



NPAIHB POLICY BRIEF

FY 2013 IHS Budget & Sequestration

PREPARED BY: NORTHWEST PORTLAND AREA INDIAN HEALTH BOARD

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Congress Wraps up FY 2013 Appropriations Process and Administration begins Implementation of Sequestration: IHS Budget to lose \$228 million

Finally, after a long and arduous process, Congress has completed its work to finalize the FY 2013 appropriations process by passing the Consolidated and Further Continuing Appropriations Act of 2013 (H.R. 933). The bill is a full-year Continuing Resolution (CR) that will allow the federal government to continue to operate until the end of the 2013 fiscal year. The legislation funds five Appropriations bills that include Defense, Military Construction and Veterans Affairs; Homeland Security; Commerce; Justice and Science, and; Agriculture. It also extends funding levels for other federal agencies, including the Indian Health Service (IHS), at the FY 2012 levels.

The year-long CR maintains funding for the Indian Health Service (IHS) at the enacted FY 2012 level for most programs. The bill does include a small increase of \$53 million to phase in staffing for six new health facilities at Chickasaw (2), Cherokee, Southcentral, Tanana Chief, and Norton Sound. This staffing package comes from additional funds provided by Congress and likely includes an additional \$3.3 million that will have to be reprogrammed from other budget line items. The additional funding provided by Congress totals \$49.7 million. At this writing, it is not possible to determine where this additional \$3.3 million will come from since there are not enough details from the appropriation managers.

Most alarming for Indian programs is that the funding provided is subject to the President's sequestration order contained in the Budget Control Act of 2011 (BCA, P.L. 112-25). This means that certain funding provided in the 2013 Consolidated Appropriations will have to be reduced by 5 percent. "Sequestration" is a process of automatic, largely across-the-board spending reductions under which budgetary resources are permanently canceled to enforce budget policy goals. This process will require that approximately \$984 billion in discretionary spending will have to be reduced from the overall FY 2013 Consolidated and Continuing Appropriations Act.

On a call with the IHS Director, Yvette Roubideaux, held earlier this week it was reported that approximately \$228 million will have to be cut from the IHS budget. This represents a 5.3 percent overall reduction in the IHS budget. A graph and table accompany this brief and detail the impact of these cuts on the IHS budget.¹ While the net effect on the overall budget will be the same, there are three critical budget line items that will absorb over 73 percent of the cuts. These include the Hospital & Clinics budget which will lose \$95.8 million, the

¹ Due to the final budget rescission and sequestration instructions not being available at the time of this writing, the numbers represented in this brief and attached table are close approximations of the budget cuts. This brief and attached table will be updated when the final instructions are made available.

Contract Health Service (CHS) program will lose \$44.6 million, and the Contract Support Cost (CSC) line item will lose \$24.9 million. Collectively these three budget line items stand to be reduced by over \$165.2 million undoing years of advocacy work by Tribes to have these programs funded at adequate levels.

In addition to the sequestration, H.R. 933 requires a .189% across the board rescission to the IHS appropriation. The amount for the rescission is approximately \$8.1 million, while the estimated amount for the sequestration is \$219.6 million, for an estimated total of \$228 million. Because these reductions will be concentrated in the second half of FY 2013—rather than spreading over the course of a full fiscal year—they will be difficult to absorb with steep programmatic reductions required to absorb the loss in the remaining fiscal year.

The amounts reported in the attached table are not precise since the IHS and appropriation managers are not clear whether the sequestration should get applied to the additional funding provided for facilities staffing. However, the amounts are close estimates but could change based on the outcome of this decision. The following highlight reductions on the impact of the rescission and sequestration:

- Overall, the IHS budget must be reduced by \$228 million
- The Hospitals & Clinics budget line item will lose \$95.7 million
- The CHS program will be reduced by over \$44.6 million
- The overall reduction for Clinical Services will at least \$163.1 million
- The Behavioral health services will lose over \$14 million
- The IHS Prevention accounts will be reduced by \$7.7 million
- Overall, the health services accounts (include H&C, CHS, Behavioral health, Prevention, Urban Programs, CSC, and others) will lose over \$204 million

Current Services: Impact of Sequestration and maintaining the IHS program

Current services estimates' calculate mandatory costs increases necessary to maintain the current level of services. These mandates are unavoidable and include medical and general inflation, pay costs, staff for recently constructed facilities, and population growth. Last February, the Northwest Portland Area Indian Health Board estimated the FY 2013 current services need to be approximately \$403 million. The President's 2013 request was only a \$115.9 million increase for the IHS, and was 71% short of funding current services need. The impact of sequestration will make the current services deficit even worse. Sequestration will also reverse many improvements that the

FY 2013 Current Service Requirements <i>Dollars in Thousands</i>	
<i>Mandatory Cost to Maintain Current Services</i>	<i>Increase Needed</i>
CHS Inflation estimated at 5.5%; and Population Growth	\$64,112
Health Services Account (not including CHS) inflation	\$167,058
Contract Support Costs (unfunded)	\$99,300
Population Growth (estimated at 1.6% of Health Services accounts)	\$72,722
Total Mandatory Costs	<u>\$403,192</u>

Indian health system has been able to achieve with the significant investments that have been made over the past few years. Now that the sequestration is upon us, it is very likely that IHS, Tribal and urban Indian health programs will have to cut costs by furloughing staff, reducing the levels of health care services, restricting

pharmaceuticals as well as taking other cost saving measures that will result in less care and lower health quality outcomes.

When the sequestration and across the board rescission are factored with the current services' need, the net effect on the IHS budget is dramatic. These draconian cuts will result in over \$631million in lost resources to to provide health care to American Indian and Alaska Native (AI/AN) people. This estimate factors the \$403 million needed to maintain current services in FY 2013 and lost funding from the sequestration and rescission of \$228 million. This is an unprecedented reduction in the history of the IHS budget and an abrogation of the federal duty of the United States to provide health care to AI/AN people under the federal trust relationship. Congress and the Administration are both responsible for this failure and should be ashamed of this legal and ethical violation.

In a letter to the Senate Committee on Appropriations, HHS Secretary Kathleen Sebelius, explains that the effect of sequestration will leave over 30,000 children in America without health care and over 373,000 seriously mental ill adults and seriously emotionally disturbed children. The result of this will mean increased hospitalizations and homelessness that ultimately drives up the costs of health care when hospitals pass on this uncompensated care to consumers and employers. Secretary Sebelius further explains that the sequestration cuts will reverse gains achieved by IHS and slow the efforts to improve the delivery of health care to Indian people. HHS estimates that sequestration will result in 3,000 fewer inpatient admissions and 804,000 fewer outpatient visits provided in IHS and Tribal hospitals and clinics.

NPAIHB Policy Brief is a publication of the Northwest Portland Area Indian Health Board, 2121 S.W. Broadway, 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.

Indian Health Service FY 2013 Budget

Comparing Enacted FY 2012; to President's FY 2013 Request; and Final Enacted H.R. 933 w/Rescission & Sequester

Prepared by: NW Portland Area Indian Health Board - 4/4/2013

Sub-Sub Activity	PRESIDENT'S REQUEST						H.R. 933 Consolidated Appropriations Act of 2013					
	FY 2012 Final	President's FY 2013 Request	Change over FY 2012	Pct. Of Change	HR 933 FY 2013 Increase/Decrease	Final FY 2013 Budget	Sec. Rescission .189%	Sequester FY 2013 Budget	Total Sequester & Rescission	Final FY 2013 (Less Sequester & Rescission)	Change Over FY 2012	Percent of Change
Hospitals & Health Clinics	\$ 1,810,966	\$ 1,849,310	\$ 38,344	2.1%		\$ 1,810,966	\$ 3,423	\$ 92,359	\$ 95,782	\$ 1,715,184	\$ (95,782)	-5.3%
Dental Services	\$ 159,440	\$ 166,297	\$ 6,857	4.3%		\$ 159,440	\$ 301	\$ 8,131	\$ 8,433	\$ 151,008	\$ (8,433)	-5.3%
Mental Health	\$ 75,589	\$ 78,131	\$ 2,542	3.4%		\$ 75,589	\$ 143	\$ 3,855	\$ 3,998	\$ 71,591	\$ (3,998)	-5.3%
Alcohol & Substance Abuse	\$ 194,297	\$ 195,378	\$ 1,081	0.6%		\$ 194,297	\$ 367	\$ 9,909	\$ 10,276	\$ 184,020	\$ (10,276)	-5.3%
Contract Health Services	\$ 843,575	\$ 897,562	\$ 53,987	6.4%		\$ 843,575	\$ 1,594	\$ 43,022	\$ 44,617	\$ 798,958	\$ (44,617)	-5.3%
Total, Clinical Services	\$ 3,083,867	\$ 3,186,678	\$ 102,811	3.3%		\$ 3,083,867	\$ 5,829	\$ 157,277	\$ 163,106	\$ 2,920,761	\$ (163,106)	-5.3%
Public Health Nursing	\$ 66,632	\$ 69,868	\$ 3,236	4.9%		\$ 66,632	\$ 126	\$ 3,398	\$ 3,524	\$ 63,108	\$ (3,524)	-5.3%
Health Education	\$ 17,057	\$ 17,450	\$ 393	2.3%		\$ 17,057	\$ 32	\$ 870	\$ 902	\$ 16,155	\$ (902)	-5.3%
Comm. Health Reps	\$ 61,407	\$ 61,531	\$ 124	0.2%		\$ 61,407	\$ 116	\$ 3,132	\$ 3,248	\$ 58,159	\$ (3,248)	-5.3%
Immunization AK	\$ 1,927	\$ 1,927	\$ 0	0.0%		\$ 1,927	\$ 4	\$ 98	\$ 102	\$ 1,825	\$ (102)	-5.3%
Total, Preventive Health	\$ 147,022	\$ 150,776	\$ 3,754	2.6%		\$ 147,022	\$ 278	\$ 7,498	\$ 7,776	\$ 139,246	\$ (7,776)	-5.3%
Urban Health	\$ 42,984	\$ 42,988	\$ 4	0.0%		\$ 42,984	\$ 81	\$ 2,192	\$ 2,273	\$ 40,711	\$ (2,273)	-5.3%
Indian Health Professions	\$ 40,596	\$ 40,598	\$ 2	0.0%		\$ 40,596	\$ 77	\$ 2,070	\$ 2,147	\$ 38,449	\$ (2,147)	-5.3%
Tribal Management	\$ 2,577	\$ 2,577	\$ 0	0.0%		\$ 2,577	\$ 5	\$ 131	\$ 136	\$ 2,441	\$ (136)	-5.3%
Direct Operations	\$ 71,653	\$ 72,867	\$ 1,214	1.7%		\$ 71,653	\$ 135	\$ 3,654	\$ 3,790	\$ 67,863	\$ (3,790)	-5.3%
Self-Governance	\$ 6,044	\$ 6,044	\$ (0)	0.0%		\$ 6,044	\$ 11	\$ 308	\$ 320	\$ 5,725	\$ (320)	-5.3%
Contract Support Cost	\$ 471,437	\$ 476,446	\$ 5,009	1.1%		\$ 471,437	\$ 891	\$ 24,043	\$ 24,934	\$ 446,503	\$ (24,934)	-5.3%
Total, Other Services	\$ 635,292	\$ 641,520	\$ 6,228	1.0%		\$ 635,292	\$ 1,201	\$ 32,400	\$ 33,601	\$ 601,691	\$ (33,601)	-5.3%
Total, Services	\$ 3,866,181	\$ 3,978,974	\$ 112,793	2.9%		\$ 3,866,181	\$ 7,307	\$ 197,175	\$ 204,482	\$ 3,661,699	\$ (204,482)	-5.3%
FACILITIES												
Maintenance & Improvement	\$ 53,721	\$ 55,470	\$ 1,749	3.3%		\$ 53,721	\$ 102	\$ 2,740	\$ 2,841	\$ 50,880	\$ (2,841)	-5.3%
Sanitation Facilities Constr.	\$ 79,582	\$ 79,582	\$ (0)	0.0%		\$ 79,582	\$ 150	\$ 4,059	\$ 4,209	\$ 75,373	\$ (4,209)	-5.3%
Health Care Fac. Constr.	\$ 85,048	\$ 81,489	\$ (3,559)	-4.2%		\$ 85,048	\$ 161	\$ 4,337	\$ 4,498	\$ 80,550	\$ (4,498)	-5.3%
Facil. & Envir. Hlth Supp.	\$ 199,413	\$ 204,379	\$ 4,966	2.5%		\$ 199,413	\$ 377	\$ 10,170	\$ 10,547	\$ 188,866	\$ (10,547)	-5.3%
Equipment	\$ 22,582	\$ 22,582	\$ 0	0.0%		\$ 22,582	\$ 43	\$ 1,152	\$ 1,194	\$ 21,387	\$ (1,194)	-5.3%
Total, Facilities	\$ 440,346	\$ 443,502	\$ 3,156	0.7%		\$ 440,346	\$ 832	\$ 22,458	\$ 23,290	\$ 417,056	\$ (23,290)	-5.3%
TOTAL, IHS	\$ 4,306,528	\$ 4,422,476	\$ 115,948	2.7%		\$ 4,306,528	\$ 8,139	\$ 219,633	\$ 227,772	\$ 4,078,755	\$ (227,772)	-5.3%

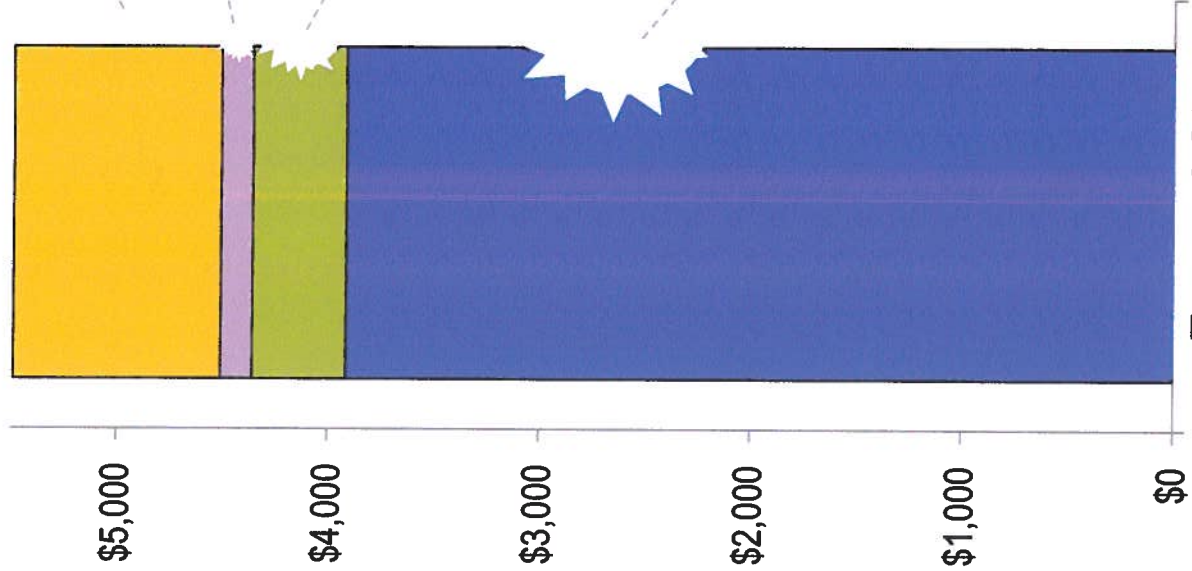
Sequester & Rescission cuts \$228 M from IHS' FY13 budget

The amount of the sequester is \$220 million for IHS; the 0.2% rescission amount is \$8 million

\$5.49 b

less \$.228 b

\$5.26 b

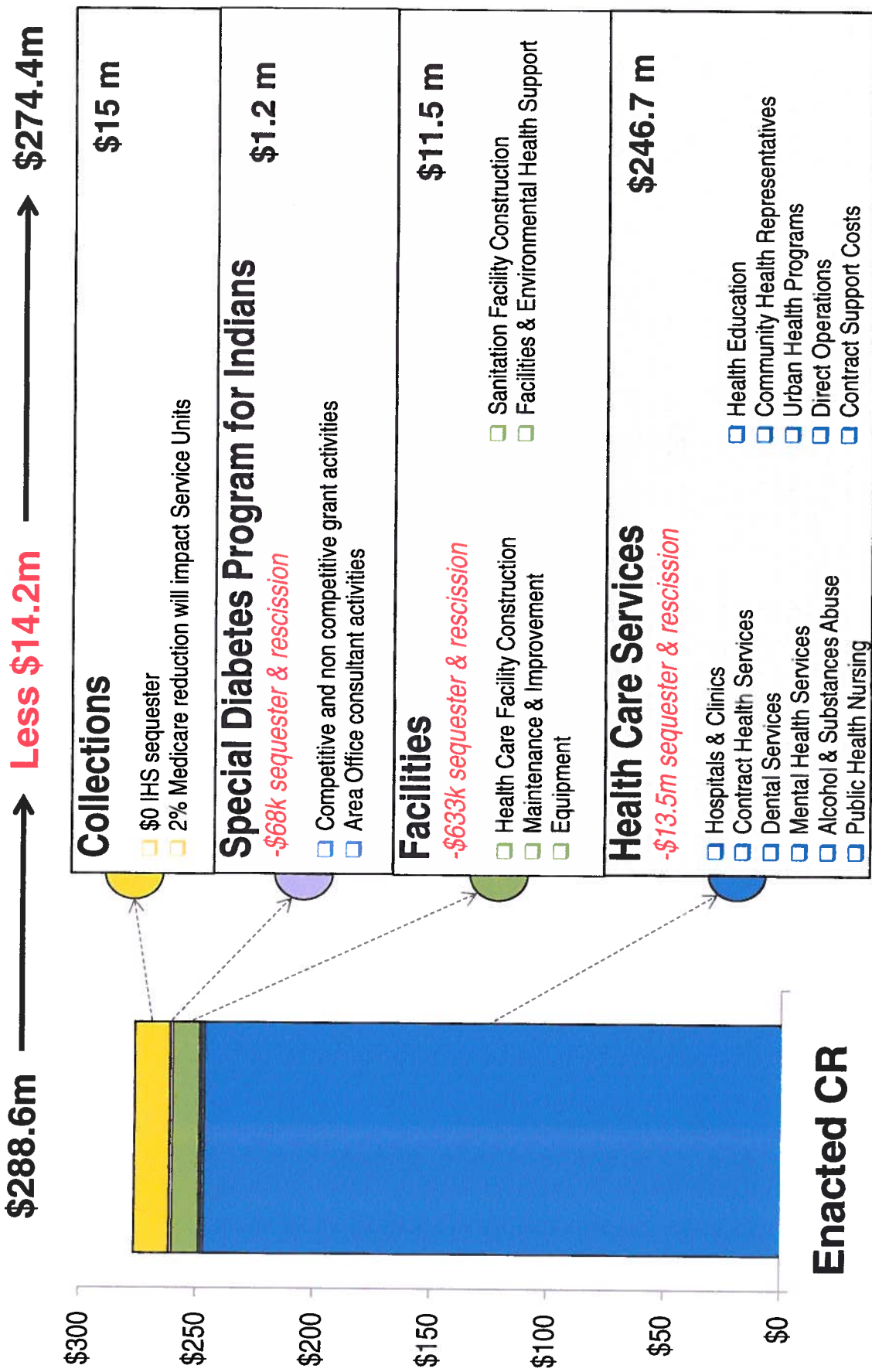


Collections \$0 IHS sequester 2% Medicare reduction will impact Service Units	↑	\$ 981 m
Special Diabetes Program for Indians -\$3 m sequester & rescission Impacts all SDPI grants	↑	\$147 m
Facilities -\$23 m sequester & rescission Impacts: all programs, projects, activities in line items: <ul style="list-style-type: none"> Health Care Facility Construction Maintenance & Improvement Equipment Sanitation Facility Construction Facilities & Environmental Health Support 	↑	\$419 m
Health Care Services -\$202 m sequester & rescission Impacts: all programs, projects, and activities in line items: <ul style="list-style-type: none"> Hospitals & Health Clinics Services Contract Health Services Dental Services Mental Health Services Alcohol & Substance Abuse Public Health Nursing Health Education Community Health Representatives Immunizations AK Urban Health Programs Indian Health Professions Tribal Management Direct Operations Self-Governance Contract Support Costs 	↑	\$3,712 m

Enacted CR

Sequester & Rescission cuts \$14.2m from Portland Area FY 13 budget

The amount of the sequester is \$13.6m for Portland Area; the .02% rescission amount is \$612k



Enacted CR

INDIAN HEALTH SERVICE
Sequestration Operating Plan for FY 2013
Dollars in Millions

Activities	FY 2012 Actual	FY 2013 Operating Level
SERVICES (0390)		
Hospitals & Health Clinics	1,810.966	1,749.072
<i>Indian Health Care Improvement Fund (non-add).....</i>	<i>11.981</i>	<i>11.380</i>
<i>Health Information Technology (non-add).....</i>	<i>3.994</i>	<i>3.793</i>
<i>Domestic Violence Prevention Initiative (non-add).....</i>	<i>9.441</i>	<i>8.967</i>
Dental Health	159.440	156.653
Mental Health	75.589	74.131
Alcohol & Substance Abuse	194.297	185.154
<i>Methamphetamine Suicide Prevention and Treatment (non-add).....</i>	<i>16.332</i>	<i>15.513</i>
Contract Health Services	843.575	801.258
<i>Catastrophic Health Emergency Fund (non-add).....</i>	<i>51.418</i>	<i>48.838</i>
Subtotal, Clinical Services.....	3,083.867	2,966.268
Public Health Nursing	66.632	66.282
Health Education	17.057	16.552
Community Health Representatives	61.407	58.304
Immunization AK	1.927	1.826
Subtotal, Preventive Health.....	147.022	142.963
Urban Health	42.984	40.729
Indian Health Professions	40.596	38.467
<i>Loan Repayment (non-add).....</i>	<i>35.942</i>	<i>34.139</i>
Tribal Management	2.577	2.442
Direct Operations	71.653	67.894
<i>Headquarters Operations (non-add).....</i>	<i>3.180</i>	<i>3.020</i>
Self-Governance	6.044	5.727
Contract Support Costs	471.437	447.788
<i>New and Expanded (non-add).....</i>	<i>9.984</i>	<i>9.483</i>
Subtotal, Other Services.....	635.292	603.047
TOTAL SERVICES.....	3,866.181	3,712.278
FACILITIES (0391)		
Maintenance & Improvement	53.721	50.919
<i>Demolition (non-add).....</i>	<i>.499</i>	<i>0.474</i>
Sanitation Facilities Construction	79.582	75.431
Health Care Facilities Construction	85.048	77.238
Facilities & Environmental Health Support	199.413	193.578
Equipment	22.582	21.404
<i>Ambulances (non-add).....</i>	<i>2.696</i>	<i>2.559</i>
<i>TRANSAM (non-add).....</i>	<i>.499</i>	<i>0.474</i>
TOTAL FACILITIES.....	440.346	418.570
Totals		
Discretionary Budget Authority.....	4,306.528	4,130.847
Special Diabetes Program for Indians.....	150.000	147.000