aamc association of american medical colleges

March 17, 1981

TO: CAS Public Affairs Representatives and Alternates

FROM: Diane Plumb

SUBJECT: March 25 Special Meeting
10:30 a.m. - 4:00 p.m.
Monroe East Room
Washington Hilton Hotel

You have received a CAS ALERT about the March 25 Special Public Affairs Meeting on the Reagan Administration Budget Proposals for FY1981 and FY1982. The fact that this is the first special public affairs meeting we have called testifies to the urgency and importance of the budget situation. If you or an alternate representative from your society has not made plans to attend this meeting, we urge you to do so immediately!

Enclosed is the agenda for the meeting. In order for you to be adequately prepared, we are enclosing several background items:

Attachment A--Tables showing the Administration's proposed rescissions and FY1982 budget. Because of time pressures and the extreme difficulty this year in obtaining precise budget figures, these tables are somewhat incomplete but do provide adequate projections for areas of particular interest to CAS. More refined tables will be available at the meeting.

Attachment B--Background paper on the Federal budget process. Because the process itself is very complex and because the value of the morning presentations depends to a large extent on your understanding the budget lingo, you are strongly urged to read this prior to the meeting.

Attachment C--Background on the proposed cap on Federal Medicaid expenditures.

The meeting, as stated above, is scheduled for March 25 from 10:30 a.m. to 4:00 p.m. in the Monroe East Room of the Washington Hilton Hotel. Because the most crucial portion of the afternoon discussion will take place during the last hour of the meeting, we hope you will plan to leave the hotel no earlier than 4:00 p.m.

Please call me or Lynn Gumm of my staff (202-828-0481) if you have questions about the meeting or if you need assistance with room reservations at the Hilton.

Suite 200/One Dupont Circle, N.W./Washington, D.C. 20036/(202) 828-0400

AGENDA

COUNCIL OF ACADEMIC SOCIETIES
PUBLIC AFFAIRS MEETING

March 25, 1981

I. Welcome and Introductions

II. Presentation of the Reagan Administration Budget:

Robert J. Rubin, M.D.
Special Assistant to the Secretary, Department of Health and Human Services

Herbert Pardes, M.D.
Director, National Institute of Mental Health

Robert Graham, M.D.
Acting Administrator, Health Resources Administration

Donald S. Fredrickson, M.D.
Director, National Institutes of Health

Donald L. Custis, M.D.
Chief Medical Director, Veterans Administration

III. Luncheon

IV. Proposed Federal Cap on Medicaid Program Expenditures

Richard M. Knapp, Ph.D.
Director, AAMC Department of Teaching Hospitals

V. Discussion of CAS Strategy

A. AAMC Analysis of the Impact of the Proposed Budget and the Appropriate Medical School Response

- John A. D. Cooper, M.D., Ph.D., President, AAMC

B. The Congressional Budget Process: Points of Intervention

- Diane N. Plumb, Staff Associate, AAMC

C. Options for CAS Societies in Responding to Budget Cuts

- Daniel X. Freedman, M.D., Chairman, CAS

D. Discussion and Identification of CAS Course of Action

VI. Adjournment

NATIONAL INSTITUTES OF HEALTH APPROPRIATIONS, BY INSTITUTE AND TOTAL TRAINING
(millions)

INSTITUTE	1980	1981	1981	1982	1982 1/
		Continuing Resolution	Total Rescission Request	Reagan Budget Request	Needs expressed in terms of 1980 constant dollars
TOTAL, NIH	$3,442.6	$3,616.4	126.2	$3,762.5	$4,626.1
	176.4	188.7	62.0	133.8	212.0
National Cancer Institute (NCI)	1,000.8	1,001.3	25.4	1,025.9	1,203.0
Total Training	(27.3)	(29.2)	(11.1)	(19.3)	(32.8)
National Heart, Lung and Blood Institute (NHLBI)	527.8	560.3	23.9	579.6	634.4
Total Training	(31.9)	(34.9)	(12.1)	(24.7	(38.3)
National Institute of Dental Research (NIDR)	68.7	71.2	2.0	74.6	82.6
Total Training	(3.9)	(4.4)	(1.3)	(3.6)	(4.7)
National Institute of Arthritis, Metabolism and Digestive Diseases (NIAMDD)	341.9	371.9	11.2	380.6	411.0
Total Training	(21.8	(21.5)	(6.9)	(15.1)	(26.2)
National Institute of Neurological and Communicative Disorders and Stroke (NINCDS)	242.4	254.8	6.5	276.1	291.4
Total Training	(8.9)	(9.2)	(2.5)	(7.0)	(10.7)
National Institute of Allergy and Infectious Diseases (NIAID)	215.8	232.4	3.9	243.7	259.4
Total Training	(9.6)	(9.2)	(2.4)	(7.0)	(11.5)
National Institute of General Medical Sciences (NIGMS)	312.6	335.7	21.3	341.2	375.7
Total Training	(47.6)	(50.1)	(12.6)	(39.3)	(57.2)
National Institute of Child Health and Human Development (NICHD)	209.6	223.6	7.7	231.1	252.0
Total Training	(10.8)	(9.4)	(3.2)	(6.9)	(13.0)
National Institute on Aging (NIA)	70.2	76.1	2.2	84.2	84.4
Total Training	(2.8)	(2.9)	(1.1)	(1.9)	(3.4)

1/ Constant dollars based on the biomedical R&D price index. For 1981, based on percentage increase in estimated GNP implicit price deflator. Total = 120.2.

ATTACHMENT A

NATIONAL INSTITUTES OF HEALTH APPROPRIATIONS, BY INSTITUTE
AND TOTAL TRAINING (continued)
(millions)

INSTITUTE (cont'd)	1980	1981 Continuing Resolution	1981 Total Rescission Request	1982 Reagan Budget Request	1982 Needs expressed in terms of 1980 constant dollars
National Eye Institute (NEI)	113.0	120.3	4.7	132.3	135.8
Total Training	(4.6)	(4.6)	(1.7)	(3.1)	(5.5)
National Institute of Environmental Health Sciences (NIEHS)	84.3	97.3	6.0	110.0	101.3
Total Training	(6.6)	(6.7)	(1.8)	(5.1)	(7.9)
Research Resources (RR)	169.3	184.4	10.7	191.9	203.5
Total Training	(.6)	(.7)	(.2)	(.6)	(.7)
John E. Fogarty International Center	9.1	9.1	--	9.6	10.9
National Library of Medicine	44.7	44.7	.3	47.7	53.7
Office of the Director	21.9	22.5	.4	23.5	--
Building and Facilities	10.5	11.0	--	10.3	--

ALCOHOL, DRUG ABUSE AND MENTAL HEALTH ADMINISTRATION

(millions)

ACTIVITY	1980	1981	1981	1982	1982
		Continuing Resolution	Total Rescission Request	Reagan Budget Request	Needs expressed in terms of 1980 constant dollars
TOTAL	$240.9	$245.1	$ 47.9	$188.9	$275.0
Research					
Grants					
Continuations	59.0	61.0	--	50.1	60.2
Competing renewals	16.1	10.9	2.7	11.1	17.3
New projects and small grants	20.1	21.2	5.5	19.9	21.3
Supplements	2.0	1.0	.3	.9	3.2
Research career	4.9	5.5	8.7	5.5	5.9
Contracts					
Renewals	2.1	2.5	.8	3.6	3.3
New	5.6	5.0	8.3	1.7	6.8
Intramural	35.5	38.9	--	41.7	42.7
Cooperative agreements	5.2	10.1	--	--	6.2
Training					
Clinical					
Continuations	57.0	52.8	--	42.8	68.5
Competing renewals	2.8	7.0	7.0	--	4.0
New and supplements	11.9	8.6	8.2	--	13.1
Research					
Continuations	15.0	15.7	5.1	9.3	18.0
New	1.4	1.9	.7	.6	1.7
Fellowships					
Continuations	.9	1.4	.2	1.1	1.1
New	1.4	1.6	.4	.6	1.7

National Institute on Alcohol Abuse and Alcoholism Appropriations, for Research and Training

	29.5	28.0	1.0	29.2	35.4
Research					
Grants					
Continuations	12.8	13.4	--	13.4	15.4
Competing renewals	1.4	1.0	.2	1.1	1.7
New Projects and small grants	2.4	2.1	.3	2.7	2.9
Supplements	.2	.2	--	.2	.2
Research career	1.1	1.2	.1	1.3	1.3
Contracts					
Renewals	.4	.1	--	.1	.5
New	.1	.2	--	--	.1
Intramural	3.9	4.1	--	5.8	4.7
Training					
Clinical Grants and Contracts					
Continuations	4.0	3.8	--	2.8	4.8
Competing renewals	1.0	.6	--	.8	1.2
New	1.0	--	--	--	1.2
Research	1.2	1.3	.4	1.0	1.4

National Institute on Drug Abuse Appropriations, for Research and Training

TOTAL	54.6	53.7	1.7	50.2	65.6
Research					
Grants					
Continuations	18.8	25.3[1/]	--	16.5	22.6
Competing renewals	4.4	2.5	--	7.4	5.3
New projects and small grants	3.3	3.1	.8	5.8	4.0
Supplements	.7	.8	--	.6	.8
Center grants					
Continuations	2.2	2.7	--	1.2	2.6
Competing renewals and new grants	1.9	.8	.5	1.7	2.3
Research career	1.1	1.3	--	1.2	1.3
Contracts					
Renewals	4.6	2.4	--	4.1	5.5
New	4.6	2.8	.1	.7	5.5
Intramural	4.4	4.4	--	4.5	5.3
Training					
Clinical Grants					
Continuations	1.8	2.9	--	1.9	2.2
Competing renewals	--	.1	.11	--	.1
New	1.4	--	--	--	1.7
Supplements	.1	--	--	--	.1
Contracts	4.6	3.7	--	3.8	5.5
Research	.7	.9	.2	.8	.8

[1/] Includes the continuation cost of research-related demonstration projects formerly funded in the community programs budget.

HEALTH SERVICES ADMINISTRATION APPROPRIATIONS
(millions)

ACTIVITY	1980	1981	1981	1982	1982[1/]
		Continuing Resolution	Total Rescission Request	Reagan Budget Request	Needs expressed in terms of 1980 constant dollars
TOTAL	$196.0	$198.8	$ 32.6	$141.4	$247.1
Health Professions Student Assistance					
Loans (HPSL)	16.5	16.5	16.5	--	20.8
Exceptional Need Scholarships	10.0	10.0	--	--	12.6
Loan Repayments	1.5	1.5	--	4.0	1.9
National Health Service Corps (NHSC) Scholarships	85.5	79.5	16.1	37.9	107.8
National Health Services Corps.	82.5	91.3	--	99.5	104.0

[1/] 1982 constant dollars based on the Reagan Administration's economic projections which reveal that the FY 1980 CPI was equal to 13.5 and will decrease to 11.1 in FY 1981.

HEALTH RESOURCES ADMINISTRATION APPROPRIATIONS
(millions)

ACTIVITY	1980	1981	1981	1982	1982[1/]
		Continuing Resolution	Total Rescission Request	Reagan Budget Request	Needs expressed in terms of 1980 constant dollars
TOTAL	$185.5	$155.6	$145.6	$ 7.4	$233.9
Health Professions institutional assistance					
Capitation grants	87.7	71.9	71.9	--	110.6
Schools of medicine	49.7	40.6	40.6	--	62.7
Other	38.0	31.3	31.3	--	47.9
Start-up assistance and conversion	2.7	1.8	1.8	--	3.4
Financial distress	7.4	10.0	--	7.4	9.3

[1/] 1982 constant dollars based on the Reagan Administration's economic projections which reveal that the CPI was equal to 13.5 in FY 1980 and will decrease to 11.1 in FY 1981.

OFFICE OF THE ASSISTANT SECRETARY FOR HEALTH

(millions)

ACTIVITY	1980	1981	1981	1982	1982
		Continuing Resolution	Rescission Request	Reagan Budget Request	Needs expressed in terms of 1980 constant dollars
TOTAL	72.6	75.8	.7	58.9	89.1
Office of Assistant Secretary for Health					
National health statistics	42.0	40.2	--	38.9	53.0
Health services research	25.4	31.5	.7	20.0 } 1/	32.0
Health care technology	5.2	4.1	--		4.1

1/ A merger of these two National Centers is planned for 1982.

THE CONGRESSIONAL BUDGET PROCESS

BACKGROUND

The current budget process is dictated in large part by the provisions of the 1974 Budget Control and Impoundment Act. Prior to 1974, no budget committees existed in the House and Senate, and the authorizing* and appropriating* committees established fiscal policy for the Congress. The decisions of these committees were usually made in isolation from one another, and it was difficult to establish overall budget policy for the country, to limit spending, or to keep track of hundreds of separate appropriation items. In addition, Congress had no means by which to get a handle on the entire Federal budget since less than half of the budget was controllable with the majority of Federal money going to such entitlement programs as Medicaid, Medicare, and indexed Social Security programs. Congress was also involved in a never-ending debate with the Nixon Administration over what most members considered the Administration's improper and illegal impoundment* of funds. These problems, together with the alarming growth in Federal deficits, the growing number of supplemental* appropriation requests, and the increasing use of continuing resolutions* to fund programs and agencies whose regular appropriations bill had bogged down, prompted Congress to enact the Budget Control and Impoundment Act.

Key features of this law that influence today's budget process are:

- the establishment of House and Senate budget committees to oversee the entire Federal budget
- the requirement that Congress adopt biannual concurrent resolutions on the budget--the first to set non-binding spending targets to guide Congressional committees during the first part of the year;

*See Glossary for definition of terms.

the second to set binding spending ceilings

- the provision of a means by which Congress can reconcile* its revenue and spending totals with the binding Concurrent Budget Resolution
- the establishment of a new budget calendar based on an October 1 to September 30 fiscal year
- the establishment of new procedures to reduce spending in the current fiscal year (rescission* and deferral*)
- the establishment of a Congressional Budget Office to provide Congress with its own source of budget information and analyses.

These provisions of the 1974 law were intended to turn chaos into order in terms of the annual process of determining the Federal budget. While it is undoubtedly true that Congress has a greater ability now to see the whole budget picture, the reform of the process did not solve certain problems. First, the orderly timetable outlined by the law and highlighted on the attached flow chart has not, for the most part, been adhered to. Second, continuing resolutions are still a fact of life. This year, for instance, health programs in the Labor-HHS budget are being funded by a continuing resolution until June 30 because a Labor-HHS appropriations bill was not passed in the last Congress. In addition, because the Budget Act is relatively new, the process it established is still in a state of evolution. In 1980, for example, when Congress considered the fiscal 1981 budget, it voted to include in the First Concurrent Resolution "reconciliation" instructions to eight committees to report changes in existing laws which would pare $6.4 billion from existing programs and increase revenues by $4.2 billion. Although the committees were not entirely successful in complying with the reconciliation instructions, this action changed the nature and purpose of the First Resolution from a set of targets into a more binding

set of limitations. What additional nuances we may see in this year's budget process is still a matter of speculation.

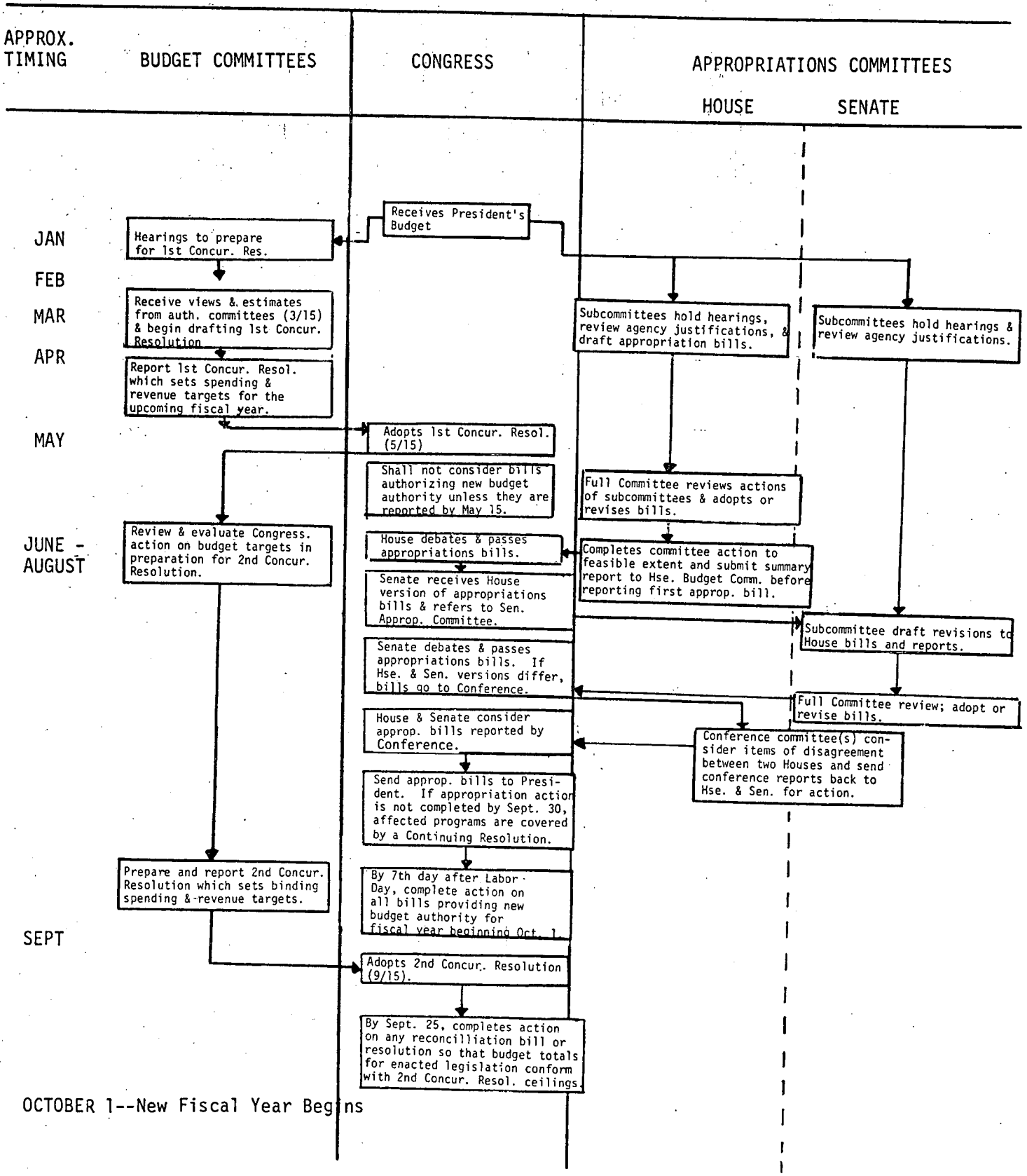
THE CURRENT SITUATION

On the enclosed tables, the President's budget proposals for areas of interest to faculty are shown. Included in the tables are the FY1981 rescission requests which the Reagan Administration has asked Congress to approve as well as the Administration's proposed funding levels for FY1982. For the sake of comparison and to offer a target for a no-growth budget that would maintain present levels of effort in existing programs, the final column shows the 1982 budget in 1980 constant dollars.

In terms of where we are on the timetable, the Senate Appropriations Health Subcommittee has just completed hearings on the Labor-HHS Appropriations bill; the House subcommittee hearings will be scheduled shortly. The Budget Committees are currently drafting the First Concurrent Resolution.

At the March 25 meeting, there will be an indepth discussion of strategy for CAS societies in responding to these budget proposals.

CONGRESSIONAL BUDGET PROCESS



GLOSSARY OF COMMON FEDERAL BUDGET TERMS

AUTHORIZATION: Substantive legislation enacted by Congress that sets up or continues the legal operation of a Federal program or agency. Authorizing legislation for health is handled by specific committees, most notably the Senate Labor and Human Resources Committee and the House Interstate and Foreign Commerce's Subcommittee on Health and Environment. Such legislation is normally a prerequisite for subsequent appropriations, but does not usually provide budget authority (see below).

BUDGET AMENDMENT: A revised request that the President transmits to the Congress after he formally transmits the budget but before the Congress has completed appropriations action.

BUDGET AUTHORITY: Authority provided by law that permits government agencies to incur obligations. The amount authorized by the Congress to become available for obligation in a given fiscal year is called budget authority for such year.

There are three basic kinds of budget authority--appropriations, contract authority, and authority to spend debt receipts. Although the amount of budget authority is usually specified in the legislation that makes it available (definite authority), the amount is left indefinite in some instances and is determined by subsequent circumstances (indefinite authority), e.g., percentage of specified receipts. Most authority to obligate funds requires action by the Congress each year (current authority). However, under some laws budget authority becomes available from time to time without further action by Congress (permanent authority).

APPROPRIATION: An act of Congress that allows federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. This is the most common form of budget authority.

Appropriations are categorized in a variety of ways, such as by their period of availability (one-year, multiple-year, no-year), the manner in which they become available (current, permanent), and the manner in which the amount of the appropriation is determined (definite, indefinite).

Appropriations for health programs are handled by the House and Senate Appropriations Subcommittees on Labor - Health and Human Services.

BUDGET DEFICIT: For any given year, an excess of budget outlays over budget receipts. The amount of the deficit is the difference between outlays and receipts. Deficits are financed primarily by borrowing from the public.

CONTINUING RESOLUTION: Legislation enacted by the Congress to provide authority for agencies to continue operations until their regular appropriations are enacted. Continuing resolutions are enacted when action on appropriations is not completed by the beginning of a fiscal year.

CONTROLLABILITY: The ability of the Congress and the President to increase or decrease outlays in the year in question; generally the current or budget year. "Relatively uncontrollable" refers to spending that the government cannot increase or decrease without changing existing substantive law. Such spending is usually the result of open-ended programs and fixed costs, (i.e., Social Security, Medicare) and payments coming due on commitments made earlier.

DEFERRAL: Any action or inaction by an officer or employee of the United States that temporarily withholds, delays, or effectively precludes the obligation or expenditure or budget authority. Deferrals may not extend beyond the end of the fiscal year and may be overturned at any time by either House of the Congress.

FISCAL YEAR: Currently, the year running from October 1 to September 30, and designated by the calendar year in which it ends.

FUNCTIONAL CLASSIFICATION: A means of presenting budgetary data in terms of the major purposes being served. Each program or activity is placed in the particular category (e.g., national defense, health, agriculture) that best represents its major purpose, regardless of the spending agency or department.

IMPOUNDMENT: A term used to characterize any executive branch action that precludes the obligation of funds appropriated by the Congress. (See also DEFERRAL and RESCISSION).

OBLIGATIONS: Amounts or orders placed, contracts awarded, services received, or similar legally binding commitments made by Federal agencies during a given period that will require outlays during the same or some future period.

OUTLAYS: Checks issued, interest or the public debt, or other payments made, offset by refunds and reimbursements.

RECONCILIATION: A directive in the concurrent resolution on the budget that calls on various committees of the Congress to recommend legislative changes that reduce outlays or increase receipts by specified amounts.

RESCISSION: Enacted legislation reducing or cancelling budget authority previously provided by the Congress. Funds proposed for rescission must be made available for obligation if Congress does not adopt a rescission bill within 45 days after receipt of the President's request for rescission.

SUPPLEMENTAL APPROPRIATIONS: An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriation acts provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

ATTACHMENT C

Proposed Cap on Federal Medicaid Expenditures

The Medicaid program, Title XIX of the Social Security Act, is a program which finances health care services for the categorically indigent and for other selected indigent and near-indigent persons. The program is organized as a federal-state partnership with the federal government paying, on an entitlement basis, about 55% of the costs. The program is organized and administered on an individual state basis in accordance with specified federal guidelines. For fiscal year 1979, total Medicaid expenditures (federal, state, and local) were approximately $21.7 billion.

The Reagan Administration has proposed that the formula for federal funding of state Medicaid expenditures be revised and capped. For the current fiscal year, federal Medicaid expenditures would be limited to $16.38 billion, a reduction of $100 million dollars over otherwise anticipated expenditures. In fiscal year 1982, the proposal would limit the federal expenditure to 105% of 1981 Medicaid expenditures, a reduction of $1.403 billion over otherwise anticipated increases. In subsequent years, increases in federal Medicaid expenditures would be limited to the increase in an unspecified price index.

In proposing a reduction in federal financial support for the Medicaid program, the Administration is also proposing to provide the states with increased flexibility in determining eligible beneficiaries, covered services, and provider payments. Publically-available Administration documents do not specify the proposed legislative and regulatory changes which will be proposed to provide the states with increased flexibility.

Patients with services financed by Medicaid programs are not evenly distributed across the nation. Some hospitals and physicians serve large numbers of Medicaid patients; others have few Medicaid patients. Many teaching hospitals and the physicians practicing in them, however, because of their location and community role, care for large numbers of Medicaid patients. In 1977, the AAMC identified 65 COTH hospitals, including several university-owned hospitals, having at least 25% of their inpatients financed by Medicaid. Thus, the proposed Medicaid cap will impose a disproportionately heavy impact on teaching hospitals and physicians on their medical staffs.