

March 28, 2022

White House Releases FY 2023 Budget Request

Includes proposals to invest in behavioral health and pandemic preparedness

President Biden today submitted to Congress his [budget request](#) for fiscal year (FY) 2023.

The budget request, which was released this morning, is not binding, but can act as a guide for Congress and the Administration as they consider health care and spending issues this year. Highlights of some of the provisions affecting hospitals and health systems follow. More details about these and other proposals are included in the Department of Health and Human Services' (HHS) [Budget in Brief](#) document.

KEY HIGHLIGHTS

The President's budget request would, among other provisions propose to:

- Provide investments to increase access to behavioral health care, including by changing longstanding Medicare policy for coverage of psychiatric services and requiring greater coverage of behavioral health services without beneficiary cost-sharing;
- Increase federal investments in a number of workforce programs with specific focus on building nursing and behavioral health specialist workforce, focusing on the needs of underserved areas, and improving training in diversity and health equity;
- Invest in federal capabilities to prepare for and respond to future pandemics and other high consequence biological threats; and
- Make new investments into health research and development against diseases such as cancer, diabetes and dementia.

HIGHLIGHTS OF PROPOSALS AFFECTING HOSPITALS AND HEALTH SYSTEMS

Medicare and Medicaid. The budget would result in \$846 billion in federal spending on the Medicare program and \$536 billion in federal spending on the Medicaid program in FY 2023. This represents an increase of \$93 billion in Medicare spending and a decrease of \$26 billion in Medicaid spending. The decrease in Medicaid spending appears to be largely attributable to the expectation that enrollment will decline after reaching a record high during the COVID-19 pandemic. Underlying the budget numbers are several proposed policy changes with particular focus on increasing access to behavioral health care services, improving health equity and addressing health disparities, especially as it relates to maternal and child health. We address these issues in separate sections below.

Behavioral Health. The president's budget seeks to strengthen access to behavioral health care by investing in workforce development and service expansion; enhancing enforcement of the parity law; expanding coverage under Medicare and private insurance by requiring coverage of specific behavioral health services; and improving access under Medicaid through build-outs of existing programs. Among several other provisions, this includes investing \$7.5 billion in a new mental health system transformation fund, permanently extending funding for Community Mental Health Centers, requiring major health insurance coverage programs to cover three behavioral health visits per year without cost-sharing, and eliminating the 190-day lifetime limit on psychiatric services under Medicare.

Pandemic Preparedness. The budget includes \$81.7 billion in mandatory funding over five years across the Office of the Assistant Secretary for Preparedness and Response (ASPR), Centers for Disease Control and Prevention (CDC), National Institutes of Health (NIH), and Food and Drug Administration (FDA) to support the President's plan to transform U.S. capabilities to prepare for and respond rapidly and effectively to future pandemics and other high consequence biological threats. As part of the plan, ASPR would invest \$40 billion to conduct advanced research and development of vaccines, therapeutics and diagnostics for high priority viruses; scale up domestic manufacturing capacity for medical countermeasures; and expand the public health workforce.

Other investments in pandemic preparedness include:

- \$975 million for the ASPR Strategic National Stockpile to sustain and expand current inventory (an increase of \$130 million above FY 2022 enacted).
- \$828 million for ASPR's Biomedical Advanced Research and Development Authority to support life-saving medical countermeasures and antimicrobial development (an increase of \$83 million above FY 2022 enacted).
- \$292 million to the ASPR Hospital Preparedness Program (an increase of \$11 million above FY 2022 enacted).
- \$842 million for CDC's domestic preparedness (level with FY 2022 enacted).
- \$1.6 billion in new spending for FDA to expand and modernize regulatory capacity, information technology and laboratory infrastructure to respond to any future pandemic or high consequence biological threat.

Maternal and Child Health Investments. The FY 2023 budget proposes several initiatives to address the inequities that are major drivers of the poor overall U.S. rates of maternal and infant mortality. Specifically, the budget specifies \$276 million across the Health Resources and Services Administration (HRSA) programs to improve maternal health and specifically reduce maternal mortality and morbidity, \$202 million above FY 2022 enacted. These programs include State Maternal Health Innovation Grants; Alliance for Innovation on Maternal Health (AIM) safety bundles; Rural Maternity and Obstetrics Management Strategies (Rural MOMS); screening and treatment for maternal depression and a maternal health hotline; identifying geographic areas with maternity care health professional shortages; expanding home visiting programs for families at risk for poor maternal and child health outcomes, and the Healthy Start

program. The budget also requests \$1 billion for other maternal and child health programs in addition to the programs related to reducing maternal mortality.

Workforce. The budget would continue investments in several important workforce development programs. Notably, the budget would add \$324 million in new workforce spending to a total of more than \$2 billion in FY 2023. This would include more than doubling the investment in behavioral health workforce development programs to \$397 million and increasing the National Health Service Corp by \$88 million to \$210 million. The budget also calls for investments in training for diversity, Teaching Health Centers Graduate Medical Education, public health and preventative medicine programs and nursing workforce development. At the same time, the budget proposes to decrease the investment in Children's Hospitals Graduate Medical Education by \$25 million to \$350 million.

Telehealth Extension. The president's budget also supports extending telehealth coverage under Medicare beyond the COVID-19 Public Health Emergency to study its impact on utilization of services and access to care. The budget requests \$45 million for HRSA to promote telehealth among providers and others. This is a 25% increase over the FY 2022 actual.

Rural. The president's FY 2023 budget would make investments to improve access to care in rural communities, including advancing telehealth services, expanding access to specialized behavioral health expertise and increased funding for training and workforce programs.

Medicaid Managed Care. The budget proposes changes to financial oversight in Medicaid managed care programs by enabling better targeting of enforcement actions. Federal oversight authority currently requires the government to withhold federal funds generally from states subject to enforcement penalties within their managed care programs, which could threaten the financing of a state's entire Medicaid program. The budget proposal would instead enable the government to target compliance actions and withhold federal funding on an individual claim basis. As a result, the federal government would be more likely to conduct oversight and issue such penalties, and the budget therefore projects to save \$2.1 billion over 10 years as a result of this proposal.

Advanced Research Projects Agency for Health (ARPA-H). The budget proposes an investment of \$5 billion for ARPA-H to generate increased innovation and implementation of advancements in health care. The initial focus of this work would be geared toward cancer and other diseases like diabetes and dementia. For example, this investment, in coordination with investments in other research and regulatory bodies, would fund the work of the Cancer Moonshot Initiative, which has a goal of reducing the cancer death rate by at least 50 percent over the next 25 years. The \$5 billion request for ARPA-H, along with other funding requests for the National Institutes of Health, total an overall request of \$49 billion focused on health research and innovation.

340B Drug Pricing Program. The budget would provide \$17 million in spending for FY 2023 to improve operations and oversight of the 340B Program. This is a \$6 million increase over FY 2022 enacted levels. The budget proposes to improve program integrity by providing additional regulatory authority to support program implementation and oversight but does not provide specific details.

Discretionary Spending. The budget calls for \$1.6 trillion for appropriated spending in FY 2023, including \$873 billion for domestic programs.

The budget requests \$127 billion in discretionary funding for the Department of Health and Human Services (HHS), a \$27 billion increase from the 2021 enacted level. This amount excludes the Indian Health Service, which the Budget proposes to shift from discretionary to mandatory funding.

The discretionary spending budget includes the following policies and funding levels:

- **Centers for Disease Control and Prevention.** \$9.7 billion in discretionary funding, an increase of over \$2 billion from the FY 2022 level.
- **National Institutes of Health (NIH).** \$49 billion, including \$5 billion for a new Advanced Research Projects Agency for Health inside the NIH.
- **Food and Drug Administration.** \$3.7 billion for the agency. (This amount excludes user fees and mandatory funding.)
- **Behavioral Health and Substance Use.** \$10.1 billion for Substance Abuse and Mental Health Services Administration programs, a \$3.7 billion increase over last year, including \$1.65 billion for the Community Mental Health Services Block Grant program.
- **Hospital Preparedness Program (HPP).** \$292 million for the HPP, the primary federal funding mechanism for health care emergency preparedness.
- **Rural Health Care.** \$374 million for rural health programs under the HRSA, including for telehealth, the Rural Communities Opioid Response Program and the Rural Residency Program.
- **National Institute on Minority Health and Health Disparities.** \$660 million for this program, a \$200 million increase from the FY 2022 enacted level.
- **Workforce Development.** \$1.64 billion in discretionary funding for workforce programs within the HRSA, including \$295 million for programs to support nursing workforce development. In addition, the budget provides approximately \$400 million in mandatory workforce funding for the National Health Service Corps and teaching health centers GME.

FURTHER QUESTIONS

If you have further questions, please contact AHA at 801-424-4301.