2-3.1 INTRODUCTION

A. **Purpose.** This revised chapter publishes the policy, procedures, and guidance for the effective management of the Indian Health Service (IHS) Purchased/Referred Care (PRC) Program. The authority to manage the operation of the PRC Program is delegated to the greatest degree possible, within the limits of available funds, to Area Directors and Chief Executive Officers (CEO). In the event PRC funds are depleted, PRC payment for services must be denied or deferred and the CEO must notify the Area Director.

B. **Authorities.**

1. 25 U.S.C. 13 (Snyder Act)
2. 42 U.S.C. 2001 et seq. (the Transfer Act of 1954)

C. **Policy.** It is IHS policy to ensure that PRC funds are used to supplement and complement other health care resources available to eligible American Indian and Alaska Native (AI/AN) people. The funds are utilized in situations where:

1. no IHS direct care facility exists;
2. the direct care element is incapable of providing required emergency and/or specialty care;
3. the direct care element has an overflow of medical care workload; and
supplementation of alternate resources (i.e., Medicare, Medicaid, private insurance, Veterans Health Administration) is required to provide comprehensive health care to eligible AI/ANs.

D. Acronyms.

1. AMA – Against Medical Advice
2. ARRA – American Recovery and Reinvestment Act
3. CY – Calendar Year
4. CHEF – Catastrophic Health Emergency Fund
5. CEO – Chief Executive Officer
6. CFR – Code of Federal Regulations
7. CHS/MIS – Contract Health Services/Management Information System
8. CDSR – Core Data Set Requirement
9. DCC – Division of Contract Care
10. EHR – Electronic Health Record
11. EPHI – Electronic Personal Health Information
12. FMFIA – Federal Managers’ Financial Integrity Act
13. FMCRA – Federal Medical Care Recovery Act
14. FR – Federal Register
15. FI – Fiscal Intermediary
16. FY – Fiscal Year
17. HITECH – Health Information Technology for Economic and Clinical Health Act
18. HIPAA – Health Insurance Portability and Accountability Act
19. IHCIA – Indian Health Care Improvement Act
20. MMA – Medicare Modernization Act
21. PHI – Protected Health Information
22. PRC – Purchased/Referred Care
23. PRCDLA – Purchased/Referred Care Delivery Area
24. PRCO – Purchased/Referred Care Officer
25. RCIS – Referred Care Information System
26. RPMS – Resource and Patient Management System
27. UFMS – Unified Financial Management System
29. VA – Veterans Health Administration
E. Definitions (Also see 42 CFR 136.21).

(1) Alternate Resources. Alternate resources are any Federal, State, local, or private source of coverage for which the patient is eligible. Such resources include health care providers and institutions and health care programs for the payment of health services including but not limited to programs under the Social Security Act (i.e., Medicare and Medicaid, Children’s Health Insurance Program), other Federal health care programs, State and local health care programs, Veterans Health Administration and private insurance.

(2) Appropriate Ordering Official. The person, with documented delegated procurement authority, who signs the purchase order authorizing the obligation of PRC funds.

(3) Area Director. The Director of an IHS Area Office designated for purposes of administration of IHS programs.

(4) Catastrophic Health Emergency Fund. The Catastrophic Health Emergency Fund (CHEF) is the fund established by Congress to reimburse extraordinary medical expenses incurred for catastrophic illnesses and disasters covered by a PRC program of the IHS, whether such program is carried out by IHS or an Indian Tribe or Tribal organization under the Indian Self-Determination and Education Assistance Act.

(5) Catastrophic Illness. Catastrophic illness is a medical condition that is costly by virtue of the intensity and/or duration of its treatments. Examples of conditions that frequently require multiple hospital stays and extensive treatment are cancer, burns, premature births, cardiac disease, end-stage renal disease, strokes, trauma-related cases such as automobile accidents and gunshot wounds and some mental disorders.

(6) Medicare Approved Transplant Program. A facility or institution that has met or exceeded defined standards of care in which transplants of organs are performed. The transplant program is a component within a transplant hospital that provides transplantation of a particular type of organ.

(7) CHEF Case. A CHEF case is an episode of acute medical care for a
Chapter 3
PURCHASED/REFERRED CARE

condition from an illness or injury, requiring extensive treatment that incurs medical costs to the IHS in excess of the CHEF threshold.

(8) **CHEF Threshold Cost.** A designated amount above which incurred medical costs will be considered for CHEF reimbursement after a review of the authorized expenses and diagnosis.

(9) **Chief Executive Officer.** The Chief Executive Officer (CEO) is the Director of the IHS program at the service unit level for the purposes of administration of the health service programs for that location.

(10) **Medical Referral.** A referral for health care services that is not authorized for payment by PRC.

(11) **Purchased/Referred Care Delivery Area.** The Purchased/Referred Care Delivery Area (PRCDA) is the geographic area within which PRC will be made available by the IHS and Tribes.

(12) **Purchased/Referred Care.** Purchased/Referred Care (PRC) is any health service that is:

a. delivered based on a referral by, or at the expense of, an Indian health program; and

b. provided by a public or private medical provider or hospital which is not a provider or hospital of the IHS or Tribal health program.

(13) **Purchased/Referred Care in Support of Direct Care.** These are contracted specialty physician and non-physician specialty medical services provided within an IHS/Tribal facility when the patient is under direct supervision of an IHS physician or a contract physician practicing under the auspices (or authority) of the IHS facility.

(14) **Core Data Set.** The PRC Core Data Set consists of required data for management of the PRC program that constitutes a subset of data collected in the IHS information system. The purpose of the data is to assist the IHS in its internal management and to satisfy Congressional and other mandatory reporting requirements.
Chapter 3
PURCHASED/REFERRED CARE

(15) **Deferred Services.** Deferred services are services referred for PRC that do not meet immediate medical priority for payment guidelines for which the provision of treatment can be postponed or delayed and the service has not been provided.

(16) **Descendant of a Tribal Member.** An individual biologically descended from an enrolled member of the Tribe.

(17) **E-SIGN.** E-SIGN is the electronic equivalent of a hand-written signature requiring user authentication, such as a digital certificate, smart card or biometric method for verification.

(18) **Emergency.** An emergency is any medical condition for which immediate medical attention is necessary to prevent the death or serious impairment of the health of an individual.

(19) **Episode of Care.** The period of consecutive days for a discrete health condition during which reasonable and necessary medical services related to the condition occur.

(20) **Fiscal Intermediary.** The Fiscal Intermediary (FI) is the fiscal agent contracted by IHS to provide and implement a system to process PRC medical, dental and behavioral health claims for payment (42 U.S.C. 238m).

(21) **Indian Tribe.** Any Indian Tribe, band, nation, group, pueblo, or community, including any Alaska Native village or Native group, which is Federally-recognized as eligible for the special programs and services provided by the United States (U.S.) to Indians, because of their status as Indians.

(22) **Notification of a Claim.** For the purposes of part 136, and also 25 U.S.C. 1621s and 1646, the submission of a claim that meets the requirements of 42 CFR 136.24.

a. Such claims must be submitted within 72 hours after the beginning of treatment for the condition or after admission to a health care facility, notify the appropriate ordering official of the fact of the admission or treatment, together with information necessary to
Chapter 3
PURCHASED/REFERRED CARE

determine the relative medical need for the services and the eligibility of the Indian for the services.

b. The information submitted with the claim must be sufficient to:
   (i) Identify the patient as eligible for IHS services (e.g., name, address, home or referring service unit, Tribal affiliation),
   (ii) Identify the medical care provided (e.g., the date(s) of service, description of services), and
   (iii) Verify prior authorization by the IHS for services provided (e.g., IHS purchase order number or medical referral form) or exemption from prior authorization (e.g., copies of pertinent clinical information for emergency care that was not prior-authorized).

(23) PRC Rates. The PRC rates are the rates IHS adopted in 42 CFR 136 Subpart D and Subpart I for payment of services authorized for payment through a PRC program. These rates are commonly referred to as Medicare-like rates.

(24) PRC Referral. An authorization for medical care by the appropriate ordering official in accordance with 42 CFR part 136 subpart C.

(25) Reservation. Any Federally-recognized Indian Tribe’s reservation, pueblo, colony, Indian allotments, or Rancheria, including Alaska Native regions established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq).

(26) Residence. In general usage, a person “resides” where he or she lives and makes his or her home as evidenced by acceptable proof of residency or established by the IHS facility or PRC program.

(27) Secretary. Secretary of the Department of Health and Human Services (HHS).

(28) Service. The Indian Health Service.

(29) Tribal Health Director. The Director of a Tribally-operated program, or his/her designee, authorized to make decisions on payment of PRC funds pursuant to a Pub. L. 93-638 contract.
(30) **Tribal Member.** A person who is an enrolled member of a Tribe or is granted Tribal membership by some other criteria by the appropriate Tribal governing policy/document.

(31) **Tribally-Operated Program.** A program operated by a Tribe or Tribal organization that has contracted under Pub. L. 93-638 to provide a PRC program.

(32) **Tribal Self-Insurance.** A health plan that is funded solely by a Tribe or Tribal organization and for which the Tribe or Tribal organization assumes the burden of payment for health services covered under the plan either directly or through an administrator. Any portion of the plan that is reinsured will not be considered Tribal Self-Insurance.

(33) **Unmet need - PRC.** The IHS collects data on cases of unfunded PRC services — services for which funding was not available — from the individual federally and tribally-operated PRC programs. Counts of deferral and denial cases are recorded by the individual PRC programs, collected by the Area Offices, and submitted to HQ. The aggregate count of cases is multiplied by the average cost per PRC claim (weighted average of the costs for inpatient, outpatient and transportation paid PRC claims) provided by the FI to estimate PRC program resource unmet need.

(34) **Urgent Care.** The delivery of ambulatory care in a facility dedicated to the delivery of medical care outside of a hospital emergency department, usually on an unscheduled, walk-in basis. Urgent care centers are primarily used to treat patients who have an injury or illness that requires immediate care but is not serious enough to warrant a visit to an emergency department.

(35) **Veterans Eligible for VA Resources.** Eligibility for VA resources is dependent upon a number of variables, which may influence the final determination of services for which the veteran qualifies. These factors include the nature of a veterans discharge from the military service (e.g., honorable, other than honorable), length of service, VA adjudicated disabilities (commonly referred to as service connected disabilities), income level and available VA resources among others.
Chapter 3  
PURCHASED/REFERRED CARE

2-3.2 RESPONSIBILITIES

A. **Director, Division of Contract Care.** The Director, Division of Contract Care (DCC), IHS Headquarters (HQ) will:

(1) Establish general policies regarding the administration of the PRC program in the IHS.

(2) Establish standards of performance for Area, service unit and FI operations of PRC.

(3) Assess the performance of the PRC program at Area, service unit and FI against established standards.

(4) Assess long-term purpose and direction of the PRC program to ensure maximum effectiveness of the program in meeting the health needs of AI/AN people.

(5) Develop long-term plans and objectives for the future development of the PRC program.

(6) Provide staff assistance to Area Offices in matters of general policies and procedures.

(7) Prepare budget justification for the total PRC program.

(8) Allocate funds through the Office of Finance and Accounting to Area Directors.

(9) Promptly and appropriately respond to appeals of denials of PRC by IHS Area Offices.

(10) Provide guidance in the establishment of medical priorities.

(11) Provide project officer services for the FI contract and all FI evaluation projects.

(12) Respond to congressional questions and requests for information from the PRC program.
Chapter 3
PURCHASED/REFERRED CARE

(13) Centrally manage the CHEF.

(14) Establish general guidelines and policies for applying coordination of care practices and PRC quality assurance activities in the Areas and service units.

(15) Continue to operate and refine a Management Control System for the PRC function that conforms to the requirements of the Federal Managers' Financial Integrity Act (FMFIA), Section 2 [31 U.S.C. 3512 (b)] and IHS policies and procedures cited in Part 5, Chapter 16, “Management Control Systems,” Indian Health Manual (IHM).

B. Area Director. The Area Director administers the PRC program, ensuring the program operates within regulations, policies, procedures and the budget. The Area Director through the respective Area PRC Officer shall:

(1) Develop and establish policies and methods for the direction, control, review and evaluation of the Area and service unit PRC programs.

(2) Establish medical priorities for the care of eligible AI/AN people that will most effectively meet their needs within the funds available and are consistent with the National IHS medical priorities.

(3) Maintain records for planning and for controlling funds and furnish reports to the Director, DCC, at HQ as required.

(4) Allocate an equitable share of funds among the IHS/Tribal PRC programs based on established formulas agreed to by the Tribes.

(5) Coordinate appropriate contract activities with the Area Contracting Officer.

(6) Act promptly and appropriately on appeals of service unit PRC denials.

(7) Act promptly and appropriately on appeals from Pub. L. 93-638 operated PRC programs if the program has elected to follow the IHS appeals process.
Chapter 3
PURCHASED/REFERRED CARE

(8)  Monitor the CHEF cases.

(9)  Establish general guidelines and policies for applying coordination of care practices and PRC quality assurance activities in the IHS Area facilities.

(10) Be responsible for internal controls related to the FMFIA.

2-3.2 PURCHASED/REFERRED CARE DELIVERY AREA

A. **Purchased/Referred Care Delivery Area (PRCDA).** Currently the IHS provides services under regulations in effect on September 15, 1987 republished at 42 CFR Part 136, Subparts A-C, and may be changed only in accordance with the Administrative Procedures Act (5 U.S.C. 553). 42 CFR Part 136, Subpart C defines a PRCDA as the geographic area within which PRC will be made available to members of an identified Indian community who reside in the PRCDA. It should be clearly understood that residence within a PRCDA by a person who is within the scope of the Indian health program, as set forth in 42 CFR 136.12, creates no legal entitlement to PRC but only potential eligibility for services.

B. **Services Needed But Not Available.** Services needed but not available at an IHS or Tribal facility are provided under the PRC program depending on the availability of funds, the person’s relative medical priority and the actual availability and accessibility of alternate resources in accordance with the regulations.


(1) A PRCDA typically consists of a county that includes all or part of a reservation, and any county or counties that have a common boundary with the reservation.

(2) Congress has statutorily created or re-designated a PRCDA through legislative enactments such as appropriations, restoration and/or recognition acts, public laws, etc.
(3) Some Tribes and particularly many of the newly recognized Tribes do not have reservations. When congress has not legislatively designated counties to serve as a PRCDA for such a Tribe, the Director, IHS, exercises reasonable administrative discretion to designate a PRCDA to effectuate the intent of Congress for the Tribe.

(4) The Director, IHS, publishes a notice in the FR when there are revisions or updates to the list of PRCDAs, including the designation of a PRCDA for a newly recognized Tribe.

2-3.4 REDESIGNATION OF A PRCDA

A. Re-designation Request. The Tribal group(s) affected, or the IHS, (after working with the affected Tribal group(s) may request for re-designation of a PRCDA. All requests for re-designation shall contain the following information:

(1) The estimated number of AI/AN people who will be included and/or excluded for eligibility of PRC. Note: The re-designation of a PRCDA may not result in the exclusion of AI/AN people eligible under 42 CFR 136.23(a)(1), i.e., reservation residents.

(2) The Tribal governing body’s designation of the categories of AI/AN people to be included and/or excluded from eligibility for PRC; such as:

b. members of the Tribe who live near the reservation; or

c. AI/AN people who are not members of the Tribe but have close economic and social ties with the Tribe.

(3) The impact of the change in the PRCDA on the level of PRC being provided to eligible AI/AN people in the original PRCDA.

(4) The justification for the change in the PRCDA. The justification may include criteria used in establishing the PRCDA for the States outlined in 42 CFR 136.22, but are not limited to these criteria.

B. Submission of a Proposed PRCDA Change. Proposals for a change in a PRCDA must be submitted to the Director of the Area Office of the affected Tribe for review and forwarded to the Director, DCC, for appropriate action.
C. **Requirements.**

1. The Area PRC Officer will analyze the request and will recommend acceptance or rejection of the request to the Area Director. For tribally-managed programs, analysis will be coordinated with the Area Tribal Project Officer for contracted programs or Self-Governance Coordinator for compacted programs. If another Tribe(s) is affected by the PRCDA designation/re-designation there must be consultation by the Area with the affected Tribe(s).

2. The Area Director will then forward the recommendation, in writing to the Director, DCC, for appropriate action on the proposal.

3. The Director, DCC, will review the request for the re-designation of the PRCDA, and apply the criteria outlined in Paragraph A above to the information submitted to support the request. If the submittal from the Area is complete, the Director, DCC will convene a meeting of an ad hoc PRCDA Designation /Re-designation Committee to consider the request. The committee members consist of IHS HQ representatives from the DCC; Office of Finance and Accounting/Division of Budget Formulation; Office of Public Health Support/Division of Program Statistics; Office of Management Services/Division of Regulatory Affairs; Office of Tribal Self-Governance; and Office of Direct Service and Contracting Tribes. The Director, DCC will chair the committee meeting.

4. The Director, DCC, shall prepare a report containing the findings of the PRCDA Designation /Re-designation Committee as to whether the criteria have been met. The Director, DCC, will submit the findings and recommendation to approve or deny the request via memorandum to the Director, IHS. If approval is recommended, the Director, DCC will draft the PRCDA re-designation *Federal Register* notice.

5. The Director, IHS will inform the Tribe requesting the PRCDA designation/re-designation and the corresponding Area Director of the decision. The decision is final and cannot be appealed.

D. **Tribal Consultation.** The regulations at 42 CFR 136.22(b) state that after consultation with the Tribal governing body or bodies of those reservations...
Chapter 3
PURCHASED/REFERRED CARE

included in the PRCDA, the Secretary may from time to time, re-designate areas within the U.S. for inclusion in or exclusion from a PRCDA. Consultation with the affected Tribe(s) occurs during the review of the request for re-designation, but the IHS publishes a notice with requests for comments as part of the consultation process. (See Manual Exhibit 2-3-A for sample materials on re-designation of a PRCDA.)

(1) If IHS determines that a re-designation of a Tribe’s PRCDA should be made, the IHS shall publish a notice with request for comments in the FR advising the public that the IHS proposes to re-designate a particular Tribe’s PRCDA.

(2) The notice with request for comments shall include:
   a. The proposed action and the background information sufficient to provide the public an explanation for the Agency’s decision.
   b. A statement as to the date when comments must be received. There must be at least a 30-day “comment” period from date of publication of the notice.
   c. Reference to the legal authority and the name and address of the public official to whom comments should be addressed.

E. Effective Date of PRCDA Change. After a review of any comments received by the IHS after the publication of its notice with the request for comments, and after determining the Tribe’s PRCDA should still be re-designated, the IHS shall publish a final notice advising the public that the IHS is re-designating a particular Tribe’s PRCDA. The change in the PRCDA will be effective on the date of the final notice in the FR.

F. Exception. Under certain circumstances, the notice and comment process described above, in paragraphs 2-3.4A-E, is not necessary in order to add counties to a Tribe’s PRCDA. Instead, a memorandum from the Director, IHS, is mailed to the respective Area Director regarding the action resulting in a correction to, expansion of, or the creation of the Tribe’s PRCDA with instructions to the Area Director to contact the Tribe with this information. Such circumstances include the following:
Chapter 3  
PURCHASED/REFERRED CARE

(1) the IHS inadvertently or mistakenly omitted the county from the Tribe’s PRCDA list; or

(2) the Tribe’s reservation was expanded or created by a proclamation issued by the Secretary of Interior or by congressional statute, e.g., Federal recognition of a Tribe.

2-3.5 PERSONS TO WHOM PRC WILL BE PROVIDED

A. Authority. 42 CFR Part 136.23 is the appropriate citation for all correspondence to providers and AI/AN patients regarding eligibility for PRC. NOTE: This chapter should not be cited as the authority for making decisions on eligibility or payment denials.

B. Funds Available. There is no authority to authorize payment for services under the PRC program unless funds are in fact available.

C. Insufficient Funds. When funds are insufficient to provide the volume of purchased/referred care indicated as needed by the population residing in a PRCDA, priorities for service shall be determined on the basis of relative medical need. Manual Exhibit 2-3-B demonstrates the process for determining the disposition for a patient being considered for PRC funding. In the event that all PRC funds are depleted, referrals will be denied PRC payment or deferred. Medical referrals will still be made based on services needed by the patient. However, no payment or promise of payment can be made when there are no funds available. The Service Unit CEO will notify the Area Director when PRC funds are insufficient.

D. Services.

(1) Any expenditure of PRC funds is limited to services that are medically indicated. See the Medical Priority list for services that may be included and those specifically excluded. The listing for PRC Medical Priorities can be found at the PRC Web site: http://www.ihs.gov/PRC/index.cfm?module=PRC_requirements_priorities_of_care

(2) No PRC funds may be expended for services that are reasonably accessible and available at IHS facilities.
Chapter 3
PURCHASED/REFERRED CARE

(3) The determination of whether an IHS facility is “reasonably accessible and available” is made by the CEO based on the following criteria:
   a. Determination of the actual medical condition of the patient, i.e., emergent, urgent, or routine.
   
   b. The ability of the IHS to provide the necessary service.
   
   c. The level of funding available to provide PRC.
   
   d. Distance from the IHS facility.
   
   e. Inclement weather and/or unsafe travel conditions must be taken into consideration for time/distance to an IHS facility.

E. Guidelines. The following guidelines will be used in applying the above criteria:

(1) There must be a compelling reason to believe, upon review of the medical record and assessment of the patient’s situation that without immediate medical treatment an individual’s life or limb would have been endangered.

(2) Available PRC funds may be authorized for an emergency to the extent that the contract facility was the nearest available provider capable of providing the necessary services and the patient’s condition dictated that he/she be transported to the nearest hospital.

(3) A list of diagnostic categories that have been administratively determined to be emergencies is included. This list is not all inclusive and other conditions may be included as an emergency when so determined by qualified IHS professionals. Medical and dental priorities may be found at the following:

(4) Final decision as to classification of medical services as “emergency” will be based on review by an appropriate clinical health professional or by documented medical history.
Chapter 3
PURCHASED/REFERRED CARE

(5) Services for an acute condition (urgent but not emergent) may be provided through PRC funds when the nature of the medical need of the patient, as determined by a professional, can best be met by using a private facility and sufficient PRC funds are available for this level of service.

(6) Routine health services (not emergent or urgent) should ordinarily be provided by IHS staff and facilities. Routine health services may be provided through PRC when the CEO has determined that sufficient PRC funds are available for this priority of medical service. As a general rule, routine health services will not be provided through PRC when an IHS facility capable of providing these services is within 90 minutes one-way surface transportation time from the person’s place of residence. Weather conditions at the time of the illness should be considered when estimating time to the facility.

(7) If a facility desires to change the criteria in 2-3.5E(6) for their patients, on the availability and accessibility of IHS facilities for routine health services they must request the Area Office to issue a supplement on the criteria to be used for their facility. The new criteria should be developed with Tribal consultation and issued by the Area Office as stipulated in 1-1.2 IHM. This change will be posted and published to maximize knowledge among the AI/AN population served. This can be done through posters in clinic and hospital waiting areas, local media, brochures and wallet size information cards.

(8) Purchased/Referred Care funds may be expended for services to support direct care individuals treated in an IHS facility to the extent that the individual is eligible for direct services. However, hospitals and clinics funds shall be used to support direct care whenever possible. Payment of costs for “contract to support direct care” specialty services (e.g., prenatal, podiatry, or orthopedic clinics) provided within the facility are permitted when patients are under the direct supervision of an IHS physician or a contract physician practicing under the auspices of the medical staff rules and regulations of the IHS facility. PRC funds are not to be used to support routine primary care that the facility is designed to provide. Manual Exhibit 2-3-C includes directives from IHS DCC, HQ on when PRC can be used in support of direct care. Expenditures must be consistent with the directives set forth therein.
ELIGIBILITY REQUIREMENTS

A. **Documentation.** An AI/AN claiming eligibility for PRC has the responsibility to furnish the CEO with verifiable documentation to substantiate the claim. Each facility should establish a policy on documentation. Manual Exhibit 2-3-D lists examples of acceptable documentation and examples to clarify the concept of residency.

B. **Eligibility.** Eligibility for PRC is governed by 42 CFR 136.23. The PRC program is not an entitlement program and thus, when funds are insufficient to provide the volume of PRC needed, services shall be determined on the basis of relative medical need in accordance with established medical priorities [42CFR 136.23(e)]. To be eligible for PRC, an individual:

1. must be eligible for direct care as defined in 42 CFR 136.12; and either
2. reside within the U.S. on a Federally-recognized Indian reservation; or
3. reside within a PRCDA and;
   a. are members of the Tribe or Tribes located on that reservation; or
   b. maintain close economic and social ties with that Tribe or Tribes.

C. **Close Economic And Social Ties.** The basis for determining close economic and social ties is established by the Tribe(s) served and may include criteria such as:

1. employment with a Tribe whose reservation is located within a PRCDA in which the applicant lives;
2. marriage to an eligible member of the Tribe; or
3. determination by the Tribe(s), including certification (a written decision by the legal governing body of a Tribe which has legal authority) from the
Chapter 3
PURCHASED/REFERRED CARE

Tribe(s) near where the individuals live that he/she have close economic and social ties with the Tribe whose reservation is located within the PRCDA in which the applicant resides.

D. **Full-time Student.** PRC will be made available to students who would be eligible at the place of their permanent residence, but who are temporarily absent from their residence, as follows:

(1) Full time student programs such as high school, college (undergraduate and graduate) vocational, technical, or other academic education, during their attendance and normal school breaks. The service unit where the student was eligible for PRC prior to leaving for school is responsible for the student. These students remain eligible after the completion of the courses of study up to 180 days. After 180 days has elapsed the student is no longer eligible for PRC.

(2) At all Bureau of Indian Affairs (BIA) Boarding Schools, PRC is provided for students during their full-time attendance, by the Area where the boarding school is located. Included are BIA off-reservation schools such as:

   a. Flandreau Indian School, Moody County, South Dakota;
   b. Circle of Nation School Wahpeton, Richland County, North Dakota;
   c. Sherman Indian High School, Riverside County, California;
   d. Riverside Indian School, Caddo County, Oklahoma; and
   e. Chemawa Indian School, Marion County, Oregon.

Boarding school students can receive PRC whether or not they resided in a PRCDA before attending the school. While the student is on a scheduled break or vacation, the student's PRC permanent area of residence is responsible for payment of PRC services.

E. **Transients.** PRC eligible persons who are on travel or are temporarily employed, such as seasonal or migratory workers, remain eligible for PRC at their permanent
residence during their temporary absence.

F. Persons in Custody. The cost of medical and related health services for eligible beneficiaries in custody of (non-Indian) law enforcement agencies is not the responsibility of the IHS, but is the responsibility of that particular agency. Persons in the custody of Indian law enforcement agencies will be considered eligible on the same basis as other beneficiaries of the Service. IHS does not provide the same health services in each area served and services provided will depend upon the facilities and services available (42 CFR 136.11(c)).

G. Persons outside the United States. Persons visiting a foreign country are eligible for PRC if the beneficiary is eligible for the PRC program and the purchase of care complies with the PRC regulations and the Federal Acquisition Regulations (FAR). See guidance in Manual Exhibit 2-3-E.

H. Other Persons outside the PRCDA. Persons, who leave the PRCDA in which they are eligible for PRC and are neither students nor transients, will be eligible for PRC for a period not to exceed 180 days from such departure.

I. Other Eligibility Considerations. An AI/AN is not required to be a citizen of the U.S. to be eligible for PRC. The AI/AN (e.g., a citizen of Canada or Mexico) must reside in the U.S. and be a member of a Federally recognized Tribe whose traditional land is divided by the Canadian border (e.g., St. Regis Mohawk, Blackfeet) or Mexican border (e.g., Tohono O’Odham, Kickapoo).

J. California Indians. Section 1679a of the Indian Health Care Improvement Act (IHCIA), states that the following California Indians shall be eligible for health services provided by the Service:

(1) Any member of a Federally-recognized Indian Tribe;

(2) Any descendent of an Indian who was residing in California on June 1, 1852, but only if such descendent:

a. is a member of the AI/AN community served by a local program of the Service, and

b. is regarded as an Indian by the community in which such descendent lives,
Chapter 3
PURCHASED/REFERRED CARE

(3) Any AI/AN who holds trust interests in public domain, national forest, or AI/AN reservation allotments in California; and

(4) Any AI/AN in California who is listed on the plans for distribution of assets of California Rancherias and reservations under the Rancheria Act of August 18, 1958 (72 STAT. 619), and any descendent of such an Indian.

(5) Section 1679(b) of the IHCIA states that nothing in this Section may be construed as expanding the eligibility of California Indians for health services provided by the Service beyond the scope of eligibility for such health services that applied on May 1, 1986.

K. Indians Adopted By Non-AI/AN Parents. Indians adopted by non-AI/AN parents must meet all PRC requirements to be eligible for care (e.g., reside within a PRCDA).

L. Foster Children. American Indian/Alaska Native children who are placed in foster care outside a PRCDA by order of a court of competent jurisdiction and who were eligible for PRC at the time of the court order shall continue to be eligible for PRC while in foster care. Section 1680c(a) of the IHCIA, states in part:

“(a)(1) Any individual who— (1) has not attained 19 years of age, (2) is the natural or adopted child, step-child, foster-child, legal ward, or orphan of an eligible Indian, and (3) is not otherwise eligible for the health services provided by the Service, shall be eligible for all health services provided by the service on the same basis and subject to the same rules that apply to eligible Indians until such individual attains 19 years of age….. If such an individual has been determined to be legally incompetent prior to attaining 19 years of age, such individual shall remain eligible for services until 1 year after the date of a determination of competency.”

M. Non-AI/AN Pregnant Woman. A non-AI/AN woman pregnant with an eligible AI/AN’s child who resides within a PRCDA is eligible for PRC during pregnancy through post-partum (usually 6 weeks). If unmarried, the non-AI/AN pregnant woman is eligible for PRC if the eligible AI/AN male states in writing that he is the father of the unborn child or such are determined by order of a court of competent jurisdiction. This will ensure health services to the unborn AI/AN
Chapter 3
PURCHASED/REFERRED CARE

N. Non-AI/AN Spouses. Section 1680c(b) of the IHCIA, states in part: “Any spouse of an eligible Indian who is not an Indian, or who is of Indian descent but not otherwise eligible for the health services provided by the service, shall be eligible for such health services if all of such spouses are made eligible, as a class, by an appropriate resolution of the governing body of the Indian Tribe of the eligible Indian.”

O. Non-Indian. A non-AI/AN member of an eligible AI/AN’s household who resides within a PRCDA is eligible for PRC if the medical officer in charge determines that services are necessary to prevent the spread of a communicable disease, control a public health hazard or an acute infectious disease, which constitutes a public health hazard.

The facility staff after determining that the patient is NOT eligible for PRC, shall obtain the signature(s) of the individual(s) acknowledging that they are not eligible for PRC, e.g., not residing within the PRCDA.

2-3.7 PURCHASED/REFERRED CARE MEDICAL PRIORITIES

Regulations [42 CFR 136.23(e)] permit the establishment of priorities based on relative medical need when funds are insufficient to provide the volume of PRC indicated as needed by the population residing in a PRCDA. The IHS medical and dental priorities health priorities are found on the PRC Web site: https://www.ihs.gov/PRC/index.cfm?module=PRC_requirements_priorities_of_care

Tribal programs when developing their own PRC Medical Priorities to meet Tribal needs may utilize IHS medical and dental priorities as guidelines.

The CMS Medicare National Coverage Determinations Manual and current medical literature will be used as a basis for decision-making.

2-3.8 PAYER OF LAST RESORT REQUIREMENTS

A. Payor of Last Resort. Under 42 CFR 136.61 the IHS is the payor of last resort for services provided to patients defined as eligible for PRC, regardless of any State or local law or regulation to the contrary. Under 25 U.S.C. 1623(b), Congress
Chapter 3
PURCHASED/REFERRED CARE

elevated IHS’ payer of last resort status, superseding federal laws to the contrary. Whether the alternate resource is regulated by federal, state or local law, IHS intends to implement its statutory payor of last resort authority in accordance with existing regulations. Accordingly, the IHS will not be responsible for or authorize payment for PRC to the extent that:

(1) the AI/AN is eligible for alternate resources, defined in paragraph 2-3.9G, or

(2) the AI/AN would be eligible for alternate resources if he or she were to apply for them, or

(3) the AI/AN would be eligible for alternate resources under State or local law or regulation but for the Indian’s eligibility for PRC or other health services, from the IHS or IHS programs. Note; a “charity program” is not considered an alternate resource if the provider of services is absorbing the full cost of the care, but the charity program would be an alternate resource if the provider of services receives reimbursement for the costs of providing such care.

B. Eligibility for Alternate Resources.

(1) Refer to the Benefit Coordinator to determine whether the patient is eligible for alternate resources.

GUIDELINE: Initially, the IHS should make a determination based upon reasonable inquiry whether the IHS patient applying for PRC is potentially eligible for alternate resources. Reasonable inquiry consists of ascertaining the patient’s household size, income, and assets, and applying alternate resource program standards to the patient’s information. Only IHS patients who, upon reasonable inquiry, are determined to be potentially eligible for alternate resources are required to apply for such resources. The IHS patients should not automatically be denied PRC benefits simply because of the possibility they might be eligible for an alternate resource.

(2) Advise the patient of the need to apply for alternate resources and refer to the Benefit Coordinator.
Chapter 3
PURCHASED/REFERRED CARE

GUIDELINE: The IHS will provide the patient with a written notice that explains why it is necessary for him or her to make a “good faith” application to the alternate resource program. The notice should include information such as the need to schedule and attend scheduled appointments, the necessary documentation to bring to the appointments, and availability of transportation to appointments.

(3) Benefit Coordinator will assist the patient in applying, especially where it is evident that the patient is unable to apply or is having difficulty with the application process.

GUIDELINE: The IHS shall include in its written notice that if a patient is unable to apply or is having difficulty applying for alternate resources, the facility staff (Benefit Coordinator) will assist with the application process.

Each facility will document attempts to assist patients in applying for or completing an alternate resource application. Documentation of assistance for application to the alternate resource program is necessary to support a decision whether to authorize payment of PRC funds.

C. Completed Application to Alternate Resource Program. If a completed application to the alternate resource program results in a denial, the alternate resource program denied payment for a valid reason (e.g., the patient is over income eligibility standards or not a resident of the county), and the AI/AN patient’s medical bills and the AI/AN is otherwise PRC eligible, the IHS should pay the AI/AN patient’s medical bill.

An AI/AN patient cannot be denied alternate resources that he or she would be eligible for under State or local law or regulation simply because of his or her eligibility through the IHS and PRC Program.

D. Failure to Follow Alternate Resource Procedures. There are two instances when IHS will not pay the provider for medical bills incurred by an otherwise PRC eligible patient:

(1) When the patient willfully or intentionally fails to apply or fails to complete an alternate resource application. The facility staff will provide written notice to patients that if an alternate resource application is not
completed, or if the patient does not contact the facility staff for assistance in completing the application within 10 days after the receipt of the notice, a PRC denial letter will be issued. If an alternate resource program issues a denial because the applicant failed to apply or failed to complete the application and the PRC file is well documented with attempts to assist the applicant, the PRC office should issue a PRC denial to the patient and a copy should be forwarded to the provider.

(2) When the provider is not able to receive payment from an alternate resource program because of the provider’s failure to follow proper procedures e.g., non-timely filing of the patient’s alternate resource, neither the patient nor IHS will be responsible for the medical bill, even if the AI/AN patient is otherwise PRC eligible (42 CFR 136.30(h)(3).

E. Notice to Providers. The Director, PRC, will inform private providers (i.e., non-IHS facilities and practitioners providing medical services to IHS beneficiaries) of the PRC eligibility criteria and requirements. Such information can be provided through terms in a contract with the provider, by separate notice upon referral of a patient to the provider, or by general notification to a provider when there are continuous referrals of patients to that same provider. The Director, PRC will inform providers that:

(1) an IHS medical referral does not constitute a representation of eligibility under the PRC program (see Manual Exhibit 2-3-F);

(2) the IHS expects the provider to apply for alternate resources as it would for its non-AI/AN patients;

(3) the provider must investigate with each patient, his or her eligibility for alternate resources and should assist the patient in completing necessary application forms;

(4) if an alternate resource is available, its use is required and the IHS or the FI shall be promptly notified of any payment received; and

(5) the IHS or FI will reject claims where the provider fails to investigate other party liability.

F. Payor of Last Resort Rule. The use of alternate resources is mandated by the
Chapter 3
PURCHASED/REFERRED CARE

Payor of Last Resort Rule, 42 CFR 136.61.

(1) An individual is required to apply for an alternate resource if there is reasonable indication that the individual may be eligible for the alternate resource.

(2) Refusal to apply for alternate resources when there is a reasonable possibility that one exists, or refusal to use an alternate resource, requires the denial of eligibility for PRC.

(3) An individual is not required to expend personal resources for health services to meet alternate resource eligibility or to sell valuables or property to become eligible for alternate resources.

G. Alternate Resources. All IHS or Tribal facilities that are available and accessible to an individual are considered alternate resources. Other alternate resources to pay for private sector services would include, but not be limited to, Medicare, Medicaid, Vocational Rehabilitation, Children’s Rehabilitative Services, Local or Private Insurance, State Programs and Crime Victims Act. Also see 42 CFR 136.61(c). A charity or indigent care program offered by a provider of services is not considered an alternate resource if the provider of services is absorbing the full cost of the care, but the charity or indigent care program will be considered an alternate resource if it receives reimbursement for the costs of providing such care from state resources or other institutions.

H. Qualified Health Plan from a Federal or State Marketplace.

(1) Qualified Health Plans (QHP) are available through the Marketplace where consumers can compare health insurance options. Pub. L. 111-148, Patient Protection and Affordable Care Act (March 23, 2010) provides special protection for members of federally recognized tribes from cost-sharing (deductibles, coinsurance and copayments) for the provision of essential health benefits in a QHP. Zero Cost-Sharing plans are only available to members of federally recognized Tribes and Alaska Natives with incomes at or between 100% and 300% of the federal poverty level.

a. In-Network Providers – a referral is not needed for the patient to receive an EHB from an “in-network” non-Indian health care

Indian Health Manual (00/00/2018) TN 2018-XX
Chapter 3
PURCHASED/REFERRED CARE

provider.

b. Out-of-Network Providers – an authorized PRC referral is required to cover out of network charges. Out of network charges are not a co-pay, co-insurance or deductible.

(3) Limited Cost-Sharing plans are available to members of federally recognized Tribes and Alaska Natives with any level of income. There is no cost sharing as long as the service is referred through a PRC program.

a. In-Network Providers - A PRC referral is required to avoid cost sharing for essential health benefits (EHB). The PRC referral must state it is for all EHB for the episode of care.

b. In-Network Providers – A QHP referral from the QHP primary care provider may be required (depending on the terms of the QHP). PRC staff need to confirm with the QHP and assist the beneficiary in acquiring this referral.

c. Out-of-Network Providers – An authorized PRC referral is required to cover any out-of-network charges and to cover authorized charges up to the PRC rate.

(4) Standard and Silver Cost-Sharing plans are QHPs that are available to IHS beneficiaries that are not members of a federally recognized tribe or Alaska native but are otherwise eligible for IHS.

a. All Providers – An authorized PRC referral is required to pay any cost sharing expenses after the QHP payment.

b. All Providers - A QHP referral from the QHP primary care provider may be required (depending on the terms of the QHP). PRC staff need to confirm with the QHP and assist the beneficiary in acquiring this referral.

AI/ANs with Medicaid who have ever received a service (e.g., a primary care, dental, behavioral health visit etc.) from the Indian Health Service, tribal health programs, or through a PRC referral are exempt from cost-sharing which includes copayments or
coinsurance for Medicaid services. Therefore, there is no cost to the PRC program for Medicaid services provided. AI/ANs can self-attest that they have ever received services from IHS or a tribal health program.

Students whose grant includes funds for health services shall be required to use the grant funds to purchase available student health insurance. Individuals who receive funding to purchase insurance shall be required to use such funds for health care purposes and such insurance shall be considered an alternate resource.

When an alternate resource is identified that will require the IHS to pay a portion of the medical care costs, the appropriate IHS form, IHS form 843 will be processed immediately to obligate the funds for the estimated balance, after alternate resource payment, with corresponding distribution of the form. In these situations, the IHS form, IHS form 843, must clearly indicate that payment will not be processed unless and until the provider has billed and received payment from the alternate resource. It is proper and necessary to require either an explanation of benefits (EOB) or, in cases of denial from the alternate resource, a copy of the denial notice for the record.

I. Exception to the IHS Payor of Last Resort: Tribal Self-Insurance Plans. For purposes of IHS administered PRC programs, the Agency will not consider tribally-funded self-insured health plans to be alternate resources for purposes of the IHS’ Payor of Last Resort Rule.

J. Coordinating Benefits with Health Care Coverage Purchased under 25 U.S.C. 1642 (“sponsorship”). IHS considers sponsorship through indemnity to be an alternate resource under the payer of last resort rule.

2-3.9 AUTHORIZATION FOR PURCHASED/REFERRED CARE

A. Notification. The following notification requirements apply to all categories of eligible AI/AN patients including students, transients, and patients who leave the PRCDA. A notification is not a guarantee that authorization will be provided for payment, but notification must be provided for authorization to be considered. Notification requirements as described in 42 CFR 136.24 will be followed, including:

(1) No payment will be made for medical care and services obtained from
Chapter 3

PURCHASED/REFERRED CARE

non-Service providers or in non-Service facilities unless the requirements listed below have been met and a purchase order for the care and services has been issued by the appropriate authorizing official to the medical/dental/behavioral health care provider.

(2) In non-emergency cases, an eligible AI/AN, an individual or agency acting on behalf of the patient, or the medical care provider shall, prior to the provision of medical care and services, notify the appropriate official of the need for services and supply information that the authorizing official deems necessary to determine the relative medical need for the services and the individual’s eligibility. The requirement for notice prior to providing medical care and services under this paragraph may be waived by the appropriate official, if the official determines that providing notice prior to obtaining the medical care and services was impracticable or that other good cause exists for the failure to provide prior notice.

(3) In emergency cases, the patient, an individual or agency acting on behalf of the patient, or the medical care provider shall, within 72 hours after the beginning of treatment for the condition or after admission to a health care facility, notify the appropriate official of the admission or treatment and provide information to determine the relative medical need for the services. The 72-hour period may be extended if the appropriate official determines that notification within the prescribed period was impracticable or that other good cause exists for the failure to comply.

(4) Section 1646 of the IHCIA, allows the elderly and disabled 30 days to notify the IHS or Tribal program’s CEO of emergency medical care received from non-IHS medical providers or at non-IHS medical facilities.

(5) The following definitions for an elderly and disabled individual are to be used until further defined and published in the FR.

a. The IHS defines elderly as an individual who is 65 years of age or older.

b. A disabled individual who has a physical or mental condition that prevents him or her from reasonably providing or cooperating in obtaining the information necessary to notify the IHS of his/her receipt of emergency care or services from a non-service provider.
B. Notification for Transients. Authorization for PRC to students, transients, and patients who leave the PRCDA will be the responsibility of the IHS Area from which the patient left.

If a PRC eligible patient presents to an IHS facility other than the facility of residence for direct care and needs PRC, the facility Director, PRC, will contact the patient’s facility of residence for instructions in patient management with respect to PRC authorization or denial. The patient will be informed of his or her responsibility to modify his or her facility of residence. Payment for PRC is the responsibility of the patient’s area of residence in accordance with PRC regulations at 42 CFR 136.24, when notification is provided prior to the authorization and/or provision of PRC services that are referred out by a facility not in the patient’s area of residence. These guidelines do not preclude formal arrangement for fund transfers within or among Areas to provide PRC for patients from other IHS Areas.

C. Payment. Payment shall be made in accordance with the provisions of the contract or purchase order and other provisions including IHS payment rules set forth in 42 CFR 136 Subpart D and Subpart I (collectively referred to as PRC rates). Every effort must be made to assure the AI/AN patient being referred from an IHS facility is notified at referral time of his or her eligibility status for PRC. In cases where determination of eligibility cannot be made before referral, the individual will be notified in writing prior to obtaining care that the IHS or Tribe may not be responsible for bills incurred.

1) PRC Rates for services furnished by Medicare-Participating Hospitals - 42 CFR 136 Subpart D Section 506 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (Pub. L. 108-173), requires hospitals and critical access hospitals to participate in PRC programs. Section 506 directed the Secretary to set forth a payment methodology, payment rates, and admission practices through regulation for the PRC services provided by Medicare-participating hospitals. Any payments made under the PRC program are considered payment in full and the patients must not be billed for any remaining balance. See 42 CFR 482.29, 42 CFR 136.30 and also 25 U.S.C. 1621u.
Chapter 3
PURCHASED/REFERRED CARE

a. In the event a hospital is balance billing patients after PRC payment.

   (i) Notify the hospital of the law, if the hospital refuses to comply.

   (ii) Notify the Area PRC Officer who will notify the Regional CMS Native American Contact (NAC).

   (iii) The NAC will notify the CMS Survey and Certification Division.

   (iv) The Survey and Certification Division will contact the hospital and allow them to have a 90 day corrective action plan to remedy the infraction.

   (v) After 90 days if the action has not been remedied, CMS will pull the hospital’s CMS certification.

(2) PRC Rates for physicians and non-hospital supplies and services 42 CFR 136 Subpart I.

   a. IHS will not do business with a provider or supplier who will not accept the PRC Rate or negotiate a fair and reasonable rate based upon the providers most favored customer rate, meaning the lowest rate the provider will accept from other payers, including any discounts.

   b. The provider accepts the PRC rate and cannot balance bill the patient if any of the following have been done:

      (i) The services were provided based on a Referral, as defined in 42 CFR 136.202; or

      (ii) The health care provider or supplier submits a Notification of a Claim for payment to the I/T/U; or

      (iii) The health care provider or supplier accepts payment for the provision of services from the I/T/U.
Chapter 3
PURCHASED/REFERRED CARE

c. It is mandatory to enter a provider’s information into the Provider Tracking Tool located at: https://home.ihs.gov/OtherPrgms/IHPES/ORAP/TPICPSA/index.cfm?module=prc&option=admin&fn=doPRCvalidate

D. Patients under Treatment at the Expiration of 180-Day Eligibility Period.
Individuals under treatment for a condition that may be deferred to a later date (e.g., a person with a meniscal tear of the knee that will require surgery to repair at some point) will cease to be eligible at the expiration of the 180-day period after leaving their PRCDA. Individuals under treatment for an acute condition shall remain eligible as long as the acute medical condition exists. For example, if a PRC eligible person is stricken with acute appendicitis 179 days after leaving the PRCDA, necessitating hospitalization and surgery extending beyond the 180-day eligibility period, the patient would remain eligible until he/she is deemed cured. This does not include continued treatment of chronic conditions, for example, obstetrical deliveries that occur after the 180 period.

E. Responsibility to Notify AI/AN Community of PRC Requirements. American Indian/Alaska Native people served by the PRC program will be informed of policies regarding the administrative requirements for approval of PRC payments for services, and the title(s) of the person(s) who must be notified when PRC is required. Examples of notification include publication in local community and/or Tribal newspapers and posting of notices on bulletin boards in public waiting areas in IHS facilities. Changes in local policies or administrative requirements will be published and posted including notification to providers who may or may not have contracts with the IHS service unit.

F. Purchase/Referred Care Authorization Numbering System. A uniform numbering system has been developed to use when the IHS facility is issuing the IHS-843 purchase order documents. The use of this system will preclude two or more facilities from using the same document number and will assist in identifying the Area and facility.

(1) The number has four components and consists of ten digits.

(2) The four components are: 00 0 00000.

(3) The first two digits of this sequence are the last two digits of the fiscal year being charged for the services. If the number less than ten, a 0 is
Chapter 3
PURCHASED/REFERRED CARE

used as the first digit. Example: the fiscal 2009 is 09 and the fiscal year 2013 is 13.

(4) The second component is an alpha code to identify the Area. The alpha codes are:

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<th>Area</th>
<th>Code</th>
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<tr>
<td>Great Plains</td>
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<td>Alaska</td>
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<tr>
<td>Albuquerque</td>
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<td>Nashville</td>
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(5) The third component consists of the two digit site specific code that identifies the facility being charged for the services. The digits are the standard location code as used in the fiscal accounting system.

(6) The fourth component has five digits and is the sequential number for the documents to be charged to each facility. These numbers will begin each fiscal year with 00001 and continue sequentially for the year. Facility supplemental authorizations, if necessary, will be numbered with the original numbers plus a facility suffix of S-1, S-2, etc.

G. The PRC Authorization Flow Chart. The flow of a PRC purchase order from initial request through processing and closeout is diagramed in Manual Exhibit 2-3-G. Many aspects of PRC and other activities are incorporated in this general flow.

2-3.10 ELECTRONIC SIGNATURES

A. Electronic Signature for PRC Purchase Order. Pub. L. 106-229 (Electronic Signature Act) provides for the use of electronic signatures. The electronic signature promotes the use of electronic contract formation, signatures, and record keeping in private commerce by establishing legal equivalence between:

(1) Contracts written on paper and contracts in electronic form;

(2) Pen and ink signatures and electronics, and;
Chapter 3
PURCHASED/REFERRED CARE

(3) Other legally required written documents (termed “records”) and the same information in electronic form.

This establishes guidance and direction for electronic signature of IHS-843 in accordance with Pub. L. 106-229. Ensuring compliance with the Privacy Act, Health Insurance Portability and Accountability Act (HIPAA), and confidentiality requirements are the responsibility of each Area PRCO.

B. Accessing Electronic Signature. Individuals will only be provided the ability to access the E-SIGN system if they have completed all security requirements and possess current procurement authority (see Manual Exhibit 2-3-H).

2-3.11 PAYMENT DENIALS AND APPEALS

When a patient is denied PRC or if a medical provider may reasonably think that the Director of the IHS/Tribal program is a party to payment for services provided to an eligible patient, both the patient and the provider must be notified in writing of the denial with a statement containing all the reasons for the denial. Refer to the PRC/Management Information System Manual (version 3.2) denial package. An example of a denial letter can be found in Manual Exhibit 2-3-I.

A. Denial Notice. The denial notice must inform the applicant that within 30 days from the receipt of the notice the applicant:

(1) May request a reconsideration of the denial (appeal) by the appropriate service unit CEO and the request for reconsideration must contain additional information not previously provided.

(2) May appeal the original denial by the CEO to the appropriate Area Director, if there is no additional information on which to base reconsideration in accordance with Section (I), above. Requests for reconsideration and appeals may be submitted by providers. The provider will be considered as acting on behalf of the patient. A response must be made to the provider and a courtesy copy of such response is provided to the patient.

(3) May appeal to the Area Director if the CEO upholds the service unit’s original denial. When the Area Director upholds a denial, the applicant must be notified in writing of the denial and that an appeal may be
Purchased/Referred Care

submitted in writing to the Director, IHS, within 30 days.

(4) May appeal to the Director, IHS, if the Area Director upholds the denial. The decision of the Director, IHS, is the final adjudication of the appeal of the denial. A written notice of the decision will be sent to the claimant stating they have no further appeal rights.

B. Failure to Follow Appeal Process. If the claimant fails to follow procedures, the request for reconsideration of an appeal may be denied. A written notice of denial will be sent to the claimant stating they have no further appeal rights.

C. Three Levels of Appeal. The IHS appeals process applies to IHS administered PRC programs and those PRC programs administered under Title I and V programs that have negotiated and incorporated into their funding agreements that the IHS appeals procedures will be utilized. The PRC regulations currently in effect at 42 CFR 136.25 allows only three levels of appeal:

(1) request for reconsideration of the appeal by the CEO,

(2) appeal to the Area Director, and

(3) final administrative appeal to the Director, IHS.

D. Tribal Appeals Process - Contractors. The IHS will conduct the appeal process for a Tribally-managed PRC program, if the Tribe has retained IHS functional shares with their respective Area Office. Therefore, before an Area Director or the Director, IHS, may agree to adjudicate a claim, the Tribe must have left sufficient resources with the IHS to conduct the appeal process. It is not sufficient to have it negotiated and incorporated into a Tribe’s funding agreement that the IHS appeals procedures will be utilized without evidence that sufficient funds have been withheld to pay for the costs to operate the appeals process for a Tribe.

Tribal contractors are not required to utilize the IHS appeals process, however, pursuant to 25 U.S.C. 5324(g) and 25 U.S.C. 5397(e), a Tribe must provide a written appeals process that is functionally equivalent to the process in 42 CFR 136.25.

D. Tribal Appeals Process - Title I and V Programs. Title I and V programs that
have negotiated and incorporated into their funding agreement a provision that the IHS appeals procedures will be utilized; shall agree to the following terms and conditions:

(1) The Area Director and the Director, IHS, will utilize the IHS regulations and interpretations, not Tribal criteria and interpretations, to adjudicate claims. The IHS utilizes its medical priorities and policies to adjudicate IHS PRC claims.

(2) The Title I or V programs shall provide necessary documentation required for claims adjudication. Depending on the nature of the claim, documentation such as medical records, date of notification, residency documentation, etc., could be required.

(3) The IHS conducts the appeals process from Title I and V programs without assuming any fiscal responsibility. When an Area Director, or the Director, IHS, issues a determination overturning the Tribal denial of payment authorization, it is the responsibility of the Tribe not the IHS to pay the bill.

F. Title I and Title V Program Denials of PRC Payment. IHS will not review appeals for those Tribes that have assumed the PRC appeals function.

G. Tribes are NOT Required to Implement Regulations the Same as the IHS. Title I and Title V programs must, in accordance with 25 U.S.C. 5324(g) and 25 U.S.C. 5397(e), make eligibility determinations in accordance with the IHS eligibility regulations in the CFR, Title 42, Part 136. However, there are provisions of the IHS eligibility regulations that allow different standards to be set. For example, Tribes and Tribal organizations may adopt a different standard for “close economic and social ties” for PRC eligibility (see 42 CFR 136.23), Tribes could also adopt different medical priorities. If the appeals process has been assumed by the Tribal contractor under Pub. L. 93-638, as amended, individuals who are dissatisfied with Tribal determinations of eligibility must pursue Tribal administrative remedies. Issues that should be considered by Tribes in the development of appeals policies and procedures include:

(1) Development of a formal appeals procedure and levels of appeal.

(2) Establishment of clear program policies concerning eligibility, medical
Chapter 3
PURCHASED/REFERRED CARE

priorities, referrals, and notification of all parties.

(3) Protection of individual rights to due process.

H. Responsibilities.

(2) Chief Executive Officer. The CEO or authorized designee is administratively responsible for creating and maintaining a file on each denial of PRC.

(2) Area Director. The Area Director or authorized designee is responsible for:

a. establishing individual alphabetical patient appeals files that contain all documentation in chronological order for all appeals, and

b. for forwarding copies of appeal case files to the Director, DCC, HQ upon request.

I. Information Copies. The Area Director or his or her authorized designee, will not routinely forward information copies of all denials to the Director, DCC. The files will be sent only when the Director, DCC, or his or her designee requests a specific file.

J. Controlled Correspondence. The Director, DCC, will send by secure fax or encrypted email (such as the IHS secure data transfer service) incoming controlled correspondence to the appropriate Area(s) PRCO with a request for information. Each PRCO will analyze the correspondence and submit all necessary documentation to the Director, DCC, in order that he or she will be able to prepare a response. If there were no appeals to the Area Office PRCO or CEO, the Director, DCC, will be notified immediately. Copies of all determinations issued within the Area will be submitted to the Director, DCC. If an appeal(s) was submitted to either the CEO or Area Director and the CEO or Area Director has not issued a determination, a briefing memorandum is to be submitted to support the actions that have been taken.

K. Appeals Process - Division of Contract Care. The Director, DCC, is responsible for processing all PRC appeals sent to the Director, IHS. The Director, DCC, or
Chapter 3  
PURCHASED/REFERRED CARE

his or her designee, will:

(1) Ensure that all required correspondence is included in chronological order.

(2) Routinely request information from the Area PRCO and other sources as needed.

(3) Analyze the issues contained in the appeal and processes the appeal to the extent issues can be handled within established policy.

(4) Refer all appeals that involve questions of medical judgment to the medical review to the Director, Office of Clinical and Preventive Services.

(5) Refer an appeal that involves legal questions or requires legal analysis review to the OGC for legal advice.

L. Final Decision. The decision of the Director, IHS, shall constitute the final administrative action in the appeal process.

M. Appeal File. The appeal file shall contain: all denial letters, all briefing documents or memorandums prepared in connection with any recommendation to the CEO or Area Director regarding such denial; all correspondence to IHS from claimant or claimants representative; any other relevant correspondence, maps, bills, or receipts; records of telephone calls to or from claimant or claimant's representative; correspondence relative to any inquiry (i.e., Congressional, State official, etc.) made on behalf of the claimant; and pertinent correspondence relative to prior appeal by the same claimant.

N. Retention Period. Each appeal record/file will be maintained for a period of 6 years and 3 months after the IHS PRC appeals process has been exhausted.

2-3.12 MANAGEMENT OF PURCHASED/REFERRED CARE FUNDS

A. Allocation of PRC Funds. The allocation of PRC funds to the Areas are determined by three primary methods: historical base funding, annual adjustments, and program increases. The PRC funds are then distributed from the Areas to the individual PRC programs. As a portion of the overall PRC funding methodology, the PRC Allocation Formula, is designed to accommodate for any new program increases and is in compliance with the IHS Budget Execution
Chapter 3
PURCHASED/REFERRED CARE

Policy. However in consultation with Tribes, Areas have the authority to redistribute new program increases using a different methodology other than the PRC Allocation Formula.

Each Area, using an allocation formula other than the PRC Allocation Formula to distribute new program funding, shall notify the Director, DCC in writing. The notification must include a copy of the formula used, any relevant information that explains the method used, a description of the consultation held with affected Tribes, and the distribution amounts to PRC programs in the Area. Notification must be provided before implementing any allocation formula other than the PRC Allocation Formula.

B. Use of PRC Funds for Staff Administering the PRC Program. PRC funds may be used for staff administering the PRC program when the following conditions are met:

(1) The PRC program is purchasing care beyond Medical Priority II

(2) Each Area Service Unit PRC program reports annually the medical priority level the program is purchasing, the number, grade level and salary of full or part time employees supported by PRC funds and the number of denied and deferred services for Priority II care to the Area Director.

(3) The Area Director reports by October 10, annually to the Director, DCC, ORAP, for each Area Service Unit, the medical priority level each program is purchasing, the number, grade level and salary of full or part time employees supported by PRC funds and the number of denied and deferred services for Priority II care.

C. Commitment Register. Management of PRC funds in accordance with the FMFIA requires that the PRC Commitment Register(s) will be maintained at each authorizing location. The PRC Commitment Register(s) is maintained electronically in CHS/MIS. The PRC Commitment Register contains the following minimum information:

(1) Date of Authorization
Chapter 3
PURCHASED/REFERRED CARE

(2) Authorization Number

(3) Provider Name

(4) Patient Name

(5) Date of Service

(6) Allowance Amount

(7) Estimated Cost of Service

(8) Balance of Funds

C. Funds Status Report. The PRC funds status report is to be submitted to the Area PRCO at least once a month. A summary of the PRC fund balance shall be provided to the CEO, the Clinical Director, and PRC review committee at least once a month. NOTE: The summary may also be provided to the Tribal Health Director; however, using this process is purely optional for Tribal PRC programs. A sample of a Status of Funds report can be seen in Manual Exhibit 2-3-J.

D. Purchased/Referred Care Spending Plan. Programs are to maintain at least a weekly spending plan by prorating their allocations by the appropriate amount of weeks for each allocation. Weekly spending plans are to be monitored by the local PRC manager, shared with the PRC review committee and Service Unit administration. Spending plans must be available for review by the PRCO. For small PRC programs the frequency of the spending plan can be determined on a case by case basis. The PRC program must request a change for the spending plan frequency in writing to the Area Director through the Area PRCO. A sample spending plan can be found in Manual Exhibit 2-3-K.

E. Services Authorized That Working Day. An entry will be made on the commitment (document control) register for each obligation of funds, or modification of or adjustment to obligation of funds. The entries will be made daily to reflect the services authorized that working day. Entries should not be delayed beyond 5 working days from the date of an authorized referral or notification of an authorized claim by the PRC review committee.

2-3.13 FOLLOW-UP OF OUTSTANDING AUTHORIZATIONS
Each IHS PRC program will establish a follow-up system for all authorizations that have not been completed and returned within 90 days of issuance. Manual Exhibit 2-3-L has a recommended form letter for use in these follow-ups.

2-3.14 RECONCILIATION OF CHS/MIS to UFMS REGISTER

The PRC Commitment Register (CHS/MIS) will be reconciled with the official financial management report, each month of the fiscal year. The recommended procedures for reconciliation of the Commitment Register are provided in Manual Exhibit 2-3-M.

2-3.15 DATA REPORTING

The appropriate workload and fiscal codes will be entered into the data system, as specified in the FR dated January 20, 1994, Volume 59, Number 13, “Core Data Set Requirements; Notice.”

2-3.16 CATASTROPHIC HEALTH EMERGENCY FUND (CHEF)

A. **Background.** The CHEF is the congressionally appropriated fund for the purpose of meeting the extraordinary medical costs associated with the treatment of victims of disasters or catastrophic illnesses who are within the responsibility of the IHS.

Until such time as regulations are published, the annually issued HQ CHEF guidelines will continue to serve as interim policy governing the CHEF program for all PRC programs.

B. **Access to the CHEF Fund is on a Cost Reimbursement Basis.** All IHS PRC programs must first obligate and expend funds and meet the appropriate threshold to be reimbursed from the CHEF.

C. **Cost Threshold.** The CHEF threshold is adjusted by the Director, DCC, within the range established by law. The IHS Director, DCC, will provide instructions annually. Whether a case meets the threshold amount is determined by only including those costs remaining after payment has been made by Federal, State, local, private health insurance, or other applicable alternate resources.

D. **Alternate Resources.** The requirements for alternate resources must be met to
purCHASED/REFFERRED CARE

access the CHEF.

E. Reimbursement. All PRC programs must submit CHEF cases through their Area PRC programs for coordination. Any CHEF reimbursement shall be applied only to cases that have been reviewed and approved by the CHEF Manager; any amounts not used because of payments by alternate resources or cancellations must be returned to the HQ CHEF account. For specific details on the CHEF, reference the current, annually issued CHEF guidelines located on the IHS PRC Web site: http://www.ihs.gov/PRC/ Instructions on catastrophic case processing and a checklist for submitting/processing a CHEF case can be found in Manual Exhibit 2-3-N.

2-3.17 FISCAL INTERMEDIARY

A. Purpose. The purpose of the fiscal intermediary (FI) is to operate a nationwide centralized medical, dental and behavioral health claims processing and payment system to:

(1) collect, compile, and organize workload and financial data; and

(2) provide statistical and financial reports to the IHS for the administration of its PRC program.

B. Authority. 42 U.S.C. 238m

C. Fiscal Intermediary Operations. For a description of the FI internal operations information and most current payment codes refer to the most current version of the FI Reference Manual for IHS/PRC. The FI Reference Manual is updated to reflect changes or incorporate information on an as-needed basis. Obtaining access to this manual is provided in the following section.

D. Accessing the FI Data System. The IHS is mandated to protect patient’s medical information from all security risks. Changes to the FI data system allowing access to data and the ability to communicate through local area networks shall include provisions to ensure patient confidentiality. Ensuring compliance with the Privacy Act, HIPAA privacy regulations, and confidentiality requirements is the responsibility of each Area PRCO. Each IHS employee, unless otherwise authorized, is responsible for limiting access to patient medical information to strictly direct need to know in the provision of patient care. On-line Web access
Chapter 3
PURCHASED/REFERRED CARE

request form and necessary guidance for accessing the FI data system is the FI Reference Manual.

2-3.18 MEDICAL, DENTAL AND BEHAVIORAL HEALTH PRIORITIES

The application of medical priorities is necessary to ensure that appropriated IHS/PRC funds are adequate to provide services that are authorized in accordance with IHS approved policies and procedures. See PRC Web site: http://www.ihs.gov/PRC/index.cfm?module=PRC_requirements_priorities_of_care

2-3.19 DEFERRED SERVICES

A. Deferred Services. Deferred Services are services that fall within IHS Medical Priorities but are not prioritized to warrant immediate authorization. Authorization for services that fall within but do not meet medical priorities may be deferred for future authorization rather than be denied as long as the services have not been provided. The service deferred must be elective (i.e., “deferrable”), not emergent or urgent. The patient must have accessed the IHS health care system during the FY. Deferred services are considered and reported by IHS as unmet need.

B. Recording and Reporting. IHS evaluates and estimates need and the unmet need for the PRC program based upon information submitted per the annual unmet need request memo and tables, see Manual Exhibit 2-3-O, by Area PRC Officers, voluntarily submitted data by Tribal PRC programs and FI payment data for the average cost for inpatient admissions, outpatient visits and patient travel. This data is needed and used to accurately determine PRC financial needs and support program budget justifications to the HHS, OMB and Congress. The reporting formats and guidelines for deferred services accrued and deferred services expenditures are sent to the Areas on an annual basis.

The formula used to estimate the need is as follows, the percentages used to illustrate the formula do not remain the same year to year and are dependent upon the number of Tribes that manage PRC funds through Title I and Title V contracts. Annually the FI provides the percentage of PRC funds expended for inpatient admissions (e.g., 38%), outpatient visits (e.g., 51%) and patient transportation (e.g., 11%) and the average cost per claim of an inpatient admission (e.g., $9,863), outpatient visit (e.g., $545) and patient transport (e.g., $2,161). For illustration purposes, the IHS manages 42% of the PRC budget and Tribes manage 58%. The methodology in the table below is used to estimate the unmet
need in PRC.

<table>
<thead>
<tr>
<th>Unmet Need Methodology</th>
<th>Total Programs</th>
<th>Number of Programs that Reported Data</th>
<th>Percent of Programs that Reported Data</th>
<th>Percent of PRC Budget Accounted for</th>
<th>Apply Percent of Data Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal PRC Programs</td>
<td>67</td>
<td>67</td>
<td>100%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Tribal PRC Programs</td>
<td>177</td>
<td>68</td>
<td>38%</td>
<td>58%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Percent of Data Reported: 64%
Percent of Data Not Reported: 36%

*Estimated Number of Denied Services = (Reported Number of Denied Services / Percent of Data Reported) * (Percent of Data Not Reported)
**Cost for the Estimated Number of Denied Services = Average Cost per Claim (as provided by the FI) * Estimated Number of Denied Services

2-3.20 PURCHASED/REFERRED CARE REVIEW COMMITTEE

The PRC review committee function is to review PRC referred care and notifications regarding emergency episodes of care and to determine medical priority and rank based on relative medical need within the same medical priority level. Utilizing Area guidelines, the PRC review committee will monitor high cost cases including the progress of each case.

The IHS will maintain a PRC review committee to review and prioritize PRC referrals and notifications regarding emergency episodes of care based on Medical Priorities of Care, as well as to review and monitor the referral and expenditure of PRC funds.

A. PRC Review Committee Requirements.

The following elements along with PRC staff will be maintained by all PRC Review Committees:

(1) Defined policies and procedures regarding the PRC referral process will include: Referral tracking methodology noting the disposition of each referral reviewed; and meeting notes summarizing decisions and activities of each meeting. Records will be maintained and made available for review as requested by IHS officials.

(2) Committee membership shall consist of the Clinical Director, or his or her designee and others, i.e., utilization review nurse or care coordinator/case manager, patient benefit coordinator and the PRC Specialist. Membership may change periodically based on local needs, medical staff members can serve a rotation.
Chapter 3
PURCHASED/REFERRED CARE

(3) A committee member will record committee comments, medical priority and ranking information and communicate to PRC staff for referral data entry, issuance of purchase orders, denials, deferrals and notification requirements.

B. Meetings. Meetings must be held at least once a week to determine the medical priority and rank of referral requests for expenditure of PRC funds. Minutes will be maintained to accurately reflect decisions and actions for each case discussed.

C. Managing PRC Referrals and Payment Authorizations for Family Members and Relatives

(1) PRC Review Committee members are required to recuse themselves from referral, case/care discussions and decisions involving services for family members or relatives. Meeting records will include documentation indicating the reason the committee member was recused.

(2) An IHS employee with procurement authority is prohibited from signing the purchase delivery order for a family member or relative.

(3) For the purposes of this section, the IHS will use the following definition of family/relative. Family/relative means and includes the following:

An individual who is related to the IHS employee as father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, or half-sister.

D. Criteria for Payment Decisions. The committee will consider the following criteria, at a minimum, for PRC cases:

(1) The patient must be PRC eligible.

(2) The care must be within medical priorities.

(3) The requested service is not available in an accessible IHS or Tribal
(4) Funds must be available.

   a. When Funds are not available, PRC referrals must still be ranked within medical priorities by the committee.

   b. Obligation of PRC funds for a referral when no funds are available is a violation of the Anti-Deficiency Act. Federal employees who violate this act are subject to administrative and penal sanctions. Administrative sanctions may include suspension from duty without pay or removal from office. In addition, the offender(s) may also be subject to fines, imprisonment, or both.

(5) PRC referrals can then be authorized to the weekly spending limit after which all others must be deferred or denied.

(6) Care must not be deferred for cases where full reimbursement through alternate resources is available.

E. Minutes. Minutes to accurately reflect decisions and actions for each case discussed of each committee meeting and will be maintained to accurately reflect the determination of each case.

F. High Cost Cases. The PRC review committee will monitor high cost cases, including the progress of each case, utilizing current Area/Tribal guidelines for high cost case management.

2-3.21 PROMPT ACTION ON PAYMENT OF CLAIMS ALSO KNOWN AS THE PRC “FIVE-DAY RULE”

A. Time of Response. 25 U.S.C. 1621s requires the IHS to respond to a notification of a claim by a provider of a PRC service with either an individual purchase order or a denial of the claim within 5 working days after receipt of such notification. For the purposes of this rule the following definitions apply.

B. Notification of a Claim. For the purposes of part 136, and also 25 U.S.C. 1621s and 1646, the submission of a claim that meets the requirements of 42 CFR 136.24.
Chapter 3
PURCHASED/REFERRED CARE

(1) Such claims must be submitted within 72 hours after the beginning of treatment for the condition or after admission to a health care facility notify the appropriate ordering official of the fact of the admission or treatment, together with information necessary to determine the relative medical need for the services and the eligibility of the Indian for the services.

(2) The information submitted with the claim must be sufficient to:
   a. Identify the patient as eligible for IHS services (e.g., name, address, home or referring service unit, Tribal affiliation),
   b. Identify the medical care provided (e.g., the date(s) of service, description of services), and
   c. Verify prior authorization by the IHS for services provided (e.g., IHS purchase order number or medical referral form) or exemption from prior authorization (e.g., copies of pertinent clinical information for emergency care that was not prior-authorized).

(3) To be considered sufficient notification of a claim, claims submitted by providers and suppliers for payment must be in a format that complies with the format required for submission of claims under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) or recognized under section 1175 of such Act (42 U.S.C. 1320d-4).

C. Failure to Timely Respond. If IHS fails to respond to a notification of a claim as defined in 2-3.21A, IHS shall accept the claim as a valid claim for PRC services.

D. Time of Payment. The Service shall pay a completed contract care service claim within 30 days after completion of the claim, in accordance with the Prompt Payment Act 31 U.S.C. 3901 (See Manual Exhibit 2-3-P).

2-3.22 NO PATIENT LIABILITY

The Affordable Care Act, enacted on March 23, 2010, reauthorized and amended the IHCIA. The IHCIA [25 U.S.C. 25 §1621(s)], provides that patients are not liable for payment of services authorized and approved for payment under a PRC program, which
Chapter 3  
PURCHASED/REFERRED CARE

pays for authorized PRC referrals for healthcare services to non-IHS providers.

Section 222 of the IHCIA [25 U.S.C. § 1621u] provides:

A. **No Patient Liability.** A patient who receives PRC services that are authorized by the Service shall not be liable for the payment of any charges or costs associated with the provision of such services.

B. **Notification.** The Secretary shall notify a contract care provider and any patient who receives PRC services authorized by the Service that such patient is not liable for the payment of any charges or costs associated with the provision of such services not later than five business days after receipt of a notification of a claim by a provider of contract care services.

C. **No Recourse.** Following receipt of the notice provided under subsection (b), or, if a claim has been deemed accepted under section 220(b), the provider shall have no further recourse against the patient who received the PRC services. In summary, a patient is not liable for services that have been authorized for payment by a PRC program carried out by the IHS or a Tribal health program. Providers are prohibited from collecting any payments for these services from the patient, whether directly or through referral to an agent for collection. Please note that not all visits or referrals of IHS eligible patients to non-IHS providers are authorized for payment.

A sample letter to be sent to patients and providers informing them that patients are not liable for payment of services authorized and approved for payment under a PRC program can be found in Manual Exhibit 2-3-Q.

### 2-3.23 THIRD-PARTY TORTFEASOR CASES AND FMCRA

A. **Definition.** Third-party tortfeasor cases are cases where IHS provides or pays for services to an injured individual where a third-party (the Tortfeasor) may be found to be responsible for the injury. See IHS Circular No. 2006-02, “Reporting Third-Party Tortfeasor Claims and Recovery of Funds under the Federal Medical Care Recovery Act”.

B. **Claims.** Under the FMCRA the Government is authorized to recover the cost of these services. The various offices of the Regional Attorney are responsible for asserting any Government claim under the FMCRA. Payment is not to be
Chapter 3
PURCHASED/REFERRED CARE

withheld pending final determination of any claim the patient may have against a third party.

C. **Alternate Resource.** Authorization of PRC may not be denied based on any theory that potential recovery from an alleged third-party tortfeasor constitutes an “alternate resource” under the PRC regulations.

D. **Recovery.** Any recovery made by the government must go back to the respective PRC Program. The reporting and payment requirements are mandatory and must be followed.

E. **Cost of Services Settlement.** Failure to report FMCRA cases could possibly harm the patient or the patient’s family. If the injured party should make a settlement that does not reflect the cost of services provided by the IHS, the Government might still have claim against the settlement for the cost of services. Though whether the Government may or may not pursue a claim in such a situation, the possibility cannot be ruled out. Therefore, prompt reporting can act to protect the interest of the injured party.

F. **Third-Party Report Forms.** All third-party report forms should be completed by the facility staff as indicated by local policy and contain the following information:

1. **Patient Name**
2. **Date of Service, explanation of situation**
3. **Name of third party, which may be responsible for payment in the case**
4. **Costs paid by IHS**
5. **Any related correspondence**