



AUG 2 2012

Dear Tribal Leader:

I am writing to update you on funding for the Indian Health Service (IHS) Contract Health Services (CHS) program. On May 29, I sent a letter to Tribal leaders to provide an update on our ongoing consultation to improve the CHS program. The letter included an update on the progress of the initial set of recommendations issued by the CHS workgroup. I also informed you of additional recommendations proposed by the CHS workgroup. The CHS workgroup has done an outstanding job of developing recommendations that are being translated into specific, concrete actions to help us improve how we use funding to pay for referrals and care outside of our facilities.

CHS program funding increases remain one of the highest priorities of the IHS in our budget formulation process. As you know, the \$117 million increase in fiscal year (FY) 2010 was the largest increase in CHS funding in the past twenty years. This year, the FY 2012 budget provided \$843 million in CHS funding, which includes a \$63.6 million increase compared to FY 2011. Of this amount, \$3.5 million has been allocated to the Catastrophic Health Emergency Fund program that now totals \$51.5 million.

The distribution of CHS funding in FY 2012 is based on a national distribution formula that was developed by an IHS and Tribal workgroup in 2001. The formula accounts for a facility's user population, inflation, regional and geographic cost variations, and access to care. The formula only applies to new CHS funding increases; CHS programs continue to receive CHS base funding each year. Additionally, some IHS Areas, in consultation with Tribes, have developed Area-specific CHS distribution methodologies. In 2010, the CHS workgroup reviewed the national distribution formula and recommended review of this formula after funds distribution through FY 2012.

I have provided for your review, a spreadsheet that summarizes the FY 2012 CHS funding distribution for each IHS Area (see Enclosure). The spreadsheet illustrates the recurring base funding from FY 2012, increases for medical inflation, a "program increase", and a 0.16 percent rescission for FY 2012. The spreadsheet also shows the amount for reserve funds that pay for the fiscal intermediary to process claims and an emergency fund for CHS. 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 also shown on the spreadsheet, including the percent increases from FY 2011. In FY 2012, the percent increases for all Areas compared to FY 2011 range from over 6 percent to 10 percent. This increase will help fund more CHS program referrals and increase access to care for the patients we serve.

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I am grateful for the increased funding for the CHS program in this year's budget, and look forward to working with you to make needed improvements to this important resource.

If you have any questions, please contact Terri Schmidt by telephone at (301) 443-1547 or by e-mail at Terri.Schmidt@ihs.gov.

Sincerely,

/Yvette Roubideaux/

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

Enclosure
FY 2012 Contract Health Services Appropriation