**Maintaining Federal Funding for Medicaid Provided Through the Indian Health System**

*Preserve 100 percent federal reimbursement rate for Medicaid services provided to American Indians and Alaska Natives that are received through the Indian health system.*

As Congress approaches Medicaid reform, it should ensure that any reform proposal honors the federal responsibility for Indian health care, rather than passing that obligation on to the states through per capita allocations, block grants or other mechanisms that may be under consideration. The United States has a unique trust responsibility to provide tribal health care, founded in treaties and other historical relations with tribes, and reflected in numerous statutes. In recognition of that federal obligation, Congress amended the Social Security Act over 40 years ago in 1976 to authorize Medicare and Medicaid reimbursement for services provided in IHS and tribally operated health care facilities.[[1]](#footnote-1) The House Report explained that “These Medicaid payments are viewed as a much-needed supplement to a health care program which has for too long been insufficient to provide quality health care to the American Indian. . . .”

At the same time, Congress acted to ensure that States would be reimbursed at a 100 percent federal medical assistance percentage (FMAP) for Medicaid services to American Indians and Alaska Natives that are received through the Indian health system. The House Committee observed that since the United States already had an obligation to pay for health services to Indians as IHS beneficiaries, it was appropriate for the U.S. to pay the full cost of their care as Medicaid beneficiaries. The Committee noted that because the 100% FMAP provision was limited to services provided through the Indian health system, it was being provided for IHS eligible Indians and Alaska Natives for whom the United States has an obligation and who are already eligible for “full Federal funding of their services.”[[2]](#footnote-2) This key provision ensures that the responsibility to pay for Medicaid services to American Indians and Alaska Natives remains with the federal government, and is not shifted onto the States. The Committee recognized that many States with large native populations also have large amounts of public land, and thus a limited tax base for providing health services, making it doubly unfair to shift the federal health obligation to them.

Medicaid reimbursements are critically important in filling the gap created by chronic underfunding of IHS, and are a critical source of funding for Tribes seeking to take over IHS hospital systems through self-governance agreements. In 2014 for example, the per capita spending for IHS patient services was $3,107 as compared to $8,097 per person nationally.[[3]](#footnote-3) Medicaid funds represent 13% of total IHS funding, and provides coverage for 34% of non-elderly AI/ANs and over half of AI/AN children.

As important as Medicaid is to the Indian health system, Medicaid reimbursements received through the Indian health system only represent a fraction of one percent of total Medicaid funding. For instance, IHS Medicaid spending in 2015 represented only 0.15 percent of total Medicaid spending. As a result, preserving full federal funding for Medicaid services received through the Indian health system will not adversely affect the overall effort to cap and control federal Medicaid spending.

It is critical that Congress maintain full federal funding of Medicaid services provided in IHS and tribal healthcare facilities. Tribal healthcare delivery systems need Medicaid funding to be financially viable, as many of their patients are low income and have no other form of coverage. Tribal healthcare delivery systems are the only systems that can ensure coordinated, quality of care for the beneficiaries they serve, and the only providers with the incentive to ensure that care is not fragmented. Tribal healthcare providers reinvest in their communities, and tribal healthcare delivery systems are essential to local tribal communities and economies. Ensuring full federal funding for Medicaid services received through the Indian health system is also essential to tribal self-governance. Self-governance tribes have achieved some remarkable health care improvements and efficiencies, but without the ability to bill Medicaid, those systems are not financially viable.

As Congress moves forward with Medicaid reform, it is essential that the federal trust responsibility for Indian health care be honored, and 100% FMAP for services received through the Indian health system is preserved. Many of the health care proposals being discussed are designed to stop or reduce federal spending on the Medicaid program, yet still recognize that certain limited and unique federal funding streams will have to be maintained. The 100 percent FMAP provision for the Indian health system should be preserved as well. This policy position has been previously been supported by the National Governor’s Association during past Medicaid reform efforts[[4]](#footnote-4) and is consistent with the United States trust and legal responsibilities to Tribes.

1. 42 U.S.C. § 1395qq and § 1396j [↑](#footnote-ref-1)
2. H.R. REP. No. 94-1026, pt. III, at 21 (1976), as reprinted in 1976 U.S.C.C.A.N. 2782, 2796. [↑](#footnote-ref-2)
3. The National Tribal Budget Formulation Workgroup’s Recommendations on the Indian Health Service Fiscal Year 2017 Budget, May 2015. [↑](#footnote-ref-3)
4. National Governors Association, Resolution HHS-18, “Indian Health Services,” March 1, 2006. [↑](#footnote-ref-4)