



NPAIHB POLICY BRIEF

President's FY 2010 IHS Budget Request

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

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President Obama proposes \$400 million increase for Indian Health Service programs

Portland, OR — The President has released preliminary details of his FY 2010 spending plan, which proposes to “expand access to health care for American Indian and Alaska Natives (AI/AN) by providing over \$4 billion to the Indian Health Service (IHS) to support and expand the provisions of health care services and public health for AI/ANs.” The Office of Management and Budget (OMB) has not released detailed information on the President’s request, so it is not possible to conduct a detailed analysis. It is anticipated that the President’s baseline will be the omnibus bill (H.R. 1105) recently passed by the full House. If this is the case, President Obama’s request for the IHS would be a 12 percent increase over the House approved bill.

Preliminary information indicates “that the budget includes over \$4 billion” for the IHS. The House moved last week to approve a budget increase of \$235 million in FY 2009, which would bring the total appropriation for the IHS to \$3.6 billion. Based on the reports by the Whitehouse, if the President’s FY 2010 request for the IHS is \$4 billion and the House bill is the President’s baseline, then the agency could expect a minimum of a \$415 million increase. This would make the Obama request the best since FY 1997 or FY 2001, when President Clinton requested a ten percent increase for the IHS budget. Following the 2001 request, Congress moved to provide a significant increase for the CHS program. FY 2001 was first time that the IHS has ever had a decline in denied and deferred services in the CHS program.

The House approved bill provides a \$235 million (7 percent increase) increase for the IHS, and taken together, the FY 2009 appropriation, the funding from the stimulus bill and the FY 2010 will be the largest funding increase in the history of the IHS budget. This is welcome news for Tribal leaders that have advocated during the President transition period, that one of the first things that President Obama should do during his first 100 days is to restore lost funding to the IHS that was lost during the Bush Administration.

FY 2010 Mandatory Cost Increases

A basic budget principle of Northwest Tribes has always focused on preserving the basic health care program funded by the IHS budget. Preserving the purchasing power of the IHS base program should be the first budget principle, not an afterthought. How can unmet needs ever be addressed if the existing program is not maintained? Current services estimates’ calculate mandatory costs increases necessary to maintain the current level of services. These “*mandatories*” are unavoidable and include medical and

general inflation, federal and tribal pay act increases, phasing-in staff at new constructed facilities, population growth, and administrative costs (contract support costs). The 10 percent increase received in FY 2001 was the last budget that allowed tribes to reduce denials of CHS services. The NPAIHB estimates the current services need in FY 2010 to be \$428 million. This is the minimum amount necessary to fund inflation, population growth, and fully fund contract support costs. President Obama and Congress must continue to build on their commitment to address AI/AN health disparities by providing an additional \$28 million more than the President has requested for the Indian Health Service.

FY 2010 Mandatory Cost Increases	
<i>Mandatory Cost to Maintain Current Services</i>	<i>Increase needed</i>
CHS inflation estimated at 7 percent	\$ 44,443
Health Services Account (not including CHS inflation estimated at 8.3%)	\$ 158,358
Contract Support Costs (unfunded)	\$ 158,261
Population Growth (estimated at 2%)	\$ 67,010
Total Mandatory Costs	\$ 428,042

The recommendations presented here extrapolate medical related components of the Consumer Price Index (CPI) as they relate to IHS budget account activity. For example, inflation for the Hospital and Clinic Services is measured using the Hospital and Related Services component of the CPI; which only measures inpatient and outpatient hospital related care. Similarly, inflation for Dental Services is measured using the CPI component for Dental care services. Footnotes are included in the spreadsheet to indicate which CPI components have been used to measure inflation for budget sub-sub activity. A reference on where to locate that measure is included in the footnote. Extrapolating CPI medical component indices is a standard economic forecasting method that allows accurate and defensible estimates to be developed. Whereas, the Office of Management and Budget routinely applies non-medical related inflation rates to the IHS budget, which underestimate the true funding need for health care programs.

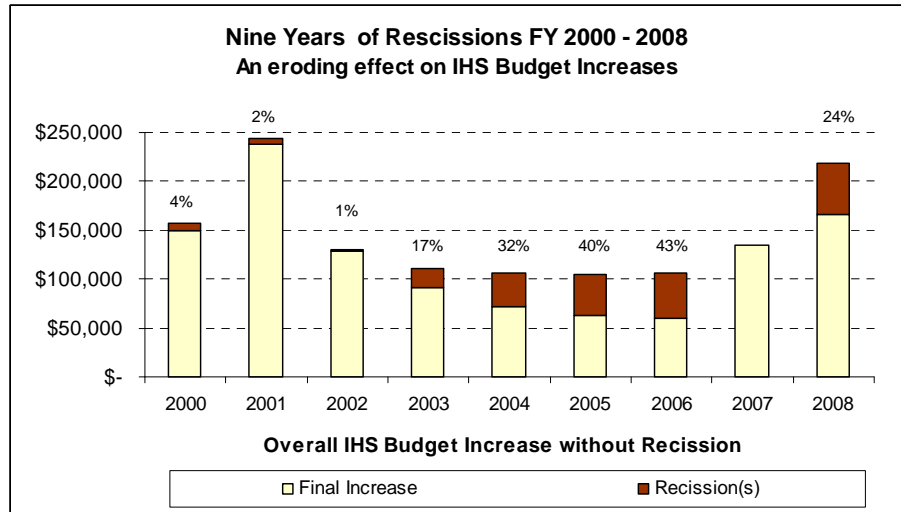
The Urban program line item is estimated using the CPI chained index for Medical Care Services and includes prescription drugs, non-prescription and medical supplies, physician services, dental services, eyeglasses and eye care, and services by other medical professionals. Estimates for Contract Support Costs (CSC) use the IHS yearly CSC Shortfall report amount. Finally, the facilities account uses the general CPI index to measure inflation. Finally, 2.1% rate of growth (same as the IHS rate) is used to estimate population growth.

Current Services Budget: Maintaining the existing Health Program and the President’s Proposed FY 2010 IHS Budget

Current services estimates’ calculate mandatory costs increases necessary to maintain the current level of services. These mandatories are unavoidable and include medical and general inflation, pay costs, staff for recently constructed facilities, and population growth. The Northwest Portland Area Indian Health Board estimates the FY 2010 current services need to be approximately \$428 million. This year’s President’s request includes a \$400 million increase for the IHS budget. Until the full budget details become available, the effect of the President’s proposal cannot be evaluated, but for the first time in ten years, it comes close to being sufficient to maintain current services.

Rescissions continue to effect on the IHS Budget

Rescissions have had a growing effect on Indian health programs over the last six years. The reductions as a percentage of the approved IHS budget are growing at a disproportionate rate. In FY 2007, the IHS did not have a rescission because Congress passed a year long continuing resolution. Beginning six years ago, rescissions were a mere one percent of the approved IHS budget increase. Three



years ago, the rescissions cut into almost half of the approved IHS budget increase. Why aren't IHS health programs exempt from across-the-board reductions like the Veterans Administration (VA) programs? IHS health programs are subject to the same rates of medical inflation that VA programs are and are deserving of the same consideration. If the Administration and Congress are resolved to address Indian health disparities, they must restore past year's rescissions and exempt them from future cuts.

FY 2010 Budget Recommendation

The Indian health system has made great strides to improve the health status of American Indian people. The President and Congress must continue to work to restore the funding that has been lost under the previous Administration or the gains in health status will be reversed and AI/AN health disparities will continue to grow. The current economic conditions are also affecting the Indian health system, which has seen a rise in the demand for health service and more individuals without third party coverage like Medicaid or private insurance. This means the IHS and Tribes cannot bill for third party collections that were once used to replenish IHS resources and expand services to other Tribal members. IHS and Tribes must now do even more with less.

The Congress must continue to preserve the basic health program that was funded in FY 2010 by providing an increase of at least \$427 million to the IHS budget. This recommendation is based on true inflationary rates developed using the CPI's medical components. Anything less than \$427 will leave IHS and Tribal programs with no alternative but to cut health services to Indian people.

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NPAIHB Policy Brief is a publication of the Northwest Portland Area Indian Health Board, 527 S.W. Hall, Suite 300, Portland, OR 97140. For more information visit www.npaihb.org or contact Jim Roberts, Policy Analyst, at (503) 228-4185 or by email jroberts@npaihb.org.

Indian Health Service Budget

Comparing H.R. 1105 to FY 2010 Current Services Estimates

(Dollars in Thousands)

	A	B	C	D	E (D x A)	F (2.1% x A)	G (E + G)
	CURRENT SERVICES ESTIAMTES						
Sub Sub Activity	House Approved H.R. 1105	President's FY 2010 Request	Change	CPI Medical Care	Increase needed for Inflation	Increase needed for Pop. Growth	NPAIHB ESTIMATE FOR INFLATION
SERVICES:							
Hospitals & Health Clinics	\$ 1,597,777	\$ 1,597,777	\$ -	6.7% ^a	\$ 107,051	\$ 33,553	\$ 140,604
Dental Services	141,936.00	\$ 141,936	\$ -	4.7% ^b	\$ 6,671	\$ 2,981	\$ 9,652
Mental Health	67,748.00	\$ 67,748	\$ -	4.9% ^c	\$ 3,320	\$ 1,423	\$ 4,742
Alcohol & Substance Abuse	183,769.00	\$ 183,769	\$ -	4.9% ^c	\$ 9,005	\$ 3,859	\$ 12,864
Contract Health Services	634,477.00	\$ 634,477	\$ -	7.0% ^d	\$ 44,413	\$ 13,324	\$ 57,737
<i>Total, Clinical Services</i>	\$ 2,625,707	\$ 2,625,707	\$ -		\$ 170,460	\$ 55,140	\$ 225,600
PREVENTIVE HEALTH:							
Public Health Nursing	\$ 59,885	\$ 59,885	\$ -	4.9% ^c	\$ 2,934	\$ 1,258	\$ 4,192
Health Education	15,723	\$ 15,723	\$ -	4.9% ^c	\$ 770	\$ 330	\$ 1,101
Comm. Health Reps	57,796	\$ 57,796	\$ -	3.8% ^c	\$ 2,196	\$ 1,214	\$ 3,410
Immunization AK	1,823	\$ 1,823	\$ -	3.8% ^c	\$ 69	\$ 38	\$ 108
<i>Total, Preventative Health</i>	\$ 135,227	\$ 135,227	\$ -		\$ 5,970	\$ 2,840	\$ 8,810
OTHER SERVICES:							
Urban Health	\$ 36,189	\$ 36,189	\$ -	7.0% ^d	\$ 2,533	\$ 760	\$ 3,293
Indian Health Professions	37,500	\$ 37,500	\$ -	3.2% ^f	\$ 1,200	\$ 788	\$ 1,988
Tribal Management	2,586	\$ 2,586	\$ -	3.2% ^f	\$ 83	\$ 54	\$ 137
Direct Operation	65,345	\$ 65,345	\$ -	3.2% ^f	\$ 2,091	\$ 1,372	\$ 3,463
Self Governance	6,004	\$ 6,004	\$ -	3.2% ^f	\$ 192	\$ 126	\$ 318
Contract Support Costs	282,398	\$ 282,398	\$ -	3.2% ^f	\$ 9,037	\$ 5,930	\$ 14,967
<i>Total, Other Services</i>	\$ 430,022	\$ 430,022	\$ -		\$ 15,136	\$ 9,030	\$ 24,166
TOTAL, SERVICES	\$ 3,190,956	\$ 3,190,956	\$ -		\$ 191,566	\$ 67,010	\$ 258,576
FACILITIES:							
Maintenance & Improvement	\$ 53,915	\$ 53,915	\$ -	3.2% ^e	\$ 1,725	\$ -	\$ 1,725
Sanitation Facilities Constructio	95,857	\$ 95,857	\$ -	3.2% ^e	\$ 3,067	\$ -	\$ 3,067
Hlth Care Facilities Constructio	40,000	\$ 40,000	\$ -	3.2% ^e	\$ -	\$ -	\$ -
Facil. & Envir. Hlth Supp	178,329	\$ 178,329	\$ -	3.2% ^e	\$ 5,707	\$ -	\$ 5,707
Equipment	22,067	\$ 22,067	\$ -	3.2% ^e	\$ 706	\$ -	\$ 706
<i>Total, Facilities</i>	\$ 390,168	\$ 390,168	\$ -		\$ 11,205	\$ -	\$ 11,205
TOTAL, IHS	\$ 3,581,124	\$ 3,981,124	\$ 400,000		\$ 202,771	\$ 67,010	\$ 269,781

Summary of Costs to maintain Current Services:

Contract Support Costs Shortfall Amount:	\$ 158,261
Inflation & Population Growth:	\$ 269,781
Program Enhancements (see p. 18):	\$ - 0%
Total Current Services Budget:	\$ 428,042 12%

Inflation Rates Calculated as follows:

^a Hospital & Clinics inflation calculated using CPI Series CUSR0000SEMD: Hospital & Related Services (inpatient and outpatient related costs).

^b Dental inflation calculated using CPI Series CUSR0000SEMC02: Dental Services.

^c Inflation calculated using CPI Series CUSR0000SAM Medical Care Inflation (medical care commodities, medical care services, and hospital & related services).

^d CHS inflation calculated using CPI Series CUSR0000SS5703: Hospital Outpatient Services.

^e Urban Indian Inflation calculated using CPI Series CUSR0000SAM2: Medical Care Services (Prescription drugs, non-prescription and medical supplies, physician services, dental services, eyeglasses and eyecare, and services by other medical professionals)

^f Inflation calculated using CPI Series SUUR0000SA0: Chained Medical Care Index all goods and services.

¹ Source: FY 2007 IHS Contract Support Costs Shortfall Report - amount required to address past year's CSC funding shortfall and growth for new and expanded Self-Determination and Self-Governance agreements.