

Tax Break Eyed to Help Indian Health Service Boost Staffing

By Kerry Young, CQ HealthBeat Associate Editor

While serving a population that tends to be poorer and sicker than average, the Indian Health Service has struggled to staff positions in its network of far-flung and sometimes remote sites.

As of February, the service had 1,500 vacancies for health professionals, including doctors, dentists, and nurses, according to a budget document. Openings included those for psychiatric nurse practitioners in Montana, pharmacists in South Dakota and physical therapists in New Mexico.

“The Indian Health Service provides services to some of the most hard-to-reach communities, facing extremely high cost of living, and few modern day accommodations,” Sen. **Mark Begich**, D-Alaska, told CQ HealthBeat. “These realities make IHS recruitment for health care professionals challenging to say the least.”

Begich is among those in Washington who are proposing to address the agency’s shortfall by changing the tax treatment of a key IHS recruiting tool, its loan repayment program. The agency awards as much as \$40,000 in exchange for an initial two-year service commitment, but these funds are subject to taxes. The program has been successful in drawing doctors to Alaska, Begich said. (The concept is reminiscent of the premise for the 1990s television comedy “Northern Exposure” about a young doctor from New York City who moves to Alaska.)

It’s an idea with bipartisan support. Rep. **David Valadao**, R-Calif., had drawn about two dozen cosponsors, including many Democrats, for a bill (**HR 3391**) that he introduced last year. It would exempt the IHS programs from federal income tax. This already has been done for similar National Health Service Corps programs, he said.

The Obama administration its fiscal 2015 budget request estimated

that the Treasury would lose about \$5.7 million from changing the tax status on the loan repayment program. The Indian Health Service said the overall tax liability for participants “creates a financial disincentive for those otherwise willing to serve American Indian and Alaska Native patients by working in Indian health facilities.”

“The ability to exempt scholarship and loan repayment funds from gross income would make this recruitment and retention tool more attractive to potential participants,” the agency said.

Former IHS official Raymond Lala said that the loan repayment program is the “most powerful tool” that the agency has to recruit health professionals. Many of them, particularly doctors and dentists, graduate with significant debt. In some cases, they would work with the IHS but simply can’t afford to do that and handle all of the loans, he said.

“If you can ease that burden on them, it makes them willing to work for less money,” he said in a Monday interview.

House appropriators have endorsed the concept. In the report accompanying its fiscal 2015 Interior-Environment bill, the Appropriations Committee suggested that the IHS reformulate its tax proposal and submit it with its fiscal 2016 request containing new estimates reflecting a potential offset through the service’s collections from insurance companies.

The appropriators said that they were “concerned” about “unfair” tax on the IHS loan repayment program.

“The Committee encourages efforts to extend fair tax treatment of federal scholarship and loan repayment programs to IHS-funded programs so that appropriated funds can help more applicants and further reduce vacancies,” it said in the report.

The appropriators also proposed providing \$30 million for the loan repayment program in fiscal 2015, which they say is \$5 million above the request. The committee also provides for a permanent transfer of \$4.9 million base funding to the loan repayment program.

“Recruitment and retention of health care professionals is a serious problem in the IHS system which the loan repayment program helps to alleviate,” the House Appropriations Committee said in the report. “In fiscal year 2013, IHS turned away over 500 applicants for loan repayment due to limited funds.”

The IHS serves about 1.9 million American Indians and Alaska Natives. This population of patients has a life expectancy that is about four years shorter than the U.S. average and suffers more from conditions such as liver disease and accidents, IHS has said.

“We see a greater incidence of chronic conditions and their underlying risk factors, such as diabetes and childhood obesity,” Yvette Roubideaux, the acting director of the IHS told the Senate Indian Affairs Committee in May. “Moreover, the circumstances in many of our communities – poverty, unemployment, and crime – often exacerbate the challenges we face.”

The IHS has seen its budget rise noticeably in recent years, even amid a time of great austerity. American Indian groups have been more successful in their attempts to secure funds, aided by lawmakers including House appropriator **Tom Cole**, R-Okla., and Sen. **Jon Tester**, D-Mont. The overall IHS budget has increased by 33 percent through fiscal year 2014, she told the committee.

Yet, Congress has undermined that generosity with an erratic approach to the annual spending bills, according to, Tim Rosette, director of health services in Montana’s Rocky Boy’s Reservation, who appeared at the same hearing as Roubideaux..

Congress wrapped up fiscal 2014 appropriations by passing a catch-all measure (**PL 113-76**) with more than a quarter of the budget year already gone. Agencies had to scramble to translate the broad directives into instructions for federal offices and programs across the nation, including Rosette’s center.

Rosette said he got his final budget two weeks before the May hearing, limiting his ability to plan and hire staff.

Rosette suggested Congress put the health service on a two-year budget cycle to avoid “continued chaos and a further erosion of our already diminishing trust with IHS due to the inability to plan appropriately.”

Congress will delay the fiscal 2015 appropriations for the IHS at least as long as it did those for fiscal 2014, and possibly longer. It appears likely that a stopgap spending measure will be used to fund much of the federal government from October until at least December.

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