



NPAIHB POLICY BRIEF

President's FY 2011 IHS Budget Request

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President Obama proposes \$354.1 million increase for Indian Health Service programs

Portland, OR — The President has released the details of his FY 2011 spending plan, which poses to “improve health outcomes for American Indian and Alaska Native communities and supporting the provision of health care for American Indians and Alaska Natives (AI/AN).” The President’s request includes \$4.4 billion for the Indian Health Service (IHS) budget to support and expand the provisions of health care services and public health for AI/ANs. This marks the second year of the Obama Administration’s support to Indian health programs by providing sizable increases for the IHS budget. Last year’s final FY 2010 budget included a \$471.3 million increase (13.2%) increase for the IHS that began with a generous President’s request. The FY 2011 President’s request for the IHS includes a \$354.1 million increase (8.7%) and comes close to maintaining current services.

The President’s request includes \$175.6 million for current services and an additional \$178.5 million for program increases. The current services increases are as follows:

- Federal, Tribal, and Urban program pay cost increases \$24.4 million.
- \$52.5 million to fund population growth calculated at a 1.5% growth factor
- \$60 million to cover inflationary growth calculated at 1.5% for non-medical inflation and 3.3% for medical inflation
- \$38.8 million (22% of the program increase) will fund staffing and operating costs of five new facilities that will come on-line in FY 2011

The budget includes \$178.5 million to fund program increases as follows:

- \$4 million increase to fund Health Information Technology security for the Resource and Patient Management System
- \$2.5 million to fund Chronic Disease issues
- \$4 million for a new competitive grant program to expand access to alcohol and substance abuse services as part of a national drug control strategy
- The Contract Health Service program will be increased by \$46 million, within this amount the Catastrophic Health Emergency Fund (CHEF) will be increased from \$8 million to \$53 million.
- The Urban Indian Health Programs will receive an additional \$1 to assist to improve third party collections.
- \$40 million increase for the Contract Support Cost budget
- \$37 million increase to fund construction of new health facilities at Barrow, AK; San Carlos, AZ; and Kayenta, AZ.

FY 2011 Mandatory Cost Increases

A simple 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 care. These “*mandatories*” are unavoidable and include medical and general inflation, federal and tribal pay act increases, population growth, and administrative costs (contract support costs). The NPAIHB *preliminary estimates* indicate the current services need in FY 2011 to be approximately \$452.8 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 \$99 million more than the President has requested for the Indian Health Service.

| FY 2011 Mandatory Cost Increases | |
|---|------------------------|
| <i>Mandatory Cost to Maintain Current Services – (Dollars in Thousands)</i> | <i>Increase needed</i> |
| CHS inflation estimated at 7 percent | \$ 70,921 |
| Health Services Account (not including CHS inflation) | \$ 175,430 |
| Contract Support Costs (unfunded) | \$ 146,100 |
| Population Growth (estimated at 2%) | \$ 60,444 |
| Total Mandatory Costs | \$ 452.897 |

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 attached spreadsheet to indicate which CPI components have been used to measure inflation for IHS budget sub-accounts. 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 2011 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, population growth, and contract support costs. The Northwest Portland Area Indian Health Board estimates the FY 2011 current services need to be approximately \$452.8 million. This year's President's request includes a \$354.1 million increase for the IHS budget. This means the President's request will fall short by \$99 million and Tribes will have to work with the Congress to request that this funding be provided.

It is important to underscore the President's support to Indian health programs and to promote Indian Self-Determination and Self-Governance by providing adequate funding. Tribes understand fully that this Country is in a deep recession and is going to take a commitment to fiscal responsibility to turn the U.S. economy around. Likewise, Indian country is also dealing with the effects of the recession and in fact the economic crisis is more detrimental on Tribal communities than the rest of the country. The economic conditions in Indian Country are among the worst found anywhere in the United States. Tribal communities do not have the same economic infrastructure or capital needed to create job opportunities and stimulate economies as the rest of the country. Investing in Indian health programs is vital for job creation and economic growth. On many reservations the IHS and Tribal health system is the major employer and these programs must be sustained.

FY 2011 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 2011 by providing an increase of at least \$452.8 million to the IHS budget. This recommendation is based on true inflationary rates developed using the CPI's medical components. Anything less will leave IHS and Tribal programs with no alternative but to cut health services to Indian people.

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Table No. 1: Indian Health Service Budget
Comparison of FY 2009, 2010, and Presidents FY 2011
(Dollars in Thousands)

| Sub Sub Activity | Final Budget FY 2009 | Final Budget FY 2010 | Change Over FY 2009 | Percent Change | President's FY 2011 Budget | Change Over FY 2010 | Percent Change |
|------------------------------------|----------------------|----------------------|---------------------|----------------|----------------------------|---------------------|----------------|
| SERVICES: | | | | | | | |
| Hospitals & Health Clinics | \$ 1,597,777 | \$ 1,754,383 | \$ 156,606 | 9.8% | 1,893,292 | \$ 138,909 | 8.7% |
| Dental Services | \$ 141,936 | \$ 152,634 | \$ 10,698 | 7.5% | 161,262 | \$ 8,628 | 6.1% |
| Mental Health | \$ 67,748 | \$ 72,786 | \$ 5,038 | 7.4% | 77,076 | \$ 4,290 | 6.3% |
| Alcohol & Substance Abuse | \$ 183,769 | \$ 194,409 | \$ 10,640 | 5.8% | 205,770 | \$ 11,361 | 6.2% |
| Contract Health Services | \$ 634,477 | \$ 779,347 | \$ 144,870 | 22.8% | 862,765 | \$ 83,418 | 13.1% |
| <i>Total, Clinical Services</i> | \$ 2,625,707 | \$ 2,953,559 | \$ 327,852 | 12.5% | \$ 3,200,165 | \$ 246,606 | 8.3% |
| PREVENTIVE HEALTH: | | | | | | | |
| Public Health Nursing | \$ 59,885 | \$ 64,071 | \$ 4,186 | 7.0% | 67,571 | \$ 3,500 | 5.8% |
| Health Education | \$ 15,723 | \$ 16,682 | \$ 959 | 6.1% | 17,489 | \$ 807 | 5.1% |
| Comm. Health Reps | \$ 57,796 | \$ 61,628 | \$ 3,832 | 6.6% | 63,991 | \$ 2,363 | 4.1% |
| Immunization AK | \$ 1,823 | \$ 1,934 | \$ 111 | 6.1% | 2,009 | \$ 75 | 4.1% |
| <i>Total, Preventative Health</i> | \$ 135,227 | \$ 144,315 | \$ 9,088 | 6.7% | \$ 151,060 | \$ 6,745 | 4.7% |
| OTHER SERVICES: | | | | | | | |
| Urban Health | \$ 36,189 | \$ 43,139 | \$ 6,950 | 19.2% | 45,502 | \$ 2,363 | 6.5% |
| Indian Health Professions | 37,500 | \$ 40,743 | \$ 3,243 | 8.6% | 41,413 | \$ 670 | 1.8% |
| Tribal Management | 2,586 | \$ 2,586 | \$ - | 0.0% | 2,669 | \$ 83 | 3.2% |
| Direct Operation | 65,345 | \$ 68,720 | \$ 3,375 | 5.2% | 69,845 | \$ 1,125 | 1.7% |
| Self Governance | 6,004 | \$ 6,066 | \$ 62 | 1.0% | 6,201 | \$ 135 | 2.2% |
| Contract Support Costs | 282,398 | \$ 398,490 | \$ 116,092 | 41.1% | 444,332 | \$ 45,842 | 16.2% |
| <i>Total, Other Services</i> | \$ 430,022 | \$ 559,744 | \$ 129,722 | 30.2% | \$ 609,962 | \$ 50,218 | 9.0% |
| TOTAL, SERVICES | \$ 3,190,956 | \$ 3,657,618 | \$ 466,662 | 14.6% | \$ 3,961,187 | \$ 303,569 | 8.3% |
| FACILITIES: | | | | | | | |
| Maintenance & Improvement | \$ 53,915 | \$ 53,915 | \$ - | 0.0% | \$ 55,523 | \$ 1,608 | 3.0% |
| Sanitation Facilities Construction | 95,857 | \$ 95,857 | \$ - | 0.0% | \$ 97,710 | \$ 1,853 | 1.9% |
| Hlth Care Facilities Construction | 40,000 | \$ 29,234 | \$ (10,766) | -26.9% | \$ 66,192 | \$ 36,958 | 92.4% |
| Facil. & Envir. Hlth Supp | 178,329 | \$ 193,087 | \$ 14,758 | 8.3% | \$ 202,106 | \$ 9,019 | 5.1% |
| Equipment | 22,067 | \$ 22,664 | \$ 597 | 2.7% | \$ 23,711 | \$ 1,047 | 4.7% |
| <i>Total, Facilities</i> | \$ 390,168 | \$ 394,757 | \$ 4,589 | 1.2% | \$ 445,242 | \$ 50,485 | 12.8% |
| TOTAL, IHS | \$ 3,581,124 | \$ 4,052,375 | \$ 471,251 | 13.2% | \$ 4,406,429 | \$ 354,054 | 8.7% |

Indian Health Service Budget
Comparing Final FY 2010 to FY 2011 Current Services Estimates
(Dollars in Thousands)

| | A | B | C | D | E (D x A) | F (2.1% x A) | G (E + G) |
|-----------------------------------|-----------------------------------|------------------------------|-----------------|-------------------|-------------------------------|---------------------------------|--------------------------------------|
| | CURRENT SERVICES ESTIMATES | | | | | | |
| Sub Sub Activity | FY 2010 Final | President's FY 2011 Request? | Change | CPI Medical Care | Increase needed for Inflation | Increase needed for Pop. Growth | NPAIHB ESTIMATE FOR CURRENT SERVICES |
| SERVICES: | | | | | | | |
| Hospitals & Health Clinics | 1,754,383 | 1,893,292 | 138,909 | 6.7% ^a | \$ 117,544 | \$ 36,842 | \$ 154,386 |
| Dental Services | 152,634 | 161,262 | 8,628 | 4.7% ^b | \$ 7,174 | \$ 3,205 | \$ 10,379 |
| Mental Health | 72,786 | 77,076 | 4,290 | 4.9% ^c | \$ 3,567 | \$ 1,529 | \$ 5,095 |
| Alcohol & Substance Abuse | 194,409 | 205,770 | 11,361 | 4.9% ^c | \$ 9,526 | \$ 4,083 | \$ 13,609 |
| Contract Health Services | 779,347 | 862,765 | 83,418 | 7.0% ^d | \$ 54,554 | \$ 16,366 | \$ 70,921 |
| <i>Total, Clinical Services</i> | <i>2,953,559</i> | <i>3,200,165</i> | <i>246,606</i> | | <i>\$ 192,364</i> | <i>\$ 62,025</i> | <i>\$ 254,389</i> |
| PREVENTIVE HEALTH: | | | | | | | |
| Public Health Nursing | 64,071 | 67,571 | 3,500 | 4.9% ^c | \$ 3,139 | \$ 1,345 | \$ 4,485 |
| Health Education | 16,682 | 17,489 | 807 | 4.9% ^c | \$ 817 | \$ 350 | \$ 1,168 |
| Comm. Health Reps | 61,628 | 63,991 | 2,363 | 3.8% ^e | \$ 2,342 | \$ 1,294 | \$ 3,636 |
| Immunization AK | 1,934 | 2,009 | 75 | 3.8% ^e | \$ 73 | \$ 41 | \$ 114 |
| <i>Total, Preventative Health</i> | <i>144,315</i> | <i>151,060</i> | <i>6,745</i> | | <i>\$ 6,372</i> | <i>\$ 3,031</i> | <i>\$ 9,403</i> |
| OTHER SERVICES: | | | | | | | |
| Urban Health | 43,139 | 45,502 | 2,363 | 7.0% ^d | \$ 3,020 | \$ 906 | \$ 3,926 |
| Indian Health Professions | 40,743 | 41,413 | 670 | 3.2% ^f | \$ 1,304 | \$ 856 | \$ 2,159 |
| Tribal Management | 2,586 | 2,669 | 83 | 3.2% ^f | \$ 83 | \$ 54 | \$ 137 |
| Direct Operation | 68,720 | 69,845 | 1,125 | 3.2% ^f | \$ 2,199 | \$ 1,443 | \$ 3,642 |
| Self Governance | 6,066 | 6,201 | 135 | 3.2% ^f | \$ 194 | \$ 127 | \$ 321 |
| Contract Support Costs | 398,490 | 444,332 | 45,842 | 3.2% ^f | \$ 12,752 | \$ 8,368 | \$ 21,120 |
| <i>Total, Other Services</i> | <i>559,744</i> | <i>609,962</i> | <i>50,218</i> | | <i>\$ 19,551</i> | <i>\$ 11,755</i> | <i>\$ 31,306</i> |
| TOTAL, SERVICES | 3,657,618 | 3,961,187 | -303,569 | | \$ 218,288 | \$ 76,810 | \$ 295,098 |
| FACILITIES: | | | | | | | |
| Maintenance & Improvement | 53,915 | 55,523 | 1,608 | 3.2% ^e | \$ 1,725 | \$ - | \$ 1,725 |
| Sanitation Facilities Constructio | 95,857 | 97,710 | 1,853 | 3.2% ^e | \$ 3,067 | \$ - | \$ 3,067 |
| Hlth Care Facilities Constructio | 29,234 | 66,192 | 36,958 | 3.2% | \$ - | \$ - | \$ - |
| Facil. & Envir. Hlth Supp | 193,087 | 202,106 | 9,019 | 3.2% ^e | \$ 6,179 | \$ - | \$ 6,179 |
| Equipment | 22,664 | 23,711 | 1,047 | 3.2% ^e | \$ 725 | \$ - | \$ 725 |
| <i>Total, Facilities</i> | <i>394,757</i> | <i>445,242</i> | <i>50,485</i> | <i>3.2%</i> | <i>\$ 11,697</i> | <i>\$ -</i> | <i>\$ 11,697</i> |
| TOTAL, IHS | 4,052,375 | 4,406,429 | 354,054 | | \$ 229,984 | \$ 76,810 | \$ 306,794 |

Summary of Costs to maintain Current Services:

| | | |
|--|-----------|--------------------|
| Contract Support Costs Shortfall Amount: | \$ | 146,100 |
| Inflation & Population Growth: | \$ | 306,794 |
| Program Enhancements (see p. 18): | \$ | - 0% |
| Total Current Services Budget: | \$ | 452,894 11% |

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 Medial 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 2008 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.