Hearing before the House Appropriations Committee
Subcommittee on Interior, Environment and Related Agencies
on the Fiscal Year 2013 Budget

Testimony of Charles Clement, President and CEO
SouthEast Alaska Regional Health Consortium

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My name is Charles Clement and I am the President and CEO of the SouthEast Alaska Regional Health Consortium (SEARHC). Chairman Simpson, Ranking Member Moran, and members of the Committee, it is a pleasure to be here and I thank you for the opportunity to testify before this Committee.

I have been involved in the provision of Alaska Native health care for 15 years. Prior to my employment at SEARHC I worked for the Southcentral Foundation in Anchorage, Alaska, as the vice president/chief operating officer; vice president – operations; director of information technology/chief information officer; and special assistant to the president. As the new president/CEO of SEARHC, I am amazed at the positive impact the consortium has on the health spectrum of Alaska Natives.

SEARHC is an inter-tribal consortium of 18 federally-recognized Tribes situated throughout the Southeast panhandle of Alaska. Our considerable service area encompasses over 35,000 square miles, an area larger than the State of Maine. With no road system connecting our communities, the challenges to deliver robust health services are considerable.

I am proud to say that SEARHC meets these challenge through a network of community clinics and through the Mt. Edgecumbe Hospital. We provide an array of health services that includes medical, dental, mental health, physical therapy, radiology, pharmacy, laboratory, nutritional, audiology, optometry and respiratory therapy services. In addition we provide supplemental social services, substance abuse treatment, health promotion services, emergency medical services, environmental health services and traditional Native healing.

We administer over $42 million in IHS facilities and related programs and services and have had more than 115,040 patient encounters in the last fiscal year. These are federal services which we operate on behalf of the Federal Government through a self-governance compact and associated funding agreement.

To carry out IHS programs under this contract requires us to incur certain fixed costs, including a number of costs mandated by the Federal Government. These costs include substantial annual audit costs, insurance costs and an array of administrative costs to operate our personnel and financial management systems.

Only a portion of the contract support costs for the above health services are covered in the direct service budget which IHS contracts to pay for under our funding agreement. This is because IHS either does not incur these costs at all (in the case of audit expenses and insurance costs,) or because IHS receives resources to carry-out these functions from other portions of the IHS budget, other divisions of the Department of Health and Human Services, or even other departments of the Federal Government. Still, these are mandatory fixed costs which SEARHC must incur every year, and—for SEARHC—- these costs are negotiated annually by the DHHS Division of Cost Allocation, Western Field Office.

Decades ago SEARHC was required to accept a contract that did not provide for the payment of these contract support costs. Over the years, through amendments to the Indian Self-Determination Act, Congress changed the law to require that full contract support costs be added to the negotiated budget for our direct services. Thus today, both the law, as well as our compact and funding agreement, require that contract support costs be added in full.

IHS, however, has not paid the full amount owed under our contract. In fact, it is not clear how much IHS will honor under the contract until it is fully performed. Even this year—nearly half way through the year—we have no idea what IHS will pay us because IHS has not announced how it will distribute this year's contract support cost funding, which was an increase of $74 million increase.

As an example of the impact contract support cost underfunding has on SEARHC, last fiscal year SEARHC was underpaid approximately $2.8 million in fixed contract support costs. SEARHC has no tax base and, thus, has no way to make up for the difference other than to use resources that would otherwise support the delivery of services. This shortfall severely impacted on our ability to fully aid the Alaska Native community and our ability to provide the maximum level of care to our beneficiaries. Interestingly, in other areas of government contracting, the United States does not fail to pay for its contracted for services.

SEARHC is a member of the National Tribal Contract Support Cost Coalition, and we fully endorse the NTCSCC's testimony. Full funding of support costs in FY 2013, at $100 million increase above the President's request would impact SEARHC daily operations by allowing for our contract support costs to be fully paid and preventing the need to use direct service funds to supplement contract support costs normally unpaid by IHS.

It has been almost eight years to the day since the Supreme Court required that the Government honor its self-determination contracts with tribal healthcare providers in the landmark case Cherokee Nation of Oklahoma v. Leavitt, 543 U.S. 631 (2005.). Honoring these contract support costs obligations is inimical to SEARHC's ability to provide robust health services to our community.

I thank you for the opportunity to testify before the Committee and would be happy to answer any questions you have for SEARHC.