



JUN 07 2001

Dear Tribal Leader:

This letter is to inform you of my decision for distributing the \$40 million increase appropriated for contract health service (CHS) that the Indian Health Service (IHS) received in fiscal year (FY) 2001. This significant increase in congressional appropriation reflects the successful advocacy of tribal and Federal leadership to address the health needs of American Indian and Alaska Native people.

I have decided to allocate the FY 2001 increase (totaling \$34,910,137 after subtractions of \$3 million for the catastrophic health emergency fund; \$140,000 for Ketchikan; \$1 million for newly recognized tribes; \$949,863 for rescission; and \$88,445 for CHS Headquarters reserves) to IHS Areas on a non-recurring basis. One-half of the \$34,910,137 will be distributed based on the existing formula used since 1994 and the other half will be distributed by the Workgroup's proposed formula. This approach will allow us to continue our dialogue on the outstanding issues related to the disparity between need and the resources available for CHS. The extent of this disparity is evidenced by the relatively small amount of funding compared to the Needs Based Budget amount for CHS developed by the tribes. I know that CHS is severely under-funded in all locations.

I want to thank the members of the CHS Workgroup for the substantial time and effort they devoted to addressing many issues and making the hard choices that come with accomplishing a difficult task. The Workgroup's proposal addressed dependency on contract health care and provided a weight for this dependency that focused more on the access to or availability of hospital services and less on the need for CHS support to primary care. The Workgroup also proposed that a significant portion be allocated for inflationary needs. The impact of this change reduces the rate of resource increases that in the past supported sites without hospitals and even some without full service clinics. This change seems more precipitous than is fair to those with little or no direct service capability. It appears that the proposal moves in the right direction, but may

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be moving too rapidly. I decided to support, with modifications, the Workgroup's recommendations.

Because I share your concern about the fairness and appropriateness of the distribution, I am supporting the Workgroup's strong recommendation to convene a followup Workgroup to address these issues. Continuing this work will provide the best opportunity for all of us to resolve the issues that affect our people nationwide. I do believe that together we will address the issues in a fair and open manner.

Thank you for your continuing efforts on behalf of the health of the people we serve.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael H. Trujillo". The signature is fluid and cursive, with a large initial "M" and "T".

Michael H. Trujillo, M.D., M.P.H., M.S.
Assistant Surgeon General
Director

Attachment