

DEPARTMENT OF HEALTH AND HUMAN SERVICES



FISCAL YEAR
2014

Centers for Medicare & Medicaid Services

*Justification of
Estimates for
Appropriations Committees*

CMS remains the largest purchaser of health care in the United States. Our programs combined currently pay almost one-third of the Nation's health expenditures. For 46 years, these programs have helped pay the medical bills of millions of older and low-income Americans. In FY 2014, we expect to serve almost 116 million Medicare, Medicaid and CHIP beneficiaries, more than one-in-three Americans. With the implementation of the Affordable Care Act provisions, CMS has the opportunity to provide affordable health care to millions of additional Americans.

CMS outlays more benefits than any other Federal agency and we are committed to administering our programs as efficiently and effectively as possible. In FY 2014, benefit outlays for our traditional programs are expected to total \$901.1 billion. Non-benefit costs, which include administrative costs such as Program Management, the Federal share of Medicaid State and local administration, the Health Care Fraud and Abuse Control account (HCFAC), the Quality Improvement Organizations (QIO), and the new insurance market reforms, among others, are estimated at \$35.5 billion or 3.9 percent of total benefits. CMS' non-benefit costs are small when compared to Medicare benefits and the Federal share of Medicaid and CHIP benefits. Remarkably, discretionary Program Management costs are less than one percent of these benefits.

Mission

CMS envisions itself as a major force and trustworthy partner for the continual improvement of health and healthcare for all Americans.

Overview of Budget Request

CMS requests funding for its five annually-appropriated accounts including Program Management (PM), discretionary Health Care Fraud and Abuse Control (HCFAC), Grants to States for Medicaid, Payments to the Health Care Trust Funds (PTF) and beginning in FY 2014, Reduced Cost Sharing for Individuals Enrolled in Qualified Health Plans (Cost Sharing Reductions). The table at the end of this section displays our FY 2013 and FY 2014 requests for these accounts.

Within Program Management, funding will enable CMS to implement enhancements and expansions in its traditional health care programs—Medicare, Medicaid, and CHIP—as well as new activities related to the Marketplaces, insurance market reform and oversight, and consumer information. This request will allow CMS to maintain statutory and near-policy survey frequencies in the Nation's health care facilities. CMS' request also includes funding for State High-Risk Pool grants. Major initiatives and activities within each of these accounts are discussed in more detail below.

Key Initiatives

- Federal Marketplaces

CMS' program level request for the Marketplaces totals \$2.0 billion in FY 2014, to support the first year of program operations. This program level consists of a request for \$1.5 billion in discretionary Program Management resources, and \$450.0 million in anticipated user fee collections. This funding will be used to implement several key activities including eligibility, enrollment and appeals services; outreach and education;

**CMS Annually-Appropriated Accounts
(Dollars in Millions)**

Accounts	FY 2012 Enacted	FY 2014 Request	FY 2014 +/- FY 2012
Program Management	\$3,820.1	\$5,217.4	+\$1,397.2
HCFAC – Discretionary	\$309.8	\$311.0	+\$1.2
Grants to States for Medicaid	\$270,724.4	\$284,208.6	+\$13,484.2
Payments to Health Care Trust Funds	\$230,741.4	\$255,185.0	+\$24,443.6
Cost Sharing Reductions	\$0.0	\$3,977.9	+\$3,977.9
Grand Total ^{1/}	\$505,595.7	\$548,899.9	+\$43,304.2

^{1/} Totals may not add, due to rounding.

FY 2014

Program Management

CMS requests \$5,217.4 million in Program Management funds, an increase of \$1,397.2 million over the comparable FY 2012 enacted level. This request will allow CMS to continue to effectively administer Medicare, Medicaid, and CHIP and to implement health insurance reforms, such as the Marketplace. Effective implementation of the Affordable Care Act (ACA) is a top Administration priority. CMS' requested investment in FY 2014 for ACA implementation is critical to expanding health care coverage to millions of Americans and in controlling the growth in health care costs.

- **Program Operations:**

CMS' budget request for Program Operations totals \$4,011.2 million in FY 2014, a \$1,403.2 million increase over the comparable FY 2012 enacted level. This request includes \$1,457.4 million for the Marketplace. This funding is needed to ensure first-year Marketplace operations as planned for FY 2014.

The majority of the Program Operations account funds CMS' traditional Medicare operations. This funding level will allow CMS to process over 1.2 billion fee-for-service claims and related workloads, keep our systems running, transition contractors onto the Healthcare Integrated General Ledger Accounting System (HIGLAS), continue work on the new International Classification of Diseases (ICD-10) coding system, maintain our 1-800 call centers, oversee Part C and D plans, and to provide outreach and education

Reduced Cost Sharing for Individuals Enrolled in Qualified Health Plans

The FY 2014 request for Reduced Cost Sharing for Individuals Enrolled in Qualified Health Plans is \$4.0 billion in the first year of operations for Health Insurance Marketplaces, also known as Exchanges. CMS also requests a \$1.4 billion advance appropriation for the first quarter of FY 2015 in this budget to permit CMS to reimburse issuers who provided reduced cost-sharing in excess of the monthly advanced payments received in FY 2014 through the cost-sharing reduction reconciliation process.

Conclusion

CMS' FY 2014 request for its five annually-appropriated accounts—Program Management, discretionary HCFAC, Grants to States for Medicaid, Payments to the Health Care Trust Funds, and Cost-Sharing Reductions—is \$548.9 billion in FY 2014, an increase of \$43.3 billion above the FY 2012 level. This request includes funding for a new appropriation for reduced cost-sharing provided to individuals enrolled in plans through the Marketplaces, beginning in 2014.

CMS' FY 2014 President's Budget request totals \$5.2 billion for Program Management, a \$1.4 billion increase over the comparably-adjusted FY 2012 enacted level. This funding will allow CMS to operate the Marketplace as planned in FY 2014, continue its traditional activities in the Medicare, Medicaid, and CHIP programs and implement many other provisions enacted in FY 2010 as part of the Affordable Care Act.

This budget request invests \$640.0 million in additional HCFAC funding in FY 2014, \$311.0 million in ongoing discretionary funding and \$329.0 million in proposed mandatory funding, an increase of \$330.2 million over the FY 2012 enacted level. This funding will be devoted to maintaining and improving oversight programs related to early detection and prevention, and reducing improper payments.

CMS remains committed to finding efficiencies within base workloads, to safeguarding its programs, and to providing beneficiaries, stakeholders, and health care consumers with the highest possible levels of service.

Reduced Cost Sharing for Individuals Enrolled In Qualified Health Plans

Appropriations Language

For carrying out, except as otherwise provided, sections 1402 and 1412 of the Patient Protection and Affordable Care Act (Public Law 111-148), such sums as necessary. For carrying out, except as otherwise provided, such sections in the first quarter of fiscal year 2015 (including upward adjustments to prior year payments) \$1,420,000,000.

Language Provision	Explanation
<i>For carrying out, except as otherwise provided, sections 1402 and 1412 of the Patient Protection and Affordable Care Act (Public Law 111-148), such sums as necessary.</i>	Funding for payments made to Qualified Health Plan (QHP) issuers to reduce cost sharing for eligible enrollees beginning in January of 2014. Provides indefinite authority to avoid shortfalls.
<i>For carrying out, except as otherwise provided, such sections in the first quarter of fiscal year 2015 (including upward adjustments to prior year payments) \$1,420,000,000.</i>	Funding to cover the first quarter payments made to Qualified Health Plan (QHP) issuers to reduce cost sharing for eligible enrollees beginning in October of 2014, including reconciliation of FY 2014 cost-sharing payments to issuers.

Reduced Cost Sharing for Individuals Enrolled In Qualified Health Plans

(Dollars in Thousands)

	FY 2012 Actual	FY 2013 Current Law	FY 2014 Estimate	FY 2014 +/- FY 2013
Budget Authority	-	-	3,977,893	3,977,893
Outlays	-	-	3,977,893	3,977,893

Appropriations – Funding Available for Obligation

Authorizing Legislation – Patient Protection and Affordable Care Act of 2010 (P.L. 111-148)

Allocation Method - Direct Federal

Program Description and Accomplishments

Section 1402 of the Patient Protection and Affordable Care Act (P.L. 111-148) provides for reductions in cost sharing for certain individuals enrolled in qualified health plans purchased on the Exchanges, also known as Health Insurance Marketplaces, beginning in 2014. Section 1412 of the Patient Protection and Affordable Care Act (P.L. 111-148) provides for the advance payment of these reductions to issuers. This assistance helps eligible low- and moderate-income qualified individuals and families afford the out-of-pocket spending associated with health care services provided through Marketplace-based qualified health plan coverage. Issuers receive payments to cover the amount of cost sharing they would have otherwise received from enrollees.

Budget Request (\$3,978 million)

CMS requests an appropriation in order to ensure adequate funding to make payments to issuers to cover reduced cost-sharing in FY 2014. This request is comparable to other appropriated entitlements such as Medicaid. The \$3,978 million request reflects current estimates by the CMS Office of the Actuary for cost-sharing reduction payments that will be made to issuers beginning in January 2014 when Marketplace coverage begins. Because this is a new program and estimates are subject to variability in the actual amount needed, CMS is requesting an indefinite appropriation for FY 2014 to cover the costs of payments for reduced cost-sharing if they exceed preliminary estimates.

The advance appropriation for the first quarter of FY 2015 will ensure timely payments are made to issuers at the beginning of the fiscal year. It will also permit CMS to reimburse issuers who provided reduced cost-sharing in excess of the monthly advanced payments received in FY 2014 through the cost-sharing reduction reconciliation process.