



December 19, 2012

Dear Tribal Leader:

I am writing to provide an update on the Indian Health Service (IHS) budget. One of the top priorities I hear from Tribes is “more funding for the IHS budget.” We are so fortunate that we have the support of this Administration, bipartisan support in Congress, and your support which has translated into a 29 percent increase in the IHS budget over the past four years. In fiscal year (FY) 2008, the IHS budget was \$3.34 billion; in FY 2012, the IHS budget had increased to \$4.3 billion. This increase included targeted increases for Tribal priorities. For example, the Contract Health Services (CHS) budget, which is how we pay for referrals to the private sector for our patients, has increased 46 percent over the past four years. This has meant that more patients are having their referrals paid, and in some cases, our CHS programs are able to fund more than medical priority 1, or life or limb referrals. While there is more to do and the need remains great, the increases in the IHS budget over the past few years have made a difference.

One of the most frequent questions that Tribal leaders ask me is: “how is the IHS funding allocated or distributed?” Our FY 2012 budget was \$4.3 billion, and when third party collections and the Special Diabetes Program for Indians are added, the total amount of funding we had to spend in FY 2012 was \$5.38 billion. Almost all of the IHS budget is allocated through some type of formula, grant, contract, compact, priority list, or is a part of the recurring base to each local Service Unit or a tribally operated health program. Most of the budget is actually base funding that is recurring to the Service Unit or Tribal contract or compact, and other parts of the budget that vary each year include any appropriated increases to the services lines and facilities funding. The Special Diabetes Program for Indians funding has its own distribution formula. Third party collections are generated and kept at each Service Unit. IHS consults with Tribes when new funding is appropriated and a distribution methodology is needed. For your information, I have attached a chart that illustrates the major categories of funding in the IHS budget along with how that funding is allocated and spent.

When I was a young physician in IHS, I wondered why our facility could not just get more funding from the IHS budget. Now I understand that almost all of the funding in the IHS budget is already “spoken for” or allocated to a specific program or location in the system. There is very little flexibility in where we put the funding since so much of it is distributed by formulas or is a part of the base for a Service Unit or tribally operated health program. Tribes have made it clear in numerous forums that they want us to hold the base funding for each Service Unit or tribally operated health program “harmless” and only discuss new distributions or allocations when new funding is appropriated.

That’s why our consultation process is so important; every time we discuss funding allocations, we need to ensure that we make the best decisions about where that funding goes. This fall, we included in our FY 2015 Tribal budget formulation process discussions on several funding

allocations, including the CHS funding distribution. The IHS Directors Workgroup on Improving Contract Health Services is scheduled to meet on January 23-24, 2013 in Denver, Colorado and they will be considering your input from the recent Area budget formulation meetings on whether to recommend a change in the current CHS funding distribution method or to keep it the same. Please make sure your Area representative to the CHS workgroup knows your preferences on this important decision. You can contact your IHS Area Director to find out who is on the CHS workgroup representing your IHS Area.

I have also asked all CEOs and Area Directors to share information with Tribes on our local IHS Service Unit operating budgets on a regular basis. IHS has made improvements in our financial management and has new systems in place that allow us to more effectively manage our budgets. I encourage you to meet with the CEO of the IHS Service Unit that serves your community and review the budget with them.

In addition, we also are working to maximize our third party collections, which is the amount of funding we receive from third party reimbursements (Medicaid, Medicare, Private Insurance). For some of our Service Units, over half of their operating budget comes from collections. That is why it is so important for each Service Unit in our system to have a business plan that looks forward to 2014 when more of our patients may have insurance or become eligible for Medicaid under the Affordable Care Act. I encourage you to learn more about the Affordable Care Act. IHS is partnering with national and Area level Tribal organizations to provide more information, outreach and education on what we all need to be doing now to prepare for the new Health Insurance Exchanges and the Medicaid expansion in 2014.

We also must work on customer service – if more of our patients have insurance or other health coverage, we do not want them to go to other providers. Even though IHS is a “service”, it is also a healthcare system, and we need to think like a business. We are encouraging every one of our employees to contribute towards ensuring that we provide the best quality of care and to maximize the resources we have to provide that care. No one in the IHS system can afford to ignore the bottom line. If our goal is to provide the best care possible, we need to ensure that we can survive in the changing health care marketplace in which our facilities must thrive. Everyone must help us be the best healthcare system we can be, whether they work in IHS, Tribal or urban Indian health facilities.

I know that you are hearing in the news about the discussions about reducing the federal debt, government spending, and the threat of sequestration. While we don't know the impact on our FY 2013 budget at this time, we will keep you informed. Until then, we are continuing the important work of the IHS each day. We are currently on a Continuing Resolution at last year's funding levels through March 2013.

However, we are facing a new reality that includes adapting to new efficiency in spending rules, including less travel and conferences, so we all need to think about new ways to do business together. I appreciate your understanding when we must hold meetings in federal space, or

cannot have food at meetings. I also appreciate the recommendation from Tribes that we reduce the number of meetings and conferences or combine them so you do not have to travel so much. We have already successfully combined meetings, and have even held large meetings by webinar, videoconference or phone. Due to the new efficiency in spending guidelines for the federal government, we have worked to combine and simplify meetings to reduce travel and conference costs. The IHS Tribal Consultation Summit is one example of how we can combine several meetings into 1-2 large meetings per year. I have heard from Tribal leaders that you appreciate our efforts to reduce the times you have to travel away from home, but still allow you the opportunity to consult and provide input. We will continue to look for ways to effectively consult with you despite these challenges.

I hope this information about our budget helps you see how important our partnership with you is and will be as we continue to move forward. With a challenging fiscal climate, concerns about federal budgets, increased oversight and new rules on efficient spending, including reductions in conferences and travel, IHS must adapt and continue to change and improve. I know that change is difficult, but we must change and adapt – the many large meetings, travel and site visits that IHS did in the past are in many cases no longer possible – we must move forward in this new reality. I am confident that we can continue to work together in partnership, prioritize our meetings and travel, and increase our focus on what we do at the local facility or program level to ensure we are operating as efficiently and effectively as possible while also working together to provide the best quality of care to the patients we serve.

I encourage you to learn more about the IHS budget and to participate in our budget formulation and consultation activities. The IHS National Tribal Budget Formulation Worksession is scheduled for February 13-15, 2013, so please make sure your Area representative to this group knows your priorities for the FY 2015 budget. You are also welcome to send your input on any topic to me at [consultation@ihs.gov](mailto:consultation@ihs.gov). Please also check the IHS Calendar at [www.ihs.gov](http://www.ihs.gov) for upcoming meetings, and my IHS Director's Blog for important updates on agency business and events. Thank you for your partnership as we continue to change and improve the IHS.

Sincerely,

/Yvette Roubideaux/  
Yvette Roubideaux, M.D., M.P.H.  
Director