



MAY 24 2016

Dear Urban Indian Organization Leader:

I am writing to announce that on March 21, 2016, the Indian Health Service (IHS) published a final rule implementing the ability of health programs operated by the IHS, an Indian Tribe or Tribal Organization pursuant to a contract or compact with the IHS under the Indian Self-Determination and Education Assistance Act (ISDEAA), and Urban Indian organization pursuant through a contract or grant under Title V of the Indian Health Care Improvement Act (IHCA) (collectively, I/T/U) to cap payment rates to physicians and other non-hospital providers and suppliers who provide services through the Purchased/Referred Care (PRC) program, formerly contract health services. These rates will be known as Purchased/Referred Care Rates. The effective date of the final rule is May 20, 2016. I have enclosed a copy of the Final Rule and a related press release for your review.

The final rule amends the regulations at Title 42, *Code of Federal Regulations* (CFR), Part 136, by adding Subpart I, which applies the Medicare payment methodologies to all physician and other health professional and non-hospital based services and supplies purchased by IHS or Tribal PRC programs, or Urban Indian organizations.

The PRC program funds primary and specialty health care services that are not available at IHS or Tribal health care facilities and are purchased from private health care providers and suppliers. This includes hospital and outpatient care, as well as physician, laboratory, dental, radiology, pharmacy, transportation services, and durable medical equipment.

The small market share of individual I/T/U health programs has made it difficult to negotiate discounted rates with private providers. Accordingly, these programs have had to pay full billed charges that substantially exceed the rates paid by the Medicare program, U.S. Department of Veterans Affairs, and Defense. The PRC Rates enable I/T/U health programs to pay rates that are consistent across Federal health care programs. The rule also aligns payment with inpatient services and enables I/T/U health programs to expand beneficiary access to medical care. To ensure I/T/U health programs receive information needed to implement this regulation, the IHS is providing outreach through a mass mailing to PRC administrators, as well as participating providers and suppliers. The PRC staff will receive training on the new rates through in-person training sessions, online modules, Webinars, and conference calls.

Tribes are offered the flexibility to opt-in to the regulation, if they choose, by contacting their contract proposal liaison officer or Area lead negotiator to modify or amend their

contract/compact with IHS. If a Tribe chooses not to opt-in, no action is necessary. If they choose to opt-in, the regulation offers Tribes the flexibility to negotiate reasonable prices that are higher than the payment caps set forth in this rule, as long as the award is in the best interest of the program, as determined by the Tribe.

The IHS defines the term “referral” in the regulation to clarify for beneficiaries and providers when the requirements for payment acceptance have been triggered. A PRC referral is an authorization for medical care by the appropriate ordering official in accordance with Title 42 CFR part 136 subpart C. Distinct from a medical referral, acceptance by a provider of a referral issued pursuant to subpart I means claims for authorized services should be processed in accordance with PRC rules, including alternate resource requirements. Pursuant to Federal law, patients may not be charged by the provider for authorized services.

If you have questions regarding this final rule, please contact Ms. Felicia Roach, Acting Director, Division of Contract Care. She can be reached by telephone at (301) 443-2694.

Sincerely,

/Mary Smith/
Mary Smith
Principal Deputy Director

Enclosures