



NPAIHB POLICY UPDATE

FY 2007 President's Budget

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FY 2007 President's Budget for the Indian Health Service

Portland, OR — Yesterday, the President released his FY 2007 budget, which includes \$3.170 billion for the Indian Health Service (IHS), an increase of \$125.5 million (a 4.1% increase) over last year's final enacted level. The President's budget provides \$2.823 billion for Health Services accounts and \$347.3 million for the Health Facilities accounts. . A worksheet detailing the changes of the FY 2007 budget compared to the final enacted FY 2006 IHS budget is attached for your review. IHS budget highlights include:

- Health services accounts averaged 6.5% increase
- Dental Health increase of 7.8%
- CHS increase of \$37 million, an increase of 7.1%
- Public Health Nursing 8.4% increase
- Urban Indian health program cut 100%
- Health facilities construction reduced by 53%

The President's proposed budget is \$2.57 billion more than what he submitted last year. Many of the proposed increases are targeted for defense and homeland security programs. Despite the significant increases for some programs, the President's request will cut funding for annually appropriated (discretionary) domestic programs by \$27 billion below FY 2006 levels. These programs include education programs, environmental protection programs, numerous programs to assist low-income families, children, and elderly and disabled people, and research related to cancer, heart disease and other medical conditions.

Urban Programs cut 100%

Most notable of some programs that have been cut is the IHS urban Indian health program. The President's budget proposes to eliminate the \$33 million used to fund 34 different urban health programs across the country. The justification for cutting the urban Indian health programs relates to an earlier assessment by the Performance Assessment Rating Tool (PART) in which the Administration found that the urban health program score was "adequate" and its purpose was not clear and duplicative of other publicly-funded health programs. The IHS congressional justification rationalizes that urban Indians—unlike other Indian people that live in isolated rural areas—have access to hospitals and other health services under Medicaid, and other Federal, State and local health care programs, on the same basis as other Americans. Which brings to question the future of some Tribal health programs that might be located in similar situations? (See PART discussion below.)

There does not appear to be a transition plan to closeout funding to the 34 urban Indian health programs other than what is described in the IHS congressional justification. IHS indicates it will notify all of its urban health programs that no funds are available in FY 2007. The Agency will begin to identify urban programs that are receiving other IHS funding (i.e. Special Diabetes Program for Indians, Stevens Bill, Alcohol & Substance Abuse, Elders, etc.) due to their special status for guidance and oversight. IHS reasons that an important source of health care for the urban Indian population will be the Community

Health Centers program, administered by the Health Resources Services Administration (HRSA), which currently operates health centers in all 34 cities served by the IHS urban Indian health program.

Detail of Changes

The FY 2007 President's request for the IHS includes program increases of \$177.3 million that will be off-set by \$52.9 million in program decreases. The net increase for the IHS budget is \$125.5 million—an increase of 4.1%—over last year's final enacted level. The program increases include the following:

- Federal/Tribal Pay Costs \$41.4 million
- Increase for raising costs of health care \$53.5 million
- Population growth \$39.3 million
- Staffing for new facilities \$32.2 million
- Uniform Financial Management System \$11 million

The program reductions include the elimination of the urban Indian health program at \$32.7 million and a reduction for Health Facilities construction at \$20.1 million.

The President's budget for the IHS also includes collections for Medicare, Medicaid, Private Insurance, and rents collected from staff quarters. The projections include a \$6.5 million increase in Medicare and Medicaid collections and \$63,000 from renting staff quarters. Increased collections in Medicaid may not be possible due to the effect of "dual-eligibles" being enrolled in the Medicare Part D program. Effective January 1, 2006, the Medicare Modernization Act (MMA) requires dual-eligibles be moved from state Medicaid prescription drug programs into new private Medicare prescription drug plans (PDPs). The Medicaid program will no longer pay for dual eligibles' prescription drugs directly. This means that the Indian health system may not be able to recoup prescription costs from PDPs that were normally reimbursed under state Medicaid programs. It is estimated that this loss will range from \$23 to \$50 million. It is very unlikely that the IHS system will see increased collections in the Medicaid program in light of the lost revenue from Medicaid dual-eligibles.

Performance Assessment Rating Tool

This year marks the fourth year that PART has been used to assess programs and is the first time that significant cuts and reprogramming for the IHS have occurred (urban programs) as a direct result of it. Tribally-operated health programs were assessed in FY 2005 with recommendations used to determine funding levels in the President's FY 2006 budget request. Tribally-operated programs scored a 73% under PART, which carries a rating of "adequate." According to PART criteria an *adequate* rating describes a program that needs to set more ambitious goals, achieve better results, improve accountability, or strengthen its management practices. The Tribally-operated PART score averaged 73%, slightly more than the urban program's average score of 71% (Source: OMB www.whitehouse.gov/omb/expectmore).

PART follow-up requirements direct the IHS to collect more accurate data on Medicare, Medicaid, and SCHIP reimbursements to Tribally-operated health programs so PART can further evaluate a link between funding and performance. OMB has requested that this data be reported by February 24, 2006. OMB also requests IHS to revise the Federal Disparity Index to reflect third party collections. Finally, OMB further requests IHS to negotiate with Tribes a requirement for facility accreditation and submission of clinical indicators in contracts and compacts.

The Board will be working on a more thorough analysis of the FY 2007 IHS budget at the Annual All Tribes meeting scheduled for March 14, 2006 at the Embassy Suites in downtown Portland. Agenda information for the All Tribes meeting is available at www.npaihb.org. □

FY 2007 Indian Health Service Budget
Comparing President's Request

	Final Enacted FY 2006	FY 2007 President's Request	Change Over FY 2006	% Change versus FY 2006
Services:				
Hospitals & Health Clinics	\$ 1,339,539	\$ 1,429,772	\$ 90,233	6.7%
Dental Health	\$ 117,731	\$ 126,957	\$ 9,226	7.8%
Mental Health	\$ 58,455	\$ 61,695	\$ 3,240	5.5%
Alcohol and Substance Abuse	\$ 143,198	\$ 150,634	\$ 7,436	5.2%
Contract Health Services	\$ 517,297	\$ 554,259	\$ 36,962	7.1%
<i>Sub-total, Clinical Services</i>	\$ 2,176,220	\$ 2,323,317	\$ 147,097	6.8%
Preventive Health:				
Public Health Nursing	\$ 48,959	\$ 53,053	\$ 4,094	8.4%
Health Education	\$ 13,584	\$ 14,490	\$ 906	6.7%
Community Health Representatives	\$ 52,946	\$ 55,790	\$ 2,844	5.4%
AK Immunization	\$ 1,621	\$ 1,708	\$ 87	5.4%
<i>Sub-total, Preventive Health</i>	\$ 117,110	\$ 125,041	\$ 7,931	6.8%
Urban Health	\$ 32,744	\$ -	\$ (32,744)	-100.0%
Indian Health Professions	\$ 31,040	\$ 31,697	\$ 657	2.1%
Tribal Management	\$ 2,394	\$ 2,488	\$ 94	3.9%
Direct Operations	\$ 62,194	\$ 63,804	\$ 1,610	2.6%
Self Governance	\$ 5,667	\$ 5,847	\$ 180	3.2%
Contract Support Costs	\$ 264,730	\$ 270,316	\$ 5,586	2.1%
<i>Total, Services:</i>	\$ 2,692,099	\$ 2,822,510	\$ 130,411	4.8%
Facilities:				
Maintenance and Improvement	\$ 51,633	\$ 52,668	\$ 1,035	2.0%
Sanitation Facilities Construction	\$ 92,143	\$ 94,003	\$ 1,860	2.0%
Health Care Facilities Construction	\$ 37,779	\$ 17,664	\$ (20,115)	-53.2%
Facil and Env Hlth Support	\$ 150,709	\$ 161,333	\$ 10,624	7.0%
Equipment	\$ 20,947	\$ 21,619	\$ 672	3.2%
<i>Total, Facilities:</i>	\$ 353,211	\$ 347,287	\$ (5,924)	-1.7%
TOTAL, IHS	\$ 3,045,310	\$ 3,169,797	\$ 124,487	4.1%