate many services and programs currently administered by the government. As part of this vision, the budget includes a number of proposals that would significantly change the structure of health and human services programs.

Many programs within the Older Americans Act are level-funded in the proposal, including the Nutrition Services Programs; HCBS supportive services; Family Caregiver Support; the Long-term Care Ombudsman Program; Aging and Disability Resource Centers; and Elder Rights Activities. Notably, the document uses the original FY2017 figures instead of the recently enacted omnibus funding legislation; thus, any increases (or decreases) contained within the current appropriation are not reflected in the this budget. This results in a slight discrepancy from current funding levels to the Administration's proposals despite the stated intent to 'level-fund' the programs.

The budget does include some reductions in and elimination of aging-related programs. As part of the vision to reframe the Federal government's role, the budget proposes a gradual elimination of the Corporation for National and Community Service. As part of this proposal, the Corporation's Foster Grandparents, Senior Companion, and Retired Senior Volunteer programs would all be eliminated in FY18. Similarly, the document proposes eliminating both the Senior Community Service Employment Program (SCSEP) and the State Health Insurance Assistance Program (SHIP). The Administration for Community Living's administrative budget also receives a proposed reduction, from $40 million to $38 million.

In addition to aging-related program reductions, the proposal includes some significant restructuring to Medicaid programs. The proposal includes a reduction of over $600 billion to Medicaid, which HHS indicates is in addition to the savings that are projected from the health reform package currently under consideration in Congress.[1] However, the exact interplay between the proposals in this document and the Congressional reform legislation is a little unclear. Savings in the proposed budget are derived from several sources, most notably the shift of Medicaid financing from an open-ended entitlement to a choice between a per capita limited or block granted program. The current Congressional legislation also projects savings from similar mechanisms which, coupled with the repeal of the Affordable Care Act's Medicaid expansion, results in over $800 billion of reductions to Medicaid. It is unclear whether the full $800 billion and $600 billion are calculated separately and, if so, what modifications would be made to the legislative financing reforms in order to meet these savings targets.

The President's budget also proposes eliminating the Agency for Health Care Research and Quality (AHRQ) and significantly reducing funding for the Office of the National Coordinator for Health Information Technology.

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[1] "In total, the Budget includes a net savings to Medicaid of $627 billion over 10 years, not including additional savings to Medicaid as a result of the Administration's plan to repeal and replace Obamacare" - see https://www.hhs.gov/sites/default/files/fy2018-budget-in-brief.pdf

There are a number of proposals in the document that would impact disability-related programs. The legislation includes savings from Social Security Disability Benefits, both the Supplemental Security Income (SSI) as well as the Social Security Disability Insurance (SSDI) programs. The Administration proposes reducing SSI benefits when benefits are received by multiple individuals in the same family. For SSDI, the proposal would limit the amount of retroactive payments issued when there is a gap between application and eligibility determination. Current law provides for 12 months of retroactive benefits whereas the proposed budget would limit this to 6 months.

The budget also includes a proposal to establish an expert panel that would make recommendations to increase labor force participation of individuals on SSI and SSDI and result in a 5% decrease in program expenditures. The budget does not make any specific proposals; however, it suggests that the panel should examine options such as:

- Testing "time limited benefits" for beneficiaries for a period when they would be more likely to return to work;
- Requiring applicants to engage in job-seeking activities before their application is considered;
- Pushing existing State vocational rehabilitation offices to intervene earlier with individuals on a track to end up on DI;
- Replicating welfare-to-work strategies in State TANF offices to provide wellness care and vocational services to welfare applicants that cannot work due to a short-term or uncontrolled health condition; and
- Mandating that lower back pain and arthritis sufferers engage in rehabilitation traditionally used in occupational health treatment services before receiving benefits.

Additionally, the budget recommends eliminating State Councils on Developmental Disabilities and Independent Living State Grants, while level-funding Centers for Independent Living. The reductions would result in approximately $95 million of savings, which would be partially offset by a new $45 million program called "Partnerships for Innovation, Inclusion, and Independence." The Paralysis Resource Center, Limb Loss Resource Center, and Supported Employment State Grants would also be eliminated. The Office of Disability Employment Policy (ODEP) at the Department of Labor would also be cut from $38 million to $27 million.

3

Lastly of note, a number of human services programs would be reduced or eliminated under this proposal. Proposed eliminations include the Community Services Block Grant (CSBG), Low Income Home Energy Assistance Program (LIHEAP), Community Development Block Grant (CDBG) program, and Social Services Block Grant (SSBG). Reductions include a 10% cut to Temporary Assistance to Needy Families (TANF) and an $8 billion cut to the Supplemental Nutrition Assistance Program (SNAP).

All told, the budget expresses priorities focused on a small Federal government that targets its programs and assistance to specific areas and individuals. While we do not anticipate that many of these proposals will be enacted, we do believe that there are areas of agreement with Congress that could lead to pressure on overall expenditures and restructuring of certain programs. Most notably, both the SHIP and SCSEP programs were reduced in the FY2017 Omnibus legislation and continue to be at-risk from Congress and the administration. Similarly, some of the proposed aggressive restructuring of Medicaid could be enacted through the health reform legislation advancing through Congress – though the full extent of Medicaid savings may not reach the levels estimated in this budget release.

The next step in the FY2018 budgetary process is the development of appropriations bills in both the House and the Senate. This is expected to occur throughout the summer months.