

Institutional Advisors

Investing Tribal Third-Party Funds to Generate Unrestricted Tribal Revenue

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Tribal healthcare systems generate third-party revenue through insurance billing, patient services, and clinical operations. The Indian Healthcare Improvement Act (IHIA) and the Indian Self Determination and Education Assistance Act establishes critical legal frameworks that allow Tribes and Tribal healthcare entities to strategically invest these revenues in ways that strengthen not only healthcare delivery but also broader Tribal governance and community development. Unlike restricted grant funding or appropriated federal compact/contract dollars, investment gains derived from third-party revenue remain unrestricted, providing Tribal governments with unprecedented flexibility to address pressing community needs while building financial sustainability.

This article examines the regulatory landscape governing third-party revenue investments under the IHIA and related statutes, analyzes the distinction between restricted principle and unrestricted investment gains, and provides practical guidance for Tribal leaders seeking to maximize these resources for other Tribal priorities.

Unrestricted gains: The investment advantage

Principal vs. Investment Returns

A critical distinction exists between the principal amount of third-party revenue and the gains generated through prudent investment of those funds. While the principal itself remains restricted to “the provision of healthcare services” only, the investment gains (interest, dividends, capital appreciation) generated from that principal are unrestricted. This distinction creates a powerful tool for Tribal governments.



Regulatory requirements for investment of third-party revenue

- Tribes must invest prudently and diversify investments.
- Federal reporting requirements do not apply to interest income from third-party revenue.

Unrestricted allocation of investment gains

Investment gains derived from third-party revenue carry no federal restrictions. A Tribal healthcare entity generating \$5 million in third-party revenue annually can prudently invest these funds in diversified portfolios. If those investments generate \$250,000 in returns, that entire \$250,000 in unrestricted gains is available for allocation according to Tribal priorities – whether healthcare related or not unless restricted by lending facilities that are secured by healthcare revenues

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Incorporating investment gains into Tribal budgets

Tribal governments can strategically allocate unrestricted investment gains to support critical priorities and fill gaps in the Tribal budget, such as:

Education and workforce development

Support scholarship programs, vocational training, and professional recruitment.

Government operations

Strengthen Tribal administrative capacity, planning departments, and fiscal management infrastructure.

Infrastructure and utilities

Fund water systems, broadband, roads, and other facilities.

Community economic development

Support business development initiatives, small enterprise lending, and employment programs.

Tribal programs

Support other Tribal programs including, but not limited to, education, childcare, access to healthy foods and food sovereignty, elder programs, and youth programs.

Conclusion

Third-party revenue from Tribal healthcare entities represents more than operational income for the healthcare facilities — it is a mechanism for building Tribal financial sovereignty and supporting comprehensive community development. Regulations do not restrict investment gains derived from this revenue, and the gains belong to the Tribe. By strategically managing these investments and systematically allocating gains through Tribal budget processes, Tribal governments can address interconnected challenges while keeping the principal balance for healthcare use. This approach transforms healthcare finances into a tool for broader Tribal priorities while maintaining the integrity and sustainability of essential healthcare services.

Tribal leaders should ensure investment policies are established to clarify the treatment of revenues and investment gains and ensure appropriate diversification strategies and obtain legal guidance prior to implementing new programs or usage of funds.

For more information, please contact your advisor.



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