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Fact Sheet: Impact of COVID-19 Pandemic on Third-Party Reimbursements for the Indian Health System

Priority: Create a $1.7 billion third-party reimbursement relief fund for Indian Health Service (IHS), Tribes and Tribal organizations, and urban Indian organizations (UIOs)

Issue: The COVID-19 pandemic has upended many parts of the Indian health system. As states enforce shelter in place orders, require health care providers to cancel non-emergent procedures, and as social distancing guidelines continue, IHS, Tribal and UIO (collectively “I/T/U”) sites are seeing their patient volumes plummet. Some I/T/U facilities have the capacity to make the transition to telehealth-based service delivery for some routine and non-emergent procedures, but this is not an option for all sites or all procedures. Reduced patient visits and services being offered result in less third-party reimbursements from payers such as Medicare, Medicaid, the Veterans Health Administration (VHA), and private insurance.

- Because of the chronic underfunding of IHS, most, if not all, of the more than 360 Tribal Nations that elect to administer their healthcare programs through Self-Governance agreements must supplement funds received from IHS with third-party reimbursements. For some Tribes, third-party collections can constitute over half of their operating budgets for healthcare.
- Tribal Nations have experienced significant reductions in third-party reimbursement—ranging from $800,000 to over $5 million per Tribe over the last 30 days—as a result of suspended services and stay at home orders.
  - In Arizona, initial estimates for March 2020 show that IHS and Tribal third-party collections from Medicaid alone were down nearly $26 million compared to February 2020. These losses are likely underestimated because the Medicaid claims submission process can take up to 12 months in the state.
  - When extrapolated across the 360 Tribally-run health programs, losses are estimated to be higher than $1 billion for just one month.
- Federally-operated IHS facilities are also heavily reliant on third-party collections to supplement its appropriations.
  - IHS has not publicly released information on third-party collections as a result of COVID-19, but IHS officials indicated they are experiencing reductions. IHS reported to the Government Accountability Office (GAO) in 2019 that it increasingly relies on third-party collections to pay for ongoing operations such as staff payroll, and expansion of on-site services.
  - Reductions in third-party collections are forcing IHS and Tribal sites to further expend limited Purchased/Referred Care (PRC) funds.
- For UIOs, third party reimbursement dollars equal more than triple the annual appropriation to the Urban Indian Health line item in the IHS budget. Through mid-March 2020, UIOs reported an average of $500,000 in lost third-party reimbursements, while larger full ambulatory UIOs reported losses of more than $1.5 million.

Congress must establish a $1.7 billion relief fund for I/T/U facilities to replenish lost third-party reimbursement dollars. Without this relief, it will lead to even more rationed healthcare and jeopardizes the sustainability of some I/T/U facilities.
The Role of Third-Party Reimbursement Dollars in the Indian Health System

Background: The IHS is the most chronically underfunded federal healthcare system, with $3,779 in per capita medical expenditures in FY 2018 compared to $9,409 in national per capita health spending that same year. Congress has long recognized the unique role of third-party reimbursements from Medicare, Medicaid, VHA, and private insurance in supplementing the chronic underfunding of IHS. For decades, these third-party payers have played a central role in maintaining the fiscal stability of IHS, Tribal, and urban Indian (collectively “I/T/U”) health systems, and in furthering the federal Trust and Treaty obligations to provide quality healthcare to all Tribal Nations and American Indian and Alaska Native Peoples.

Quick Facts

- In FY 2019, federally-operated IHS facilities alone collected $1.14 billion in third party reimbursements, with the vast majority ($995 million) derived from Medicare and Medicaid.
- For Tribally-operated health programs, third-party dollars can play an even more crucial role in financing healthcare services. Up to 50-60% of some Tribal healthcare budgets are derived from third-party payers like Medicare and Medicaid.
- UIOs are also heavily reliant on third-party dollars to supplement their healthcare resources. From 2014 to 2018, third-party reimbursements at UIOs increased 16% annually.

Benefit of Third-Party Reimbursement Dollars

Over the last several years, I/T/U facilities have experienced a significant increase in third-party reimbursements. At federally-operated IHS sites, third-party reimbursements from Medicare, Medicaid, and private insurance increased by 51% from 2013 to 2018. These dollars are then reinvested in the I/T/U system to bolster availability of healthcare services and expand care access.

| Table 2: Examples of How Selected Federally Operated and Tribally Operated Facilities Used Third-Party Collections to Continue Operations or Expand Services, Fiscal Years 2013 through 2018 |
|-----------------|----------------------------------------------------------------------------------|
| **Category**    | **Examples**                                                                     |
| Providers       | Hiring or contracting to offer increased onsite services through primary care physicians, nurse practitioners, behavioral health specialists, cardiologists, dentists, podiatrists, and others. Offering more competitive wages to assist with recruiting providers. Offering recruitment, relocation, and retention bonuses for providers. Funding efforts to construct and make available government housing for providers near facilities. Developing a training program for local tribal members to become health care providers. |
| Medical equipment | Repairing, purchasing, or contracting to provide enhanced access to diagnostic medical equipment including ultrasound, x-ray, computed tomography scan, and magnetic resonance imaging machines. Purchasing hospital beds and stretchers, dental equipment and chairs, surgical devices, electrocardiogram machines, and patient monitoring systems. |
| Health promotion and education activities | Continuing to provide intensive diabetes care management interventions to reduce cardiovascular disease after expiration of IHS's Healthy Hearts grant funding. Establishing or continuing diabetes education and nutrition programs. Providing a free anticoagulation clinic. Establishing targeted interventions to reduce the number of patients with uncontrolled high blood pressure. |
| Expanding and renovating facilities | Repairing facility infrastructure, including roofs and heating systems. Renovating existing space, such as operating rooms, emergency rooms, and patient care areas to improve patient flow and meet industry standards. Expanding a facility by adding exam rooms within the current facility or constructing a new building to be part of an existing facility. Purchasing modular buildings or leasing space to increase capacity. Enhancing existing information technology infrastructure, including by implementing an electronic health record system and replacing wiring and servers. |
| Purchased/Referred Care (PRC) | Supplementing appropriated funds for PRC to enhance access to offsite services. |

Source: Indian Health Service. GAO-19-412