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HHS PROPOSES \$698 BILLION BUDGET FOR FISCAL YEAR 2007

HHS Secretary Mike Leavitt released today details of President Bush's FY 2007 budget request to Congress for the department, which meets the agency's most important priorities while exercising fiscal discipline to help meet the President's deficit reduction goals. The budget unveiled today proposes \$698 billion in spending, representing an increase of more than \$58 billion from FY 2006, or more than 9.1 percent.

"We have developed a responsible budget for 2007 that sets out a hopeful agenda for the upcoming fiscal year, one that strengthens America against potential threats, heeds the call of compassion, follows wise fiscal stewardship and advances our nation's health," Secretary Leavitt said.

The following are some of HHS' key proposed budget increases:

- Preparing for the possibility of a pandemic influenza outbreak and protecting our citizens against the threat of bioterrorism continue to be a high priority for the department. In FY 2007 HHS is requesting \$4.4 billion for bioterrorism-related spending next year, which is a \$178 million increase over FY 2006 spending. In addition, the department is seeking an additional \$2.6 billion in funding next year for pandemic planning and preparedness.
- To continue our effort towards achieving the President's goal for most Americans to have secure personal electronic health records by 2014, the budget requests \$169 million for health information technology initiatives, an increase of \$59 million over FY 2006.
- The budget provides an increase of \$181 million for the Health Resources and Services Administration (HRSA) to fund more than 300 new or expanded health center sites that will provide health care to an additional 1.2 million individuals in medically underserved communities throughout the nation. This funding will establish 80 new centers in poor rural and urban counties across the country. This request would complete the President's goal of establishing 1,200 new or expanded health centers.

The President's budget also includes funding for a number of new initiatives, including:

- \$188 million to fight HIV/AIDS in the U.S. The funds will go to a number of notable goals such as the testing of 3 million additional Americans for HIV/AIDS and providing treatment for those people who are on state waiting lists for AIDS medicine.

- \$28 million for “Choices for Independence” a new funding to identify alternatives that could delay or prevent elders from entering long-term care nursing facilities.
- \$6 million for the Food and Drug Administration’s new Critical Path to Personalized Medicine program, which would pave the way to drugs tailored to individual molecular traits, allowing health professionals to prescribe safer and more effective medicines.
- \$50 million to support the First Lady’s Youth At Risk Initiative to help youth at risk of gang influence and involvement.
- \$25 million for the Methamphetamine Treatment Initiative, which will target funding to States with high methamphetamine abuse rates to provide vouchers for clinical treatment and recovery support services

Funding for Medicare benefits -- which assist 43.7 million Americans -- is estimated to be nearly \$450 billion in FY 2007. The budget also proposes specific reforms to help sustain Medicare in the long term.

Thus, the proposed 2007 HHS budget includes a comprehensive set of Medicare legislative proposals to encourage efficient and appropriate payment for services; foster competition; and promote beneficiary involvement in their health care decisions. Net savings from these proposals total \$2.5 billion in FY 2007 and \$35.9 billion over five years.

“The President is committed to continue strengthening and modernizing Medicare but also reducing the burden of entitlement spending on future generations,” Secretary Leavitt said. “Our budget proposes a plan that allows Medicare spending to grow at a slower rate while putting Medicare on a steady course toward financial security, higher quality and greater efficiency.”

In order to meet the President’s goal of cutting the Federal deficit in half by 2009, the HHS budget also includes targeted reductions in discretionary spending by about \$1.5 billion in the next fiscal year.

“In preparing the budget we had to make some hard choices about well-intentioned programs, but we are very mindful of the importance of meeting the President’s goal to reduce the deficit,” Secretary Leavitt said. “There is a tendency to assume that any reduction constitutes a lack of caring, but cutting a program does not imply an absence of compassion. Government is very good at working toward some goals, but it is less efficient at pursuing others. Our budget reflects the areas that have the highest pay-off potential.”

The budget proposes reductions in funding or elimination of several programs that have failed to receive acceptable performance ratings and whose purposes are covered by other HHS programs.

- A reduction in the Social Services Block Grant program by \$500 million.
- Elimination of the \$630 million Community Services Block Grant (CSBG) program.

- Reduction of \$133 million in cuts to rural health programs run by HRSA. HHS is increasing overall rural health funding through other mechanisms, such as Community Health Centers, to make further improvements in rural health. For example, the Medicare Modernization Act makes available \$25 billion to rural hospitals and health providers over the next 10 years.
- Elimination of the \$99 million Preventive Health and Health Services Block Grant program.
- Elimination of the Indian Health Service's Urban Indian Health Program, saving \$33 million; individuals covered by this program receive care through other HHS programs.

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Note: All HHS press releases, fact sheets and other press materials are available at <http://www.hhs.gov/news>.



INDIAN HEALTH SERVICE

(dollars in millions)

	2005	2006	2007	2007 +/- 2006
Indian Health Service:				
Clinical Services.....	\$2,762	\$2,854	\$3,001	+\$147
<i>Contract Health Services (Non-Add)</i>	498	517	554	+37
Preventive Health.....	110	117	125	+8
Contract Support Costs.....	264	265	270	+6
Tribal Management/Self-Governance.....	8	8	8	0
Urban Health.....	32	33	0	-33
Indian Health Professions.....	30	31	32	+1
Direct Operations.....	62	62	64	+2
Diabetes Grants 1/.....	150	150	150	0
 Subtotal, Services Program Level.....	 \$3,418	 \$3,520	 \$3,650	 +\$130
Indian Health Facilities:				
Health Care Facilities Construction.....	\$89	\$38	\$18	-\$20
Sanitation Construction.....	92	92	94	+2
Facilities & Environmental Health Support.....	142	151	161	+11
Maintenance & Improvement.....	55	58	59	+1
Medical Equipment.....	17	21	22	+1
 Subtotal, Facilities Program Level.....	 \$395	 \$359	 \$354	 -\$6
 Total, Program Level.....	 \$3,813	 \$3,879	 \$4,004	 +\$124
Less Funds Allocated From Other Sources:				
Health Insurance Collections.....	-\$671	-\$678	-\$678	\$0
Rental of Staff Quarters.....	-6	-6	-6	0
Diabetes Grants 1/.....	-150	-150	-150	0
Total, Budget Authority.....	\$2,985	\$3,045	\$3,170	+\$124
 FTE.....	 15,249	 15,549	 15,822	 +273

1/ These funds were pre-appropriated in the Benefits Improvement and Protection Act of 2000 and P.L. 107-360.

INDIAN HEALTH SERVICE



The Indian Health Service raises the physical, mental, social, and spiritual health of American Indians and Alaska Natives to the highest level.

The FY 2007 budget request is \$4.0 billion, a net increase of \$124 million over FY 2006. Additional Indian Health Service (IHS) funding is targeted towards offsetting the increased cost of providing health care, continuing to serve a growing population of eligible Indian people, and expanding health care capacity in locations where it is most needed. In partnership with Tribes, IHS is transforming its health care system through its health promotion and disease prevention initiatives and the expanded use of health information technology.

AGENCY DESCRIPTION

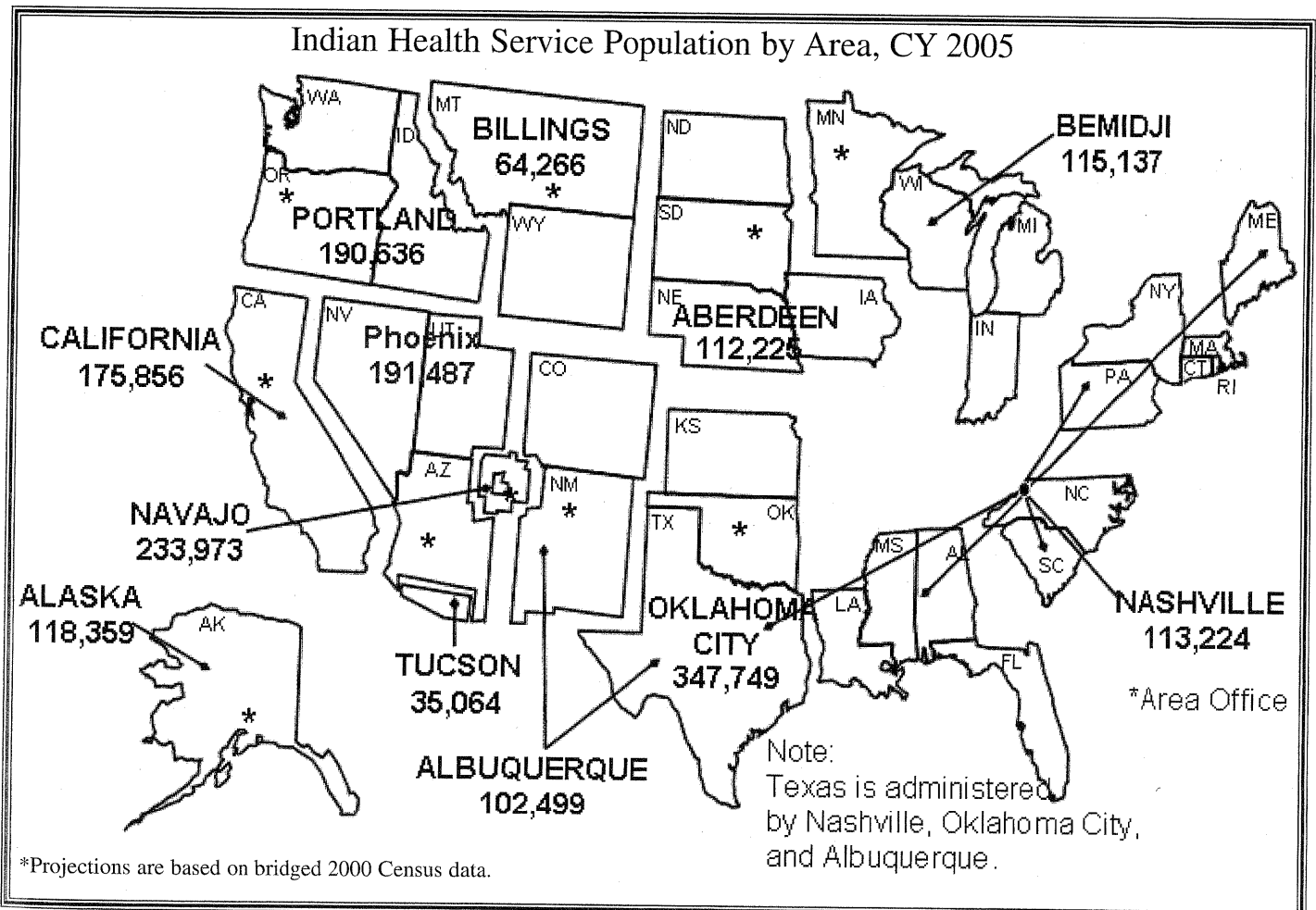
As part of the Federal government's special relationship with Tribal governments, IHS provides health

care to members of more than 560 Federally recognized Tribes. An estimated 1.9 million American Indians and Alaska Natives will be eligible for IHS services in 2007, an increase of 1.6 percent over 2006 and 11.3 percent over 2001. Care is provided directly in 48 hospitals, 272 health centers, and nearly 300 health stations and Alaska village clinics. Health facilities are located where there are concentrations of eligible Indian people – the Southwest, Oklahoma, the Northern Plains, and Alaska. IHS also contracts with hospitals and health care providers to purchase health care that it cannot provide economically through its own network. Recognizing that health prevention and disease promotion are critical to

improving the health of Indian communities, IHS also builds sanitation systems to provide water and waste disposal for Indian homes, provides diabetes prevention and disease management grants to over 300 Tribes, and supports a system of behavioral health care (mental health services, alcohol and substance abuse prevention and treatment) in Indian communities.

CONTINUING TO SERVE A GROWING POPULATION

The challenge for IHS is to continue to improve the health of Tribal members as the population increases, the cost of providing health care rises, and chronic disease becomes increasingly prevalent in Indian communities.



To meet this challenge, the budget requests additional funds for health care cost increases and population growth. Similar increases were proposed for the IHS and provided by the Congress in FY 2006.

Population and the Cost of Providing Care: The budget includes new funds to serve the additional 30,000 people who are expected to seek care in FY 2007, meet the rising cost of providing services, and cover increased pay cost for the Federal and Tribal employees who provide these services. Based on past experience, these funds will allow IHS to provide a variety of additional services including 76,000 additional outpatient visits in IHS and Tribally operated facilities, 16,000 additional outpatient visits purchased from outside the IHS system, and 17,000 additional public health nursing visits. Tribally operated programs will receive these funds on the same basis as the programs IHS operates directly.

Opening New Health Facilities: Additional FY 2007 funds are included to staff new outpatient facilities in Clinton, OK; Red Mesa, AZ; Sisseton, SD; and St. Paul, AK. A FY 2006 PART review found that IHS was effective in placing new health care facilities in areas where they were most needed. When fully operational, these four facilities will increase the number of primary care provider visits that can be provided at these sites by 81 percent and allow the provision of new services – 24 hour emergency room, optometry, physical therapy, and audiology. IHS has opened 14 new health facilities since 2001, including these four sites.

Special Diabetes Program for Indians: Diabetes is the third leading cause of death among IHS's service population with a mortality rate triple the rate for all Americans. To control this disease, IHS provides grants to over 300 Tribes and Indian organizations. In FY 2007,

\$150 million will be awarded – \$700 million in total over the last five years – to support diabetes prevention and disease management at the local level. By providing additional resources, and developing and using best practice models to ensure that these funds are used effectively, IHS has increased the percentage of its patients maintaining ideal blood sugar control from 30 percent in 2002 to 36 percent in 2005.

Performance Highlight

IHS has increased the proportion of its diabetic patients who maintain ideal blood sugar control from 30 percent in 2002 to 36 percent in 2005. IHS's 2007 target is to keep the portion of its diabetics with ideal blood sugar control at 36 percent and to increase this portion to 40 percent by 2010.

This increase is important. NIH-supported clinical trials have found that an improvement in blood sugar control from poor to ideal results in a 42 percent decrease in total mortality for people with diabetes.

Health Insurance Reimbursements: In FY 2007, IHS expects to receive a total of \$678 million in health insurance reimbursements for providing care to people covered by Medicare, Medicaid, or private health insurance. IHS facilities receive Medicare and Medicaid under a cost-based methodology developed in close cooperation with the Centers for Medicare & Medicaid Services (CMS). Health insurance can make up 50 percent of the operating budget of an IHS health facility, supporting additional medical staff, equipment, and building improvements.

The CMS, IHS, and the Social Security Administration are working together with CMS's Tribal Technical

Advisory Group – comprised of Tribal leaders – to implement the Medicare prescription drug coverage benefit in Indian Country. Individuals employed by IHS and Tribes have been trained to provide face-to-face beneficiary consultation. These individuals understand the local Indian communities, are culturally competent, and can often speak the local Tribal language.

Urban Indian Health Program: IHS's FY 2007 budget targets additional funding for the provision of health care on or near reservations but does not include funds for the continuation of the Urban Health program. Unlike Indian people living in isolated rural areas, urban Indians can receive health care through a wide variety of Federal, State, and local providers. One health care provider available to low-income urban Americans is the Health Resources and Services Administration's Health Centers program which served 7.3 million urban patients, and 125,000 Native Americans, in 2004. The budget requests \$2.0 billion for Health Centers in FY 2007, sufficient to serve 8.8 million urban patients and 150,000 Native Americans.

Construction: The budget includes a total of \$94 million for Sanitation Construction. By providing water and waste disposal systems to 300,000 Indian homes since 1960, this program has played a key role in decreasing the rates of infant mortality, gastroenteritis, and other environmentally related diseases. The budget also includes a total of \$18 million for Health Facility Construction. Funds will be used to finish a new outpatient facility in Komatke, AZ, which received initial construction funding in FY 2006. When complete, this facility will provide basic ambulatory health care services – dental care, eye care, digital imaging, OB/GYN, laboratory services – and relieve overcrowding in the Phoenix Indian Medical Center.

Consistent throughout HHS, requests for facilities funding focus on maintaining existing facilities but not for new construction projects.

IMPROVING SERVICE DELIVERY

IHS works continually to improve efficiency in order to raise the health of Tribal members to the highest possible level. The additional resources requested for health care cost increases and population growth will allow the development of more effective strategies to improve Indian health. These strategies include the Directors' health initiatives and improvements in health care quality through the use of health information technology.

Health Initiatives: IHS is working on three interrelated health initiatives—behavioral health, health promotion/disease prevention, and chronic disease management—to help achieve significant improvements in the health of Indian communities. By providing additional funds for population growth and the rising cost of health care, the budget allows IHS and Tribal health programs to focus on these initiatives at the local level.

- ◆ As many chronic conditions are linked to life long behavior patterns, they can be prevented by focusing on effective behavioral health interventions. IHS is expanding the focus of local behavioral health programs from crisis intervention to ongoing behavioral health promotion through the use of evidence-based approaches that embrace Tribal traditions and culture as critical foundations for good health.
- ◆ The main health challenges in Indian communities are increasingly related to lifestyle issues such as obesity, physical inactivity, poor diet, substance abuse and injuries. To create healthy communities, IHS is building effective health promotion practices at the local

level; sponsoring new Federal, corporate, foundation, and academic partnerships; and coordinating local efforts by developing community and clinical best practices and a strategic plan with health promotion and disease prevention coordinators in each of IHS's 12 Regions or Areas.

- ◆ Chronic conditions – diabetes, heart disease, cancer – are becoming increasingly prevalent in Indian communities, placing growing demands on the health care system. Building on the success of its diabetes management efforts, IHS is expanding the disease management model to other chronic diseases.

Improving Health Care Through Information Technology: Secretary Leavitt has said, "The use of electronic health records and other information technology will transform our health care system by reducing medical errors, minimizing paperwork hassles, lowering costs and improving quality of care." IHS has long been a leader in this area, launching its Resource and Patient Management System (RPMS) in collaboration with the Veterans Administration in 1984.

In November of 2005, IHS's Clinical Reporting System, an RPMS application, received an award from the Healthcare Information Management System Society, a healthcare industry organization that provides leadership for the optimal use of health care information technology (IT). RPMS received a score of Effective in an FY 2005 PART review and has recently been selected for use by NASA as the health management system that best met its needs.

Another important example of IHS IT innovation is the Electronic Health Record (EHR), which provides a full range of services including medical records management, patient scheduling, data quality control, medical consultations, and

reports for practitioners and patients. The EHR system will also have a clinical case management capability for five diseases prevalent in Indian communities – diabetes, cardiovascular disease, asthma, HIV, and obesity. The EHR is presently in use at 24 IHS and Tribal facilities with high user satisfaction and positive effects on patient care reported. The EHR should be available in all IHS sites by 2008.

The budget includes an increase of \$11 million for IHS implementation of the Department's Unified Financial Management System (UFMS). In addition to supporting an integrated Department-wide financial management system, UFMS will allow IHS health care facilities to operate in a more business-like manner and improve their collection of health insurance.

INDIAN SELF-DETERMINATION

Tribes currently operate one-third of IHS's hospitals, 84 percent of its ambulatory health facilities, and 85 percent of the funds for local behavioral health programs. To enable Tribes to develop the administrative infrastructure critical for successful management of these programs, the budget includes a total of \$270 million for contract support costs.

Self-determination works because it is based on the principle that having health services planned and delivered at the local level is the best way of ensuring that high quality health care is delivered. This planning begins with Tribal input and consultation which is central to the way IHS operates at the local, Area and National level. The Federal Government also has a unique legal and political relationship with Tribes. As part of this special relationship, an HHS-wide budget consultation session is held annually to give Tribal leaders the opportunity to consult with HHS on budgetary issues which concern them.