



JUN 08 2010

Dear Tribal Leader:

I am writing to update you on our progress to improve the Indian Health Service (IHS) Contract Health Services (CHS) program. As you may know, the CHS program pays for referrals for services that we do not provide in our healthcare facilities. During my first year as the Director of IHS, I heard from many Tribal leaders that improvements were needed in the CHS program. On January 15, 2010, I sent a letter to all Tribes requesting input on the CHS program and provided notification of several upcoming activities. Thank you for your input and recommendations on how to improve the CHS program in response to my letter and/or in meetings with me over the past several months. I have received three types of recommendations: 1) more funding is needed for the CHS program; 2) the distribution of CHS funding needs to be reviewed; and 3) improvements are needed on how we do business with the CHS program.

In terms of more funding, I want to reassure you that funding for the CHS program remains one of the highest priorities of the IHS. We are committed to working with you through the annual IHS budget formulation process towards this goal. I also wanted to make sure you were aware that the fiscal year (FY) **2010 budget increase for CHS represents the largest increase to the CHS program in the last 20 years.** The FY 2010 budget provided IHS with \$779 million in CHS funding, which includes a \$117 million increase compared to the previous year. Of this amount, \$17 million has been allocated to the Catastrophic Health Emergency Fund program.

The CHS funding in FY 2010 has been distributed according to a formula that was developed in 2001 by an IHS and Tribal workgroup. The workgroup established a national distribution formula that IHS has used since then. The formula applies only to new increases in CHS funding; programs continue to receive their base CHS funding each year. The formula accounts for a facility's user population, inflation, regional and geographic cost variations, and access to care. In addition, some IHS Areas have developed additional Area-specific CHS distribution methodologies in consultation with Tribes.

To promote transparency, I have provided for your review, a spreadsheet that summarizes the **FY 2010 CHS funding distribution for each IHS Area** (see Enclosure). The spreadsheet illustrates the recurring base from FY 2009, increases for pay costs, medical inflation, population growth, funding for new Tribes, and the "program increase" for FY 2010. The spreadsheet also shows the amount for reserve funds that pay for the fiscal intermediary to process claims and an emergency fund for CHS. At the end of the fiscal year, any remaining reserve funds are distributed back to all Areas. Tribes who manage their own CHS program under Public Law 93-638 take their Tribal shares of these funds at the beginning of each fiscal year. The total amount of funding distributed to each IHS Area is shown on the spreadsheet, including

the percent increases from the previous year. In FY 2010, the percent increases for all Areas compared to FY 2009 ranged from over 14 percent to almost 30 percent. This much-needed increase in funding will help fund more referrals from the CHS program and increase access to care for the patients we serve.

I would also like to update you on **upcoming activities related to the ongoing consultation on how to improve the CHS program:**

- I have invited two representatives from each IHS Area to serve on the **IHS Director's Workgroup on Improving Contract Health Services**. This meeting will be held on June 24 and 25, 2010, in Denver, Colorado. I have enclosed a list of the workgroup members for your information. The workgroup will review input received from Tribes so far, review the CHS distribution formula, and will discuss how to improve the business of the CHS program.
- I have rescheduled the **CHS Listening Session and Best Practices Meeting to July 8 and 9, 2010**, in the Washington, D.C. area. We will send more information about the logistics of this meeting soon. This meeting will provide a forum to discuss how to improve the CHS program and to learn about existing best practices.

Again, thank you for your input on how to improve the CHS program. I am grateful for the increased funding for the CHS program in this year's budget, and hope to continue to work with you to make needed improvements in this important resource for the patients we serve. If you have any questions, please contact Mr. Carl Harper by phone at (301) 443-1553 or by e-mail at carl.harper@ihs.gov.

Sincerely,

/Yvette Roubideaux/

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

Enclosures

FY 2010 Contract Health Services Appropriation

IHS Director's Workgroup on Improving Contract Health Services – Membership List