INDIAN HEALTHCARE FUNDING: WHAT YOU NEED TO KNOW

MONTANA CONSORTIUM FOR
Urban Indian Health

The Indian Health System is made up of three types of healthcare facilities, known as the I/T/U system: Indian Health Service (IHS) clinics, Self-determined 638 contracted tribes, Self-governance compacted tribes, and Urban Indian Organizations (UIOs). While all three serve American Indian and Alaska Native (AI/AN) communities, their funding structures, operational models, and access to resources vary significantly. Understanding these differences is crucial to ensuring equitable healthcare access for AI/AN populations across all settings.

Indian Health Service (IHS)

These clinics are typically federally funded under the Indian Health Service (IHS) and operate within the IHS Direct Service system. Funding comes from the IHS annual budget, appropriated by Congress, and is distributed directly to IHS-operated facilities. They provide services at no cost to eligible American Indians and Alaska Natives (AI/AN) under the IHS funding model. Some IHS clinics also bill Medicaid, Medicare, and private insurance to supplement funding. These clinics receive 100% Federal Medical Assistance Percentage (FMAP) for services provided to eligible AI/AN patients enrolled in Medicaid. This means that the federal government covers the full cost of Medicaid services for AI/AN patients at these facilities, rather than requiring states to share in the cost.

These clinics are eligible to receive the All-Inclusive Rate (AIR) for Medicaid and Medicare reimbursements. This rate, set annually by the federal government, allows these facilities to receive a fixed per-visit reimbursement for covered services, rather than standard fee-for-service rates. The AIR ensures stable, enhanced funding to support comprehensive healthcare services for AI/AN patients.

Self-Determination 638 Contracted Tribes (Title I)

Self-Determination 638 Contracted Tribes, governed by 25 U.S.C. § 5321 (formerly § 450 et seq.) and 25 C.F.R. Part 900, allows federally recognized Tribes to contract with the Indian Health Service (IHS) to manage specific programs, functions, services, or activities (PFSAs). Through these contracts, Tribes assume responsibility for administering services while maintaining a government-to-government relationship with IHS. However, IHS retains some oversight, and significant changes to services or funding allocations require IHS approval.

Self-Determination 638 Contracts are available to any federally recognized Tribe or Tribal Organization, with annual reporting and performance audits required to ensure compliance. This approach provides a structured pathway for Tribes to increase their administrative capacity while gradually moving toward greater autonomy.

These clinics receive 100% FMAP, meaning the federal government fully covers Medicaid costs for eligible AI/AN patients, relieving states of any share. They also qualify for the All-Inclusive Rate for Medicaid and Medicare reimbursements, a fixed per-visit rate set annually to ensure stable funding for comprehensive healthcare services.

Self-Governance Compacted Tribes (Title V)

Self-Governance Compacted Tribes, authorized by 25 U.S.C. § 5381 (formerly § 458aaa et seq.) and 42 C.F.R. Part 137, offers Tribes the opportunity to enter into self-governance compacts with IHS, granting them full control over PFSAs with minimal federal oversight.

Under a compact, Tribes negotiate a Funding Agreement (FA) that defines the terms of service delivery and financial management, giving them the authority to redesign, consolidate, and allocate funding as needed to meet their community's priorities.

To participate under Self-Governance Compacts, Tribes must demonstrate three years of financial stability and management capability. Self-Governance Compacts eliminate routine IHS monitoring, empowering Tribes to customize programs and services in ways that reflect their community's needs, fostering increased self-governance and sovereignty.

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URBAN INDIAN ORGANIZATION (UIO)

Unlike IHS and tribally operated clinics, Urban Indian Organizations (UIOs) do not receive the same level of direct IHS funding. Instead, they are funded through Title V of the Indian Health Care Improvement Act (IHCIA), which provides limited support for urban Indian healthcare programs. This funding is significantly smaller compared to what tribal and IHS-operated clinics receive. Several UIOs serve American Indian populations larger than those of some federally recognized Tribes.

To sustain operations, UIOs rely on state or local funding, private foundations, and philanthropic support. While they receive some IHS contracts or grants, these funds make up only a small fraction of the total IHS budget. Medicaid and Medicare reimbursements serve as a major revenue source, along with private insurance payments from covered patients.

While agencies like the CDC and SAMHSA offer funding opportunities, HRSA funding is generally restricted. Most UIOs are Federally Qualified Health Center (FQHC) Look-Alikes, meaning they meet FQHC requirements but do not receive direct HRSA funding. To qualify for HRSA grants, UIOs must be Section 330 eligible and designated as a New Access Point (NAP) site or full FQHC, which most are not.

UIOs also do not qualify for 100% FMAP for Medicaid services provided to AI/AN patients. Unlike IHS and tribally operated facilities, where the federal government covers the full Medicaid cost, states must share in the cost of Medicaid reimbursements for UIOs. They also do not qualify for the All-Inclusive Rate for Medicaid and Medicare reimbursements.

Funding Source	Indian Health Service (IHS)	Self-Determination 638 Contracted Tribes (Title I)	Self-Governance Compacted Tribes (Title V)	Urban Indian Organizations (UIOs)
IHS Direct Funding	Fully funded by IHS budget	IHS funding via self-determined contracts	IHS funding via self-determined compacts	Limited IHS grants/contracts
Self-Determination	Fully funded by IHS budget	Tribes manage healthcare services independently	Tribes manage healthcare services independently	Independent but with less federal support
Medicaid/Medicare Billing	Operated by IHS	Yes	Yes	Yes (critical for revenue)
Private Insurance	Yes	Yes	Yes	Yes
State/Local Funding	Limited	Some state support	Some state support	Some sate support
Private Grants & Donations	Minimal	Some tribes seek grants	Some tribes seek grants	High reliance on private grants
100% FMAP for AI/AN Medicaid Patients	Limited reliance	Yes	Yes	No
All-Inclusive Rate (AIR) Eligibility	Yes	Yes	Yes	No