Overview of the Fiscal Year (FY) 2021 President’s Budget Request
February 10, 2020

This document provides an overview of the FY 2021 President’s Budget Request released on February 10, 2020. More details will be presented in the AAMC 2020 Policy and Advocacy Outlook Webinar on Tuesday, February 18 at 4 p.m. eastern. Please note all participants must register to access the webinar.

As in previous years, the Trump Administration has proposed slashing funding for programs of importance to academic medicine, including the National Institutes of Health (NIH), the Health Resources and Services Administration (HRSA) Titles VII and VIII workforce programs, as well as proposing significant cuts to Medicare Graduate Medical Education (GME) funding and other Medicare and Medicaid funding streams and undermining the 340B drug pricing program. The AAMC issued a statement today encouraging Congress to reject the proposed budget, noting that it “would be devastating for patients and their families, derailing critical progress on new cures, prevention, and treatments for disease. The proposed budget also would ravage America’s health care workforce infrastructure and dismantle the health care safety net.”

Since Congress has historically rejected the proposed budget, it is primarily a messaging document outlining the Administration’s priorities. In an election year, it also provides insight as to what the Trump Administration would propose in a second term and a platform for Democrats to run against.

RESEARCH AND PUBLIC HEALTH

National Institutes of Health
The Administration requests a program level of $38.694 billion for the NIH in FY 2021 (which includes $404 million from the Innovation Account in the 21st Century Cures Act), a $3 billion, or more than 7 percent, cut below the FY 2020 enacted program level. Within the total, which HHS expects would support approximately 1,500 fewer research project grants than in FY 2020, the proposal highlights efforts related to the opioid and methamphetamine epidemic, childhood cancer, universal flu vaccine, and neonatal research. The latter includes a request for $100 million over two fiscal years “dedicated to advancing research and care for America’s youngest patients,” as described in the president’s State of the Union address.

Regarding the research workforce, the HHS Budget in Brief notes that NIH “aims to sustain and diversify the biomedical research workforce to foster creative discoveries and innovative research to protect and improve health.” The request includes an estimated $848 million to support over 16,000 trainees through the Ruth L. Kirschstein Institutional National Research Service Award. The HHS budget documents also indicate that in FY 2021, “NIH will launch new
programs to develop artificial intelligence and other tools that will enable computing across diverse datasets in a cloud environment."

As in past years, the administration proposes to reduce the salary cap from Executive Level II of the federal pay scale to Executive Level V.

**Agency for Healthcare Research and Quality (AHRQ)**

As in the past three years, the president’s request proposes to eliminate AHRQ and fund it as a new institute within NIH. The budget requests $257 million for the proposed replacement National Institute for Research on Safety and Quality (NIRSQ), which would represent an $82 million (24 percent) cut below AHRQ’s current funding level. AHRQ’s budget is also supplemented by transfers from the Patient-Centered Outcomes Research Trust Fund.

**Health Resources and Services Administration (HRSA)**

The president’s budget proposes $250.4 million for the HRSA Title VII health professions and Title VIII nursing workforce development and diversity programs, a $484 million (66%) decrease below FY 2020 enacted levels. The budget request proposes the elimination of most Title VII programs including the Health Careers Opportunity Programs, Scholarships for Disadvantaged Students, Area Health Education Centers, and Primary Care Training and Enhancement programs.

The budget does include $23.711 million for Centers of Excellence, $37 million for Mental and Behavioral Health, and $102 million for Behavioral Health Workforce Education and Training, all flat-funded from FY 2020. The budget also proposes $4.6 million for the National Center for Health Workforce Analysis, a $1 million (18%) decrease from the FY 2020 level. While the president’s budget would eliminate most of the Title VIII nursing workforce development programs, the NURSE Corps Scholarship and Loan Repayment programs would receive $83 million, close to the $88.6 million in FY 2020.

The president’s FY 2021 budget requests a total of $430 million for the National Health Service Corps (NHSC). Within this total, the request includes $120 million in discretionary funding, which is the same level as last year. Additionally, the budget would continue $310 million in mandatory funding for FY 2021, which would require congressional reauthorization of the mandatory appropriation fund that expires with the “primary care cliff” on May 22.

In addition to the Medicare and Children’s Hospital GME consolidation (more information is provided in the GME section below), the president’s budget request would request $127 million in mandatory appropriations for Teaching Health Center GME (THCGME) for FY 2021. Currently, THCGME falls under the “primary care cliff” expiration that occurs in May. The budget proposal would also eliminate the Rural Residency program, which received $10 million in FY 2020 and the Medical Student Education program, which received $50 million in FY 2020.
Department of Veterans Affairs Medical and Prosthetic Research
The President’s request includes $787 million for VA research in FY 2021. The final FY 2020 spending bill appropriated $800 million for VA research and also rescinded $50 million in prior year unobligated balances. The president’s FY 2021 request is a $37 million, or 5%, increase over the net FY 2020 enacted level. The budget request highlights research strategic priority areas in clinical trials access, increasing the real-world impact of VA research, and accelerating translational research. The budget also highlights suicide prevention and treatment of substance use disorder as clinical priorities.

CLINICAL AND HEALTH CARE DELIVERY
Consolidation and Reduction of Graduate Medical Education (GME) Funding
The budget proposes to consolidate Medicare GME, Medicaid GME, and Children’s Hospital GME (CHGME) spending into a single, capped block grant program that would be funded out of the Treasury. Growth in total GME funding would be limited to the sum of Medicare and Medicaid’s 2017 GME payments, plus 2017 CHGME payments. This amount would be adjusted for inflation according to the Consumer Price Index for all Urban Consumers (CPI-U), minus one percentage point annually. Payments would be made to hospitals based on the “number of residents at a hospital (up to its existing cap) and the portion of the hospital’s inpatient days accounted for by Medicare and Medicaid patients.” The HHS secretary would have discretion to modify the amounts distributed based on several factors, including the proportion of residents training in priority specialties or programs, health care professional shortages, and educational priorities. The proposal would have an overall net cut of $52.2 billion over 10 years.

Elimination of Exclusions for Off-Campus Hospital Outpatient Departments
The proposed budget would eliminate all exceptions to the so-called site neutral payment policy and require all off-campus hospital outpatient departments to be paid under the Physician Fee Schedule. This would result in a cut of $47.24 billion over 10 years.

Expand Hospital Outpatient Department Payment Policy to On-Campus Settings
The proposed budget would also expand so-called site neutral payment policy to on-campus hospital outpatient departments and pay them under the physician fee schedule for certain services, such as clinic visits. The proposal would cut $117.2 billion over 10 years.

Medicare Uncompensated Care Payments
The proposed budget would establish a new process to distribute Medicare uncompensated care payments to hospitals based on share of charity care and non-Medicare bad debt, as reported on Medicare cost reports. The total amount of available uncompensated care payments would be equal to FY 2019 funding levels, grown annually by the Consumer Price Index for all Urban Consumers. Uncompensated care payments would be funded from the general fund of the Treasury rather than the Medicare Trust Fund. The proposal would result in a $174.2 billion Medicare cut over 10 years, however $86.3 billion in increased spending from general revenues would result in a net cut of $87.9 billion over 10 years.
**Medicare Bad Debt Payments**
Under current law, Medicare generally reimburses providers for 65 percent of bad debts from non-payment of cost-sharing requirements. Under the proposed budget, Medicare reimbursement of bad debt would be eliminated, for a cut of $33.6 billion over 10 years.

**Medical Liability**
The president’s budget includes several provisions related to reforming medical liability, including, but not limited to, capping awards for noneconomic damages, providing for a three-year statute of limitations, and allowing courts to modify attorneys’ fee arrangements. These provisions would cut $31.5 billion over 10 years.

**Medicaid DSH Cuts**
The budget proposal would extend the Medicaid DSH cuts through FY 2030, resulting in a $32.36 billion cut over 10 years. It also includes additional cuts from expanding work requirements and creating more stringent screening requirements for enrollees.

**Drug Pricing**
The budget proposal calls on Congress to pass comprehensive legislation to reduce the cost of prescription drugs. While the administration does not endorse a specific piece of legislation, it does support efforts to establish an out-of-pocket maximum and reduce out-of-pocket costs for seniors, as well lower costs of generic and biosimilar drugs to patients. The budget anticipates legislation that accomplishes these goals would save $135 billion over 10 years.

**340B Drug Pricing Program**
Similar to previous years, the budget proposes several changes to the 340B Drug Pricing Program. The administration proposes to give HRSA general regulatory authority over the program to “allow for clear, enforceable standards of participation and will help ensure covered entities maintain compliance with 340B program requirements and the program benefits low-income and uninsured patients.” Additionally, the budget would implement a new user fee of 0.1% of total 340B drug purchase from covered entities to improve operations and oversight.

**HIGHER EDUCATION**

**Department of Education**
For the third year in a row, the president’s budget request would eliminate Public Service Loan Forgiveness (PSLF), which forgives federal direct student loans after 10 years of repayment in public service. The budget request would eliminate cost of attendance borrowing for graduate students (GradPLUS loans) and proposes new set annual and aggregate borrowing limits.

The request also includes a proposal for a single income-driven repayment that would:

- increase a borrower’s monthly payment to 12.5% of discretionary income compared to 10% under current REPAYE;
• increase total repayment to 30 years for graduate and professional students compared to 25 years under current REPAYE; and
• eliminate the Standard Repayment Cap.

The budget request notes that “all student loan proposals would apply to loans originating on or after July 1, 2021, except those provided to borrowers to finish their current course of study.”