



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 29, 2018

S. 465

Independent Outside Audit of the Indian Health Service Act of 2018

As ordered reported by the Senate Committee on Indian Affairs on September 26, 2018

SUMMARY

S. 465 would require the Secretary of the Department of Health and Human Services (HHS) to enter into one or more contracts with private entities to conduct an independent assessment of the health care delivery systems and financial management processes of the Indian Health Service (IHS). The independent audit would investigate a wide variety of activities within IHS, including the operations of IHS leadership, procurement and contracting policies, medical service provision at each IHS medical facility, and the productivity of each health care provider at IHS, among others. For those purposes, the bill would authorize HHS to spend funds from available appropriations that are not otherwise obligated. Because such spending would occur without further appropriation, it would be considered direct spending and CBO estimates that spending would total \$56 million over the 2019-2023 period.

Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting the legislation would not increase direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 465 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of S. 465 is shown in the following table. The costs of the legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars											
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	14	28	15	0	0	0	0	0	0	0	56	56

BASIS OF ESTIMATE

S. 465 would require the Secretary of HHS to enter into one or more contracts with private entities to conduct an independent assessment of the health care delivery systems and financial management processes of the IHS. The scope of the independent assessment would involve a significant level effort by the private sector entities. The major areas of the assessment include the following:

- Current and projected demographics and health care needs of the IHS patient population and the health care capabilities and resources of IHS to provide timely and accessible care to eligible patients;
- The appropriate system wide access standard applicable to hospital care, medical services, and other health care furnished by and through IHS;
- The workflow process at each IHS medical facility for providing hospital care, medical services, and other health care;
- The organization, workflow process, and tools used by IHS to support clinical staffing, access to care, length-of-stay management, positive patient experience, accurate documentation and coding of inpatient services;
- The staffing level at each medical facility of IHS and the productivity of each health care provider compared with health care industry performance matrices;
- The information strategies of IHS with respect to furnishing and managing health care;
- The business processes of IHS including those relating to non-IHS health care, insurance identification, third party revenue collection, and vendor reimbursement, particularly to identify ways that IHS can avoid penalties to vendors and to increase collections from third party insurance sources;

- The purchasing, distribution, and use of pharmaceuticals, medical supplies, medical devices, and health care related services by IHS;
- The competency of leadership with respect to culture, accountability, reform readiness, leadership development, physician alignment, employee engagement succession planning and performance management;
- Other items that are discovered and addressed during the independent audit.

The requirements of S. 465 are similar to an audit of the Department of Veterans Affairs (VA) that was required by section 201 of the Veterans Access, Choice, and Accountability Act of 2014 (Public Law 113-146). According to information provided by the VA, that audit cost \$66 million and was completed during 2015. As part of that audit, the final report indicated that the private sector firms that conducted the assessment interviewed VA employees and outside observers, visited 87 VA sites, conducted multiple surveys, analyzed 560 data sets provided by VHA and data from other sources, and performed literature reviews. In addition, the firms collected best practices from the private sector through interviews with top health care executives, site visits to high-performing health care organizations, and consultation with an independent advisory panel of nationally recognized health executives and stakeholders.

Although the VA system is considerably larger than the IHS system, CBO expects that the level of effort required to complete the audit of the IHS would be only modestly less than that required to complete the audit of the VA. Many of the agency-level analyses required by the independent audit would involve a similar level of effort regardless of the size of the overall health care delivery system.

For the analyses of each individual health care site of IHS, the agency operates about 120 health care facilities, about 10 percent as many as the 1,243 VA facilities. However, most of the IHS facilities are clinics in rural areas, often geographically isolated, which would probably increase the data collection challenge for the contractors. Similarly, CBO expects that much of the data needed to complete the audit of the productivity of the 4,250 medical personnel employed does not currently exist. As a result, the private sector entities would need to engage in original data collection efforts to complete these tasks, which would likely involve a significant effort. In addition, unlike the independent audit of the VA, the Secretary does not have to procure the independent audit contract of IHS through a competitive bidding process. Without competitive bidding, CBO expects that contracts would cost more compared to contracts that are competitively bid.

S. 465 would require the Secretary to carry out the independent audit by using unobligated balances otherwise available to HHS. According to information from HHS, CBO expects that the agency would have sufficient unobligated balances to fund the

independent audit and that HHS would probably use unobligated balances that otherwise would not be spent. Because those amounts would be available to be spent without further appropriation, they would have the effect of increasing direct spending by \$56 million over the 2019-2028 period, CBO estimates.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 465, as ordered reported by the Senate Committee on Indian Affairs on September 26, 2018.

	By Fiscal Year, in Millions of Dollars										2019- 2023	2019- 2028
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
NET INCREASE OR DECREASE (-) IN THE [ON-BUDGET] DEFICIT												
Statutory Pay-As-You-Go Effect	14	28	15	0	0	0	0	0	0	0	56	56

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

S. 465 contains no intergovernmental or private sector mandates as defined in UMRA.

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