**To: ANCOR Membership**

**From: Katherine Berland, Esq., Director of Public Policy**

**Date: May 24, 2017**

**Re: FY2018 Presidential Budget Proposal – “A New Foundation for American Greatness”**

**INTRODUCTION**

On May 23, the White House released its FY2018 budget, titled, "[A New Foundation for American Greatness](https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf)." The budget calls for increased defense and national security spending ($639 billion), while making deep cuts to Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and Social Security's disability programs. It also provides a framework regarding health care reform, regulatory reform, and government oversight and accountability. The budget assumes some savings will be realized through robust economic growth, predicted by the White House to rise to around 3 percent (a full percent higher than projections by the Congressional Budget Office and private sector economists). If that growth rate prediction is accurate, the budget would balance over a ten-year period.

ANCOR members should note that this proposed budget is not binding on Congress, who ultimately must write and approve a budget to be signed into law by the President. Historically Presidents have used their budget proposal to highlight policy areas they would like to see funded, inform and direct the legislative work of Congress, and set forth aspirational goals for policy. The House and Senate Budget Committees will write budget resolutions, which will be revised by the House and Senate Appropriations Committees, to set precise levels of spending for discretionary programs (these are programs that do not have statutory mandates requiring set federal spending) for each of twelve spending areas. Each chamber must approve the appropriations bills and then work through any differences present between the House and Senate versions. Only then will appropriations bills be advanced to the President to be signed into law. In recent years, Congress has not been able to pass appropriations bill through regular order (the process laid out above), and has instead used continuing resolutions or budget omnibus packages to keep the government funded. Continuing resolutions are short-term spending packages often used to keep cash flowing to permit longer term budget negotiations to occur. An omnibus package consolidates all twelve funding areas into a single bill, bypassing the process for separate appropriations bills that have in recent years become difficult to pass through Congress.

Process is important to note before delving into the details of President Trump’s FY2018 budget proposal, as already lawmakers from both parties have pushed back on significant provisions in the budget. Congress has not signaled a readiness to adopt Trump’s budget wholesale, and will instead work through its own budget process in the coming months.

This high-level summary includes provisions relevant to providers and individuals with disabilities, and is organized by agency.

[**DEPARTMENT OF HEALTH AND HUMAN SERVICES**](https://www.hhs.gov/sites/default/files/fy2018-budget-in-brief.pdf)

**Medicaid**

The budget proposes to reform Medicaid by giving states a choice between a per capita cap or a block grant structure starting in FY2020 to account for federal spending, converting the program from the current open-ended entitlement where the federal government will match state funds expended. Overall, the budget would cut $610 billion from the Medicaid program over ten years by restructuring the program, in addition to the $839+ billion in cuts projected from the American Health Care Act (AHCA) which is currently working through Congress. Additional savings will be realized through additional programmatic changes to CHIP, medical liability reform, and the special immigrant visa program.

The Department of Health and Human Services (HHS) put out its own [summary](https://www.hhs.gov/sites/default/files/fy2018-budget-in-brief.pdf) of the FY2018 budget, which goes into more detail on the reforms included in the Trump budget. The HHS summary states, "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...**" [emphasis added]. Taken together with the CBO's score of the AHCA, this would mean up to $1.3 trillion cut from the program over ten years.

Office of Management and Budget (OMB) Director Mick Mulvaney explained to press earlier this week, “We assume the Affordable Health Care Act that passed out of the House passes. That has some Medicaid changes into it. We wrap that into our budget proposals. We go another half a step further and ratchet down some of the growth rates that are assumed in the AHCA.” This affirms the concern that ANCOR and others have expressed over changing the structural mechanism of funding Medicaid, that with a capitated or block grant structure in place, it becomes easier to simply “dial down” the rate, resulting in reduced funding levels year over year.

**Children’s Health Insurance Program (CHIP)**

The budget would extend the Children's Health Insurance Program (CHIP) through 2019. Beyond that date, the budget assumes that CHIP will be addressed alongside other health reforms. The budget "proposes a series of improvements that rebalance the State-Federal partnership, including returning to the historic Federal matching rate, and increasing State flexibility." The budget would spend $4.6 billion less through 2019, with a total overall federal reduction of $16.7 billion over ten years.

According to the HHS budget summary, the extension of funding would cap the level at which states could receive the CHIP enhanced federal matching rate at 250 percent of the Federal Poverty Level, in order to ensure that CHIP remains focused on the most vulnerable and low income children. It would eliminate the twenty-three percent enhanced federal match rate for CHIP. The budget assumes the repeal of the Medicaid expansion permitted by the Affordable Care Act (ACA), which extended coverage to children who had been covered by CHIP. This change will allow states to move children currently covered by the Medicaid expansion back into CHIP.

**Health Care**

The budget includes $250 billion in deficit savings to be realized from the repeal and replacement of the Affordable Care Act (ACA). Included in that calculation are assumptions about increased growth of the gross domestic product (GDP) to expand the economy and create job growth.

The budget says,

"The Administration is committed to providing needed flexibility to issuers to help attract healthy consumers to enroll in health insurance coverage, improve the risk pool and bring stability and certainty to the individual and small group markets, while increasing the options for patients and providers. The Administration also supports State flexibility and control to create a free and open health care market and will continue to empower States to make decisions that work best for their markets. In light of these goals, the Budget promotes efficient operations and only funds critical activities for the Health Insurance Exchanges. The Administration will continue to work with the Congress to provide for a stable transition from the burdensome requirements of Obamacare and transition to a health care system focused on these core values."

**Substance Abuse and Mental Health Services Administration (SAMSHA)**

The budget would cut $360 million from SAMSHA over ten years. This figure includes cuts to the Community Mental Health Service Block Grant, but would keep level funding for Children's Health Services, the Substance Abuse Prevention and Treatment Block Grant, and the State Targeted Response to the Opioid Crisis Grants. The budget includes $589 million in 2018 to target fighting the opioid epidemic.

**Home and Community Based Supports (ACL)**

The Administration for Community Living (ACL) which is part of HHS would be funded at approximately $135 million less in 2018 than it was in 2017. The budget includes $368 million for ACL to fund its Home and Community Based Supportive Services and Preventive Health Services, which keeps the funding at its 2017 level. This program provides grants to states to fund services like transportation assistance, case management, adult day care, and in-home services which enable people to remain in their homes.

**Protection and Advocacy (ACL)**

The budget would allocate $39 million to maintain funding for the Developmental Disabilities Protection and Advocacy Program. Protection and Advocacy Systems work at the State level to protect individuals with developmental disabilities by investigating incidents of abuse and neglect, and pursuing legal, administrative, or other appropriate remedies.

**University Centers for Excellence (ACL)**

The budget would allocate $39 million to continue funding for University Centers for Excellence in Developmental Disabilities, a nationwide network that provides an array of interdisciplinary programs to improve the quality of services and supports for individuals with developmental disabilities and training for professionals. This is the same funding level provided in 2017.

**Partnerships for Innovation, Inclusion and Independence (ACL)**

The budget restructures activities carried out by the State Councils on Developmental Disabilities, Independent Living and Traumatic Brain Injury programs into a single state grant program. The Budget requests $45 million for the Partnerships for Innovation, Inclusion, and Independence program, which will combine these activities into a single statewide, cross-disability entity, promoting evidence-based approaches, efficiencies, and a more cohesive approach to disability partnerships. This restructuring of State council activities into a single grant program achieves $57 million in savings in FY 2018, while ensuring that States have the tools they need to coordinate care for individuals with disabilities.

[**SOCIAL SECURITY ADMINISTRATION**](https://www.ssa.gov/budget/FY18Files/2018BO.pdf)

**Social Security**

The budget would include significant cuts to Social Security programs, totaling approximately $74 billion over ten years. Impacted programs include Social Security Old-Age, Survivors' and Disability Insurance, as well as Supplemental Security Income (SSI). The budget would generate $50 billion in savings through Social Security demonstration programs to help disability beneficiaries stay in or return to the workforce. However, the budget would require that new demonstrations result in a five percent cut in SSDI and SSI payments by 2027. Additionally the budget would save $9.9 billion by reducing the timeframe that Social Security beneficiaries could get retroactive benefits from twelve months to six months. The budget would impose a sliding scale for SSI beneficiaries, resulting in ten year savings of $9 billion. The budget would cut an additional $4 billion from Social Security - including the retirement, survivors', and disability programs - in a variety of ways, including by excluding overpayment Social Security debt from discharge in bankruptcy and increasing Social Security's overpayment threshold.

[**DEPARTMENT OF LABOR**](https://www.dol.gov/sites/default/files/FY2018BIB.pdf)

**Office of Disability Employment Policy (ODEP)**

The budget would reduce funding for ODEP by $10.9 million in 2018. ODEP would join in the demonstration project jointly funded by the Social Security Administration aimed at returning recently ill, injured, or disabled employees to work. The budget directs ODEP to eliminate "less critical" technical assistance grants, but does not go into detail on which grants will be eliminated.

**Employment and Training Administration**

The Training and Employment Services programs authorized by the Workforce Innovation and Opportunity Act (WIOA) are budgeted to have significant cuts to job training and employment service formula grants, shifting more responsibility for funding these services to states, localities, and employers. Detail on specific dollar impact on disability programs is not available, though the total reduction for the Employment and Training Administration is approximately $1.3 million in 2018.

[**DEPARTMENT OF JUSTICE**](https://www.justice.gov/jmd/page/file/968381/download)

**Civil Rights Division/Olmstead**

The budget seeks to effectively maintain funding levels from 2017 for the Civil Rights Division. Notably absent in the DOJ budget request is any mention of Olmstead enforcement specifically. Key enforcement areas included are combating human trafficking, prosecuting hate crimes, protecting the rights of U.S. workers, protecting the rights of servicemembers and veterans, safeguarding voting rights for all Americans, promoting fair housing, and promoting educational opportunities.

[**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**](https://portal.hud.gov/hudportal/documents/huddoc?id=FY_18_CJS_COMBINED.PDF)

**Housing**

The budget would cut Department of Housing and Urban Development (HUD) by approximately $6.2 billion. It would cut funding to the Housing Trust Fund, saving $1.12 billion over ten years. According to HUD's [statement](https://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2017/HUDNo_17-041) on the budget, the Administration would remove the statutory limit on the number of public housing units that care participate in HUD's Rental Assistance Demonstration. The budget would support homeownership through $400 billion to FHA and $500 billion to Ginnie Mae lending programs. It would also support fair housing initiatives by retaining current funding levels of $65.3 million.

[**DEPARTMENT OF EDUCATION**](https://www2.ed.gov/about/overview/budget/budget18/summary/18summary.pdf)

**Education**

Overall the budget would cut $9 billion from 2017 spending levels. The budget seeks to scale back federal oversight and place responsibility for decisionmaking and administration of education programs with states and parents. The budget would allocate $12.9 billion for special education programs, in line with 2017 levels. It would also provide $3.6 billion in support for vocational rehabilitation services, as well as increase funding for vocational rehabilitation state grants by $54.4 million over 2017 levels.

[**UNITED STATES DEPARTMENT OF AGRICULTURE**](https://www.usda.gov/sites/default/files/documents/USDA-Budget-Summary-2018.pdf)

**Supplemental Nutritional Assistance Program**

Funding for Supplemental Nutritional Assistance Program (SNAP) would be reduced by approximately $200 billion over ten years.The budget would "rebalance" the State-Federal partnership for SNAP benefits, requiring a 10 percent match from states beginning in 2020 and increasing to 25 percent by 2023. The budget also includes reforms to "tighten eligibility and encourage work", including by limiting the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) to those who have social security numbers valid to work in the United States.

**CONCLUSION**

The President’s FY2018 seeks to streamline and reduce the size of the federal government and encourage private-sector economic growth. It seeks to “reprioritize Federal spending”, shifting federal funds away from safety net programs and into national security and defense spending, and the scaling back of business and personal income taxes.

The deep cuts to safety net programs, including and especially the proposed $1.3 trillion in Medicaid cuts, will have a devastating impact on providers and the individuals they serve if the budget is enacted as proposed.

The budget process will continue in the House and the Senate in the coming months, as it is Congress who must pass a budget that the President will ultimately sign into law.