HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON INTERIOR, ENVIRONMENT AND RELATED AGENCIES HEARING ON THE FY 2016 PRESIDENT'S BUDGET REQUEST

TESTIMONY OF LUKE WELLES, VICE PRESIDENT OF FINANCE
ARCTIC SLOPE NATIVE ASSOCIATION

Thank you for the opportunity to testify before you today regarding the FY 2016 budget for the Indian Health Service. My name is Luke Welles and I am the Vice President of Finance for the Arctic Slope Native Association (ASNA). We are an inter-tribal health organization based in Barrow, Alaska. We operate under the resolutions of six federally recognized Tribes situated across Alaska's North Slope and serve the communities of Barrow, Anaktuvuk Pass, Atqasuk, Kaktovik, Nuiqsut, Point Hope, Point Lay and Wainwright. Our mission is to provide culturally sensitive quality healthcare for all the communities we serve.

Our Samuel Simmonds Memorial Hospital in Barrow is the core of our program. This facility was rebuilt in 2013 with IHS funds and our state-of-the-art hospital means we can provide more services close to home instead of sending our ailing community members far away from their support networks. To give you an idea of our location, the closest hospital to the east is in Whitehorse, Canada; the closest hospital to the west is in Kotzebue, 220 air miles away; and the closest hospital to the south is in Fairbanks, 400 air miles away. Thank you so much for your support over the years in funding the construction of our hospital. It has made an enormous difference in the quality of health care our people are receiving.

I would like to speak today about unintended consequences. Sometimes a matter that appears to be simple can actually have unforeseen effects in other areas. The easiest way to understand this concept is with an example, and one that has really hit us hard in Alaska. In our rural villages, when an elder slips and hits his head or when a child breaks an arm, that person must be flown to access medical care. In the past, we used to be able to rely on scheduled commercial flights for much of this transportation. However, when Congress made cuts to the postal service and several of these rural contracts were cancelled, we could no longer rely on commercial flights to arrive in villages on a regular basis. And if no flight was due to arrive within 48 hours, we would have to schedule medivacs, even for relatively minor injuries. Due to these unanticipated consequences, the number of medivacs in our state has increased over the past several years from an average of 5,500 per year to over 6,500 per year. This means the travel expenses associated with this health care rose dramatically, from about $300 to $500 per occurrence to close to $20,000 per medivac from village to hub community, and over $50,000 per medivac from a hub community to either Anchorage or Seattle. This year's rates for a medivac from Barrow to Anchorage exceed $80,000, regardless of which service is used. It is important for this Committee to consider these unintended consequences as it reviews other portions of the President's Budget proposals.

Next, I would like to thank the Committee for its commitment to full contract support cost funding. Contract support costs (CSC) are necessary to operate our hospital and village clinics and ensure we are able to spend program funds on actual services. Our contract support costs recur every year, though historically IHS funding was unpredictable. Instability in this area even continues today. In 2014 our contract support cost payments were reconciled several times, and the amounts were changed several times throughout the year. We must have certainty. When we cannot plan for a certain amount of funding, we must use program funds to cover these costs and the only way to do that is to cut services. Therefore, we are extremely grateful for the strong message sent by this Committee to the agency last year and we hope things improve in 2015.

Given the vital role CSC plays in our health care delivery system, we also support a permanent mandatory appropriation for contract support costs. The move will protect funds designated in the IHS budget for providing services from being reduced to fund the agency's legally-binding obligation to pay contract support costs, but unlike a separate discretionary fund it will also guarantee full payment. That said, we do not see the wisdom of the limited three-year provision proposed by the Administration. A three-year appropriation is not sufficient to protect full contract support cost funding. Now that we have spent over two decades in the courts securing that right, we do not want to have to fight in Congress every two or three years to ensure this obligation remains funded.

Our experience with the Special Diabetes Program for Indians only confirms the difficulty of having to continually seek renewal for such an appropriation: that program initially received a five-year authorization and then was renewed for a six-year period, a one-year period, a two-year period, another two-year period, and two successive one-year periods running through FY 2015. Today its future is far from clear. CSCs is too large of a line item for the agency's discretionary budget to absorb if the mandatory appropriation is not renewed, and timing issues make it nearly impossible for this Committee to react in time to add enough funds to the discretionary side if the mandatory appropriation falls through. An approximate $1 billion hit to the IHS program budget may very well end up being the unintended consequence of a three-year appropriation.

We agree with the Administration that the X-year nature of the funds is essential to the Administration's proposal, because while the accuracy of CSC estimates is continually improving, the agency needs some flexibility to deal with changing tribal needs. However, this issue would become moot if the amount appropriated each year was simply the amount that is "necessary" to fulfill all CSC requirements.

We respectfully oppose the Administration's request that up to 2% of the funds be used for program administration. We understand the agency currently feels overwhelmed, but that is only because it is still resolving past claims, making current year payments, continuously reconciling current year payments, estimating future needs, and also discussing pressing policy issues with Tribes. However, once the agency resolves all of its past claims and decides on its new policies, the CSC workload will be considerably lightened. There will be no need for additional administrative support, which in any event should be paid for with routine discretionary appropriations.

Additionally, we ask this Committee to reiterate its instruction to IHS that the agency must streamline and simplify its CSC calculations. Now that it has taken us decades to achieve full funding, including multiple court battles, we no longer want contract support costs to dominate so much of our administrative time. We know tribal advocates have advanced several proposals this year to streamline CSC calculations, including allowing for the negotiation of fixed CSC options and the option to choose a flat percent for direct CSC calculations, but the agency has not committed to implementing any of these proposals. We fully support these tribal proposals and ask this Committee to direct IHS to commit to some of these options so that the agency decreases, instead of expands, the burden associated with CSC calculations. To be clear, we believe CSC funding should not be increased to support internal agency bureaucracy.

Thank you for the opportunity to present testimony on these important issues.