



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Since 2001, the Administration:

- Implemented comprehensive Medicare reform legislation, adding voluntary prescription drug coverage and improving the Medicare program;
- Enrolled nearly 24 million beneficiaries in the Medicare prescription drug benefit and achieved a better than 75 percent satisfaction rate among enrolled beneficiaries in this new program;
- Implemented several provisions of the Deficit Reduction Act of 2005 that afford States greater flexibility in managing their State Medicaid plans;
- Created or expanded nearly 900 health center sites under the President's Health Center Initiative, providing health care services to an additional 4.5 million Americans;
- Launched a Government-wide effort to prepare the Nation for an influenza pandemic, including a \$3.2 billion effort to transform the influenza vaccine industry;
- Improved preparedness for a bioterror attack by providing over \$8 billion to States, localities, and hospitals, and providing a 30-fold increase for the biodefense research budget at the National Institutes of Health;
- Identified interoperability as a crucial step to achieving the President's goal of an electronic health record for most Americans by 2014;
- Committed Federal health programs to promoting quality and efficient delivery of health care through the use of health information technology;
- Supported reauthorization of landmark welfare reform through 2010, continuing the unprecedented caseload decline of 66 percent through strengthened work requirements, including \$100 million for a new healthy marriage program and \$50 million for a new fatherhood program; and
- Began implementation of Medicare contracting reform with the award of the first five contracts allowing the Centers for Medicare and Medicaid Services to select administrative contractors through a full and open competition for the first time in the program's 40-year history.

The President's 2008 Budget:

- Includes nearly \$1.2 billion to improve further the Nation's preparedness for an influenza pandemic;
- Provides for the advanced development of medical countermeasures to be considered for procurement under Project BioShield;
- Expands the promotion of health information technology development through increased transparency of health care price and quality information;
- Strengthens Medicare's sustainability through targeted proposals that will reduce the present value of the program's long-term budget shortfall by up to about \$8 trillion over 75 years;
- Proposes to reauthorize the State Children's Health Insurance Program, so States can continue to provide health insurance coverage to targeted low-income, uninsured children;
- Continues to focus on Medicaid program integrity efforts that promote sound financial practices, increase market efficiencies, and eliminate Medicaid waste, fraud, and abuse;
- Includes a new tax initiative that will help equalize the tax treatment between health care policies purchased by individuals on their own and those purchased through their employers;
- Places 40 new Health Center sites in high poverty counties in addition to the over 300 new and expanded Health Center sites proposed in the 2007 Budget;
- Makes more generic drugs available to the public sooner by including \$16 million funded through a new user fee for the Food and Drug Administration's review activities;
- Triples drug court grants to help break the cycle of drug use and incarceration by combining the sanctioning power of courts with effective treatment services; and
- Supports prevention activities to slow the epidemic of childhood obesity and promote a culture of wellness and healthy behaviors in schools.

FOCUSING ON THE NATION'S PRIORITIES

Preparing the Nation for Health Emergencies

Protecting Against an Influenza Pandemic. The President's 2008 Budget includes \$1.2 billion to improve America's readiness for an influenza pandemic. Of this amount, \$870 million will support the continued development of a pandemic vaccine and rapid diagnostics, and the purchase of antiviral medications. The Budget also provides \$322 million for pandemic influenza preparedness activities in the Centers for Disease Control and Prevention (CDC), the National Institutes of Health (NIH), the Food and Drug Administration (FDA), and the Office of the Secretary.

Protecting the Nation from Bioterrorism and Other Health Emergencies. The Budget includes nearly \$4.3 billion in bioterrorism preparedness activities across the Department of Health and Human Services (HHS) to improve the Nation's ability to prepare for, respond to, and recover from a bioterror attack or other public health emergency. Investments include nearly \$2.5 billion to research, develop, and procure countermeasures to dangerous agents, as well as \$1.1 billion for State and local governments and hospitals to upgrade their public health emergency response capabilities. The 2008 Budget also supports the Federal Government's public health emergency capabilities with expanded funding for the National Disaster Medical System and Commissioned Corps response teams, in addition to the Medical Reserve Corps volunteers who could assist during a catastrophic public health emergency.

I stand on the side of encouraging consumers. I think the most important relationship in health care is between the patient and their provider, the patient and the doc.... And health care policy ought to be aimed at bolstering the consumer, empowering individuals to be responsible for health care decisions.

President George W. Bush
August 22, 2006

Improving Quality, Efficiency, and Transparency of Health Care

Promoting Health Information Technology, Transparency, and Quality. In August 2006, the President signed an Executive Order (E.O.) to increase the transparency of America's health care system. To spend their health care dollars wisely, Americans need and deserve to know their options in advance, the quality of doctors and hospitals in their area, and what procedures will cost. Specifically, the E.O. directs the Federal Government to lead this charge by:

- Increasing transparency in pricing and quality by directing Federal agencies to share with beneficiaries information about prices and quality of health services; and
- Encouraging adoption of recognized health information technology (HIT) standards by directing Federal agencies and federally-sponsored healthcare plans to use improved HIT systems to facilitate the rapid exchange of health information.

The President has a clear agenda for expanding HIT. In 2004, he launched an initiative to make electronic health records available to most Americans by 2014. To further facilitate technology advancements, the Budget includes \$118 million for the Office of the National Coordinator for Health Information Technology. The Administration continues to support the adoption of HIT as a normal cost of doing business—to ensure patients receive high-quality care while protecting patients' privacy and personal information.

Improving Transparency of Price and Quality Information in Medicare. The Administration is working to improve the value of health care for Medicare beneficiaries through the availability of price and quality information. The Medicare website displays price and quality data that allow consumers to make informed choices by comparing the performances of health care providers.

The Administration supports budget-neutral provider payment reforms that encourage quality and efficiency, and discourage increased complications and costs. An important component of improving quality is encouraging more efficient and high-quality physician services. The Administration supports reforms in physician payments that do not increase costs for taxpayers or for Medicare and its beneficiaries. The Centers for Medicare and Medicaid Services (CMS) is working collaboratively with private and public organizations to identify reforms that stimulate high-quality care and improved efficiency. Through these collaborative efforts, CMS is developing a plan for the implementation of a budget-neutral hospital value-based purchasing program that will improve both the quality and efficiency of care. In addition, CMS will continue to expand the quality reporting program for hospitals as well as implement a new quality reporting program for physicians in 2007.

Fostering Productivity and Efficiency in Medicare. Innovation in the health care market improves productivity. The 2008 Budget proposes to consider these advances by adjusting provider updates to account for gains in providers' productivity and efficiency. Prospective payments reward providers who reduce their costs and streamline their operations. Similarly, a productivity adjustment to payment updates will encourage providers to improve efficiency. These adjustments also produce savings for taxpayers and beneficiaries through lower premiums and cost-sharing.

Strengthening Program Integrity in Medicare. Medicare program integrity efforts have yielded savings from the recovery of erroneous overpayments and the collection of criminal fines and penalties. The President's Budget continues this effort with \$1.2 billion in mandatory funding and \$183 million from a discretionary cap adjustment for Health Care Fraud and Abuse Control to enhance Medicare program integrity activities. Medicare sometimes mistakenly pays too much or too little for a beneficiary's care. To ensure appropriate payments and recoup mistaken payments, the Budget proposes to establish a data clearinghouse that would work to determine whether private insurance or Medicare should pay for a beneficiary's health benefits.

Modernizing and Improving Medicare

Implementing the Medicare Prescription Drug Benefit. The Medicare Modernization Act of 2003 (MMA) achieved historic reforms to Medicare, including new voluntary prescription drug coverage, which began on January 1, 2006. The first year of the program was an unparalleled success: on average, beneficiaries are saving more than \$1,200 annually on their drug costs and surveys consistently show over 75 percent of Medicare beneficiaries are satisfied with their current coverage and drug plans. The average monthly premium for 2007 did not increase from the average monthly premium in 2006. This success has been achieved with projected costs for the program that are 30 percent lower than initial estimates.

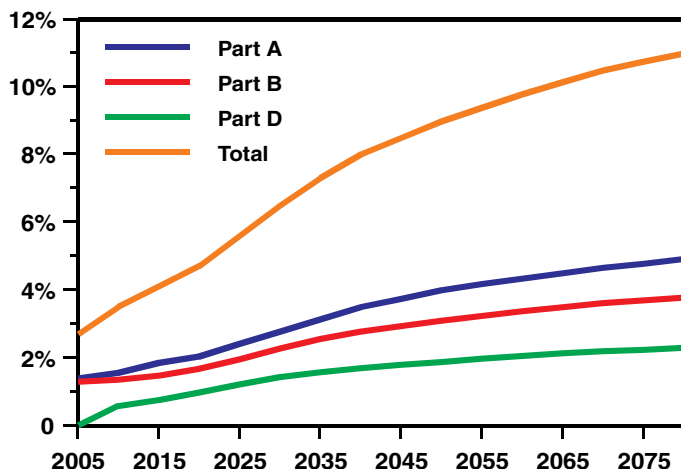
Competition is making a wide variety of plan options available, enabling beneficiaries to choose the plan that best meets their needs. Prescription drug plans are available in every region with deductibles lower than the standard annual deductible. Plans are also available that allow beneficiaries to fill in the "coverage gap" in the standard benefit. Low-income beneficiaries are receiving additional assistance in paying for their drugs under the new Medicare prescription drug benefit, making drug coverage more affordable and accessible to those most in need.

Expanding Medicare Advantage. The MMA created the Medicare Advantage (MA) program to offer greater choices and higher quality care to beneficiaries through competition among private

health plans. Overall, private health plans offer more generous benefits and lower cost-sharing for beneficiaries than Medicare fee-for-service. Beneficiaries in MA now save an average of about \$82 per month in out-of-pocket costs compared to traditional Medicare, and beneficiaries in fair or poor health save significantly more. The MMA successfully reversed a downward trend in private Medicare plan enrollment, and about 17 percent of beneficiaries are currently enrolled in MA plans. To further increase beneficiaries' choices, beneficiaries in 39 States will have access to Medical Savings Account plans and related consumer-directed health plans for the first time in 2007. These plans give Medicare beneficiaries more control over their health care utilization and costs, while providing them with coverage against catastrophic expenses.

Rationalizing Medicare Payments and Subsidies. In many cases, Medicare payment policies have not sufficiently evolved since they were first established and may no longer be appropriate. For example, Medicare pays very different amounts for post-acute care for beneficiaries with similar needs, and often pays more when preventable complications lead to readmissions in the post-acute system. Medicare payments for some medical equipment are substantially greater than costs, increasing both taxpayer and beneficiary spending. The Budget proposes to update these policies to ensure patients receive high-quality post-acute care in the most medically appropriate and efficient setting, and to bring payments for medical equipment more in line with costs.

Medicare Growing as Share of GDP



Source: 2006 Medicare Trustees' Report.

payment of clinical laboratory services. Since 1965, Medicare has paid private insurance companies to process claims based on cost, with little attention paid to performance or efficiency. The MMA requires that CMS transition to competitive contracts by 2011. The Administration is accelerating implementation, with completion targeted in 2009, to interject competition into the awarding of fee-for-service claims processing contracts.

Improving Long-term Sustainability. The Budget's proposals to modernize and improve the quality and efficiency of Medicare will have a constructive effect on Medicare's long-term budget outlook—potentially reducing the present value of Medicare's long-term budget shortfall by up to about \$8 trillion over 75 years. The MMA took an important first step toward improving Medicare sustainability by requiring the Trustees' Report to include a new, comprehensive analysis of the program's financing and issue a warning if this analysis projects that the share of Medicare expenditures funded through general revenue will exceed 45 percent within the next seven years. The Budget proposes to strengthen the MMA provision by automatically slowing the rate of

Increasing High-Income Beneficiary Responsibility for Health Care Costs. The MMA began to limit the growth in subsidies for certain higher-income beneficiaries. Beneficiaries who are most able to contribute to the costs of their coverage have more responsibility and ownership over their health care utilization and costs. To help improve Medicare's long-term sustainability, the Budget proposes to broaden the application of reduced subsidies for certain higher-income beneficiaries.

Promoting Competition. Competition improves care for beneficiaries by enhancing quality and lowering costs. The MMA incorporated market competition into purchasing certain medical items. The Budget proposes to integrate competitive bidding into the

Medicare growth if the MMA threshold is exceeded. If this provision is triggered, it will reduce the present value of expenditures by \$4 trillion over 75 years.

Reauthorizing the State Children's Health Insurance Program (SCHIP)

SCHIP was established in 1997 to provide \$40 billion over 10 years to States for health care coverage to low-income, uninsured children whose income levels were higher than Medicaid eligibility limits. The authorization for SCHIP expires at the end of 2007. The 2008 Budget proposes reauthorizing the SCHIP program for five years. The goal is to maintain current enrollment levels for targeted low-income children through increasing SCHIP allotments by approximately \$5 billion over five years. The President's Budget proposes to re-focus SCHIP on low-income, uninsured children below 200 percent of the Federal poverty level as the program was originally intended. The Budget will also seek the authority to target SCHIP funds more efficiently to States with the most need.

Reforming Medicaid Financing and Services

Medicaid is an open-ended means-tested entitlement program financed jointly by the Federal Government and States. The Federal Government pays on average 57 percent of Medicaid expenses. Medicaid provides health coverage and services to approximately 49 million low-income children, pregnant women, elderly persons, and disabled individuals. In 2008, Federal Medicaid outlays are estimated to be \$204 billion.

In certain circumstances, opportunities exist for States to draw down Federal matching funds inappropriately, which threatens this joint relationship and the financial stability of Medicaid. The 2008 Budget proposes reforms that enhance past efforts to create service efficiencies and to assure the fiscal integrity of Medicaid.

Strengthening Program Integrity. The 2008 Budget includes a package of proposals to enhance program integrity, including: 1) requiring States to report on performance measures and link State performance to Federal Medicaid grant awards; 2) requiring HHS to publish an annual actuarial report assessing the financial status of the Medicaid program, including spending trends and cost drivers; and 3) enhancing existing third party liability policy.

Reforming Graduate Medical Education. Under current law, Medicare provides billions of dollars in support of graduate medical education (GME) nationwide. Many States also use Medicaid to pay for physician training programs, even though current law does not explicitly authorize such payments. The Administration plans to clarify that Medicaid will no longer be available as a source of funding for GME. Paying for GME is outside of Medicaid's primary purpose, which is to provide medical care to low-income individuals.

Aligning Medicaid Reimbursement Rates. While the Federal Government generally reimburses at a rate of 50 percent for all Medicaid administrative activities, there are exceptions that allow for a higher reimbursement rate. The Budget proposes to align all administrative reimbursement rates in Medicaid to 50 percent in order to create consistency in the administrative matching structure across Medicaid. In addition, the 2008 Budget proposes to align reimbursement for targeted case management, a largely administrative activity, to 50 percent.

Clarifying Medicaid Managed Care. The Administration will take action to clarify services that can be provided from savings generated by managed care 1915(b) waivers. A regulation will be published detailing services that can be provided under 1915(b)(3) authority. Additionally, the Administration proposes extending the renewal period for 1915(b) waivers from two years to three years.

Refining Long-term Care Home Equity. With some exceptions, the Deficit Reduction Act of 2005 does not permit individuals who have more than \$500,000 of home equity to be eligible for Medicaid

long term care services. States have the option to increase the limit to \$750,000. The Budget proposes to remove this option and maintain the home equity limit at \$500,000.

Enhancing Asset Verification for Medicaid Eligibility. The President's Budget proposes to expand a Social Security Administration (SSA) pilot using electronic financial records for verifying an applicant's assets to appropriate HHS programs. State Medicaid agencies would be required to establish pilots in locations where SSA is operating such a pilot.

Rationalizing Medicaid Prescription Drugs. The 2008 Budget includes proposals that remove market distortions, guarantees that the Federal Government does not overpay for drugs, and encourages State flexibility to administer their drug programs. For example, the Budget repropose a Medicaid drug rebate change that would remove best price, a component of the drug rebate formula. Best price effectively acts as a price floor, interfering with the competitive marketplace and preventing manufacturers from negotiating better discounts with large purchasers. This change will allow private purchasers to negotiate lower drug prices without creating costs or savings to the Federal Government. The Budget includes a proposal that requires all States where providers use hand-written prescription pads to use tamper-resistant pads to prevent fraudulent prescription drug access and use.

Recouping Administrative Expenditures through Cost Allocation. The 2008 Budget repropose reducing administrative costs by discontinuing Medicaid payments that are duplicative of funds originally included in the Temporary Assistance for Needy Families (TANF) block grants. This proposal would apply current, Government-wide financial management principles to TANF funds, which improperly assume other programs' administrative costs.

Improving Continuity of Care. Since enacted in 1996, the Health Insurance Portability and Accountability Act has the goal of increasing the continuity and accessibility of health insurance. To ensure that Medicaid and SCHIP beneficiaries receive these benefits, the Administration repropose two legislative changes that were included in the 2007 Budget. In addition, the 2008 Budget proposes to continue covering Medicaid beneficiaries who qualify for benefits through Transitional Medical Assistance or who qualify for Medicare Part B premium assistance as a Qualified Individual, so that enrollment for current beneficiaries will not be interrupted.

Reforming the Health Care Marketplace

When it comes to health care, the tax code is biased in favor of individuals who get insurance from their employers. To remove this inequality, the President proposes replacing the existing—and unlimited—exclusion for employer-sponsored insurance with a flat deduction for those with at least catastrophic health insurance. As long as a family has at least a catastrophic health insurance policy, they will be able to deduct the first \$15,000 from their income (\$7,500 for an individual). This will foster a true marketplace for health care, encourage competition, improve the efficiency of the system, and reduce the ranks of the uninsured.

Additionally, the 2008 Budget repropose three initiatives to restructure health insurance markets:

- Establishing association health plans that would allow small employers, civic groups, and community organizations to band together and use their purchasing power to negotiate lower-priced coverage for their employees, members, and their families;
- Creating a competitive marketplace across State lines that maintains strong consumer protections; and
- Reforming medical liability law, which will increase access to quality and affordable health care for all Americans, while reducing frivolous and time-consuming legal proceedings against doctors and health care providers.

The President continues his commitment to consumer-focused policies that emphasize transparency of price and quality information. The Budget contains a package of proposals that promote the use of health savings accounts, including allowing health plans with at least 50 percent coinsurance to qualify as a high-deductible health plan.

Fostering Affordable Choices in the Health Care System

The Federal Government's current system of paying for health care results in billions of dollars being spent inefficiently, through a patchwork of subsidies and payments to providers. In addition to directly funding the care provided to people enrolled in programs like Medicare and Medicaid, health care entitlement programs finance payments to institutions that either indirectly pay for uncompensated care or subsidize their operating expenses.

The health care system could operate more efficiently if some portion of institutional payments instead were redirected to help people with poor health or limited income afford health insurance. The uninsured often use emergency rooms as a source of primary care, which leads to suboptimal care and spending outcomes. If this public spending were focused on helping the uninsured purchase private insurance, people would receive the care they need in the most appropriate setting. The health care system needs to be transformed in a way that avoids costly and unnecessary medical visits and emphasizes upfront, affordable private health insurance options.

This transformation could happen by subsidizing the purchase of private insurance for low-income individuals. However, any such health care reforms would need to be State-based and budget neutral within health care spending, not create a new entitlement and not affect savings contained in the President's Budget that are necessary to address the unsustainable growth of Federal entitlement programs. The Federal Government would also maintain its commitment to the neediest and most vulnerable populations, while acknowledging that States are best situated to craft innovative solutions to move people into affordable insurance.

The President has asked the Secretary of Health and Human Services to work with the Congress and the States on an Affordable Choices initiative to reform the health care marketplace.

Strengthening Health Care for Vulnerable Populations

The Budget continues to target investments to improve the health of underserved and vulnerable populations. Through Health Centers, affordable primary and preventative care will be made available to over 16 million individuals with low incomes or without health insurance. Over half a million low-income and uninsured persons affected by HIV/AIDS will receive life-saving and life-extending services through the Ryan White CARE Act. One of the primary challenges in fighting the HIV epidemic in the United States is stopping the spread of the disease through the identification of individuals who are infected with the HIV virus but do not know it. To address this problem, the Administration is proposing \$93 million for HIV testing with the goal of ending the growth in the number of new HIV cases and reducing the future burden of the disease. Over \$4.1 billion is included in the 2008 Budget to finance health services for American Indians and Alaska Natives through the Indian Health Service, including \$162 million for alcohol and substance abuse treatment services. In addition, HHS will expand efforts to provide treatment to defendants with substance abuse problems who are caught within the criminal justice system. Drug courts break the cycle of abuse and incarceration through treatment and close supervision. In an effort to address increasing rates of obesity in children, the Budget proposes a new \$17 million effort to support increases in school-based prevention activities, directly reaching young people and their families across the Nation.



Presbyterian Medical Services; Alisa Estrada

The President's Health Center Initiative

A patient receives care at Carlsbad Family Health Center. Under the President's Health Center Initiative, Presbyterian Medical Services received a grant in 2005 to expand medical services at its Carlsbad Family Health Center site. *"Presbyterian Medical Services was proud to receive Federal funding to support expansion of medical capacity in Carlsbad, Eddy County, New Mexico. As a result of the President's initiative to expand access to medical care, Presbyterian Medical Services has been able to increase staff and services with a goal of serving an additional 3,000 primary care clients in the south east portion of the State."*

Jim Riebsomer
President of Presbyterian Medical Services

Investing in Nurse Home Visitation Programs. The President's Budget includes \$10 million for competitive grants to provide incentives to States, local governments, or non-profit organizations to use a greater share of existing Federal and non-Federal funding streams to adopt and expand evidence-based home visitation programs for new low-income mothers and their children. Nurse home visitation programs with strong performance monitoring are proven to prevent child abuse and neglect and to improve school readiness and health outcomes, meeting the highest standards of evidence.

Improving Public Health through Science

The President's Budget supports advances in medical research and promotes greater availability and safety of affordable generic drugs. In the President's first term, the Administration made it easier for generic drugs to compete with brand-name drugs, saving Americans \$35 billion over 10 years. To accelerate discovery and to contribute more effectively to the Nation's strong biomedical research foundation, NIH will expand resources for new and competing research grants and for initiatives, such as the Roadmap for Biomedical Research that encourages innovation and scientific breakthroughs across interdisciplinary areas. The Budget also increases resources for NIH to ensure that creative new investigators receive the necessary skills and mentored support to forge their own pathway to innovative biomedical research. As a science-based enterprise, FDA ensures that safe and effective drugs and diagnostic technologies are available to the public. Submissions of applications for generic drug products continue to rise steadily, from 361 in 2002 to 766 in 2005. The 2008 Budget proposes a new user fee that would provide \$16 million in additional resources for FDA to review and bring more new generic drugs to market. The Budget also improves review of innovative prescription drugs and biologics, and includes over \$11 million for FDA's drug safety surveillance to enhance communications of drug safety information to the public.

Supporting Faith-Based and Community Programs

Continuing the Administration's Faith-Based Agenda. The 2008 Budget proposes \$75 million for the Compassion Capital Fund to provide training for capacity-building and technical assistance for grassroots faith-based and community-based organizations (FBCOs). Of this, \$35 million is for the program's anti-gang initiative, which helps FBCOs with a youth focus present alternatives to gang involvement. The Budget also includes \$204 million to promote Abstinence Education and \$50 million to fund the President's initiative to mentor the children of prisoners.

Expanding Access to Recovery (ATR). The 2008 Budget includes \$98 million for 20 competitive grants to States and Native American Tribes to provide services to more than 55,000 individuals. ATR expands access to treatment and recovery support services, increases clinical treatment and recovery support providers, and enhances accountability through mandatory reporting on outcome measures. Within this amount, \$25 million will be targeted to help individuals recover from methamphetamine abuse.

Department of Health and Human Services (In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budget Authority:			
Food and Drug Administration.....	1,449	1,490	1,641
<i>Program level (non-add)</i>	1,876	1,821	2,085
Health Resources and Services Administration.....	6,576	6,543	5,708
Indian Health Service.....	3,045	3,059	3,271
Centers for Disease Control and Prevention.....	5,972	5,812	5,762
National Institutes of Health.....	28,242	28,450	28,700
Substance Abuse and Mental Health Services Administration	3,204	3,205	3,046
Agency for Healthcare Research and Quality.....	—	—	—
<i>Program level (non-add)</i>	319	319	330
Centers for Medicare and Medicaid Services ¹	3,120	3,076	3,240
MedPAC	10	10	10
Discretionary Health Care Fraud and Abuse Control.....	—	—	183
Administration for Children and Families	13,695	13,706	12,329
Administration on Aging	1,362	1,367	1,335
General Departmental Management.....	362	355	392
Office for Civil Rights.....	35	35	37
Office of the National Coordinator for Health Information Technology	42	42	90
<i>Program level (non-add)</i>	61	61	118

Department of Health and Human Services—Continued
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Office of Medicare Appeals.....	59	59	70
Public Health and Social Services Emergency Fund.....	102	250	1,754
Program Support Center: Medicare eligible retiree accrual	34	36	37
Office of the Inspector General	39	39	45
Total, Discretionary budget authority	67,349	67,533	67,650
<i>Memorandum: Budget authority from enacted supplementals</i>	<i>5,702</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays	71,104	72,437	72,428
Mandatory Outlays:			
Medicare:			
Existing law	324,911	367,485	390,782
Legislative proposal	—	—	—4,696
Medicaid/SCHIP:			
Existing law	186,076	197,488	209,310
Legislative proposal	—	35	—297
All other programs:			
Existing law	33,949	35,482	33,437
Legislative proposal	—	5	16
Total, Mandatory outlays	544,936	600,495	628,552
Total, Outlays	616,040	672,932	700,980

¹ Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.



DEPARTMENT OF LABOR

Since 2001, the Administration:

- Strengthened the pension system to ensure that Americans have a secure retirement;
- Posted the strongest-ever worker protection enforcement results;
- Revised outdated regulations in order to better protect workers by strengthening overtime protections and improving the transparency of labor union finances;
- Published the first-ever regulations explaining the reemployment rights and protections for National Guard, Reserve, and active duty servicemembers serving in the War on Terror and elsewhere around the world;
- Removed barriers to the participation of faith-based and community organizations in grant programs; and
- Created programs to bring community and technical colleges, employers, and job-seekers together to prepare workers for high growth jobs. To date, these programs have prepared 51 thousand workers for high-growth jobs.

The President's 2008 Budget:

- Protects workers' safety, health, pay and benefits through strong enforcement of the Nation's labor laws;
- Expands training opportunities to more workers by streamlining the job training system to better prepare workers to compete for 21st Century jobs;
- Safeguards workers' pensions by assuring the long-term solvency of the Federal pension insurance system; and
- Reduces improper Unemployment Insurance payments and Unemployment Insurance tax evasion.

FOCUSING ON THE NATION'S PRIORITIES

Protecting Workers

The President's 2008 Budget builds upon the Department of Labor's (DOL's) successes in advancing worker protections, providing \$1.5 billion to ensure that DOL meets its responsibilities under more than 180 worker protection laws. Since 2001, increased productivity in the Department's Employment Standards Administration has resulted in record-level recoveries of back wages, improved employer compliance with wage laws, and increased transparency of union finances.

Ensuring the safety of the Nation's workplaces is a key part of DOL's mission. While workplace fatalities are at historically low levels, more work remains. 2006 was a deadly year in mining, with 47 fatalities in the coal industry—the most since 1995. To address these problems and implement improvements in the MINER Act, the President's Budget includes a \$36 million, or 13-percent, increase for the Mine Safety and Health Administration (MSHA) to strengthen enforcement—particularly in the Nation's more than two thousand coal mines. This increase will allow MSHA to retain the 170 additional coal enforcement personnel that were hired with 2006 supplemental funding.

Reforming the Job Training System

The 2008 Budget again proposes job training reforms that will give States more flexibility to deliver workforce services tailored to their unique needs and focus resources on training workers instead of supporting bureaucracy. The reforms will consolidate several similar programs, cut Federal red tape, limit amounts spent on overhead, and create Career Advancement Accounts—worker-directed accounts that give workers the resources necessary to increase their skills and better compete for 21st Century jobs. The President's job training reform proposal would significantly increase the number of workers receiving training while saving taxpayer dollars.

Strengthening the Link Between Training and Jobs in Demand

Over the last several years, the Administration has made the Nation's workforce investment system more responsive to the needs of workers and employers. The 2008 Budget continues these important initiatives. The Budget requests \$150 million for Community-Based Job Training Grants, which help community colleges and related organizations expand their capacity to train workers for jobs that are in demand in local economies. Since 2005, the program has provided grants of \$250 million—funds that will be used to train an estimated 100,000 workers. Complementing this program is the High Growth Job Training Initiative, which supports partnerships of training providers, employers, and the public workforce investment system that commit to training workers for jobs in high growth industries like biotechnology and health care. Since its inception, the program has trained approximately 51,000 workers, and a total of 128,000 are expected to be trained by 2008.

Safeguarding Worker Pensions

The Pension Benefit Guaranty Corporation (PBGC) protects the defined-benefit pension plans of 44 million Americans against losses that may occur when a plan terminates. When underfunded pension plans terminate, PBGC assumes responsibility for paying the insured benefits. More than 620,000 workers and retirees now receive their benefits from PBGC. The recent termination and

anticipated terminations by U.S. businesses of large pension plans have put a strain on the pension insurance system and impose an increasing burden on employers who sponsor healthy pension plans.

In his 2007 Budget, the President proposed comprehensive pension reform to strengthen protections for the pensions upon which American workers rely. The Congress responded by passing, with bipartisan support, the Pension Protection Act. The Act made significant structural reforms to the retirement system, but further premium changes are needed to address the \$19 billion gap between PBGC's liabilities and its assets. Although PBGC will be able to pay benefits for some years to come, it is projected to be unable to meet its long-term obligations under current law. If there is not enough money in the system to cover worker benefits, taxpayers are at risk for having to cover the shortfall.

The 2008 Budget reflects the President's continued commitment to restoring the solvency of the pension system by proposing to adjust insurance premiums paid by underfunded pension plans. PBGC premiums are currently far lower than what a private financial institution would charge for insuring the same risk. These reforms would improve PBGC's financial condition and safeguard the future benefits of American workers.

Reducing Improper Unemployment Insurance Benefit Payments and Enhancing Unemployment Tax Integrity

The Unemployment Insurance (UI) program, a joint Federal-State partnership funded through employer payroll taxes, provides monetary benefits to eligible workers who become unemployed through no fault of their own. Despite States' efforts to reduce improper payments, over \$3.3 billion in benefits were mistakenly paid in 2006. The Administration proposes a package of legislative changes that would reduce UI improper payments by \$4.8 billion and reduce employer tax evasion by almost \$400 million over 10 years. The legislative proposal would:

- Impose a penalty for UI benefit overpayments resulting from fraud;
- Enlist private collection agencies in the recovery of fraud overpayments;
- Penalize employers when their repeated inactions lead to overpayments to former employees;
- Collect delinquent benefit overpayments and unemployment taxes through garnishment of Federal income tax refunds;
- Boost States' resources to go after benefit overpayments and UI tax evasion by allowing them to use a portion of recovered funds on fraud and error reduction; and
- Decrease benefit overpayments by providing more accurate date-of-hire information in State and national new hire directories so that States can quickly stop unemployment benefit payments to those people who have gone back to work.

Department of Labor
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budget Authority:			
Training and Employment Services: ¹			
Existing law	4,931	5,254	4,155
Legislative proposal	—	—	745
Unemployment Insurance Administration	2,508	2,508	2,561
Employment Service/One-Stop Career Centers: ¹			
Existing law	850	846	778
Legislative proposal	—	—	—745
Community Service Employment for Older Americans	432	432	350
Bureau of Labor Statistics	537	537	574
Occupational Safety and Health Administration	472	472	490
Mine Safety and Health Administration	278	278	313
Employment Standards Administration	411	411	448
Employee Benefits Security Administration	134	134	147
Veterans' Employment and Training	222	223	228
Departmental Management	231	231	252
Bureau of International Labor Affairs	73	73	14
Office of Disability Employment Policy	28	28	19
All other	195	271	240
Total, Discretionary budget authority	11,302	11,697	10,569
<i>Memorandum: Budget authority from enacted supplementals</i>	<i>167</i>	<i>—</i>	<i>—</i>
Total, Discretionary outlays	11,902	12,106	11,437
Mandatory Outlays:			
Unemployment Insurance Benefits	31,275	31,994	34,238
Trade Adjustment Assistance	764	837	889
Pension Benefit Guaranty Corporation ²	—2,618	316	1,115
Black Lung Benefits Program: ³			
Existing law	1,377	1,371	1,344
Legislative proposal	—	—	2,315
Federal Employees' Compensation Act:			
Existing law	68	196	93
Legislative proposal	—	—	—9
Energy Employees Occupational Illness Compensation Program Act	1,017	1,112	1,368

Department of Labor—Continued
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
H-1B Training and Foreign Labor Certification Administration:			
Existing law	66	177	157
Legislative proposal	—	—	65
All other	—684	—661	—708
Total, Mandatory outlays	31,265	35,342	40,867
Total, Outlays	43,167	47,448	52,304
Credit activity			
Direct Loan Disbursements:			
Pension Benefit Guaranty Corporation	87	93	93
Total, Direct loan disbursements	87	93	93

¹ 2008 reflects the Administration's proposal to merge four grant programs and create Career Advancement Accounts.

² Net mandatory outlays are negative when offsetting collections exceed outlays. The Budget proposal to increase premiums for unfunded pension plans would have no outlay effects until 2009.

³ 2008 reflects the Black Lung debt refinancing, which includes a one-time payment to Treasury. There is no Government-wide budgetary effect until 2014, when the excise tax rates would be extended.