



MAR - 6 2001

Indian Health Service
Rockville MD 20857

Dear Tribal Leader:

This letter provides guidance on implementing the Direct Billing Program authorized by the "Alaska Native and American Indian Direct Reimbursement Act of 2000" (the Act) which is enclosed at Tab A. It also provides an application to participate in the Program at Tab B.

The Act makes it possible for Public Law (P.L.) 93-638 contractors or compactors that operate an Indian Health Service (IHS) owned or leased hospital or clinic to directly bill and receive reimbursements for health services provided to beneficiaries covered by Medicare, Medicaid, and other third-party payors.

In 1988, the Congress authorized a demonstration program to allow four tribes operating an IHS hospital under P.L. 93-638 to test methods for direct billing and receipt of payments for services covered by third-party payors. The demonstration program allowed the four tribes to directly bill Medicare and Medicaid without regard to the special fund requirements in section 1880(c) of the Social Security Act and section 402(a) of the Indian Health Care Improvement Act and other third-party payors. The tribes reported that their participation in the demonstration program 1) increased third-party revenue, 2) reduced the turn-around time between billing and receipt of payments for services, and 3) increased their efficiency in tracking billings and collections. The four tribes that participated in the demonstration program are "grandfathered" into the Direct Billing Program and are not required to submit applications.

The Direct Reimbursement Act only applies to tribes, tribal organizations, or Alaska Native health organizations that are operating IHS owned or leased facilities. Tribes or tribal organizations that are operating P.L. 93-638 programs in tribally owned facilities, while not covered by this Act, will continue as they have in the past to directly bill and receive third party reimbursements without complying with the "special fund" requirements.

To participate in the Direct Billing Program, the Act requires tribes, tribal organizations, and Alaska Native health organizations to submit an application certifying the following:

- (A) the Indian tribe, tribal organization, or Alaska Native health organization contracts or compacts for the operation of an IHS facility,
- (B) the facility is eligible to participate in the Medicare or Medicaid programs,
- (C) the facility meets the requirements that apply to programs operated directly by the IHS, and
- (D) the facility is accredited by an accrediting body as eligible for reimbursement under the Medicare or Medicaid programs or has submitted a plan, which has been approved by the Secretary for achieving accreditation.

The Act requires applicants to agree to the following:

- (1) All funds shall be used by the hospital or clinic for the purpose of making any improvements in the hospital or clinic that may be necessary to achieve or maintain compliance in the Medicare and Medicaid programs. Any excess of the amounts necessary to achieve or maintain compliance shall be used to improve the health resources deficiency level of the Indian tribe and in accordance with IHS regulations applicable to any contract or compact under P.L. 93-638.
- (2) The amounts paid to the hospitals and clinics participating in the program shall be subject to all auditing requirements applicable to programs administered directly by the P.L. 93-638 and to facilities participating in the Medicare and Medicaid programs.
- (3) The agency shall monitor the performance of hospitals and clinics participating in the program and shall require such hospitals and clinics to submit reports on the program on an annual basis.
- (4) The participant shall submit the same accounting information as the participants in the demonstration program. The IHS may from time to time, after consultation with the program participants, change the accounting information submission requirements.

The agency will review and approve a qualified application within 90 days after the date it is received unless the Agency determines that the statutory requirements are not met.

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I want to express my appreciation to the Southeast Alaska Regional Health Consortium; Bristol Bay Area Health Consortium; Choctaw Nation of Oklahoma; and Mississippi Band of Choctaw Indians. Their successful participation in the demonstration program resulted in this new legislation. This legislation makes it possible for tribes and tribal organizations to directly manage their third-party billings and collections rather than channeling activities through the IHS. It enables tribes and tribal organizations to manage and operate their health care programs consistent with the purposes of self-determination.

If you need more information, please contact Elmer Brewster, Office of Public Health, IHS on (301) 443-1016.

Sincerely yours,



Michael H. Trujillo, M.D., M.P.H., M.S.
Assistant Surgeon General
Director

Enclosures