



MAR 28 2017

Indian Health Service
Rockville, MD 20857

Dear Tribal and Urban Indian Organization Leader:

I am committed to ensuring transparency and accountability at the Indian Health Service (IHS). To that end, I want to address a subject I've received many questions about: the perception that the IHS is returning a significant amount of unused money to the United States Treasury each year.

Let me say clearly: the IHS is not returning a significant amount of money to the Treasury. Furthermore, the IHS remains committed to continually improving Agency financial management to ensure that we are good stewards of Federal resources and funds are being used efficiently to carry out our mission, which is to raise the physical, mental, social, and spiritual health of American Indians and Alaska Natives to the highest level.

To clarify this issue, it is important to first understand the source of the IHS's funds. The IHS receives two types of money that finance our operations:

- Third-Party Collections – funds we collect from Medicare, Medicaid, the Veterans Administration, and other responsible or liable third parties for care and services furnished to our patients; and
- Federal Appropriations – funds provided by the Congress to fund our services and facilities.

Collections are straight forward – they are available until they are spent, must be spent at the Service Unit/facility where they were earned, and are never returned to Treasury. Any unused balances remaining at the end of one fiscal year (FY) are carried over to the next FY to continue funding hospital and clinic operations and may also fund facility repairs or renovations that could not be purchased in the prior FY (although Medicare and Medicaid collections must first be used to achieve compliance with such programs in accordance with appropriations acts). We monitor these funds regularly to ensure balances are not excessive.

Federal appropriations are more complex. We receive two types of appropriated funds: 1) funds that are available for use for only a single FY; and 2) funds that are available until expended. Funds that are available until expended are never returned to the U.S. Treasury, with balances carrying over year-to-year similar to our collections. Funds that are appropriated and available until expended provide resources for the following: health care facility construction; sanitation facility construction; environmental health; equipment; maintenance and improvement; Purchased/Referred Care (PRC); the Methamphetamine and Suicide Prevention Initiative; the Domestic Violence Prevention Initiative; scholarship and loan repayment programs; and the Special Diabetes Program for Indians. The balances carried over year-to-year are driven by business necessity.

Here are two examples:

- Service Units are encouraged to administer their PRC funds with a 10-12 percent carryover each FY, which provides stable funding for this activity year round.
- Facility fund balances may temporarily build up as projects proceed through the planning process – these are purposefully increased unobligated balances that are part of the multi-year facility planning process. Facility fund balances will be drawn down as we initiate new facility construction, renovation, or expansion.

While balances in these funds may fluctuate year to year, the IHS does not bank increasing amounts of funding year to year, nor are we maintaining balances in these accounts beyond what we can use within a reasonable period of time.

The other type of federally appropriated funds we receive are annual, or single-year, appropriations. These provide the bulk of our appropriated funding for health services, such as clinical services, preventive health care, contracts and grants to Urban Indian Organizations, as well as contract support costs (CSC)¹ for Tribes conducting their own health care programs under Indian Self-Determination and Education Assistance Act (ISDEAA) authorities.

Annual appropriations are the most typical type of funding provided by Congress and are available for new spending only for a particular FY (October 1 through September 30), meaning that at the close of each FY, on September 30, the IHS loses the use of a particular FY's funding for making new obligations. However, by law, after a FY's funding expires, it remains in an agency's accounts for 5 years to be expended, essentially remaining to cash the "checks" the agency wrote during that FY. During this period of time, balances will typically increase as small sums of money are returned from purchases and contracts we made where the amount utilized or the ultimate cost was less than estimated when we originally purchased the item or service. This is a routine process throughout the Federal Government. When this 5-year period closes, the IHS is required to return any remaining annual funds to the U.S. Treasury. As previously stated, the IHS cannot legally use these funds for new obligations at any time during this 5-year period.

For example, at the end of FY 2016, the annual funds appropriated for FY 2011 reached the end of their 5-year adjustment period, officially expired, and remaining balances were returned to the U.S. Treasury. Congress originally appropriated \$2,818,256,892 for FY 2011, and as of September 30, 2011, the close of FY 2011, the IHS had just \$58,684² not yet obligated, or spent.

¹ Starting in FY 2016, the IHS received a separate, indefinite annual appropriation for CSC. This type of appropriation includes an unspecified amount to cover the full CSC need of all ISDEAA agreements for the single FY. At the end of the FY for which funds were appropriated, the amount spent on CSC becomes the appropriated amount. In other words, Congress and the U.S. Treasury provide exactly the amount needed for CSC, so there are no unused balances.

² IHS records include a \$5,660,256 accounting transaction to reconcile Agency accounting books with those of the U.S. Treasury. This transaction was reversed in subsequent accounting activity and is not reflected in the amount returned to the U.S. Treasury.

This figure represents 0.002 percent of the total funds provided by Congress. After 5 years of close out work, on September 30, 2016, the IHS returned to the U.S. Treasury \$3,818,000, about 0.14 percent of the total annual appropriations funding provided for FY 2011 activities.

Total annual appropriations returned by the IHS to the U.S. Treasury at the close of each expenditure period from FY 2006 through FY 2011 include the following:

<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
\$1,620,000	\$787,000	\$2,920,000	\$1,562,000	\$2,289,000	\$3,818,000

These returns represent just a fraction of a percent of the IHS's total appropriated funding, and the IHS generally spent its appropriations during the period of time for which Congress allowed the IHS to enter into obligations and make expenditures with the funding.

The Federal funding process can be very complex and technical, and is easily misunderstood. I can assure you, however, that the IHS is doing our best to make full use of the funds provided by Congress.

We are working hard to continue improving our financial planning processes and systems, to ensure our finances are transparent and accountable. This FY, we began implementation of a standardized and more automated process for financial planning, which builds on existing planning activities to strengthen accountability within all levels of the Agency and promote a more coordinated approach.

Thank you for your continued partnership and support in improving the quality of care provided to American Indians and Alaska Natives.

Sincerely,



RADM Chris Buchanan, R.E.H.S., M.P.H.
Assistant Surgeon General, USPHS
Acting Director