



NPAIHB POLICY BRIEF

Brief Analysis of FY 2015 President’s Request

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

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President’s FY 2015 Request is respectable but falls short by \$251 million to maintain current services

Portland, OR —The President’s FY 2015 budget will provide \$4.63 billion to Indian Health Service (IHS) programs, an increase of \$199.7 million and is an increase of 4.5% over last year’s enacted level. Tribal advocates are cautious about evaluating the benefit of IHS budget increases due to the fact that in FY 2013 the IHS budget lost over \$225 million due to the sequester and rescission. Comparisons can look better or worse depending on which baseline is used. The final FY 2014 budget on its face seems to be a very good increase of \$303 million when compared the post-sequester amount. However the FY 2014 budget is only a \$78 million increase when compared to the FY 2013 full year continuing resolution amount. Further complicating the evaluation of IHS budget increases is that in FY 2014 the IHS was required to fully fund Contract Support Cost (CSC) payments due to Tribes. This is an obligation that the U.S. Supreme Court ruled had to be paid to Tribes. This resulted in over \$139 million in FY 2014 that had to be paid to Tribes and was not available for program increases or to restore the loss due to the sequester. Tribal budget advocates are cautious about making budget comparisons because results depend on which baseline is used and because the Agency has presented that program increase have been compromised at the expense of CSC funding.

Baseline	Enacted/ Full Yr CR	Sequester/ Rescission	Difference
FY 2012	\$4,306,528		
FY 2013	\$4,356,204	\$4,130,847	(\$225,357)
<i>Change</i>	\$49,676	(\$175,681)	
FY 2014	\$4,434,515		
<i>Change</i>	\$78,311	\$303,668	
FY 2015	\$4,634,177		
<i>Change</i>	\$199,662		

The Northwest Portland Area Indian Health Board (NPAIHB) estimates that the President’s request will fall short by \$251 million to maintain current services. NPAIHB estimates that it will take at least \$450 million in FY 2015 to maintain the current levels of health care provided by the Indian health system. Anything less will result in Indian health programs having to absorb the mandatory costs of inflation, pay costs, population growth and increased administrative costs. The attached spreadsheet details the current service estimates for each IHS budget line item using actual medical inflation rates extrapolated from the consumer price index and a population growth rate of 1.8% based on the growth in IHS users from FY 2012 to FY 2013.

The President’s budget proposes \$71 million for phasing in staffing requirements at four newly constructed health facilities and an additional \$8 million for five new Tribes. This will take approximately \$79 million off the top of the \$199 million increase leaving a balance of \$120 million to cover inflation and population growth. A second spreadsheet is attached that details the effect of facilities staffing and new Tribes earmarks on various

IHS budget line items. For example a theoretical increase of 4.5% for the IHS budget goes down to 2.7% when the staffing and new Tribes funding is factored. Northwest Tribes support funding for new Tribes but do not support phasing in staffing at new facilities because of the grossly unfair facilities construction priority system and the fact that it takes resources out of the budget increase that are needed to maintain current services. An example of this effect is seen in the Mental Health line item. The Mental Health account will actually see a reduction in funding of \$4.5 million because the Agency had to reprogram funds to phase in staffing and new Tribes funding. The President’s request for the Mental Health only included an increase of \$4 million, yet the requirement for staffing and Tribes funding is \$8.5 million. This will require IHS to reduce or reprogram funding in their final operating plan.

IHS Budget Growth by Presidential Terms FY 1993 to FY 2014 (Dollars in Thousands)					
President & Fiscal Years	Yrs in Office	Budget at Start of Term	Budget at End of Term	IHS Budget Growth	Percent Growth
President Obama FY 2010 to Current	5	\$3,581,119	\$4,434,515	\$853,396	23.8%
President G.W. Bush FY 2002 to FY 2009	8	\$2,628,766	\$3,581,119	\$952,353	36.2%
President Clinton FY 1991 to FY 2001	8	\$1,858,419	\$2,628,766	\$770,347	41.5%
President Bush FY 1990 to FY 1993	4	\$1,249,970	\$1,858,419	\$608,449	48.7%

Despite the limitations of the FY 2015 budget request, the IHS budget has grown considerably during President Obama’s administration. Since FY 2009 the IHS budget has grown by over \$853 million, an increase of 23.8%. The President still has another three years in office and will hopefully continue to build on this legacy of building the IHS budget. The IHS budget saw its largest rate of growth during the Bush and Clinton Administrations, however this growth was likely due to the democrat controlled Congress during those years.

Current Services Budget: Maintaining the existing Health Program and the President’s Proposed FY 2015 IHS Budget

Current service 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, and population growth. The Northwest Portland Area Indian Health Board estimates the FY 2015 current services need to be approximately \$227 million. This year's FY 2015 IHS budget request only includes \$65.5 million for inflation and population growth and is 70% short of funding this need.

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 in past years’ Congress enacts pay act increases. These are costs that are very precisely computed for federal employees. The IHS has also added reasonable tribal pay estimates and also reports these. In most years, the President signs a pay act increase each year, and it is the one cost most often

funded in the President’s budget. In past years IHS also computed reasonable estimates for population growth however the FY 2015 President’s request does not include funding for population growth.

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. Hospital outpatient inflation is used for the CHS program, since many CHS services are purchased from hospitals or other private health providers. Footnotes are included in the attached spreadsheet to indicate which CPI components have been used to measure inflation for budget sub-sub activity. A reference 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. The facilities account uses the general CPI index to measure inflation. Finally, 1.8% rate of growth is used to estimate population growth.

Summary of Mandatory Cost Increases to Maintain Current Services in FY 2015	
<i>Mandatory Cost</i>	<i>Increase needed to maintain current services (1,000s)</i>
CHS inflation estimated at 4.2%	\$36,900
Health Services Account (not including CHS) inflation	\$107,521
Population Growth (estimated at 2.1% of health services accounts)	\$78,290
Total Mandatory Costs	\$222,711
Restore Sequester/Rescission	\$227,772
TOTAL RECOMMENDED INCREASE	\$450,483
<p><u>Note on Medical Inflation:</u> Medical Inflation is estimated between 2% - 6% in the Northwest states of Oregon, Washington and Idaho. Health care analysts understand that increases in medical spending reflect increases in the value of services and pharmaceuticals and not simply inflation as measured for most goods and services. Spending in Medicare will increase by 7% and Medicaid by 6.8% in FY 2014. NPAIHB assumes Indian health programs will not achieve the same level of cost containment due to the lack of large group purchasing</p>	

Opportunity, Growth, and Security Initiative

The FY 2015 budget also includes a request that “Congress provide an additional \$200 million for projects on the IHS Health Care Facilities Construction (HCFC) priority list if funding above the budgetary caps is available. Portland Area Tribes support the additional funding for facilities related projects however do not support that Congress nor the Administration provide such funding for HCFC priority list projects. The theme of the President’s FY 2015 budget is appropriately titled “Opportunity for All” and its recommendations discuss how “inequalities in America have deepened” and because of this “upward mobility remains stalled.” The principles to address these inequities are the exact reason why funding to *promote opportunity for all*—in this case as it applies to Indian Country—should not be put into a facilities construction process that will only benefit two or three construction projects. Rather funding should be provided into programs and services that will promote economic growth and opportunity for all of Indian Country.

The controversy and unfairness of the IHS Health Care Facilities Construction priority system is well documented by hundreds of tribes across the Country. The American Recovery and Reinvestment Act (ARRA) of 2009 provided \$500 million in economic stimulus for Indian Country. Unfortunately, almost one-half (\$227 million) of

the ARRA funds went to fund only two construction projects from the HCFS priority system. Many Tribes objected to this decision by IHS and complained at hearings before the House Interior Appropriations Subcommittee. Important to note about the ARRA funding is that \$100 million was allocated to address facilities maintenance and improvement projects. The result of this was that funding spread equally across all twelve IHS Areas and a sizeable number of tribes in the United States benefitted and received funding from this allocation.

The IHS should have learned from the allocation of ARRA funding and instead create funding opportunities for all Tribes to mutually benefit. Funding HCFS Priority System Projects will only perpetuate the inequities that the President's budget seeks to overcome. Tribal communities have all experienced economic decline and deserve equal opportunities to have access to capital to improve infrastructure, create jobs, and stimulate reservation economies. If Congress provides the \$200 million for facilities related projects, NPAIHB recommends that HHS and IHS direct the funding to reduce the Backlog of Essential Maintenance, Alteration and Repair (BEMAR). This need is currently estimated at over \$462 million for all IHS and reporting Tribal facilities. Alternatively, IHS could provide a portion of the funding toward BEMAR and the backlog of Sanitation Deficiency System projects, which are estimated to be at least \$1.64 billion.

Budget Control Act and Sequestration

The Budget Control Act of 2011 (BCA) requires the federal deficit to be reduced by \$2.3 trillion over 10 years. The BCA sets spending targets and if they are not met require budget sequestration by the Administration to make across the board spending cuts. This is important for Indian health programs because at least \$26.4 billion of the proposed cuts must be made from non-defense discretionary programs. Since the IHS appropriation comes entirely from discretionary funding, the BCA sequestration will have an adverse impact IHS programs. If Congress fails to enact legislation negating the government-wide sequestration in future years, the IHS budget will be subject to across the board spending reductions.

During the FY 2013 sequestration, the Administration and IHS Director reported that IHS programs would be limited to a two percent reduction pursuant to a reference contained in the BCA at, section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985. Later, the Office of Management and Budget (OMB) submitted to Congress a report indicating that the IHS would be subject to a full sequestration which they estimate to be 8.2 percent. **Following the final FY 2013 sequestration, the IHS appropriation of \$4.34 billion was reduced by \$217 million.** This lost funding will take years for the Administration and Congress to make Tribal governments whole and in turn the AI/AN people they serve.

The BCA disproportionately targets discretionary spending and Tribes underscore to Congress that the IHS appropriations are not "discretionary" by their mere classification in the appropriations process. IHS funding is provided in fulfillment of the United States federal trust responsibility based on treaty obligations that the United States Congress entered into with Indian Tribes. It is important to remind the Administration and Congress that it passed a Declaration of National Indian Health Policy, in which the Congress declares it the policy of the United States—"in fulfillment of its special trust responsibilities and legal obligations to Indians—to ensure the highest possible health status for Indians and urban Indians and to provide all resources necessary to effect that policy." [Emphasis added] To reduce IHS funding would be in contradiction of this policy passed by this Congress and signed by this President and makes it appropriate to exempt IHS programs from sequestration.

Table No. 4: Indian Health Service Budget
Comparing FY 2015 Current Services Estimates
(Dollars in Thousands)

Sub Sub Activity	A	B	C	D	E	F	G	
	FY 2014 Operating Plan	President's FY 2015 Request	Change	CPI Medical Care	Increase needed for Inflation	Increase needed for Pop. Growth	Restore Sequester/ Rescission	Amount to Maintain FY 2012
FY 2015 CURRENT SERVICES ESTIMATES								
					(D x A)	(1.8% x A)		(E + G)
SERVICES:								
Hospitals & Health Clinics	\$ 1,790,904	\$ 1,862,501	\$ 71,597	4.4% ^a	\$ 78,800	\$ 32,236	\$ 95,782	\$ 206,818
Dental Services	\$ 165,290	\$ 175,654	\$ 10,364	2.8% ^b	\$ 4,628	\$ 2,975	\$ 8,433	\$ 16,036
Mental Health	\$ 77,980	\$ 82,025	\$ 4,045	2.1% ^c	\$ 1,638	\$ 1,404	\$ 3,998	\$ 7,039
Alcohol & Substance Abuse	\$ 186,378	\$ 193,824	\$ 7,446	2.1% ^c	\$ 3,914	\$ 3,355	\$ 10,276	\$ 17,545
Contract Health Services	\$ 878,575	\$ 929,041	\$ 50,466	4.2% ^d	\$ 36,900	\$ 15,814	\$ 44,617	\$ 97,331
<i>Total, Clinical Services</i>	<i>\$ 3,099,127</i>	<i>\$ 3,243,045</i>	<i>\$ 143,918</i>		<i>\$ 125,880</i>	<i>\$ 55,784</i>	<i>\$ 163,106</i>	<i>\$ 344,770</i>
PREVENTIVE HEALTH:								
Public Health Nursing	\$ 70,909	\$ 76,353	\$ 5,444	2.1% ^c	\$ 1,489	\$ 1,276	\$ 3,524	\$ 6,290
Health Education	\$ 17,001	\$ 18,263	\$ 1,262	2.1% ^c	\$ 357	\$ 306	\$ 902	\$ 1,565
Comm. Health Reps	\$ 58,345	\$ 59,386	\$ 1,041	2.1% ^c	\$ 1,225	\$ 1,050	\$ 3,248	\$ 5,523
Immunization AK	\$ 1,826	\$ 1,855	\$ 29	2.1% ^c	\$ 38	\$ 33	\$ 102	\$ 173
<i>Total, Preventative Health</i>	<i>\$ 148,081</i>	<i>\$ 155,857</i>	<i>\$ 7,776</i>		<i>\$ 3,110</i>	<i>\$ 2,665</i>	<i>\$ 7,776</i>	<i>\$ 13,551</i>
OTHER SERVICES:								
Urban Health	\$ 40,729	\$ 41,375	\$ 646	1.4% ^d	\$ 570	\$ 733	\$ 2,273	\$ 3,577
Indian Health Professions	\$ 33,466	\$ 38,466	\$ 5,000	1.4% ^c	\$ 469	\$ 602	\$ 2,147	\$ 3,218
Tribal Management	\$ 1,442	\$ 2,442	\$ 1,000	1.4% ^c	\$ 20	\$ 26	\$ 136	\$ 182
Direct Operation	\$ 67,894	\$ 68,065	\$ 171	1.4% ^c	\$ 951	\$ 1,222	\$ 3,790	\$ 5,962
Self Governance	\$ 4,727	\$ 5,727	\$ 1,000	1.4% ^c	\$ 66	\$ 85	\$ 320	\$ 471
Contract Support Costs	\$ 587,376	\$ 617,000	\$ 29,624	1.4% ^f	\$ 8,223	\$ 10,573	\$ 24,934	\$ 43,730
<i>Total, Other Services</i>	<i>\$ 735,634</i>	<i>\$ 773,075</i>	<i>\$ 37,441</i>		<i>\$ 10,299</i>	<i>\$ 13,241</i>	<i>\$ 33,601</i>	<i>\$ 57,141</i>
TOTAL, SERVICES	\$ 3,982,842	\$ 4,171,977	\$ 189,135		\$ 139,288	\$ 71,691	\$ 204,482	\$ 415,462
FACILITIES:								
Maintenance & Improvement	\$ 53,614	\$ 53,614	\$ -	1.4% ^e	\$ 751	\$ 965	\$ 2,841	\$ 4,557
Sanitation Facilities Construction	\$ 79,423	\$ 79,423	\$ -	1.4% ^e	\$ 1,112	\$ 1,430	\$ 4,209	\$ 6,751
Hlth Care Facilities Construction	\$ 85,048	\$ 85,048	\$ -	1.4% ^e	\$ -	\$ -	\$ 4,498	\$ 4,498
Facil. & Envir. Hlth Supp	\$ 211,051	\$ 220,585	\$ 9,534	1.4% ^e	\$ 2,955	\$ 3,799	\$ 10,547	\$ 17,301
Equipment	\$ 22,537	\$ 23,325	\$ 788	1.4% ^e	\$ 316	\$ 406	\$ 1,194	\$ 1,916
<i>Total, Facilities</i>	<i>\$ 451,673</i>	<i>\$ 461,995</i>	<i>\$ 10,322</i>		<i>\$ 5,133</i>	<i>\$ 6,599</i>	<i>\$ 23,290</i>	<i>\$ 35,022</i>
TOTAL, IHS	\$ 4,434,515	\$ 4,633,972	\$ 199,457		\$ 144,421	\$ 78,290	\$ 227,772	\$ 450,484

Summary of Costs to maintain Current Services:

Restore Sequester & Rescission:	\$ 227,772
Inflation & Population Growth:	\$ 222,711
Program Enhancements (see p. 18):	\$ -

Total Recommended Increase:: \$ 450,484 10%

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 CUSR0000SEMCO2: Dental Services.

^c Inflation calculated using CPI Series SUUR0000SAO: Chained Medical Care Index all goods and 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 Amount required for new and expanded Self-Determination and Self-Governance agreements.

Indian Health Service FY 2015 Budget
Comparing President's FY 2015 Request to Final FY 2014 Operating Plan

Prepared by: NW Portland Area Indian Health Board - 3/7/2014

Sub-Sub Activity	FY 2014 Final Operating Plan	PRESIDENT'S REQUEST			EARMARKS		PRESIDENT'S REQUEST LESS EARMARKS		
		FY 2015 President's Request	Change over FY 2014	Pct. Of Change	Staffing New Facilities	New Tribes Funding	Net Funding Available for All Tribes	Change over FY 2014	Pct of Change
SERVICES									
Hospitals & Health Clinics	\$ 1,790,904	\$ 1,862,501	\$ 71,597	4.0%	\$ 41,605	\$ 3,584	\$ 1,817,312	\$ 26,408	1.5%
Dental Services	\$ 165,290	\$ 175,654	\$ 10,364	6.3%	\$ -	\$ 468	\$ 175,186	\$ 9,896	6.0%
Mental Health	\$ 77,980	\$ 82,025	\$ 4,045	5.2%	\$ 8,224	\$ 319	\$ 73,482	\$ (4,498)	-5.8%
Alcohol & Substance Abuse	\$ 186,378	\$ 193,824	\$ 7,446	4.0%	\$ 2,846	\$ 289	\$ 190,689	\$ 4,311	2.3%
Contract Health Services	\$ 878,575	\$ 929,041	\$ 50,466	5.7%	\$ 4,314	\$ 2,572	\$ 922,155	\$ 43,580	5.0%
<i>Subtotal, Clinical Services</i>	\$ 3,099,127	\$ 3,243,000	\$ 143,873	4.6%	\$ 56,989	\$ 7,232	\$ 3,178,824	\$ 79,697	2.6%
Public Health Nursing	\$ 70,909	\$ 76,353	\$ 5,444	7.7%	\$ 4,474	\$ 257	\$ 71,622	\$ 713	1.0%
Health Education	\$ 17,001	\$ 18,263	\$ 1,262	7.4%	\$ 861	\$ 164	\$ 17,238	\$ 237	1.4%
Comm. Health Reps	\$ 58,345	\$ 59,386	\$ 1,041	1.8%	\$ -	\$ 124	\$ 59,262	\$ 917	1.6%
Immunization AK	\$ 1,826	\$ 1,855	\$ 29	1.6%	\$ -	\$ -	\$ 1,855	\$ 29	1.6%
<i>Subtotal, Preventive Health</i>	\$ 148,081	\$ 155,857	\$ 7,776	5.3%	\$ 5,335	\$ 545	\$ 149,977	\$ 1,896	1.3%
Urban Health	\$ 40,729	\$ 41,375	\$ 646	1.6%	\$ -	\$ -	\$ 41,375	\$ 646	1.6%
Indian Health Professions	\$ 33,466	\$ 38,466	\$ 5,000	14.9%	\$ -	\$ -	\$ 38,466	\$ 5,000	14.9%
Tribal Management	\$ 1,442	\$ 2,442	\$ 1,000	69.3%	\$ -	\$ -	\$ 2,442	\$ 1,000	69.3%
Direct Operations	\$ 67,894	\$ 68,065	\$ 171	0.3%	\$ -	\$ 171	\$ 67,894	\$ -	0.0%
Self-Governance	\$ 4,727	\$ 5,727	\$ 1,000	21.2%	\$ -	\$ -	\$ 5,727	\$ 1,000	21.2%
Contract Support Cost	\$ 587,376	\$ 617,000	\$ 29,624	5.0%	\$ -	\$ -	\$ 617,000	\$ 29,624	5.0%
<i>Subtotal, Other Services</i>	\$ 735,634	\$ 773,075	\$ 37,441	5.1%	\$ -	\$ 171	\$ 772,904	\$ 37,270	5.1%
TOTAL, SERVICES	\$ 3,982,842	\$ 4,172,182	\$ 189,340	4.8%	\$ 62,324	\$ 7,948	\$ 4,101,705	\$ 118,863	3.0%
FACILITIES									
Maintenance & Improvement	\$ 53,614	\$ 53,614	\$ -	0.0%	\$ -	\$ -	\$ 53,614	\$ -	0.0%
Sanitation Facilities Constr.	\$ 79,423	\$ 79,423	\$ -	0.0%	\$ -	\$ -	\$ 79,423	\$ -	0.0%
Health Care Fac. Constr.	\$ 85,048	\$ 85,048	\$ -	0.0%	\$ -	\$ -	\$ 85,048	\$ -	0.0%
Facil. & Envir. Hlth Supp.	\$ 211,051	\$ 220,585	\$ 9,534	4.5%	\$ 8,494	\$ 67	\$ 212,024	\$ 973	0.5%
Equipment	\$ 22,537	\$ 23,325	\$ 788	3.5%	\$ -	\$ -	\$ 23,325	\$ 788	3.5%
<i>Total, Facilities</i>	\$ 451,673	\$ 461,995	\$ 10,322	2.3%	\$ 8,494	\$ 67	\$ 453,434	\$ 1,761	0.4%
TOTAL, IHS	\$ 4,434,515	\$ 4,634,177	\$ 199,662	4.5%	\$ 70,818	\$ 8,015	\$ 4,555,139	\$ 120,624	2.7%