



NPAIHB POLICY UPDATE

FY 2007 IHS Budget Update

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

Issue No.11, May 19, 2006

House Passes FY 2007 Interior, Environment, and Related Agencies Bill

On May 18th, the House moved to approve the FY 2007 Interior Appropriations bill (H. Rpt. 109-465), which provides \$3.19 billion for the Indian Health Service (IHS).¹ The House recommendations include additional funding of \$9.3 million for the Indian Health Care Improvement Fund (IHCIF), \$32.7 million to restore the funding for Urban Indian Health Programs (UIHP), and \$19 million for Health Care Facilities Construction. The House mark recommended fixed cost decreases that will only allow the IHS to fund 60 percent of its inflation and population growth expense. The fixed cost decreases included \$34.4 million for the Hospital/Clinic, Preventative, and other Service line items; and an additional \$2.7 million for the Facilities accounts.

H. Rpt. 109-465 Summary of Action (Dollars in Thousands)	
FY 2007 President's Request	\$ 3,169,787
Increase for IHCIF	\$ 9,275
Restored Funding for UIHP	\$ 32,744
Increase Health Facilities Const.	\$ 19,000
H. Rpt. 109-465 Recommended Amt.	\$ 3,230,806
Less Fixed Cost Decreases	(\$ 37,097)
FINAL HOUSE RECOMMENDATION	<u>\$ 3,193,709</u>

The President's request for the IHS FY 2007 budget included an increase of \$124.5 million; a 4.1 percent increase over the FY 2006 approved amount. The House approved amount is \$23.9 million more (\$7.6 for Health Services and \$16.3 million for Facilities) than the President's request. The House approved amount is \$148.4 million more (\$138 million for Health Services and \$10.4 million for Facilities) than the final FY 2006 enacted level (4.9 percent increase). A breakdown on the House appropriation for Health Services and Facilities is as follows:

	<u>Health Services:</u>	<u>Facilities</u>
FY 2006 Enacted level:	\$2,692,099	\$353,211
President's Request:	\$2,822,500	\$347,287
House Recommendation:	\$2,830,136	\$363,573
<u>Comparison:</u>		
FY 2006 Appropriation:	+ \$138,037	+ \$10,362
FY 2007 President Request	+ \$7,636	+ \$16,286

A worksheet detailing the President's FY 2007 request compared to House action is attached for review. The worksheet also details the Fixed Cost Decreases by IHS budget line item.

¹ \$3.19 billion is after \$37 million in "Fixed Cost Decreases" that have been subtracted from the House approved mark. The total amount for Fixed Cost Decreases is \$37.1 million. The budget comparisons in this briefing document are after the Fixed Cost Decreases have been factored in each IHS budget line item.

NPAIHB Current Service Estimates

While the House bill does provide adequate increases for the IHS budget and restores badly needed funding for the Urban Indian Health Programs it will continue to fall short of funding mandatory costs of

Summary of Mandatory Cost Increases (Current Services)	
<i>Mandatory Cost</i>	<i>Increase needed to maintain current services (1,000s)</i>
CHS inflation estimated at 12.5%	\$ 64,662
Health Services Account (not including CHS) inflation estimated at 8.3%	\$ 168,173
Contract Support Costs (unfunded amount)	\$ 150,000
Population Growth (estimated at 2.1 % of health services account)	\$ 53,842
Total Mandatory Costs	\$436,677

current services. The House only allowed 60 percent of the funding needed to maintain mandatory costs of inflation and population growth which means that ultimately health services will have to be cut. In FY 2007, the NPAIHB estimated that it will take at least \$436 million to maintain mandatory costs of inflation, population growth, and other administrative costs associated with operating health programs. The House approved increase of \$148 million will fall short by over \$288 million in order to maintain

current services. This means that IHS and Tribes will be faced with severe budget shortfalls as they balance the need to provide services and maintain the financial solvency of operating health programs.

House Budget Highlights:

- ❖ \$84 million increase for Hospital and Clinics;
- ❖ \$138 million increase for Health services accounts, an average of a 5% increase;
- ❖ CHS funding \$542 million, an increase of \$25million;
- ❖ House restored Urban Indian Health Program funding at FY 2006 level of \$32.7 million
- ❖ \$9.3 million for Indian Health Care Improvement Fund: Use 2003 methodology – 70% for 28 units below 40% in 2005; 30% for 133 units below 60% in 2005;
- ❖ Fixed Costs Decreases of \$34.3 million for Health Services and \$2.7 million for Facilities; and
- ❖ Contract Support Cost Policy: complete as soon as possible , Committee will consider providing funding for new and expanded contracts in future years based on revised policy.

Health Services Report Language:

The Committee recommends \$2,830,136,000 for Indian Health Services, an increase of \$7,636,000 above the budget request and \$138,037,000 above the fiscal year 2006 enacted level. Changes to the budget request are detailed below.

Clinical Services.—The Committee recommends an increase of \$9,275,000 in hospital and health clinic programs for the Indian Health Care Improvement Fund. Direction on the distribution of these funds is provided below.

Urban Indian Health Clinics.—The Committee recommends an increase of \$32,744,000 to restore funding for the 32 urban Indian clinics.

Fixed Cost Decreases.—The Committee recommends a decrease of \$34,383,000, which will enable the Service to fund 60 percent of its fixed cost increases for medical inflation and population growth.

The Committee agrees to the following:

1. Funds for the Indian Health Care Improvement Fund should be distributed using the same methodology as in 2003. Of the available funds, 70 percent is for the 28 units funded below 40 percent of need in 2005 and 30 percent is for the remaining 133 units funded below 60 percent of need in 2005.
2. The budget continues funding in the dental program for Clinical and Preventive Support Centers. This is a critical national effort and the Committee expects the Service to continue to manage and fund these programs through IHS headquarters. These funds should not be subject to tribal share distributions.
3. The Committee continues to be concerned about the high vacancy rates of health care providers at IHS and tribal facilities and expects the Service to investigate the feasibility of establishing a central credentialing system, which would enhance the use of volunteers in fields such as dentistry. The Service should report to the Committee by February 28, 2006, addressing the feasibility of using the Defense Department's credentialing system or developing a separate IHS system. The report should specifically address streamlining the process for credentialing volunteers, including credentialing volunteers to work at multiple sites and over multiple years without having to be re-credentialed.
4. The pharmacist intern program is continued at the fiscal year 2006 level. The Committee is pleased with the success of this program, which was established with funds recommended by the Committee 7 years ago, and notes that the Service has retained 90 percent of interns beyond their initial residency year.
5. The Service should use a weighted formula for distributing loan repayment funding to address its most critical vacancies. As of March 13, 2006, the key categories, including the number of vacant positions and the vacancy rate by category, were:
 - 1) Dentistry—116 vacancies—28%;
 - 2) Podiatry—10 vacancies—25%;
 - 3) Medical imaging—58 vacancies—20%;
 - 4) Nursing—738 vacancies—18%;
 - 5) Therapy—19 positions—17%;
 - 6) Medical technology—43 vacancies—12%;
 - 7) Physician—100 vacancies—11%;
 - 8) Pharmacy—59 vacancies—11%; and
 - 9) Optometry—17 positions—11%.
6. The Service should continue and expand its efforts to collect reimbursements from private insurance providers, including the use of contract bill collectors who provide services in exchange for a reasonable percentage of monies collected.
7. The Service should complete its revision of its contract support cost policy as soon as possible. The Committee will consider providing funding for new and expanded contracts in future fiscal years based upon the revised policy.
8. Funding for the urban health program has been restored and the proposal to eliminate this program is rejected. Funding for IHS urban clinics is levered with nearly \$2 for every \$1 contributed by the Service. The Program Assessment Rating Tool score for the program was one point shy of "moderately effective", which is a score that many of the government programs in this bill can only hope to achieve in the future. The Committee encourages the Service to work with HHS to help these clinics get additional funding through the Community Health Centers program and to work with the individual clinics on continued improvements in health services delivery.

Facilities Report Language:

Health Care Facilities Construction.—The Committee recommends an increase of \$19,000,000 for health care facilities construction, which will continue the construction of the Kayenta and San Carlos, AZ clinics and restore partially funding for the Services dental facilities program, small ambulatory facilities program, and joint ventures program. Funding is detailed in the table below.

Fixed Cost Decreases.—The Committee recommends a decrease of \$2,714,000, which will enable the Service to fund 60 percent of its fixed cost increases for medical inflation and population growth.

1. The Service needs to do a better job of requesting and justifying construction funding for its hospital and clinic facility needs. At the level of funding requested in 2007, it would take 48 years to complete the facilities on the current priority list. There are many facilities that should to be added to the list now and, in 48 years, all of the IHS facilities will need to be replaced or require major renovation. Even when the facilities construction program was much more generously funded, it took between 11 and 15 years from the time a proposal was received from a tribe until construction was completed. At the funding level requested for 2007, some facilities on the current priority list would wait more than 60 years from proposal submission until completion of construction and tribal facilities not on the list would wait considerably longer than that. Sixty years is beyond the reasonable life expectation for a hospital or clinic. Currently, about one third of the IHS-operated hospitals and health centers are more than 40 years old.
2. The current IHS maintenance budget is less than half of what is required, if you apply commercial sector health care standards. Without progress on new and renovated facilities, the maintenance backlog will grow at a rapid pace from the current backlog level of nearly half a billion dollars.
3. In determining priorities for project funding under the joint ventures program for hospitals and clinics, the Service should provide additional credit to tribes that are willing to provide full funding for facility equipment in addition to providing full funding for facility construction.
4. Funding for small ambulatory facilities should be used to select additional projects from the most recent solicitation.
5. The Service should continue to apply a cap of \$2,000,000 for any single small ambulatory facility project and most, if not all projects should be funded substantially below that level.
6. Funds for sanitation facilities for new and renovated housing should be used to serve housing provided by the Bureau of Indian Affairs housing improvement program, new homes, and homes renovated to like-new condition. Onsite sanitation facilities may also be provided for homes occupied by the disabled or sick who have physician referrals indicating an immediate medical need for adequate sanitation facilities at home.
7. Sanitation funds should not be used to provide sanitation facilities for new homes funded by the housing programs of the Department of Housing and Urban Development (HUD). HUD should provide any needed funds to the IHS for that purpose.
8. The IHS may use up to \$5,000,000 in sanitation funding for projects to clean up and replace open dumps on Indian lands pursuant to the Indian Lands Open Dump Cleanup Act of 1994.

NPAIHB Policy Update 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.

FY 2007 Indian Health Service Budget
Comparing President's Request to H. Rpt. 109-465

	PRESIDENT'S REQUEST				HOUSE ACTION				FINAL HOUSE ACTION W/FIXED COST DECREASE			
	Final Enacted FY 2006	FY 2007 President's Request	Difference versus Enacted	% Change versus FY 2006	H. Rpt. 109-465 Recommend.	Difference versus Request	Difference versus Enacted	% Change versus FY 2006	Fixed Cost Decreases ¹	FINAL HOUSE MARK	Difference versus Enacted	% Change versus Enacted
Services:												
Hospitals & Health Clinics	\$ 1,339,539	\$ 1,429,772	\$ 90,233	6.7%	\$ 1,439,047	\$ 9,275	\$ 99,508	7.4%	\$ 15,099	\$ 1,423,948	\$ 84,409	6.3%
Dental Health	\$ 117,731	\$ 126,957	\$ 9,226	7.8%	\$ 126,957	\$ -	\$ 9,226	7.8%	\$ 1,185	\$ 125,772	\$ 8,041	6.8%
Mental Health	\$ 58,455	\$ 61,695	\$ 3,240	5.5%	\$ 61,695	\$ -	\$ 3,240	5.5%	\$ 616	\$ 61,079	\$ 2,624	4.5%
Alcohol and Substance Abuse	\$ 143,198	\$ 150,634	\$ 7,436	5.2%	\$ 150,634	\$ -	\$ 7,436	5.2%	\$ 1,827	\$ 148,807	\$ 5,609	3.9%
Contract Health Services	\$ 517,297	\$ 554,259	\$ 36,962	7.1%	\$ 554,259	\$ -	\$ 36,962	7.1%	\$ 11,633	\$ 542,626	\$ 25,329	4.9%
<i>Sub-total, Clinical Services</i>	<i>\$ 2,176,220</i>	<i>\$ 2,323,317</i>	<i>\$ 147,097</i>	<i>6.8%</i>	<i>\$ 2,332,592</i>	<i>\$ 9,275</i>	<i>\$ 156,372</i>	<i>7.2%</i>	<i>\$ 30,360</i>	<i>\$ 2,302,232</i>	<i>\$ 126,012</i>	<i>5.8%</i>
Preventive Health:												
Public Health Nursing	\$ 48,959	\$ 53,043	\$ 4,084	8.3%	\$ 53,043	\$ -	\$ 4,084	8.3%	\$ 454	\$ 52,589	\$ 3,630	7.4%
Health Education	\$ 13,584	\$ 14,490	\$ 906	6.7%	\$ 14,490	\$ -	\$ 906	6.7%	\$ 155	\$ 14,335	\$ 751	5.5%
Community Health Representatives	\$ 52,946	\$ 55,790	\$ 2,844	5.4%	\$ 55,790	\$ -	\$ 2,844	5.4%	\$ 682	\$ 55,108	\$ 2,162	4.1%
AK Immunization	\$ 1,621	\$ 1,708	\$ 87	5.4%	\$ 1,708	\$ -	\$ 87	5.4%	\$ 20	\$ 1,688	\$ 67	4.1%
<i>Sub-total, Preventive Health</i>	<i>\$ 117,110</i>	<i>\$ 125,031</i>	<i>\$ 7,921</i>	<i>6.8%</i>	<i>\$ 125,031</i>	<i>\$ -</i>	<i>\$ 7,921</i>	<i>6.8%</i>	<i>\$ 1,311</i>	<i>\$ 123,720</i>	<i>\$ 6,610</i>	<i>5.6%</i>
Other Services:												
Urban Health	\$ 32,744	\$ -	\$ (32,744)	-100.0%	\$ 32,744	\$ 32,744	\$ -	0.0%	\$ -	\$ 32,744	\$ -	0.0%
Indian Health Professions	\$ 31,040	\$ 31,697	\$ 657	2.1%	\$ 31,697	\$ -	\$ 657	2.1%	\$ 244	\$ 31,453	\$ 413	1.3%
Tribal Management	\$ 2,394	\$ 2,488	\$ 94	3.9%	\$ 2,488	\$ -	\$ 94	3.9%	\$ 38	\$ 2,450	\$ 56	2.3%
Direct Operations	\$ 62,194	\$ 63,804	\$ 1,610	2.6%	\$ 63,804	\$ -	\$ 1,610	2.6%	\$ 132	\$ 63,672	\$ 1,478	2.4%
Self Governance	\$ 5,667	\$ 5,847	\$ 180	3.2%	\$ 5,847	\$ -	\$ 180	3.2%	\$ 64	\$ 5,783	\$ 116	2.0%
Contract Support Costs	\$ 264,730	\$ 270,316	\$ 5,586	2.1%	\$ 270,316	\$ -	\$ 5,586	2.1%	\$ 2,234	\$ 268,082	\$ 3,352	1.3%
<i>Sub-total, Other Services</i>	<i>\$ 398,769</i>	<i>\$ 374,152</i>	<i>\$ (24,617)</i>	<i>-6.2%</i>	<i>\$ 406,896</i>	<i>\$ 32,744</i>	<i>\$ 8,127</i>	<i>2.0%</i>	<i>\$ 2,712</i>	<i>\$ 404,184</i>	<i>\$ 5,415</i>	<i>1.4%</i>
<i>Total, Services:</i>	<i>\$ 2,692,099</i>	<i>\$ 2,822,500</i>	<i>\$ 130,401</i>	<i>4.8%</i>	<i>\$ 2,864,519</i>	<i>\$ 42,019</i>	<i>\$ 172,420</i>	<i>6.4%</i>	<i>\$ 34,383</i>	<i>\$ 2,830,136</i>	<i>\$ 138,037</i>	<i>5.1%</i>
Facilities:												
Maintenance and Improvement	\$ 51,633	\$ 52,668	\$ 1,035	2.0%	\$ 52,668	\$ -	\$ 1,035	2.0%	\$ 414	\$ 52,254	\$ 621	1.2%
Sanitation Facilities Construction	\$ 92,143	\$ 94,003	\$ 1,860	2.0%	\$ 94,003	\$ -	\$ 1,860	2.0%	\$ 744	\$ 93,259	\$ 1,116	1.2%
Health Care Facilities Construction	\$ 37,779	\$ 17,664	\$ (20,115)	-53.2%	\$ 36,664	\$ 19,000	\$ (1,115)	-3.0%	\$ -	\$ 36,664	\$ (1,115)	-3.0%
Facil and Env Hlth Support	\$ 150,709	\$ 161,333	\$ 10,624	7.0%	\$ 161,333	\$ -	\$ 10,624	7.0%	\$ 1,287	\$ 160,046	\$ 9,337	6.2%
Equipment	\$ 20,947	\$ 21,619	\$ 672	3.2%	\$ 21,619	\$ -	\$ 672	3.2%	\$ 269	\$ 21,350	\$ 403	1.9%
<i>Total, Facilities:</i>	<i>\$ 353,211</i>	<i>\$ 347,287</i>	<i>\$ (5,924)</i>	<i>-1.7%</i>	<i>\$ 366,287</i>	<i>\$ 19,000</i>	<i>\$ 13,076</i>	<i>3.7%</i>	<i>\$ 2,714</i>	<i>\$ 363,573</i>	<i>\$ 10,362</i>	<i>2.9%</i>
TOTAL, IHS	\$ 3,045,310	\$ 3,169,787	\$ 124,477	4.1%	\$ 3,230,806	\$ 61,019	\$ 185,496	6.1%	\$ 37,097	\$ 3,193,709	\$ 148,399	4.9%