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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 case 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 records system and replacing wiring and servers.
Purchased/Referred Care (PRC)[a]	• Supplementing appropriated funds for PRC to enhance access to offsite services.

Source: Indian Health Service. | GAO-19-612