



NPAIHB POLICY BRIEF

President's FY 2009 IHS Budget Request

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

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The President Bush FY 2009 IHS Budget – worse budget proposal for the Indian health system in 16 years!

Portland, OR — The President's budget proposes to provide the Indian Health Service (IHS) with \$3.325 billion in FY 2009, which is a \$21.3 million cut from last year's enacted level. The last time the IHS appropriation was decreased was in FY 1995 when the Agency's budget was cut by \$247 million during the Clinton Administration. Appropriations in 1995 were slashed to offset federal spending on natural disasters, to fund tax cuts, and to make progress toward balancing the budget under the Clinton Administration. President Clinton's subsequent budget requests did restore lost funding to the IHS by requesting some of the best increases that the Agency has received in the last twenty years. Unlike former President Clinton, this Administration will not have another opportunity to restore lost funding. It is unfortunate that this budget request will serve as President Bush's legacy to address the health care needs of American Indian people.

Summary of President's Request

The President's request includes \$56.3 million in cuts to various IHS budget accounts to fund \$25 million for staffing new facilities and provides \$10 million for the Indian Health Care Improvement Fund (IHCIF). The net loss to the IHS budget is \$21.3 million. The most notable cut is the Urban Indian Health Program (UIHP), which has been zeroed out for the third straight year by the Bush Administration.

President's Request for IHS FY 2009 Budget Detail of Changes					
(Dollars in Thousands)	FY 2008 Enacted	President's Increases/ Decreases to Base Budget	Current Services & Program Increases		Total President's Request
			Staffing New Facilities	IHCIF	
Hospital Clinic, Srvs	\$2,433,762	\$10,748	\$22,824	\$10,000	\$2,477,334
Preventative Hlth	\$127,587	\$2,021			\$129,608
Other Services	\$410,185	(\$45,595)			\$364,590
<i>Sub-total, Services</i>	<i>\$2,971,534</i>	<i>-\$32,826</i>			<i>\$2,971,532</i>
Facilities Accounts	\$374,646	(\$23,493)	\$2,176	\$0	\$353,329
Total	\$3,346,180	-\$56,319	\$25,000	\$10,000	\$3,324,861

Program increases and decreases for the health services line items account for \$32.8 million; equal to the funding of current services increases that include staffing at new facilities and the Indian Health Care Improvement Fund (IHCIF). Those budget line items that received decreases are as follows: \$11.3 million Alcohol and Substance Abuse, \$34.6 million UIHP, \$14.4 Indian Health Professions, and \$1 million Direct Operations. For the facilities accounts, there were \$23.5 million in program decreases as follows: \$20.8 million cut from Facilities Construction and \$2.7 million cut from Facilities and Environmental Health Support. Program increases for facilities include \$2.2 million for phasing in staffing at new facilities. This demonstrates the negative effect that *phasing-in* staff at new facilities has

on the IHS budget. To fund \$25 million for staff at new facilities, the IHS cut other Tribal health budgets by over \$56 million. While a portion of the cut was directed toward some program increases, clearly \$25 million could not have been financed without decreasing funding to established health programs.

A spreadsheet accompanies this brief that provides additional details on the sub-account activity for the President’s proposed budget.

FY 2009 Mandatory Cost Increases

There are a number of ways to compute current services. The Indian Health Service usually estimates pay cost increases and reports this as separate from inflation. The reason for this has less to do with budget presentation and more from the simple fact that since Congress passes a pay act each year. These costs are very precisely computed for federal employees. Since the President signs the pay act each year, it is the one cost most often funded in the President’s budget request since it would be very inconsistent to do otherwise. This year’s budget does not include an increase for federal and tribal pay act increases!

FY 2007 Mandatory Cost Increases	
<i>Mandatory Cost to Maintain Current Services</i>	<i>Increase needed</i>
CHS inflation estimated at 12.5%	\$ 57,354
Health Services Account (not including CHS inflation estimated at 8.3%)	\$ 208,089
Contract Support Costs (unfunded)	\$ 158,261
Population Growth (estimated at 2%)	\$ 62,402
Total Mandatory Costs	\$ 486,106

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 2009 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 2009 current services need to be approximately \$486 million. This year's President's request for the FY 2009 budget proposes to cut \$21.3 million in funding. The President's proposal will have a detrimental effect on health services to Indian people and diminish any gains that the Indian health system has made over the years to address health disparities.

Urban Indian Health Programs cut 100%

For the third year, the President's budget eliminates \$34.5 million in funding to the urban Indian health program and redistributes the savings to other budget line items. While this proposal is cloaked as a cost savings measure, it will actually increase costs for IHS and Tribally-operated health programs. Costs will be shifted to other Indian health service programs as urban Indian people return to reservations to receive health care. The IHS justifies that urban Indians—unlike other Indian people that live in isolated rural areas—have access to health services under Medicaid and other Federal, State and local health care programs, on the same basis as other Americans. Urban Indian people are not able to navigate the complex social or community health center system in an urban setting for a variety of reasons; receiving care from a culturally competent provider being one of them. When these Indian people return to reservations to receive health services they could actually cost the federal, state, and tribal health programs more money to treat. Patients will require more services than if they had been treated sooner and this will cost more. They may also enroll in other social service programs that will cost the Tribes and state programs more money.

Access to services from the Community Health Center (CHC) Program, administered by the Health Resources Services Administration (HRSA), will not be an option for urban Indians. The National Association of Community Health Center's acknowledges that CHCs do not have the infrastructure and funding to absorb the urban Indian population. Many urban Indian health programs are already designated as CHCs and leverage IHS resources to develop the capacity of their programs. They not only provide IHS services, but other services funded by SAMHSA, CDC, HRSA, states, and the private sector. These services are not just provided to Indian people, but to the overall community. Eliminating funding to urban programs will marginalize the safety net that urban Indian rely on.

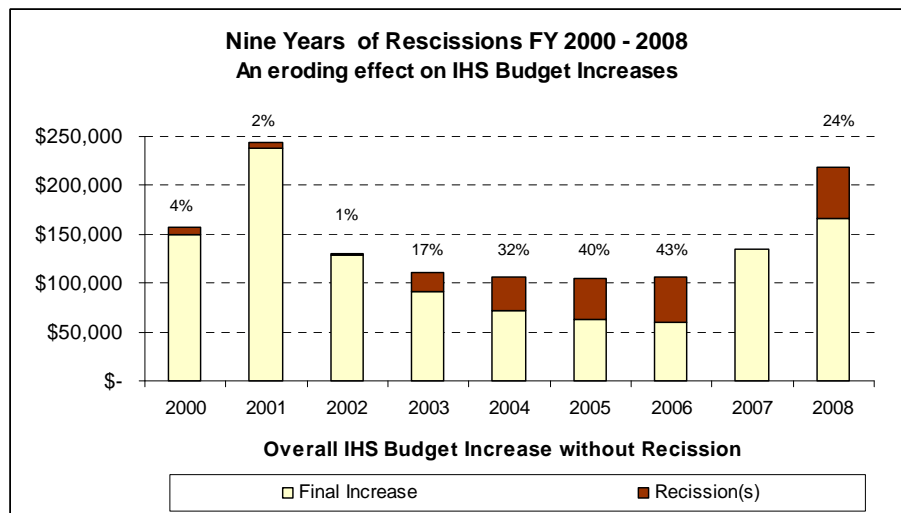
FY 2009 Budget fails to preserve basic health programs of the Indian Health Service

The Administration indicates that the IHS budget is indicative of Tribal Consultation and reflects Tribal priorities across Indian Country. These priorities are to maintain current services and fund pay costs, population growth, and inflation within the context of the **overall** IHS program. Tribal leader recommendations were to fund the mandatory components of pay costs, inflation, and population growth within the overall program; and not fund these services by cutting the urban Indian health program (\$34.5 million) and other important budget line items like health professions (cut \$14 million) and alcohol substance abuse programs (cut \$11 million).

Tribes and IHS are focused on preserving the basic health care program funded through future budgets. Preserving the purchasing power of the base program should be the President’s first budget principle, not an afterthought. How can unmet needs ever be addressed if the existing program is not maintained let alone cut? Tribes have one overriding concern that is crucial to this discussion. There must be a trusting relationship between Tribes who are concerned about improving their health status, the Administration that is charged with that responsibility, and the Congress who holds the purse strings. Tribes, IHS, and Congress must continue to focus on the goals and objectives of the IHS program and assure that the necessary resources are available to improve the health status of Indian people. If the Administration and Congress are serious about addressing health disparities they must demonstrate their commitment by adequately funding the Indian Health Service.

Rescissions continue to have a growing 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

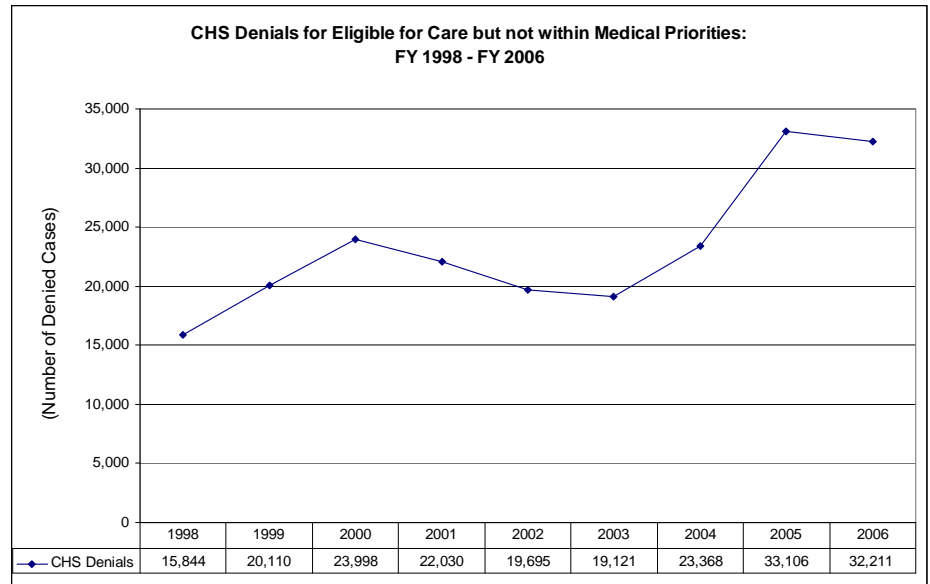


years ago, the rescissions cut into almost half of the approved IHS budget increase. Why aren’t IHS health programs exempt from across-the-board reductions like the Veterans Administration (VA) programs? IHS health programs are subject to the same rates of medical inflation that VA programs are and are 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.

Contract Health Services: *Denied/Deferred Services will rise due to inadequate funding*

There is strong evidence that services will be cut due to inadequate funding. While the denied services for the Contract Health Service (CHS) program fell for the first time in five years, the deferred services continued to climb. Denied services are those cases that are within the medical priorities for care, however there simply was not enough funding to cover the case. Thus the patient had to go without care. Deferred services are those cases that are not within the medical priorities since there is not enough CHS funding and are left untreated. In FY 2001, a significant increase for the CHS program allowed some services to be restored. In 2001, the number of CHS denials declined for the first time since 1993. In FY 2005, the IHS deferred payment for 158,784 recommended cases totaling \$152 million.

This is the highest amount that deferred payments in the CHS program have ever been. For the first time in five years these numbers dropped, however these reported amounts **understate** the actual unmet need since many tribes no longer report denied or deferred services because of the expense involved in reporting. More disturbing is that many IHS users do not even visit IHS facilities because they know they will be denied services due to funding shortfalls.



The meager increase for the CHS program will ultimately see increases in CHS denials once again in FY 2009 unless Congress restores and provides the IHS with an increase adequate to cover the costs of inflation and the growing Indian population.

FY 2009 Budget Recommendation

The Indian health system has made great strides to improve the health status of American Indian people. Unless Congress restores the funding that the President budget cut in FY 2009, many of these improvements will be reversed. The Congress must continue to preserve the basic health program that was funded in FY 2008 by providing an increase of at least \$486 million to the IHS budget. This recommendation is based on true inflationary rates developed using the CPI’s medical components. If anything less than \$489 is provided, than IHS and Tribal programs may have 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.

**Table No. 4: Indian Health Service Budget
Comparing President's FY 2009 Request to Current Services Estimates
(Dollars in Thousands)**

Sub Sub Activity	Final FY 2008	President's FY 2009 Request	Change	CURRENT SERVICES ESTIAMTES			
				CPI Medical Care	Increase ¹ needed for Inflation	Increase ² needed for Pop. Growth	NPAIHB ESTIMATE FOR INFLATION
SERVICES:							
Hospitals & Health Clinics	\$ 1,484,016	\$ 1,521,934	\$ 37,918	8.1% ^a	\$ 120,205	\$ 31,164	\$ 151,370
Dental Services	\$ 133,637	\$ 137,944	\$ 4,307	5.8% ^b	\$ 7,751	\$ 2,806	\$ 10,557
Mental Health	\$ 63,531	\$ 65,824	\$ 2,293	4.9% ^c	\$ 3,113	\$ 1,334	\$ 4,447
Alcohol & Substance Abuse	\$ 173,243	\$ 161,988	\$ (11,255)	4.9% ^c	\$ 8,489	\$ 3,638	\$ 12,127
Contract Health Services	\$ 579,334	\$ 588,161	\$ 8,827	9.9% ^d	\$ 57,354	\$ 12,166	\$ 69,520
<i>Total, Clinical Services</i>	\$ 2,433,762	\$ 2,475,851	\$ 42,090		\$ 196,912	\$ 51,109	\$ 248,021
PREVENTIVE HEALTH:							
Public Health Nursing	\$ 55,939	\$ 58,307	\$ 2,368	4.9% ^c	\$ 2,741	\$ 1,175	\$ 3,916
Health Education	\$ 14,991	\$ 15,229	\$ 238	4.9% ^c	\$ 735	\$ 315	\$ 1,049
Comm. Health Reps	\$ 54,925	\$ 55,795	\$ 870	4.9% ^c	\$ 2,691	\$ 1,153	\$ 3,845
Immunization AK	\$ 1,733	\$ 1,760	\$ 27	4.9% ^c	\$ 85	\$ 36	\$ 121
<i>Total, Preventative Health</i>	\$ 127,587	\$ 131,091	\$ 3,504		\$ 6,252	\$ 2,679	\$ 8,931
OTHER SERVICES:							
Urban Health	\$ 34,547	\$ -	\$ (34,547)	5.9% ^e	\$ 2,038	\$ 725	\$ 37,311
Indian Health Professions	\$ 36,291	\$ 21,866	\$ (14,425)	3.6% ^f	\$ 1,306	\$ 762	\$ 2,069
Tribal Management	\$ 2,490	\$ 2,529	\$ 39	3.6% ^f	\$ 90	\$ 52	\$ 142
Direct Operation	\$ 63,624	\$ 62,632	\$ (992)	3.6% ^f	\$ 2,290	\$ 1,336	\$ 3,627
Self Governance	\$ 5,836	\$ 5,928	\$ 92	3.6% ^f	\$ 210	\$ 123	\$ 333
Contract Support Costs	\$ 267,398	\$ 271,636	\$ 4,238	3.6% ^f	\$ 9,626	\$ 5,615	\$ 15,242
<i>Total, Other Services</i>	\$ 410,185	\$ 364,591	\$ (45,595)		\$ 15,561	\$ 8,614	\$ 58,722
TOTAL, SERVICES	\$ 2,971,533	\$ 2,971,533	\$ -		\$ 218,725	\$ 62,402	\$ 315,675
FACILITIES:							
Maintenance & Improvement	\$ 52,889	\$ 52,889	\$ -	3.6% ^e	\$ 1,904	\$ -	\$ 1,904
Sanitation Facilities Constructio	\$ 94,253	\$ 94,253	\$ -	3.6% ^e	\$ 3,393	\$ -	\$ 3,393
Hlth Care Facilities Constructio	\$ 36,584	\$ 15,800	\$ (20,784)	0.0%	\$ -	\$ -	\$ -
Facil. & Envir. Hlth Supp	\$ 169,638	\$ 169,105	\$ (533)	3.6% ^e	\$ 6,107	\$ -	\$ 6,107
Equipment	\$ 21,282	\$ 21,282	\$ -	3.6% ^e	\$ 766	\$ -	\$ 766
<i>Total, Facilities</i>	\$ 374,646	\$ 353,329	\$ (21,317)		\$ 12,170	\$ -	\$ 12,170
TOTAL, IHS	\$ 3,346,179	\$ 3,324,862	\$ (21,317)		\$ 230,896	\$ 62,402	\$ 327,845

Summary of Costs to maintain Current Services:

Contract Support Costs Shortfall Amount¹: \$ 158,261

Inflation & Population Growth: \$ 327,845

Program Enhancements (see p. 18): \$ -

Increase: 14.5%

Total Current Services Budget: \$ 486,106

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 Consumer Price Index all goods.

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.