

**UNITED STATES SENATE
COMMITTEE ON INDIAN AFFAIRS**

**OVERSIGHT HEARING TO DETERMINE
“THE EFFECTS OF HIGH FUEL PRICES IN RURAL ALASKA AND EXPLORE
SUSTAINABLE ENERGY SOLUTIONS THAT INCLUDE CONVENTIONAL AND
RENEWABLE ENERGY INVESTMENTS, AS WELL AS ENERGY EFFICIENCY AND
CONSERVATION.”**

**TESTIMONY OF
GENE PELTOLA, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
THE YUKON-KUSKOKWIM HEALTH CORPORATION
BETHEL, ALASKA**

August 28, 2008

Good morning. Madam Chairwoman and members of the Committee:

The Yukon-Kuskokwim Health Corporation has been contracting with the Indian Health Service (IHS) since before the enactment of the Indian Self-Determination Act. Today we provide comprehensive healthcare to 28,000 largely Yupik Eskimo people across a roadless area the size of Oregon, where the average per capita income is \$15,000. Gas in our main hub city of Bethel is almost \$6 per gallon, and in our villages it is approaching \$8 per gallon, the same price we pay for milk. When considering the high energy, food and personnel costs against an IHS appropriation that does not allow for mandatory medical inflation costs, providing healthcare for our 58 tribes is a daily and extraordinary challenge.

For the last three years YKHC has accommodated for dramatic energy increases (utility and fuel). Regarding utility costs, in fiscal year 2006 YKHC saw a 21% increase, or \$1.1 million, over anticipated utility costs. Over fiscal years 2007 and 2008 YKHC utility costs increased an average of 8% at \$500,000.00. The fiscal year 2009 budget includes an anticipated 22% increase, or \$1.4 million, in utility costs. The total increase in utility costs for the last three fiscal years totaled over \$3 million.

Increases related to fuel have also been dramatic. For fiscal year 2009, our freight, patient and corporate travel costs will increase \$700,000.00.

YKHC is committed to delivering healthcare at a high level and expanding services where they are needed and/or financially feasible. However, with relatively flat revenues and substantially increased expenses, the delivery of healthcare cannot help but be affected.

Although YKHC's budget amounts are corporate totals, we should notify you of our increased costs at the village level. One of YKHC's main partners, the tribal and city governments in our 50 Yukon-Kuskokwim Delta communities, are suffering too. In our member

villages, either the tribal or city governments own their respective village health clinics. The governments receive a monthly rental fee from YKHC that is used for their rental, fuel, janitorial services and general upkeep of the clinic, this is called the IHS Village Built Clinic lease program. According to the IHS, current lease funding covers only 55% of operating costs.

Many tribes and cities are requesting increased rental payments for clinics to accommodate expected utility increases. YKHC is tentatively expecting an additional 30%, or \$187,000, to subsidize those increases.

For organizations that compact or contract IHS and Bureau of Indian Affairs (BIA) programs an energy solution exists that is already authorized in law, the full funding of contract support costs.

Over 20 years ago, former Chairman Inouye of this Committee wrote that the single greatest impediment to the success of tribal self-determination was the failure of the IHS to pay contract support costs. I can testify that what Chairman Inouye said in 1987 is just as true today.

In fiscal year 2007, YKHC's annual true shortfall exceeded \$10 million for the very first time, and it has gone up approximately \$1 million each year as we seek to take on ever growing IHS programs in a climate of ever rising costs. This is truly a crisis.

Most people hear about "contract support costs" and their eyes glaze over. But these are very real costs, either the fixed costs of our overhead, such as utilities, or else the cost of providing workers compensation insurance, and health and retirement benefits to our staff. That's what contract support costs are. They are fixed and they are real.

In 1992 and 1993, when we began operating the local IHS hospital, we suffered a shortfall of over \$2.2 million in contract support costs. The impact to YKHC was immediate: over 40 positions were laid off within months after hospital operations began. Subsequent rounds of reductions in force and layoffs occurred in 1997, 2006 and 2007.

These events have had a very severe impact on the quality of care that YKHC can provide. However, the impact is not just measured by the \$10 million shortfall. As a result of that underpayment, YKHC cannot employ as many primary care provider teams. The care that those teams provide to our patients is typically billed to Medicare, Medicaid, or private insurance when available. The result is that \$10 million in reduced direct care services translates into an additional \$6 million in lost revenues from these sources. So, the real loss is at least \$16 million to our programs, and even more when you consider that we direct those lost third-party revenues back into staffing additional teams throughout our villages.

I have four recommendations.

First, the Committee should consider requesting additional funding for energy efficiency and conservation projects for aging federal facilities like the Yukon-Kuskokwim Delta Regional Hospital. Funding for research and deployment of realistic, long-term alternative energy

technologies should also be considered, especially when Alaska's potential for wind, hydro, geothermal and tidal solutions is tremendous.

Second, the Committee should consider directing the General Accountability Office to study the actual impact of the continuing shortfalls tribes are suffering in their contract payments. I am sure YKHC's experience is not unique, and hopefully a GAO report will help energize Congress to do its part in remedying the situation. As part of the GAO study, some examination should be made into IHS's new policy, announced two years ago, not to provide any contract support costs whatsoever for any new contract or compact operation, regardless of circumstance, and notwithstanding Congress making available up to \$5 million for this purpose every year. The current situation is bringing to a stop all forward progress on tribal self-determination and self-governance.

Third, the Committee should examine why the IHS Village Built Clinic lease program is currently not eligible for contract support costs and why lease funding has remained virtually the same since 1989. This is especially disheartening, given tribal compactors and contractors subsidize the lease program with their own health monies due to sharply increased energy costs.

Finally, I would ask the Committee to look into the status of the pending contract support litigation. After 12 years of litigation, YKHC recently settled its old claims for approximately \$42 million. But this was the exception. For other Tribes with old and new claims, litigation is grinding on in various courts and Boards.

The fairest approach would be for Congress to extend the statute of limitations for all tribal contractors to pursue their claims over historic IHS underpayments from prior years.

A more comprehensive approach would be a legislative fix to create a new claim payment mechanism that would permit all tribes to receive appropriate compensation through the Judgment Fund, without draining litigation that takes years to resolve.

Ultimately, receiving full contract support costs is not about money, for tribal organizations like YKHC it means being able to systematically address cancer, suicide, and other major challenges like high energy costs.

It is the ability to hire a provider to perform portable mammographies in our villages to detect breast cancers early in stage 1 when the 5 year survival rate is over 90% versus a later stage. Or the ability to hire a counselor to deploy a community wide behavioral health initiative in order to save a teenager from taking their own life.

Most importantly, receiving full contract support costs is the ability to provide an array of health services to a population suffering dramatic health disparities and pay our light bill. In an environment without full contract support costs, flat IHS appropriations and dramatically increasing energy costs, eventually YKHC will have to decide which services to cut in order to pay our light and fuel bills.

The funding of full contract support costs and more importantly, its relationship to directly improving American Indians' and Alaska Natives' health status, is a matter entirely within Congress's power to address!

Thank you for the opportunity and honor to address your Committee today.