



DEC 6 2013

Dear Tribal Leader:

I am writing to request your input on rates charged for physician and other health care professional services purchased by Indian health programs and medical charges associated with non-provider-based care.

Section 506 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (Pub. L. 108-173) authorizes the Secretary to establish a payment methodology, payment rates, and admissions practices for Medicare-participating hospitals that furnish inpatient services applicable when such hospitals provide medical care that has been authorized by an Indian Health Service (IHS)/Tribal/Urban (I/T/U) program to an eligible American Indian or Alaska Native (AI/AN) beneficiary. As implemented in 42 C.F.R. Part 136 subpart D, Medicare-participating hospitals, including Critical Access Hospitals (CAHs), are reimbursed by I/T/U programs using "Medicare-like" rates that correspond generally to the applicable Medicare payment methodology for the type of provider service.

The Medicare-like rate methodology established by 42 C.F.R. Part 136 subpart D currently does not apply to non-hospital services, including physician and other health professional services and non-provider-based items and services. Rather, I/T/U programs reimburse for authorized services at the rates established by contracts negotiated at the local level with individual providers or according to a provider's billed charges.

Given the small market share of individual I/T/U programs, historically I/T/U providers have paid in excess of Medicare's allowable rates and rates paid by private insurers for the same services. Based on an audit of fiscal year (FY) 2012, the Government Accountability Office (GAO) estimated that implementing a Medicare-like rate methodology for IHS Contract Health Services (CHS) programs could have saved the IHS \$32 million on physician services alone, not including additional savings for other non-hospital services, or savings accrued to Tribal CHS programs. The report, entitled, "*Government Accountability Office, Indian Health Service: Capping Payment Rates for Nonhospital Services Could Save Millions of Dollars for Contract Health Services*," was released in April 2013 (See GAO-13-272 <http://www.gao.gov/assets/660/653728.pdf>), Enclosure 1 – GAO Highlights – GAO-13-272). The GAO concluded that by setting CHS physician and other non-hospital payments at rates consistent with Medicare and other Federal agencies, the IHS could achieve substantial savings that could be used to expand IHS beneficiary access to care.

These findings and recommendations are supported by a report from the Department of Health and Human Services' Office of the Inspector General, entitled, "*IHS Contract Health Services Program: Overpayments and Potential Savings*" (See OEI-05-08-00410, September 2009 <http://oig.hhs.gov/oei/reports/oei-05-08-00410.pdf>).

In May 2013, the Director’s Workgroup on Improving Contract Health Services (Workgroup) also issued recommendations with respect to rates paid for physician and other health care professional services purchased by Indian health programs and medical charges associated with non-provider-based care. Specifically, the Workgroup recommended “the expansion of Medicare-Like Rates for non-Hospital services, provided that available funds are used to provide more services to address growing CHS shortfalls in Indian Country.” (See May 6 Dear Tribal Leader Letter, Round III, Recommendation (3) Enclosure 2, and full letter at: [http://www.ihs.gov/newsroom/includes/themes/newihstheme/display\\_objects/documents/2013\\_Letters/05-06-2013\\_DTLL\\_CHS\\_WG\\_Recommendations.pdf](http://www.ihs.gov/newsroom/includes/themes/newihstheme/display_objects/documents/2013_Letters/05-06-2013_DTLL_CHS_WG_Recommendations.pdf)).

The IHS respectfully requests your comments and concerns on the April 2013 GAO report findings and options on how we can improve our payment rates and increase savings. I would also like your input on the May 6 Workgroup recommendation No. 3: Medicare-Like Rates for Non-Hospital Services.

Please e-mail all comments by January 31, 2014, to [consultation@ihs.gov](mailto:consultation@ihs.gov), or send your comments by postal mail to: Yvette Roubideaux, M.D., M.P.H., Acting Director, IHS, 801 Thompson Avenue, Suite 440, Rockville, MD 20852.

If you have any questions, contact Mr. Carl Harper, Director, Office of Resource Access and Partnerships, IHS, at (301) 443-3216.

Sincerely,

/Yvette Roubideaux/

Yvette Roubideaux, M.D., M.P.H.  
Acting Director

Enclosures:

- 1 – GAO Highlights (GAO-13-272)
- 2 – CHS Workgroup Recommendation 3, May 6, 2013