

declining at a faster rate than overall unemployment and reaching its lowest rate since 2008. While there is more work to do to boost wages as the economy continues to grow, there are encouraging signs that earnings are on the rise.

The manufacturing sector has made major gains over the course of the economic recovery. Since February 2010, the economy has added 878,000 new manufacturing jobs—the first sustained job growth in the sector since the 1990s.

The economy is not only recovering, it is evolving. The President has made the largest investments in clean energy in American history, and America is less reliant on foreign oil than at any point in the previous four decades. Wind production now provides clean electricity to power 17 million homes and supports tens of thousands of jobs across the Nation. Solar electricity generation has increased thirty-fold since 2008, and the solar industry is creating jobs 12 times faster than the rest of the economy.

American families are benefiting from a growing economy. Rising home prices have restored more than \$6 trillion in home equity, while the

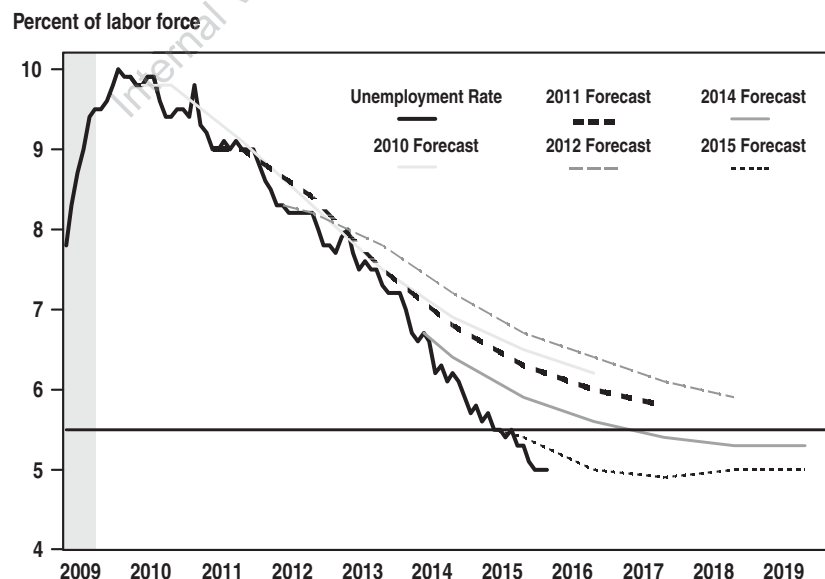
number of seriously delinquent mortgages has reached an eight-year low. Under the Affordable Care Act (ACA), health care prices have risen at the slowest pace in 50 years, while the rate of uninsured Americans has dropped to the lowest level on record. In addition, the strong job market and safety net enhancements have made a dent in poverty. While child poverty remains too high, Census data show the past two years have seen the fastest decline in child poverty since 2000.

The United States right now has the strongest, most durable economy in the world. The determination and resilience of the American people, coupled with the President's decisive actions during the financial crisis, brought the economy back from the brink.

Reflecting on Our Fiscal Progress

Even as the Administration made critical investments to jumpstart the economy, it also succeeded in putting the Nation on a sound fiscal path. Since 2009, under the President's leadership, Federal deficits have fallen by nearly three-quarters—the most rapid sustained deficit

Unemployment Rate has Fallen Faster than Forecasted



Note: Annual forecasts are current as of March of the stated year. Shading denotes recession.

Source: Blue Chip Economic Indicators; Bureau of Labor Statistics, Current Population Survey

reduction since just after World War II. The annual deficit in 2015 fell to 2.5 percent of the Gross Domestic Product (GDP), the lowest level since 2007, and well below the average of the last 40 years. Over the past six years, actual and projected deficits have fallen due to three main factors.

First, economic growth has helped accelerate the pace of deficit reduction. Growth in recent years has increased revenues and reduced spending on “automatic stabilizer” programs, such as unemployment insurance, that automatically increase during economic downturns.

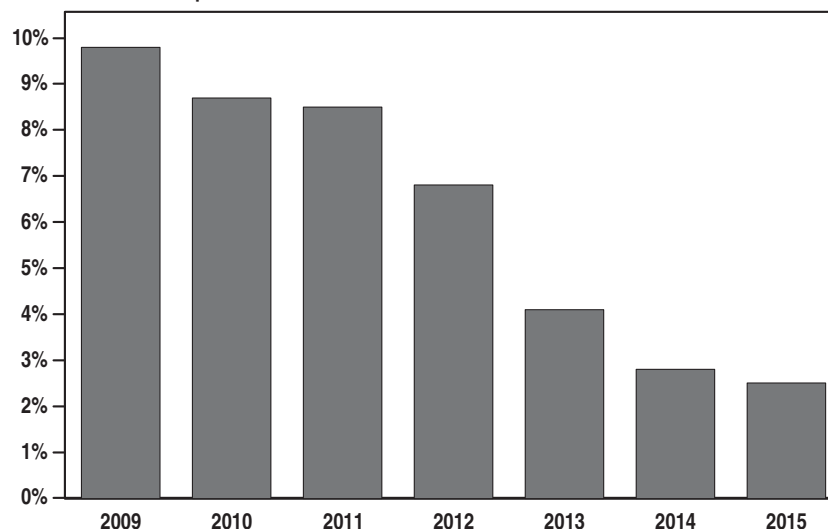
Second, since 2010, the President has worked on a bipartisan basis to put in place deficit reduction measures totaling \$3.8 trillion from 2017 through 2026, not counting the hundreds of billions of dollars in additional savings achieved by winding down wars in Iraq and Afghanistan. These measures include restoring Clinton-era tax rates on the highest-income Americans. These restored rates in combination with other tax policies enacted under the President’s leadership, have led to the top 0.1 percent of families contributing more than \$500,000 in additional taxes each year on average, according to a Department of the Treasury analysis. At the

same time, tax cuts have increased the after-tax incomes of working families of modest means. Discretionary spending restraint has also played a role in deficit reduction, but sequestration cuts have contributed only a minority of the discretionary savings achieved since 2010, while shortchanging investment and cutting critical services.

Finally, deficits have fallen due to exceptionally slow health care cost growth. When the President took office, he immediately identified health care costs as one of the major drivers of the Nation’s long-term fiscal challenges. In his Address to a Joint Session of the Congress in February 2009, he called for health reform as “a step we must take if we hope to bring down our deficit in the years to come.” In the months that followed, the President fought to enact comprehensive health care reform even as the Administration took aggressive actions to bolster the economy and help Americans get back to work. Central to the ACA, which was signed into law in 2010, were a series of reforms designed to rein in health care cost growth by reducing excessive payments to private insurers and health care providers in Medicare, developing and deploying new payment models that reward high-quality efficient care, and implementing an

2009-2015 was the Fastest Period of Sustained Deficit Reduction Since WWII

Annual deficits as a percent of GDP



excise tax on the most costly health plans in the employer market. These reforms together create strong incentives for efficient and effective coverage, and have moved us toward paying for value, rather than volume, in health care services.

In the years since 2010, we have seen prolonged slow growth in per-beneficiary health care spending in both private insurance and public programs. In 2014, in both Medicare and private health insurance, per-enrollee spending grew by less than one-third the rate seen over the preceding decade, adjusting for inflation. While some of the slowdown can be attributed to the Great Recession and its aftermath, there is increasing evidence that much of it is the result of structural changes, including the reforms enacted in the ACA.

The health care cost slowdown is already yielding substantial fiscal dividends. Compared with the 2011 Mid-Session Review, aggregate projected Federal health care spending for 2020 has decreased by \$185 billion based on current budget estimates, savings above and beyond the deficit reduction directly attributed to the ACA when it was passed.

Helping, Not Hurting, the Economy: The Bipartisan Budget Act of 2015

Sustained economic growth is a necessary pillar of fiscal health. As the American people work to continue our economic and fiscal progress, it is critical that the Federal Government support, rather than impede, economic growth. That means ending the harmful spending cuts known as sequestration, which limit the ability to invest in the building blocks of long-term economic growth, like research and development (R&D), infrastructure, job training, and education.

Early in the Administration, the President and the Congress worked together to enact measures to stabilize and restore growth to a faltering economy and to rebuild it on a stronger foundation for the long run. In addition to the Recovery Act, the ACA, and the Dodd-Frank Wall

Street Reform and Consumer Protection Act, the Congress took bipartisan action in 2010 on a number of temporary measures to jumpstart the recovery.

Unfortunately, policies adopted in subsequent years hurt, rather than helped, the economy. Sequestration cuts that were never intended to take effect were implemented in March 2013, reducing GDP by 0.6 percentage points and costing 750,000 jobs, according to the Congressional Budget Office (CBO). In 2011, and again in 2013, congressional Republicans sought to use the Nation's full faith and credit as a bargaining chip, driving down consumer confidence and driving up uncertainty. The Federal Government shutdown in October 2013 created further uncertainty and reduced growth in the fourth quarter of 2013 by 0.3 percentage points.

Following the Government shutdown, policymakers started to move away from manufactured crises and austerity budgeting, helping to lay the groundwork for job market gains and stronger growth. The President worked with the Congress to secure a two-year budget agreement (the Bipartisan Budget Act of 2013) that replaced a portion of the harmful sequestration cuts and allowed for higher investment levels in 2014 and 2015. The Council of Economic Advisers estimated that the 2013 budget deal would create about 350,000 jobs over the course of 2014 and 2015, so it likely made a significant contribution to the improvement in the labor market over the past two years.

With harmful sequestration cuts scheduled to return in full in 2016, the President made clear that he would not accept a budget that locks in these short-sighted cuts and that the Congress would again have to take action to address them. The President's 2016 Budget laid out a path to do so: it replaced the sequestration cuts with smart reforms in areas like health care that would improve quality while controlling health care cost growth. It also proposed critical investments in economic growth and opportunity that could only be made by lifting sequestration.

In October 2015, the President worked with congressional leaders from both parties to secure another two-year budget agreement (the Bipartisan Budget Act of 2015 or BBA) that will create an estimated 340,000 jobs in 2016 alone, while supporting middle-class families, investing in long-term growth, protecting Social Security, and safeguarding national security. The BBA provided roughly 75 percent more sequestration relief over two years than the budget agreement reached in 2013, including nearly 90 percent of the discretionary sequestration relief the President requested in 2016. The sequestration relief was fully paid for, and employed a number of reforms the President put forward in the Budget. The BBA also included critically important provisions to bolster the financing of the Social Security Disability Insurance Program (SSDI), ensuring that the program can continue to provide workers with serious disabilities and their families the full benefits they have earned. Without congressional action, SSDI would have run short of funds in December 2016, resulting in large benefit cuts.

Some private forecasters have estimated that the measures in this agreement will lead to the first year with a net positive contribution from Federal fiscal policy to GDP growth since 2010. The agreement ended yet another period of brinksmanship and uncertainty and put us on a path to avoid more manufactured crises in the months ahead.

Because of the sequestration relief secured in the BBA, the President and congressional leaders were able to come together to invest in many of the key priorities from the President's 2016 Budget that will help the economy and middle-class families, including:

- *Job Training.* A \$90 million landmark new effort to expand apprenticeships, creating more opportunities for hard-working Americans to acquire the skills they need to succeed in good jobs that are available now.
- *Research.* A seven percent increase in National Institutes of Health funding between 2015 and 2016 will go toward critical

research priorities like Alzheimer's disease, addressing antibiotic resistance, cancer, and the Precision Medicine Initiative.

- *Early Learning.* A six percent increase in Head Start funding, including a new, nearly \$300 million investment, to increase the number of Head Start programs that provide a full school day and a full school year, which research shows promotes better outcomes for children.
- *Clean Energy.* An eight percent increase in funding between 2015 and 2016 for clean energy projects supported by the Department of Energy's Office of Energy Efficiency and Renewable Energy in cooperation with industry, universities, and the national labs.
- *Advanced Manufacturing.* Resources for new manufacturing innovation institutes building toward the President's goal of 15 institutes by the end of his term, representing over \$225 million of additional and continuing investments in 2016. Each of these manufacturing institutes brings together leading companies, universities, and non-profits to co-invest in the development of game-changing manufacturing technologies that make the U.S. more competitive for manufacturing jobs and investment.

The President and the Congress have now come together twice to avoid harmful sequestration cuts, replacing the savings with a smarter mix of revenues and spending reforms, and investing equally in the economy and national security. These actions further highlight that the President's proposal to fully offset the cost of ending sequestration is consistent with his vision to make necessary investments to support economic growth and opportunity, and to put the Nation on a more fiscally sustainable path.

Providing sequestration relief and investing in the economy through the BBA and subsequent year-end 2016 budget legislation (the 2016 Consolidated Appropriations Act or 2016 Omnibus) were only a part of the bipartisan budget-related accomplishments in 2015. In

April, the Congress passed legislation that permanently reforms the Medicare physician payment system and extends the critical Children's Health Insurance Program, which provides coverage to millions of American children. Nearly every year, for the past 13 years, physicians have faced the possibility of cuts in their payments from Medicare unless the Congress passed a so-called "doc fix." The 2016 Budget called for putting a permanent end to this annual crisis and reforming Medicare physician payments to promote high-quality efficient care. The enacted legislation achieved these aims, providing certainty for physicians and preserving patient access to care, while also encouraging delivery system reforms designed to improve quality and improve the sustainability of the Medicare program over the long term.

Also, as part of the 2016 Omnibus, the Congress reached a bipartisan agreement on expiring tax provisions that will extend critical tax relief to working families, incentivize private-sector innovation through support for R&D, and simplify and cut taxes for small businesses while putting dozens of corporate tax breaks on a real path to expiration. The legislation signed into law by President Obama permanently extends Recovery Act expansions of the Child Tax Credit and Earned Income Tax Credit that were scheduled to expire after 2017, which will provide a tax cut of about \$900 on average for millions of working families a year. If the expansions had been allowed to expire, more than 16 million people—including eight million children—would have fallen into, or deeper into, poverty in 2018. The agreement also makes permanent the President's American Opportunity Tax Credit, first enacted in the Recovery Act, which helps families afford college with up to \$10,000 in tax credits for tuition, fees, and books over four years. In addition, the agreement extends for five years wind and solar tax credits, boosting investments in these energies, which will significantly reduce carbon dioxide emissions. However, the tax agreement did not offset the cost of the business tax breaks it contained and did not take necessary steps to reform the

business tax system. As the President has proposed, the Congress should pass business tax reform that closes loopholes, makes the tax system fairer, and pays for these tax cuts.

Building on Our Success for a Stronger Economy

The BBA provides a critical increase in discretionary funding for 2016 and 2017, including nearly two-thirds of the sequestration relief for 2017 that the President called for in the 2016 Budget. The 2017 Budget builds on the achievements secured for 2016 and adheres to the agreement's discretionary funding levels. Still, not fully replacing sequestration in 2017 has consequences, including hindering the ability to make needed investments that are critical to building durable economic growth in the future and maintaining America's edge as the leader in innovation and cutting-edge science.

For that reason, the Budget includes a series of investments using mandatory funding that will help maintain preeminence in science and engineering, support jobs and economic growth, expand opportunity, and ensure that we continue to demonstrate economic leadership for decades to come.

These critical investments include a range of R&D efforts, from basic science research in the physical, environmental, and agricultural sciences, to launching a cancer "moonshot" through investments in biomedical research, to supporting earth science, space science, aeronautics, and exploration missions at the National Aeronautics and Space Administration—all with the potential to fundamentally change what America is capable of achieving.

The investments also support early learning, which provides a strong foundation for children's future success in school and in life, including the President's Preschool for All initiative to ensure four-year-olds across the Nation have access to high-quality preschool programs. They also fund a historic investment to ensure that all low- and moderate-income families with young children

have access to high-quality child care that supports children's development and helps parents work.

In addition, the investments fund computer science opportunities for K-12 students, strengthen community colleges, which expand students' opportunities to pursue the knowledge and skills they need for well-paying jobs, and criminal justice reform, to break the cycle of poverty and incarceration that traps too many Americans and ultimately detracts from communities, the workforce, and economic growth. These investments also support expanded access to treatment for opioid use disorders, with a goal of ensuring that all who seek treatment can access it by the end of 2018; and funding to help more Americans receive needed mental health care, especially for serious mental illnesses.

These investments also build on the success in sharply reducing veteran homelessness and set a path for ending homelessness among all of America's families; they enable partnerships with State and local governments to help families get through a financial crisis and remain self-sufficient and thrive. The investments fund a robust effort to enhance national and economic security through an intensive effort to strengthen cybersecurity across the Federal Government.

The Budget also recognizes that without further congressional action, sequestration will return in full in 2018, threatening the economy. That is why the Budget once again proposes to end sequestration and replace the savings by cutting inefficient spending and closing tax loopholes. Reversing sequestration would allow domestic and security investments needed to help move the Nation forward. These include investments to strengthen the economy and drive growth and opportunity by improving the education and skills of the U.S. workforce, accelerating scientific discovery, and creating jobs through pro-work, pro-family initiatives. Ending sequestration is also necessary to address critical national security priorities and fund national defense in a fiscally responsible manner. Ending this destructive policy would enable the United

States to maintain military readiness, advance badly-needed technological modernization, and provide the support that our men and women in uniform deserve.

Investing in Economic Growth While Maintaining Fiscal Responsibility

The Budget shows that investments in growth and opportunity are compatible with putting the Nation's finances on a strong and sustainable path. The Budget ends sequestration and makes critical investments while still addressing long-term fiscal challenges. It keeps deficits below three percent of GDP while stabilizing debt and putting it on a declining path through 2025—key measures of fiscal progress.

The Budget accomplishes these goals by more than paying for all new investments, achieving \$2.9 trillion of deficit reduction over 10 years, primarily from health, tax, and immigration reforms. The Budget includes roughly \$375 billion of health savings that grow over time, described further in Chapter 3, Meeting Our Greatest Challenges: Opportunity for All, and builds on the ACA with further incentives to improve quality and control health care cost growth.

The Budget also includes smart tax reforms that promote growth and opportunity, while strengthening tax policies that help middle-class families afford child care, higher education, and a secure retirement, also described further in Chapter 3. It achieves \$955 billion in deficit reduction from curbing inefficient tax breaks for the wealthy and closing loopholes for high-income households, helping to bring in sufficient revenues to make vital investments while also helping to meet promises made to seniors. Changes in health and tax policies would help extend the life of the Medicare Hospital Insurance Trust Fund by over 15 years.

The Budget reflects the President's support for commonsense, comprehensive immigration reform along the lines of the 2013 bipartisan Senate-passed bill. CBO has estimated that comprehensive immigration reform along the

Manufacturing Extension Partnership to help America's small manufacturers access the technology and expertise they need to expand. This would help turn America's increased manufacturing competitiveness into a lasting advantage through smart, strategic investments that build on our strengths. Most importantly, the Budget makes new investments to grow a national network of innovative R&D hubs to help keep U.S. manufacturing in the lead on technology.

This network, the National Network for Manufacturing Innovation, plays an important part in this revitalization of American manufacturing. In his 2012 State of the Union Address, the President called for the creation of a network of manufacturing institutes to boost advanced manufacturing, foster American innovation, and attract well-paying jobs that would strengthen the middle class. Later that year, an interagency team led by the Department of Defense launched the first pilot institute. Proving that revitalizing American manufacturing is a topic we can all agree on, the Congress supported this initiative in a bipartisan fashion by passing the Revitalize American Manufacturing and Innovation Act in December 2014, which authorizes manufacturing innovation institutes to come together into a shared network and codifies authority for the Department of Commerce to coordinate this multi-agency initiative.

To date, the Administration has already awarded seven institutes. Those institutes represent more than \$500 million in Federal resources matched by more than \$1 billion of non-Federal resources, all focused on securing U.S. leadership in the emerging technologies that make America's industry more competitive today and ensure continued groundbreaking innovation tomorrow. The Budget builds on the seven institutes awarded, two more institutes with competitions already underway, and four more institutes funded in 2016 by proposing five additional manufacturing institutes in 2017 in the Departments of Commerce, Defense, and Energy. In total, the Budget proposes more than \$250 million in discretionary resources to create and sustain manufacturing innovation institutes.

Each of these new institutes would bring together companies, universities, community colleges, and Government to co-invest in the development of world-leading manufacturing technologies and capabilities that U.S.-based manufacturers can apply in production. For example, the Digital Manufacturing and Design Innovation Institute in Chicago has attracted more than 140 partners and, in its first six months alone, hosted over 2,000 visitors to its smart factory demonstration facility, modeling state-of-the-art techniques for integrating digital technologies into a factory production line. Collectively, the institutes are attracting a swelling membership from across Fortune 500 companies, leading research universities, regional non-profits, and small businesses with over 800 members to-date. They have launched 147 R&D projects to accelerate transformative manufacturing technologies into production, demonstrating the significant momentum underway.

The Budget also includes a mandatory spending proposal of \$1.9 billion to build out the remaining 27 institutes to create a national network of 45 manufacturing institutes over the next 10 years that would position the United States as a global leader in advanced manufacturing technology.

Advancing Biomedical Research at the National Institutes of Health (NIH)

The Budget provides \$33.1 billion—including \$1.8 billion in new mandatory funding—to support biomedical research at NIH. This funding would allow for almost 10,000 new and competing NIH grants that will help scientists better understand the fundamental biological mechanisms that underpin health and disease to improve health and save lives. The Budget provides increased resources for the President's Precision Medicine Initiative and continues support for the Brain Research through Advancing Innovative Neuroethologies (BRAIN) initiative, launched by the President in 2013, which is helping to revolutionize our understanding of the human brain.

Enhancing Investments in Cancer Research. As a part of the cancer “moonshot” the President announced in the State of the Union Address, the Budget provides an increase of \$755 million to accelerate progress in preventing, diagnosing, and treating cancer. The increase is in addition to NIH’s significant investment for the cancer moonshot in 2016. The Budget’s multi-year cancer initiative, which begins in 2016, provides \$680 million to NIH and \$75 million to the Food and Drug Administration in 2017, to improve health and outcomes for patients through investments in research and infrastructure, and brings together researchers across sectors and scientific disciplines. Notably, these funds would significantly increase support for research to help realize the promise of cancer immunotherapy.

Precision Medicine Initiative. The Budget includes \$300 million for NIH to continue the progress of the President’s Precision Medicine Initiative, which was launched in 2016 to enable a new era of medicine for all by accelerating research into the development of treatments tailored to specific characteristics of individuals. The Budget supports efforts underway to establish a voluntary national research cohort of one million or more Americans, expand research to define cancer subtypes and identify new therapeutic targets, modernize the regulatory framework for DNA-sequence-based diagnostic tests, and improve health data sharing and interoperability so patients can access their health records for research, providers can recommend optimal treatments and researchers can use individual and population data to develop new insights and therapies. It also supports activities to engage patients, including those from historically underserved communities, and raise awareness about the promise of precision medicine for all.

BRAIN Initiative. The Budget includes \$195 million for NIH for the BRAIN Initiative, a bold research effort to revolutionize our understanding of the brain and to uncover new ways to treat, prevent, and cure brain disorders like Alzheimer’s, schizophrenia, autism, epilepsy, and traumatic brain injury. The initiative has grown

since its launch in 2013 to include five agencies, and dozens of major foundations, private research institutions, universities, companies, and advocacy organizations have aligned their research efforts to advance the BRAIN Initiative.

Investing in Civil Space Activities

The Budget invests in space exploration and technological advancements, providing \$19 billion, including \$763 million in mandatory funding in 2017, to NASA to further U.S. leadership in space and at home. The Budget supports exploration of the Solar System, including robotic missions to Mars and to the Sun, and funds the development and operation of a fleet of spacecraft to study our own planet, increasing our understanding of the Earth and its climate. The Budget supports innovative public-private partnerships to enable new industries and capabilities in space and to ensure that our space programs are sustainable and affordable. The Budget also makes investments in new ground-breaking technologies, such as solar-electric propulsion that would allow us to push out into the Solar System not just to visit, but to stay.

Addressing Challenges in Agriculture through R&D

Recognizing the importance of science and technology to meet challenges in agriculture, the Budget increases investment in three major areas of agricultural R&D:

- Grants through USDA’s flagship competitive peer-reviewed research program, the Agriculture and Food Research Initiative (AFRI), are funded at \$700 million, including \$325 million in mandatory funding. This is the full authorized level and double the 2016 funding level. It would enable USDA to accept many qualified research proposals that it previously would have rejected due to funding constraints. AFRI-supported research would enable USDA to respond to critical problems and challenges facing the Nation such as ensuring an abundant supply of safe water for agricultural uses, responding to climate change, understand-

Addressing Puerto Rico's Economic and Fiscal Crisis

The Commonwealth of Puerto Rico is in the midst of an economic and fiscal crisis which without action from the Congress could devolve into a humanitarian crisis. The 3.5 million Americans living in Puerto Rico have endured a decade of economic stagnation. Since 2006, Puerto Rico's economy has shrunk by more than 10 percent and shed more than 250,000 jobs. More than 45 percent of the Commonwealth's residents live in poverty—the highest poverty rate of any State or territory—and its 12.5 percent unemployment rate is more than twice the national level. These challenges have sparked the largest wave of outmigration since the 1950s, and the pace continues to accelerate. More than 300,000 people have left Puerto Rico in the past decade; a record 84,000 people left in 2014.

Consistent with the Roadmap for Congressional Action on Puerto Rico that the Administration established in October 2015, the Budget proposes a series of measures to provide Puerto Rico with the tools it needs to address its economic and fiscal crisis in a fair, orderly, and comprehensive manner while creating the foundation for recovery.

The President remains committed to the principle of self-determination for the people of Puerto Rico, and it is clear from the results of the 2012 referendum on the political status of Puerto Rico that the people of Puerto Rico want to resolve the issue. We believe that the Congress and this Administration have key roles to play to help Puerto Rico determine its future status through a fair, clearly defined, and transparent process—and we believe the outcome of that process should be respected and acted upon in the Congress.

There are four key elements of the Roadmap for Congressional Action on Puerto Rico in the Budget:

1. Provide tools for Puerto Rico to comprehensively address its financial liabilities. The Budget proposes to provide Puerto Rico with the necessary tools to restructure its financial liabilities in a fair and orderly manner under the supervision of a Federal court. Specifically, the Budget proposes a broad legal framework that allows for a comprehensive restructuring of Puerto Rico's financial liabilities. This framework should be reserved exclusively for U.S. territories. As under current law, States would remain ineligible to file for bankruptcy under this or any other bankruptcy regime.

2. Enact strong fiscal oversight and help strengthen Puerto Rico's fiscal governance. Puerto Rico must reform its fiscal governance in a credible and transparent way while implementing the changes needed to achieve financial stability. The Budget proposes to strengthen Puerto Rico's ability to implement a sound plan for achieving financial stability while also respecting Puerto Rico's unique status and local autonomy.

3. Strengthen Medicaid in Puerto Rico and other U.S. territories. To avoid a loss in coverage when one-time funds from the Affordable Care Act run out, and to better align territory Medicaid programs with the mainland, the Budget would remove the cap on Medicaid funding in the territories, gradually increase the Federal support territories receive through the Federal Medicaid match by transitioning them to the same level that is received on the mainland, and expand eligibility to 100 percent of the Federal poverty level in territories currently below this level. To be eligible for maximum Federal financial support, territories will have to meet financial management and program integrity requirements and achieve milestones related to providing full Medicaid benefits. (See details below in Building on the ACA to Improve Americans' Health.)

4. Reward work and support growth. The decade-long recession has taken a toll on Puerto Rico's finances, its economy, and its people. To reward work and break this vicious cycle, the Budget proposes an EITC for Puerto Rico. The EITC is already available to Americans living in the 50 States and the District of Columbia, and providing the EITC in Puerto Rico would create incentives for work and increase participation in the formal economy.

low-income children are at higher risk of food insecurity and poorer nutrition during the months when school is out of session. Rigorous evaluations of USDA pilots have found that providing additional food benefits on debit cards to low-income families with school-aged children during summer months can significantly reduce food insecurity. The Budget invests \$12 billion over 10 years to create a permanent Summer Electronic Benefits Transfer for Children program that would provide all families with children eligible for free and reduced price school meals access to supplemental food benefits during the summer months.

Expanding Opportunity for Native American Youth. In December 2014, President Obama announced Generation Indigenous, a Native youth initiative focused on taking a comprehensive, culturally appropriate approach to help improve the lives of and opportunities for Native youth. The Budget builds on key investments the Congress made across several agencies in 2016 to support Generation Indigenous, providing \$40 million at HHS to support youth-focused behavioral and mental health services, \$23 million at the Department of Education (ED) for the Native Youth Community Projects, and \$1 billion for Bureau of Indian Education (BIE) schools.

The additional resources provided in the Budget for Native youth would ensure that multiple agencies, including the Departments of the Interior (DOI), ED, HUD, HHS, USDA, and Justice (DOJ), are working collaboratively with Tribes and can successfully implement education reforms and address issues facing Native youth.

The Budget makes a number of investments in these priorities, including:

- \$1 billion to support DOI's comprehensive redesign and reform of the BIE, including \$138 million to improve facilities conditions and \$25 million to extend broadband internet and computer access at BIE-funded schools and dormitories;
- \$20 million for HUD-funded community facilities to support Native youth and teacher

housing and \$8 million for DOI's efforts to address teacher housing needs;

- \$55 million in HHS's Substance Abuse and Mental Health Services Administration and Indian Health Service to support the Administration's priority of expanding access to mental health services to Native youth. The funding would provide youth-focused behavioral and mental health, and substance abuse services, and reduce the number of suicides among Native youth, which is currently the second leading cause of death among Native youth ages 8-24 and occurs at 2.5 times the national rate;
- \$26.6 million for HHS's Administration for Children and Families to support Native youth resiliency and leadership development, implement special programs to increase and improve Native American language instruction across the educational continuum, and increase the ability of Tribes to effectively serve Native youth involved in the child welfare system, as well as \$242 million in mandatory funding over 10 years to strengthen the capacity of tribal child welfare systems, including tribal courts; and
- A \$30 million increase to the Native Youth Community Projects at ED to support community-driven, comprehensive strategies to improve college- and career-readiness of Native youth.

These investments build on current efforts to better serve Native youth by coordinating and demonstrating results across the Federal Government.

Reducing Rural Child Poverty. According to a 2015 report by USDA's Economic Research Service, roughly one in four rural children live in poverty. Not only is rural child poverty pervasive, it is persistent: approximately 80 percent of persistent child poverty counties—that is, counties with 20 percent or more of their child populations living in poverty over the last 30 years—are rural. To address these challenges, the Budget invests in innovative strategies to

increase rural families' access to promising and evidence-based programs and services. The Budget makes unprecedented investments in two-generation approaches—aligning high-quality early childhood education for children with high-quality workforce development for parents to put the entire family on a path to educational success and permanent economic security. The Budget provides \$20 million for two-generation demonstration projects within USDA to fight rural child poverty and \$16 million to support an integrated model for early childhood development and parental involvement for American Indian families in BIE-funded schools. As discussed above, the Budget also introduces a new rural home visiting program that complements HHS's evidence-based Maternal, Infant, and Early Childhood Home Visiting program to serve more high-risk, high-need children and families in remote rural areas.

Promoting Permanency, Safety, and Well-Being for Children and Youth in Foster Care. On any given day, there are more than 400,000 young people in the Nation's foster care system, with over 100,000 waiting to be adopted. The Budget includes a package of investments designed to do more to prevent the need for foster care and assist children and families so that children can either be reunited with their biological parents or placed in a permanent home where they can thrive. The Budget includes funding to provide critical preventative services to vulnerable families and children to address hardships early, keeping more children out of foster care and with their families, as well as funding to promote family-based care for children with behavioral and mental health needs to reduce the use of congregate care—which can have negative effects on children. The Budget also provides funding to help improve the training and skills of the child welfare workforce, individuals working with some of the most vulnerable children and youth in the Nation, including funding to help caseworkers obtain a Bachelor or Master's degree in social work and incentivize State child welfare agencies to hire and retain caseworkers

with this specialized education. The Budget continues to include funding for Tribes to build their child welfare infrastructure, and for tribal children and youth removed from their homes to remain in their communities.

Improving Health Outcomes for Children and Youth in Foster Care. The Budget continues to propose a Medicaid demonstration project in partnership with HHS's Administration for Children and Families to encourage States to provide evidence-based psychosocial interventions to address the behavioral and mental health needs of children in foster care and reduce reliance on psychotropic medications to improve overall health outcomes.

Helping Families Achieve Self-Sufficiency through the Upward Mobility Project. The Budget continues to support the Upward Mobility Project, which would allow up to 10 communities, States, or a consortium of States and communities more flexibility to use funding from up to four Federal programs for efforts designed to implement and rigorously evaluate promising approaches to helping families achieve self-sufficiency, improving children's education and health outcomes, and revitalizing communities. Projects will have to rely on evidence-based approaches or be designed to test new ideas, and will have a significant evaluation component that will determine whether they meet a set of robust outcomes. The funding streams that States and communities can use in these projects are currently block grants—the Social Services Block Grant, the Community Development Block Grant, the Community Services Block Grant, and the HOME Investment Partnerships Program—that share a common goal of promoting opportunity and reducing poverty, but do not facilitate cross-sector planning and implementation as effectively as they could. The Budget also provides \$1.5 billion in additional funding over five years that States and communities can apply for to help support their Upward Mobility Projects.

BUILDING ON THE ACA TO IMPROVE AMERICANS' HEALTH

For decades, too many Americans went without the security of health insurance. Since the ACA's coverage provisions have taken effect, 17.6 million Americans have gained health insurance coverage through the Health Insurance Marketplace, Medicaid, and other sources. Now, fewer than 1 in 10 Americans lack health insurance for the first time in history. The dramatic decline in the uninsured rate shows the ACA is working, making health care more affordable and accessible for millions of people.

The ACA also provides Americans the economic security they deserve. Because of the ACA, American families no longer need to worry about losing coverage due to economic setbacks, such as lay-offs or job changes, or due to pre-existing conditions, such as asthma, cancer, or diabetes. In addition, health insurance plans cannot bill patients into debt because of an illness or injury, or limit annual or lifetime dollar benefits. Americans have benefited from these changes. For example, the number of people in households that faced problems paying medical bills fell by 12 million from 2011 to 2015.

Further, the ACA has taken historic and significant steps toward putting the Nation back on a sustainable fiscal course, while laying the foundation for a higher quality health care system. It is improving the quality of care that Americans receive and reducing cost growth by deploying innovative new payment and delivery models that incentivize more efficient, higher-quality care.

With the ACA as a solid foundation, the Budget makes additional health care investments and reforms to further improve the Nation's health care system and the health of all Americans. With approximately \$375 billion in health savings that will grow over time, the Budget would extend the exceptionally slow cost growth of recent years. It builds on the dependable health insurance provided to Medicare, Medicaid, and Children's Health Insurance Program (CHIP) beneficiaries, supports an aggressive agenda to transform the Nation's health care delivery sys-

tem into one that better incentivizes quality and efficiency, reins in growing drug costs while improving quality and transparency, and includes proposals that extend the life of the Medicare Hospital Insurance Trust Fund by over 15 years.

Implementing the ACA and Improving Health Care in America

The Budget fully funds the ongoing implementation of the ACA and makes a number of improvements to the health care system.

Supporting Medicaid Expansion. The ACA expanded affordable health insurance coverage to millions of low-income Americans by offering significant Federal financial support to States that expand Medicaid eligibility to non-elderly individuals with income below 133 percent of the poverty line, roughly \$26,700 for a family of three. In the 30 States (and the District of Columbia) that expanded Medicaid by the end of 2015, the share of people without health insurance has fallen significantly, along with the cost of uncompensated care. The Budget provides further incentive for States to expand Medicaid by covering the full cost of expansion for the first three years regardless of when a State expands, ensuring equity between States that already expanded and those that will expand in the future. Previously, the ACA covered the full costs through calendar year 2016 before gradually reducing the level of support to 90 percent.

Protecting Consumers and Other Reforms. The Budget makes targeted improvements to the ACA's private insurance programs, including proposals to help eliminate unexpected health care charges and provide for uniform health care billing documents, among other reforms. It also proposes to standardize the definition for American Indians and Alaska Natives used in the ACA. The Budget bolsters program integrity efforts with additional investments and a proposal to allow the Centers for Medicare & Medicaid Services (CMS) access to new data sources to improve the accuracy

of eligibility determinations for Marketplace financial assistance.

Improving the Excise Tax on High-Cost Employer Coverage. The ACA included an excise tax on the highest-cost employer-sponsored health insurance plans to give employers an incentive to make those plans more efficient. The Budget proposes to modify the threshold above which the tax applies to be equal to the greater of the current law threshold or the average premium for a Marketplace gold plan in each State. This reform would protect employers from paying the tax only because they are in high-cost areas and ensure that the tax remains targeted at the highest-cost plans in the long term. The Budget would also make it easier for employers offering flexible spending arrangements to calculate the tax. Finally, the proposal would require the Government Accountability Office to conduct a study of the potential effects of the tax on firms with unusually sick employees, in consultation with the Department of the Treasury and other experts.

Strengthening Medicare, Medicaid and CHIP

Together, Medicare, Medicaid, and CHIP provide affordable health coverage to support longer, healthier lives and economic security for the Nation's seniors, people with disabilities, and low-income working Americans and families. Today, Medicare provides about 55 million Americans with dependable health insurance. State Medicaid and CHIP programs provide health and long-term care coverage to more than 70 million low-income Americans. The Budget strengthens the Medicare and Medicaid programs through reforms that expand and extend health coverage in Medicaid and CHIP, encourage high-quality and efficient care, and continue the progress of reducing cost growth.

Expanding Health Coverage by Improving Access to Medicaid and CHIP Coverage and Services. The Budget gives States the option to streamline eligibility determinations for children in Medicaid and CHIP

and to maintain Medicaid coverage for adults by providing one-year of continuous eligibility. The Budget also extends full Medicaid coverage to pregnant and post-partum Medicaid beneficiaries, expands access to preventive benefits and tobacco cessation for adults in Medicaid, streamlines appeals processes, and ensures children in inpatient psychiatric treatment facilities have access to comprehensive benefits. The Budget also fully covers the costs of the Urban Indian Health Program (UIHP) clinics for Medicaid services provided to eligible American Indians and Alaska Natives, supporting the expansion of UIHP service offerings and improving beneficiary care.

Preserving Coverage through CHIP. CHIP currently serves more than eight million children of working parents who are not eligible for Medicaid. While the Medicare Access and CHIP Reauthorization Act extended CHIP funding through 2017, the Budget proposes to extend funding for CHIP through 2019, ensuring continued, comprehensive, affordable coverage for these children.

Strengthening Medicaid in Puerto Rico and other U.S. Territories. The Medicaid programs in Puerto Rico and the other U.S. territories of American Samoa, Guam, Northern Mariana Islands, and the U.S. Virgin Islands are fundamentally different from the Medicaid program in the States, leading to a lower standard of care than may be otherwise experienced on the mainland. Medicaid funding in Puerto Rico and the other territories is capped; beneficiaries are offered fewer benefits; and the Federal Government contributes less on a per-capita basis than it does to the rest of the Nation. The ACA increased the Federal match rate and provided \$7.3 billion above the territory funding caps between July 1, 2011 and the end of 2019. To avoid a loss in coverage when the supplemental funds provided in the ACA run out and to better align Puerto Rico and other territory Medicaid programs with the mainland, the Budget would remove the cap on Medicaid funding in Puerto Rico and the other territories. It also would gradually increase the Federal support territories receive through

the Federal Medicaid match by transitioning them to the same level of Federal support as is received on the mainland, and expand eligibility to 100 percent of the Federal poverty level in territories currently below this level. To be eligible for maximum Federal financial support, territories would have to meet financial management and program integrity requirements and achieve milestones related to providing full Medicaid benefits.

Promoting Access to Long-Term Care Services and Supports (LTSS). The Administration has made it a priority to help more older Americans and people with disabilities with Medicaid coverage have the choice to receive home and community-based services (HCBS) rather than institutional care. The Administration has focused on implementing key initiatives in this area, including supporting State efforts to transition disabled and elderly individuals from institutions to community-based care. The Budget builds on these efforts by expanding and simplifying eligibility to encourage more States to provide HCBS in their Medicaid programs. The Budget also includes a comprehensive long-term care pilot for up to five States to test, with enhanced Federal funding, a more streamlined approach to delivering LTSS to support greater access and improve quality of care. In addition, the Budget includes an increase of \$10 million for HCBS provided through HHS's Administration for Community Living, which provides supportive services such as in-home personal care, respite care, and transportation assistance.

Improving Care Delivery for Low-Income Medicare-Medicaid Beneficiaries. The Budget proposes to streamline enrollment for the Medicare Savings Programs, which assist low-income beneficiaries with their Medicare premiums and cost-sharing, by setting a national standard for income and asset definitions. The Budget also proposes to implement simpler, faster processes for Federal-State review of marketing materials and beneficiary appeals for managed care plans that serve Medicare-Medicaid enrollees. In addition, the Budget proposes to permanently

authorize a demonstration that provides retroactive drug coverage for certain low-income Medicare beneficiaries through a single plan, establishing a single point of contact for beneficiaries seeking reimbursement for claims.

Strengthening the Medicare Advantage Program. The Budget proposes a package of reforms that encourage greater quality and efficiency in Medicare Advantage. First, the Budget proposes to reform payments to Medicare Advantage plans by using competition to set payment rates. Under the Budget's proposed competitive bidding system, Medicare Advantage payment rates would be based on plans' bids, ensuring that plan payments reflect plans' costs for covering Medicare beneficiaries. The proposal also preserves most beneficiaries' access to a Medicare Advantage plan that provides supplemental benefits, without paying an additional premium. In addition, the Budget includes higher payments to high-quality Medicare Advantage plans to encourage quality improvement and attainment. These reforms would save about \$77 billion combined.

Encouraging High-Quality, Efficient Care among Medicare Providers. The Budget includes new proposals to expand competitive bidding to additional durable medical equipment and to encourage efficiency among hospice providers through changes to payments. The Budget continues a robust set of proposals that build on ACA initiatives to help extend Medicare's solvency while encouraging provider efficiencies and improved patient care among hospitals and post-acute care providers. Together, these proposals would save almost \$180 billion over 10 years.

Reducing Cost Growth by Encouraging Beneficiaries to Seek High-Value Services. The Budget includes structural changes to encourage Medicare beneficiaries to seek high-value health care services and improve the financial stability of the Medicare program. It also includes new proposals to improve coverage of colonoscopies and incentivize primary care delivery. The Budget continues to propose several modifications for new beneficiaries starting in

2020, such as a modified Part B deductible and a modest copayment for certain home health episodes. Together, these proposals would save approximately \$54 billion over 10 years.

Making Targeted Reforms to Increase Quality and Maximize Cost-Effectiveness in Medicaid and CHIP. The Budget proposes to limit the portion of Medicaid and CHIP managed care dollars spent on administration and incentivize more investments in quality health care services by establishing a Medical Loss Ratio (MLR) ratio of 85 percent. This would modernize Medicaid and CHIP managed care by aligning program requirements with those in Medicare Advantage and private insurance. Furthermore, it will strengthen State and Federal financial management of managed care contracts with a requirement to return payments in excess of the minimum MLR. The Budget extends funding for the Medicaid adult quality program, and continues to propose better aligning Medicaid Disproportionate Share Hospital Payments, which compensate hospitals that treat high numbers of uninsured patients, with expected levels of uncompensated care.

Cutting Waste, Fraud, and Abuse in Medicare and Medicaid. The Administration has made targeting waste, fraud, and abuse in Medicare, Medicaid, and CHIP a priority and is aggressively implementing new tools for fraud prevention provided by the ACA. In 2014, the Government's health care fraud prevention and enforcement efforts recovered \$3.3 billion in taxpayer dollars from individuals and companies attempting to defraud Federal health programs, including programs serving seniors, persons with disabilities, and low-income individuals. In addition, further development of the CMS Fraud Prevention System, a predictive analytic model similar to those used by private-sector experts, continues to support CMS' efforts to identify and prevent wasteful, abusive, and potentially fraudulent billing activities. Building on this progress, the Budget proposes a series of policies that would save nearly \$3.4 billion over the next 10 years by:

- Requiring prior authorization for power mobility devices and advanced imaging, which could be expanded to other items and services at high risk of fraud and abuse;
- Supporting efforts to investigate and prosecute allegations of abuse or neglect of Medicaid beneficiaries in non-institutional health care settings;
- Strengthening the Federal Government's ability to identify and act on fraud, waste, and abuse through investments in the Medicaid Integrity Program;
- Providing the Secretary of HHS with greater authority to reject claims for certain items and services in areas of the United States where there is evidence of fraud and abuse;
- Ensuring Federal and State governments can confidentially share data algorithms developed to detect waste, fraud, and abuse;
- Improving the Recovery Audit Contractor (RAC) program by authorizing CMS to pay RACs after the second-level of appeals, and by requiring RACs to maintain a surety bond or other form of protection to cover overturned recovery auditor decisions; and
- Requiring States to suspend Medicaid payments when there is a significant risk of fraud.

In order to decrease waste, fraud, and abuse and strengthen program integrity in the Medicare prescription drug program, the Budget also provides the Secretary the authority to suspend coverage and payment for questionable Part D prescriptions and establishes a program to reduce prescription drug abuse in Medicare.

Transforming the Nation's Health Care Delivery System

The Administration continues to support an aggressive reform agenda to transform the Nation's health care delivery system into one that better incentivizes quality and efficiency. These reforms are designed to not only improve Americans' health, but also to help further slow

growth in health care costs and increase quality in Medicare and Medicaid.

Supporting Alternative Payment and Delivery Models. In January 2015, the Administration announced the goals of tying 30 percent of Medicare payments to quality and value through alternative payment models by 2016 and 50 percent by 2018. The Administration is on track to exceed the 2016 milestone by the end of 2016. This was the first time in Medicare's history that the Administration set explicit goals for alternative payment models and value-based payments.

In addition, the Administration is supporting more than 20 demonstration projects through the Center for Medicare & Medicaid Innovation (Innovation Center) to test new innovative payment and service delivery models targeted at reducing program expenditures while preserving or enhancing the quality of care. One demonstration, the Pioneer Accountable Care Organizations, generated over \$300 million in savings to Medicare over its first three years while delivering high-quality patient care. Beginning in April 2016, approximately 800 hospitals will be engaged in a mandatory demonstration to drive quality improvement and cost reduction in hip and knee replacements.

The Budget builds on the ACA as well as the Administration's current demonstration projects and other actions to further delivery system reform. It proposes bundled Medicare payments for post-acute providers, such as nursing homes and home health agencies. The Budget also includes proposals that enhance the ability of Accountable Care Organizations to increase quality and reduce costs, and includes a proposal to incentivize hospitals to engage with qualifying alternative payment models. The Budget also reduces incentives for physicians to inappropriately order services from which they would financially benefit, establishes quality bonuses for the highest rated Part D plans, and modifies incentives in the Medicare prescription drug program to encourage patient engagement in health care decisions.

In addition, the Administration also is working to implement the Medicare Access and CHIP Reauthorization Act to accelerate physician participation in high-quality and efficient health care delivery systems, align incentives, and improve care coordination.

To facilitate system-wide change, the Administration launched the Health Care Payment Learning and Action Network to bring together private payers, providers, employers, State partners, consumer groups, individual consumers, and many others to accelerate the transition to alternative payment models.

Improving Health IT and Transparency. Health information exchange is essential for a transformed delivery system. To support improvement in this area, the Administration is promoting health IT interoperability and increasing access to health care information, including cost and quality information, so that clinicians, patients and their family members, and businesses can make informed health care choices.

To improve transparency and distribution of information, the Administration continues to improve access to Federal data through the Open Data Initiative, release Medicare data on cost and quality, and invest in innovative ways to collect and share data, from the way we measure the quality of care to the way health care is documented and communicated to consumers. For example, in December 2015, the Administration released an interactive tool that can be used to examine spending and price trends for medications that are fiscally significant to Medicare.

The Budget increases support to advance interoperable health IT while protecting patient privacy. The Budget includes new incentive payments for certain behavioral health providers to adopt and meaningfully use certified electronic health records, which would further enhance the integration of physical and behavioral health care. In addition, the Budget supports the Office of the National Coordinator for Health Information Technology in developing and

advancing policies that help consumers and providers access electronic health information when and where they need it to make health care decisions, including development of interoperable tools and implementation of efforts to deter and remedy information blocking.

Investing in Public Health and Safety and the Health Care Workforce

Combating Prescription Drug Abuse and Heroin Use. More Americans now die every year from drug overdoses than in vehicle crashes, and the majority of these overdoses involve opioids—a class of drugs that includes prescription painkillers and heroin. Prescription opioid-related overdoses alone cost tens of billions in medical and work-related costs each year. The Administration has promoted and expanded community-based efforts to prevent drug use, improve opioid prescribing practices, and increase access to opioid use disorder treatment services. However, too many Americans are abusing opioids and too few are getting treatment. Individuals who want to but do not undergo treatment often report cost and lack of access as reasons why they do not get treatment.

The Budget takes a two-pronged approach to address this epidemic. First, it includes approximately \$500 million to continue and expand current efforts across HHS and DOJ to expand State-level prescription drug overdose prevention strategies, increase the availability of medication-assisted treatment programs, and improve access to the overdose-reversal drug naloxone. A portion of this funding is targeted specifically to rural areas, where rates of overdose and opioid use are particularly high.

Second, the Budget includes \$1 billion in new mandatory funding over the next two years to boost efforts to help individuals seek treatment, successfully complete treatment, and sustain recovery. States would receive funds based on the severity of the epidemic and on the strength of their strategy to respond to it. States can use these funds to expand treatment capacity and make services more affordable to those

who cannot afford it. This funding would also help expand the addiction treatment workforce through the National Health Service Corps and support the evaluation of treatment services. This investment, combined with other efforts underway to reduce barriers to treatment for substance use disorders, would help ensure that every American who wants treatment can access it and get the help they need.

Expanding Access to Mental Health Care. Too often mental health is thought of differently than other forms of health, yet mental health is essential to overall health and wellness. Recovery from and management of mental health conditions is possible and those who receive treatment can go on to lead happy, healthy, productive lives. One in five American adults experience a mental health issue at some point in their life, yet millions do not receive the care they need. The Budget includes \$500 million in new mandatory funding over two years to help engage individuals with serious mental illness in care, improve access to care by increasing service capacity and the behavioral health workforce, and ensure that behavioral health care systems work for everyone. In addition to these funds, the Budget expands the President's Now is the Time initiative to improve access to mental health services for young people; support communities in developing comprehensive systems to intervene when an individual is experiencing a mental health crisis; and funding new strategies to address the increasing number of suicides by older adults.

Investing in Native American Health Care. The Budget provides the Indian Health Service (IHS) with \$5.2 billion, a total increase of more than \$400 million over the 2016 enacted level, to expand health care services and to make progress toward the construction of health care clinics in Indian Country. The Budget proposes to fund contract support costs fully, through discretionary funds in 2017 and through mandatory funds beginning in 2018.

Strengthening HIV and Hepatitis C Services. The Budget expands access to HIV prevention and treatment activities for millions

of Americans through the continued implementation of the updated National HIV/AIDS Strategy, with a focus on three key elements of the Strategy. First, the updated Strategy calls for providing more people with highly effective prevention services such as pre-exposure prophylaxis (PrEP) to reduce new HIV infections. PrEP has been shown to reduce the risk of HIV infection by up to 92 percent in people who are at high risk. The Budget also includes \$20 million for a new innovative pilot program to increase access to PrEP and allow grantees to use a portion of funds to purchase treatment and other health care services as the payer of last resort. Second, the Strategy calls for improved screening for Hepatitis C, which disproportionately affects Americans living with HIV. The Budget includes funding for a new initiative to increase screening and expands access to Hepatitis C care and treatment among people living with HIV. Third, the Strategy calls for prioritizing HIV/AIDS resources within high-burden communities and among high-risk groups, including gay and bisexual men, Blacks/African Americans, and Latino Americans, which is reflected throughout the Budget.

Combating Antibiotic Resistant Bacteria (CARB). The Budget includes \$1.1 billion across the Federal Government to prevent, detect, and control illness and death related to infections caused by antibiotic-resistant bacteria and to support research on innovative ways to reduce or manage resistance. These resources would also help support the advancement of rapid diagnostics and new types of therapies for the treatment of bacterial infections, including managing the patient's microbiome and targeting bacterial virulence factors, as outlined in the CARB National Strategy and National Action Plan. The Budget also continues to support implementation of surveillance, prevention, and stewardship activities as outlined in the Strategy and the Action Plan.

Improving Access to Primary Care Health Care Providers. The Budget includes increased investments to strengthen the primary care workforce. The Budget expands the number of National Health Service Corps clinicians

who practice primary care in areas of the Nation that need it most, to 15,000 providers between 2018 and 2020. In addition, the Budget supports primary care residency training in medically underserved areas. To continue encouraging provider participation in Medicaid, the Budget reestablishes increased payments for primary care services delivered by certain physicians through calendar year 2017, with modifications to expand provider eligibility and better target primary care services.

Addressing the High Cost of Drugs

The Administration is deeply concerned about rapidly growing prescription drug prices, driven in part by the shift to specialty therapeutics, the slowdown in patent expirations, and challenges in measuring drug value. To address this issue, the Budget includes a package of proposals focused on Medicare, Medicaid, and drug price transparency.

Improving Quality and Lowering Drug Costs for the Medicare Program. The Budget includes proposals to lower drug costs while improving transparency and evidence development in the Medicare Part D program. The Budget proposes to increase data collection to demonstrate the effectiveness of medications in the Part D program in the Medicare population and to inform real world clinical treatment. The Budget continues to provide the Secretary of HHS the authority to negotiate drug prices for biologics and high-cost drugs in Medicare Part D and includes a new proposal to incentivize Part D plan sponsors to better manage care provided to beneficiaries with high prescription drug costs.

To help ensure access and affordability of treatments, the Budget proposes to accelerate discounts for brand name drugs for seniors who fall into Medicare's coverage gap by increasing manufacturer rebates from 50 percent to 75 percent in 2018. In addition, the Budget proposes to require drug manufacturers to provide rebates generally consistent with Medicaid rebate levels for drugs provided to low-income Part D beneficiaries. Together, these proposals would save

Medicare approximately \$140 billion over 10 years.

Lowering Medicaid Drug Costs for States and the Federal Government. The Budget includes targeted policies to lower drug costs in Medicaid. It provides States with a new, voluntary tool to negotiate lower drug prices through the creation of a Federal-State Medicaid negotiating pool for high-cost drugs. In addition, the Budget continues to support and build on previously proposed reforms to the Medicaid drug rebate program. These reforms enhance manufacturer compliance with rebate requirements, and improve access to medications. In addition, the Budget corrects and improves the ACA Medicaid rebate formula for new drug formulations, such as by exempting abuse deterrent formulations. These proposals are projected to save the Federal Government approximately \$11.4 billion over 10 years.

Increasing Transparency of Prescription Drug Pricing and Ensuring Access to Generic Medications. The Budget proposes to provide the Secretary of HHS with the authority to require drug manufacturers to publicly disclose certain information, including research and development costs, discounts, and other data as determined through regulation. It also includes three previously proposed reforms designed to increase access to generic drugs and biologics by stopping companies from entering into anti-competitive deals intended to block consumer access to safe and effective generics, by awarding brand biologic manufacturers seven years of exclusivity, rather than 12 years under current law, and by prohibiting additional periods of exclusivity for brand biologics due to minor changes in product formulations. These proposals would save the Federal Government \$21 billion over 10 years.

ENSURING SAFETY, FAIRNESS, AND COMMUNITY TRUST IN THE CRIMINAL JUSTICE SYSTEM

The President is committed to ensuring the criminal justice system is fair and effective for all Americans. Since the President took office, the rate of violent crime has fallen to levels not seen in decades. In 2014—for the first time in over 30 years—the Federal prisoner population decreased, following updates to Federal sentencing guidelines and implementation of DOJ's Smart on Crime initiative. The Budget proposes to accelerate criminal justice reform in the States, improve post-incarceration outcomes, remove barriers to reentry, support the enhancement of community policing practices across the Nation, support DOJ's efforts to focus its resources on the most serious threats to public safety, and to strengthen trust between the brave men and women of law enforcement and the communities they serve.

Incentivizing Justice Reform. The Administration continues to support criminal justice reform that simultaneously enhances public safety, avoids excessive punishment and

unnecessary incarceration, and builds trust between the justice system and communities. The Budget provides \$500 million per year over 10 years—a \$5 billion investment—for a new 21st Century Justice Initiative. The program will focus on achieving three objectives: reducing violent crime; reversing practices that have led to unnecessarily long sentences and unnecessary incarceration; and building community trust. Specifically, States would focus on one or more opportunities for reform in both the adult and juvenile systems, including: examining and changing State laws and policies that contribute to unnecessarily long sentences and unnecessary incarceration, without sacrificing public safety; promoting critical advancements in community-oriented policing; and providing comprehensive front-end and reentry services.

Reducing Gun Violence. The Administration maintains its commitment to reduce gun violence by providing funding to hire 200 new special agents and investigators for the Bureau

and protocols, the Budget proposes \$24.2 million to support the DHS Science and Technology Directorate's software assurance efforts.

The Nation's critical infrastructure is also increasingly under threat from disruption by cyber means. Such disruption could have severe adverse impacts on U.S. national security, economic security, and public health and safety. The Budget funds DHS and Sector-Specific Agency efforts to secure critical infrastructure, such as programs designed to increase the security and resilience of the electric grid. It also supports efforts to promote greater usage of the National Institutes of Standards and Technology's Cybersecurity Framework and best practices by industry and on-going efforts to deepen our partnership with critical infrastructure owners and operators. In addition, the Budget proposes up to \$4 million within the Department of Health and Human Services to increase the agency's ability to utilize auditing and investigation authorities with respect to cybersecurity, as well as to increase cyber threat information sharing within the health care sector, and improve awareness of cybersecurity by patients, practitioners, and medical companies.

The Budget also supports key initiatives for the larger national digital ecosystem by investing \$62 million to address the cyber workforce shortages and skill gaps that we face by creating a cybersecurity reservist program and expanding cybersecurity educational programs at academic institutions across the Nation. Current software engineering practices do not always produce software that is sufficiently secure and reliable, and training for developers on how to design software securely is uneven. These educational programs would strengthen training for software developers to improve the security and reliability of software that individuals and businesses rely on.

In addition, investments in cybersecurity research and development (R&D) provide the science and technology foundation needed to provide more effective and efficient security, secure fast-emerging information technologies, and thwart ever evolving cyber threats and ad-

versaries. The Budget includes \$318 million in R&D investments at Federal civilian agencies to address these ongoing challenges and continue investment in innovative cybersecurity technologies.

Disrupting and Deterring Malicious Cyber Activity. Even as we pursue initiatives to enhance U.S. cyber defenses, we must also invest in the capabilities needed to disrupt our adversaries' malicious activities, deter them from taking action in the future, and hold them accountable for their actions. The Budget includes funding to support the use of all the tools of U.S. national power to achieve this goal—including diplomatic, economic, law enforcement, intelligence, and military activities.

For example, the Budget includes funding to further enhance or establish programs across the civilian and defense agencies that would augment existing capabilities to defend the Nation against cyber threats and provide the President options in crisis or contingency. In support of this effort, DOD has established a trained and ready cyber operations workforce—including the Cyber Mission Forces (CMF)—with all the technical capabilities necessary to complete missions and support full-spectrum operations. The Budget fully supports this multiyear effort to improve defensive and offensive cyberspace operations capabilities and capacity, building on prior investments in tools, training, skills, and technology. The Budget also focuses on developing cyber tools to deter state and non-state actors from conducting malicious cyber acts, producing new capabilities and tools, including systems to support CMF missions, integration and improvements to the CMF platforms, and launching improved and consistent training for cyber forces. These investments are guided by the 2016 Federal Cybersecurity Research and Development Strategic Plan that was recently delivered to the Congress and will provide the Nation with science and technology elements to deter adversaries, protect cyberspace, detect malicious activities, and adapt to threats, vulnerabilities, and attacks.

to allow additional programs and agencies to access this valuable data to learn what works and improve program implementation, while continuing to protect the privacy, security, and confidentiality of that data. Specifically, the Budget supports a package of proposals designed to clearly specify the purpose for which the data may be used, require that the minimum data necessary be used to achieve the purpose, and include strong penalties for the unauthorized access, use, disclosure, or re-disclosure of the data. In order to streamline access to the data by authorized agencies for program integ-

rity purposes, the package includes a proposal which would allow the authorized agencies access to the NDNH data through the Do Not Pay Business Center at Treasury. In addition, each component of the package is designed to satisfy the Administration's criteria for when authority to access NDNH data should be considered. The package also requires HHS to review each agency's data security before allowing that agency to access the data, prohibits HHS from granting access to the data for any purpose not authorized in statute, and requires HHS to publicly report on the use of NDNH data.

NDNH Access Proposals	
AGENCY	PROPOSAL
	PRIVACY AND CONFIDENTIALITY PROTECTIONS
HHS/ACF	The Package would: 1) require the Administration for Children and Families (ACF) to review an entity's data security prior to granting access to NDNH data; 2) prohibit ACF from granting access to NDNH data for any reason not authorized in statute; and 3) require ACF to generate public reporting on the use of records.
	PROGRAM INTEGRITY PROPOSALS
HHS/Centers for Medicare & Medicaid Services	Assist with income and employer verification and improve the Affordable Care Act advance premium tax credit payment accuracy to reduce improper payments.
Department of Agriculture/Rural Housing Service	Verify eligibility and validate the income source information provided by means-tested single family housing loan applicants and multifamily housing project-based tenants.
Railroad Retirement Board	Establish eligibility for processing disability benefits in a more efficient manner.
Department of Labor/UI	Require (rather than permit) states to cross-match with NDNH to identify improper payments.
	EVALUATION/STATISTICAL/PROGRAM ADMINISTRATION PROPOSALS
Multi/Statistical and Evaluation Access	Access to NDNH for Federal statistical agencies, units, and evaluation offices or their designees for statistical, research, evaluation, and performance measurement purposes associated with assessing positive labor market outcomes. Would reduce cost of the 2020 Census by several hundred million dollars.
Workforce Programs at Departments of Labor and Education	Provide access for program administration, including Federal oversight and evaluation, and authorize data exchanges between State child support and workforce agencies.