

President Releases FY 2014 Budget

On April 10, President Obama released his [FY 2014 budget](#), two months after the official deadline by which the President is legally obligated to offer a spending proposal for the next fiscal year. His budget totals \$3.77 trillion for 2014 and includes \$580 billion in tax increases and over \$1 trillion in spending cuts over the next ten years to achieve a total of \$1.8 trillion of additional deficit reduction. While the President's proposal brings the deficit down to 1.7% of the Gross Domestic Product (GDP) by 2023, it does not eliminate the annual deficit entirely.

Many of the President's proposals are repeated from his earlier annual budgets and a few of provisions are new. It is important to note that these proposals will not become law unless Congress and the President strike a legislative compromise. One of the most significant areas impacted by potential spending cuts is post-acute care, including inpatient rehabilitation hospital care, which disproportionately impacts people with serious medical conditions, chronic illnesses and disabilities. The Academy will continue to remain vigilant in its advocacy to protect these services as the budget discussions continue throughout the year.

Specifically, the President's budget provisions include:

- Post-Acute Care: Reduce Medicare market basket updates for Inpatient Rehabilitation Hospitals and Units (IRFs), Long-Term Acute Care Hospitals, Skilled Nursing Facilities (SNFs) and Home Health Agencies by 1.1 percentage points beginning in 2014 through 2023.
- Bundling of Post Acute Care Services: Beginning in 2018, implement bundled payment for post acute care providers, including LTCHs, IRFs, SNFs and home health providers; Payments would be bundled for at least half of the total payments for post-acute care providers; Rates would be based on patient characteristics and other factors and will achieve a total cumulative spending reduction of -2.85 percent by 2020. This proposal is not new but additional detail has been added.
- Access to Inpatient Hospital Rehabilitation: The budget proposes to increase the 60% Rule back to 75% in 2014, which would make it more difficult for Medicare beneficiaries to qualify for coverage in an inpatient rehabilitation hospital or unit.
- Site-Neutral Payment: Equalize Medicare Payment for certain conditions treated in either IRFs or SNFs; HHS specifies conditions involving hips and knees, pulmonary conditions and other conditions at the Secretary's discretion. Beginning in 2014, HHS would lower payments to IRFs for these conditions to encourage treatment in a SNF rather than an IRF. This proposal is repeated from previous budgets but no real detail has been added to this year's proposal.

- Physician Practice Impact: The budget proposes to exclude certain services from the in-office ancillary services exception under the Stark physician self-referral law including radiation therapy, rehabilitation therapy, and advanced imaging. This proposal is designed to address recent increases in the use of these services associated with physician practices and would take effect in 2015.
- SGR Fix: The President's budget proposes a permanent SGR fix, at a cost of about \$250 billion over 10 years. The proposal suggests starting with a period of payment "stability" to allow time to develop scalable and accountable payment models. The budget does not propose a particular model, but suggests that an effective model will encourage care coordination, reward practitioners who provide high-quality and efficient care, and hold practitioners accountable through the application of financial risk for providing consistently low quality care at excessive costs. The Academy is currently working with House Committees to flesh out their legislative version of this proposal.
- Sequestration: The President's budget replaces the across-the-board cuts under "sequestration," which would result in the elimination of the 2% cut in Medicare reimbursement that went into effect this month. The cost of eliminating sequestration would be offset in part through nearly \$400 billion in healthcare savings over ten years. This savings includes \$371 billion in Medicare payment cuts to providers and drug companies, further means-testing of Part B and Part D premiums for more affluent Medicare beneficiaries, among other proposals.
- National Institutes of Health (NIH): In addition to the entitlement reforms described above that would apply across a ten-year period, the President's budget also establishes spending levels for domestic discretionary programs for Fiscal Year 2014, which begins on October 1, 2013. Notably, the President's budget seeks to increase funding for the National Institutes of Health by \$472 million in FY 2014 over the amount of NIH funding for FY 2012/2013. This is a significant increase that was not expected considering the fiscal circumstances. The budget justification for this increase includes both the President's interest in keep competitive with medical research throughout the world and his new initiative to map human brain activity and develop treatments for diseases such as TBI, Alzheimer's, and autism. Unfortunately, it appears that the bulk of the offset to fund this increase was taken out of the Centers for Disease Control and Prevention (CDC), which received a reduction in their budget of \$432 billion for FY 2014.
- Rehabilitation Research at NIH: With respect to the National Institute of Child Health and Human Development (NICHD), which houses the National Center for

Medical Rehabilitation Research (NCMRR), the budget calls for a \$20 million increase for the Institute in FY 2014 for a total budget of \$1.339 million. The NCMRR is slated to receive \$77.5 million, an increase of \$1.2 million or a 1.6 percent increase above the FY 2012/2013 level. The budget justification alludes to recent recommendations of a Blue Ribbon Panel Report on rehabilitation science but does not reach any conclusions. It also discusses a new research focus on the impact of concussion and mild brain injury across the lifespan, as well as innovative materials and biomechanical modeling research designed to improve orthotic treatments for children with severe physical disabilities.