NPAIHB POLICY BRIEF

President's FY 2008 IHS Budget Request

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

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President Bush FY 2008 budget harmful to Indian Health programs -- Full Effect not yet known?

Portland, OR —The President's FY 2008 budget will provide $3.27 billion for Indian Health Service (IHS) programs—absent a final FY 2007 IHS appropriation—the overall effect of the President's 2008 budget can not be determined at this time. The Congressional justification reports that the President's budget provides a $212 million increase over the current FY 2007 Continuing Resolution, however this is misleading. The absence of a final FY 2007 appropriation does not fully allow for an evaluation of unfunded pay act costs, inflation, and population growth; nor does it allow for an accurate forecast of funding needs in FY 2008.

The President's budget includes $129 million for mandatory costs in FY 2008, restores $64 million to the FY 2007 base budget since inflation is not included in the 2007 continuing resolution, and funds $19 million for phasing in staff at new facilities. Although calculated too low, the $64 million restoration to the 2007 base is essential to maintaining current services and as important, keeps the IHS base budget from being eroded in future budget formulation years. The $129 million in mandatory costs include $40.9 million for pay costs, $51.5 million for inflation, and $36.3 million for population growth.

Indian Health Service Budget
Summary of President's Request
FY 2008
(Dollars in Thousands)

	Continuing Resolution FY 2007	Restored Services	FY 2007 Base Budget	FY 2008 President Request
Hospital, Clinic Services	$ 2,179,420	$ 117,760	$ 2,297,180	$ 2,425,330
Preventative Heatlh	$ 117,110	$ 5,263	$ 122,373	$ 129,609
Other Services	$ 398,769	$ 2,470	$ 401,239	$ 376,591
Facilities	$ 363,573	$ (7,034)	$ 356,539	$ 339,196
TOTAL, IHS BUDGET	*$ 3,058,872*	*$ 118,459*	*$ 3,177,331*	*$ 3,270,726*

Important to note about the President's FY 2008 budget is that it again proposes to eliminate $32.7 million in funding for the Urban Indian Health Program. Like last year, Congress will likely restore the urban programs to their current level of funding. The $64 million restoration to the FY 2007 base budget and $129 million in mandatory costs are financed at the expense of the urban program. Thus, when Congress completes its FY 2008 appropriations it can be expected that the $32.7 million will be added to the restored services, rendering the President's FY 2008 increase for the IHS budget at only $115.3 million—not $212 million as the Administration would like Tribes to believe. Initial estimates by the Northwest Portland Area Indian Health Board (NPAIHB) indicate that it will take at least $471 million to maintain current services in FY 2008. Since 1993, the compounding effect of IHS absorbing unfunded mandatory cost increases is over $3 billion! The President's FY 2008 budget will leave another $356

million in unfunded mandatory costs. This lost purchasing power has resulted in a diminishment of medical services to American Indians/Alaska Natives (AI/AN) putting their health and lives at risk.

IHS FY 2007 Update—*budget will cost Tribes millions*

The current FY 2007 Continuing Resolution (P.L. 109-383) provides $3.058 billion for IHS and Tribal health programs. This funding amount is $111 million less than the President's FY 2007 request for the IHS. It is questionable whether the continuing resolution amount will be the final appropriation level for the Indian Health Service, however if it is, it will have a significant impact on the ability of the IHS and Tribes to continue to provide health services. This means that the IHS programs will not receive an adequate increase to cover the true costs of inflation and population growth in FY 2007. This ultimately means that IHS programs will be forced to cut services to Indian people as the health programs absorb the mandatory costs of inflation and population growth.

Summary of Congressional Actions
FY 2007 IHS Appropriations
(Dollars in Thousands)

	House (H. Rpt. 109-465)	Senate (S. Rpt. 109-275)
Appropriation, FY 2006	$3,045,310	$3,045,310
President's Request, FY 2007	$3,169,787	$3,169,787
Congressional Recommended	$3,230,806	$3,212,831
"Fixed Cost Decreases"	($37,097)	($20,000)
Final Recommended	$3,193,709	$3,192,831
Increase Over FY 2006	$148,399	$147,521

The effect of Congress not taking action to approve a final Interior Appropriations bill in the 109th Congress will cost IHS and Tribal programs enormously. Both, the House and Senate recommended at least a $147 million increase for the IHS budget in FY 2007. Instead, the funding amount contained in the FY 2007 continuing resolution will mean a mere $13.5 million increase for IHS programs. A loss of over $131 million in the appropriations process had the House and Senate Interior bills be finalized in the 109th Congress.

Last year, it was estimated that it would take at least $436 million to maintain current services in FY 2007. The funding level contained in the continuing resolution will mean that IHS and Tribal health programs will absorb an additional $423 million in unfunded mandatory costs. Anything less than a $436 million increase ultimately means a cut in health care services provided to Indian people. There is simply no way for Tribes to acquire additional resources to cover the costs of maintaining current services without reducing the current levels of care or cutting other programs like education, social services, law enforcement, or economic development programs. The FY

FY 2007 Mandatory Cost Increases	
Mandatory Cost to Maintain Current Services	*Increase needed*
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)	$ 150,000
Population Growth (estimated at 2%)	$ 53,842
Total Mandatory Costs	$ 436,677

2007 continuing resolution appropriation falls short by $423 million.

Current Services Budget: Maintaining the existing Health Program and the President's Proposed FY 2008 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 2008 current services need to be approximately $480 million. This year's FY 2008 IHS budget request increase of $115 million (after $64 million in restored inflation and restoring the urban Indian program) is far short of funding this need.

FY 2008 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. The Indian Health Service has also added reasonable tribal pay estimates and reports these. 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.

The recommendations presented here apply a 8.3% inflation adjustment in FY 2007 for the health services accounts. This inflation rate is consistent with the inflation rate used by the Congressional Budget Office to estimate growth in the Medicaid program.[1] These inflation estimates are added to the FY 2007 base budget (after FY 2008 restorations) to determine the amount needed to maintain current services. The Contract Health Service (CHS) account has a separate adjustment of 12.5% since it is subject to a greater degree of the medical inflation associated with purchasing specialty care. The Urban program line item is also estimated at 10% due to the same inflation factors as CHS and in part due to the lack of any real increases in past years. Estimates for Contract Support Costs (CSC) use the IHS yearly CSC Shortfall report amount. Finally, the facilities account estimate uses a 4% adjustment factor for the much lower inflation rate for facilities activities. Finally, 1.9% rate of growth (same as the IHS rate) is used to estimate population growth.

Urban Indian Health Programs cut 100%

This is the second year that the President eliminates funding of $34 million to the urban Indian health program and redistributes the savings to other program line items. In effect the President's budget only makes available $115 million for programs in FY 2008 and could actually increase costs for Indian health programs and Tribal administration. It just does not make sense to cut the health services for AI/AN residing in 41 sites throughout the nation. In 2006, these urban health programs provided over 700,000 health services to 1.3 million AI/AN residing in urban areas. Many of these Indian people are in transition from reservations to cities where they receive educational and training opportunities. These people will now go without receiving health services or return to reservations for health care.

[1] "The Budget & Economic Outlook: Fiscal Years 2008 to 2017," Congressional Budget Office, available online: www.cbo.gov.

Like last year, the IHS congressional justification indicates 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. Indian people are not able to navigate the 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 and state governments and tribal health programs more money to treat. This will also be the same situation when they present at a local community health center. Many will have gone without services for some time and be in a greater need of care. They 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 Centers Program, administered by the Health Resources Services Administration (HRSA), will simply not be an option for urban Indians. Many urban Indian health programs are already designated as community health centers 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 AI/AN people, but to the overall community. By cutting urban programs, the Administration will marginalize these services and the very safety net that it indicates Indian people will be able to rely on.

The elimination of the urban health programs does not make sense when Secretary Leavitt's 500 Day Plan outlines priorities and two objectives for HHS are to *Eliminate Racial and Ethnic Health Disparities* and *Increase Access to Health Service for AI/AN*. The proposal to eliminate the urban health will contribute to worsening the health disparities of Indian people and decrease access to health services.

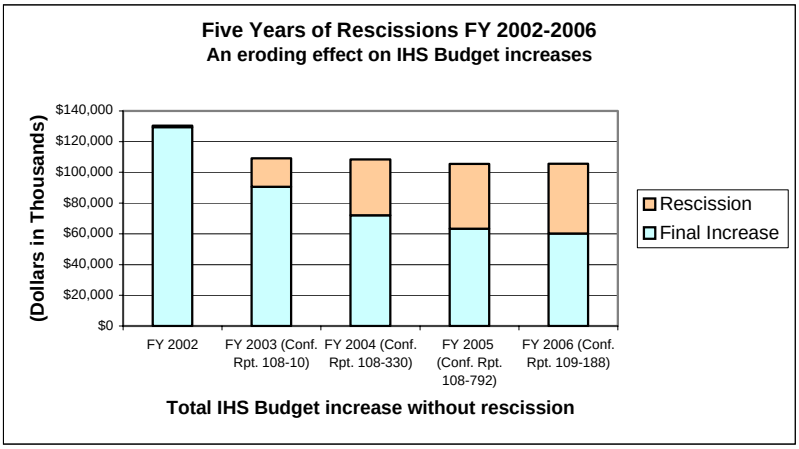
FY 2008 Budget is Contrary to Tribal Consultation--*fails to preserve basic health programs of the Indian Health Service*

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 components of pay costs, inflation, and population growth within the overall program; and not fund them by cutting the urban Indian health program.

The President's budget falls short of preserving the existing IHS programs. Tribes and IHS are focused on preserving the basic health care program funded by this budget. 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? 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 continue to make improvements in health status. If the Administration is serious about addressing health disparities it must improve its commitment to adequate funding for the Indian Health Service.

Rescissions continue to have a growing effect on the IHS Budget

Unfortunately for Indian health programs, the FY 2006 Defense conference report included a 1% across the board cut for all FY 2006 discretionary spending. The Veterans Administration programs will be exempt from the cut. The FY 2006 Interior appropriations bill also adopted a .476% across the board reduction that resulted in a $14.7 million loss to the IHS budget. The effect of the second cut to the IHS budget was a loss of an additional $30.8 million. Last year, the IHS budget lost a total of $45.5 million due to rescissions (44% of its approved increase) in this fiscal year.



Rescissions have had a growing effect on Indian health programs over the last five years. The reductions as a percentage of the approved IHS budget are growing at a disproportionate rate. Five years ago, the rescissions were a mere one percent of the approved IHS budget increase. The language in the FY 2007 Continuing Resolution (H.J. Res. 20) currently making its way through Congress is not exactly clear whether continuing IHS appropriations (through 9/30/2007) will be subject to the FY 2006 rescissions, but if so, will erode more of the IHS budget. Last year, the rescissions cut into almost half of the approved IHS budget increase. It is not understandable why IHS health programs are exempt from across-the-board reductions like Veterans Administration (VA) programs. IHS health programs are subject to the same rates of medical inflation that VA programs are and should be given the same consideration. If the Administration and Congress are serious about addressing Indian health disparities, it must restore past year's rescissions and exempt them from future cuts.

Restored Services will again be cut due to inadequate funding

There is strong evidence that current services will again be cut due to inadequate funding. After the 10% increase approved in FY 2001, the IHS and Tribal health programs were able to restore some services and enhance their health care programs. In FY 2001, the number of service denials declined for the first time since 1993. In FY 2001 the IHS deferred payment authorization for 111,620 recommended cases (a new high) and denied care to 22,030 for cases that it determined not to be within medical priorities. These reported amounts **understate** the actual unmet need since many Tribes no longer report deferred services because of the expense involved in reporting. More compelling is that many IHS users do not even report to IHS facilities because they know they will be denied services due to funding shortfalls. The following table compares the President's FY 2008 budget request with the NPAIHB current services estimates for the IHS.

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.

Table No. 4: Indian Health Service Budget
Comparing President's FY 2008 Request to Current Services Estimates
(Dollars in Thousands)

Sub Sub Activity	Column A **FY 2007 CR**	Column B *Restore FY 2007 Base*	Column C (A+B) *Should Be Final 2007 Budget*	Column D **President's FY 2008 Request**	Column E (D-C) **Change Over CR FY 2007**	Column F (C*8.3%) **Real Increase Needed for Inflation**	Column G (C+F) **Real Current Services Budget**	Column H (E-F) **President is less**
SERVICES:						**8.3%**		
Hospitals & Health Clinics	$ 1,339,488	$ 78,648	$ 1,418,136	$ 1,493,534	$ 154,046	$ 117,705	$ 1,535,841	$ 42,307
Dental Services	$ 117,731	$ 9,686	$ 127,417	$ 135,755	$ 18,024	$ 10,576	$ 137,993	$ 2,238
Mental Health	$ 58,455	$ 2,711	$ 61,166	$ 64,538	$ 6,083	$ 5,077	$ 66,243	$ 1,705
Alcohol & Substance Abuse	$ 143,198	$ 6,447	$ 149,645	$ 161,988	$ 18,790	$ 12,421	$ 162,066	$ 78
Contract Health Services	$ 520,548	$ 20,268	$ 540,816	$ 569,515	$ 48,967	$ 64,898	$ 605,714	$ 36,199
Total, Clinical Services	*$ 2,179,420*	*$ 117,760*	*$ 2,297,180*	*$ 2,425,330*	*$ 245,910*	*$ 210,676*	*$ 2,507,856*	*$ 82,526*
PREVENTIVE HEALTH:			$ -					
Public Health Nursing	$ 48,959	$ 4,358	$ 53,317	$ 56,825	$ 7,866	$ 4,425	$ 57,742	$ 917
Health Education	$ 13,584	$ 798	$ 14,382	$ 15,229	$ 1,645	$ 1,194	$ 15,576	$ 347
Comm. Health Reps	$ 52,946	$ 54	$ 53,000	$ 55,795	$ 2,849	$ 4,399	$ 57,399	$ 1,604
Immunization AK	$ 1,621	$ 53	$ 1,674	$ 1,760	$ 139	$ 139	$ 1,813	$ 53
Total, Preventative Health	*$ 117,110*	*$ 5,263*	*$ 122,373*	*$ 129,609*	*$ 12,499*	*$ 10,157*	*$ 132,530*	*$ 2,921*
OTHER SERVICES:			$ -					
Urban Health	$ 32,744	$ -	$ 32,744	$ -	$ (32,744)	$ 2,718	$ 35,462	$ 35,462
Indian Health Professions	$ 31,039	$ 175	$ 31,214	$ 31,866	$ 827	$ 2,591	$ 33,805	$ 1,939
Tribal Management	$ 2,394	$ 44	$ 2,438	$ 2,529	$ 135	$ 202	$ 2,640	$ 111
Direct Operation	$ 62,194	$ 774	$ 62,968	$ 64,632	$ 2,438	$ 5,226	$ 68,194	$ 3,562
Self Governance	$ 5,668	$ 76	$ 5,744	$ 5,928	$ 260	$ 477	$ 6,221	$ 293
Contract Support Costs	$ 264,730	$ 1,401	$ 266,131	$ 271,636	$ 6,906	$ 22,089 [1]	$ 288,220	$ 16,584
Total, Other Services	*$ 398,769*	*$ 2,470*	*$ 401,239*	*$ 376,591*	*$ (22,178)*	*$ 33,303*	*$ 434,542*	*$ 57,951*
TOTAL, SERVICES	$ 2,695,299	$ 125,493	$ 2,820,792	$ 2,931,530	$ 236,231	$ 254,136	$ 3,074,928	$ 143,398
FACILITIES:			$ -			$ -	$ -	$ -
Maintenance & Improvement	$ 52,254	$ (318)	$ 51,936	$ 51,936	$ (318)	$ 4,311	$ 56,247	$ 4,311
Sanitation Facilities Construction	$ 93,259	$ (4,759)	$ 88,500	$ 88,500	$ (4,759)	$ 7,346	$ 95,846	$ 7,346
Hlth Care Facilities Construction	$ 36,664	$ (2,400)	$ 34,264	$ 12,664	$ (24,000)	$ 12,664	$ 46,928	$ 34,264
Facil. & Envir. Hlth Supp	$ 160,046	$ 523	$ 160,569	$ 164,826	$ 4,780	$ 13,327	$ 173,896	$ 9,070
Equipment	$ 21,350	$ (80)	$ 21,270	$ 21,270	$ (80)	$ 1,765	$ 23,035	$ 1,765
Total, Facilities	*$ 363,573*	*$ (7,034)*	*$ 356,539*	*$ 339,196*	*$ (24,377)*	*$ 39,413*	*$ 395,952*	*$ 56,756*
TOTAL, IHS	**$ 3,058,872**	**$ 118,459**	**$ 3,177,331**	**$ 3,270,726**	**$ 211,854**	**$ 293,549**	**$ 3,470,880**	**$ 200,154**

Other Increases to Maintain Current Services:

Population Growth (2.1%)	$ 59,237 [2]
Contract Support Costs	$ 150,000
Subtotal, pop. Growth, CSC, Enhancements	$ 187,148 [3]
Total Current Services Budget	**$ 480,697**

[1] Contract Support Costs (CSC): inflation for CSC is calculated at 4%; however is not added to the total for Real Increase for Inflation (Column F).

[2] Computed at 2.1% on Health Services Total (Column C).

[3] Does not include $22,089 million (see footnote 1)

DISCLAIMER: The current service projections presented here have not been approved by the 43 member Tribes of the Northwest Portland Area Indian Health Board (NPAIHB). The projections will be presented NPAIHB's Annual All Tribes Meeting on March 14, 2007 for approval.