



MAY 1 2012

Dear Tribal Leader:

I am writing you to provide an update on the Indian Health Service (IHS) ongoing consultation on Contract Support Costs (CSC). I sent a Tribal Leader letter on October 11, 2011, that initiated a consultation to evaluate the 2007 CSC policy, and as a result, a Tribal workgroup was formed to assist in that evaluation.

On March 2, 2012, I sent a Tribal Leader letter requesting input on two issues related to CSC. The first relates to CSC data for each Tribe. Each year, IHS Area offices collect and verify financial data from Tribes that is used to determine the CSC need for Tribes that elect to contract and compact with the IHS. Tribes were asked to provide comments on whether the IHS should share each Tribe's CSC data with other Tribes. The second issue related to the fiscal year (FY) 2012 CSC appropriations increase of approximately \$74 million. Specifically, I asked whether IHS should consider setting aside an amount of funding for the Indian Self-Determination (ISD) Fund for new and expanded contracts and compacts.

Thank you for your responses to the March 2 letter. As a result of the comments and recommendations received, I decided to set aside \$4 million for the ISD fund for new and expanded contracts and compacts in FY 2012. The 2012 ISD fund will be distributed in accordance with the IHS CSC Policy. The remaining approximately \$70 million was distributed according to the CSC policy for distribution of program increases (also known as Pool 3).

Feedback and comments related to the CSC data sharing issue varied among Tribes and I will defer a final decision on this matter until after discussion of the comments with the CSC workgroup.

One issue that has been raised by Tribes has been the release of CSC Need Reports to Congress. To date, IHS has worked with the Department of Health and Human Services (HHS) and has officially released the 2003-2010 CSC Need Reports to Congress, and plans to submit the 2011 and 2012 CSC Need Reports to Congress in the near future. The CSC Need Reports are historical accountings of the past year's distribution and the remaining estimated CSC need for each Tribe at the end of the previous fiscal year. So, for example, the 2012 CSC Need Report will include the end of year 2011 CSC need after the distribution of any CSC funding in 2011.

Since the Reports are historical accountings of the distribution of CSC funding and the need in the previous year, we use this information to estimate current CSC need. However, estimates of need change over time due to various factors, including changing indirect cost rates, changing CSC need due to negotiations during the year, and any additional CSC changes generated by changes to Tribal contracted and compacted programs. As a result, the CSC need estimate

changes over time. However, HHS does provide updated estimates to Congress as requested. For example, we estimate that the overall CSC need after factoring in the President's FY 2013 budget request will be \$70-80 million, but that number will change if either the House or Senate propose a different budget.

The IHS has implemented a number of improvements in our business practices related to CSC over the past two years. As per the policy, we have three separate offices involved in reviewing and verifying data, and we have increased training of staff at all levels, including leadership, to ensure that the funding is handled with utmost care and in the fairest and most consistent manner to ensure all Tribes are treated fairly throughout the process. We even added an extra verification step at the Area level this year. This verification step at the Area level is the most important step; once the data is received by IHS Headquarters, it is distributed pursuant to a methodology that has been used for years. Please work closely with your Area Office staff in preparation for submission of data at the end of FY 2012.

The evaluation of the CSC policy will continue with a CSC workgroup meeting this week where the members will be asked to review the policy and make recommendations. As with similar issues, we will initially focus on reviewing the policy on principle rather than final allocation results to ensure a fair and consistent approach. I invite your comments on the 2007 CSC policy at any time; please submit any comments or recommendations by e-mail to consultation@ihs.gov.

We look forward to sharing more information with you as we proceed with improvements regarding CSC. I will send you an update after the next meeting of the CSC workgroup. Please visit the Director's Corner on the IHS Web site located at <http://www.ihs.gov>.

Sincerely,

/Yvette Roubideaux/

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