



MAR 05 2018

Indian Health Service
Rockville, MD 20857

Mr. Andrew Joseph
Tribal Co-Chair
Contract Support Costs Workgroup
The Confederated Tribes of the Colville Reservation
P.O. Box 150
Nespelem, WA 73022

Dear Co-Chair Joseph:

As mentioned in my February 16, 2018-dated letter, I am writing to provide additional information related to the data that led to the Indian Health Service (IHS) decision to temporarily rescind a provision of the IHS Contract Support Costs (CSC) policy (CSC Policy). After a year of implementing the revised CSC Policy, the IHS has found that in certain instances, the section of the policy relating to an alternative method for calculating indirect costs (IDC) associated with recurring Service Unit shares – also referred to as the “97/3 method” or “97/3 split” – does not conform with the statutory authority of the Indian Self-Determination and Education Assistance Act (ISDEAA).

The following table includes data on certain instances where the application of the 97/3 method does not conform with the ISDEAA. The *Case* column represents a unique instance of a Tribe or Tribal organization. The *Secretarial Funds for Service Unit Shares* column represents the Secretarial amount of an award for Service Unit shares authorized by 25 U.S.C. § 5325(a)(1). The *Application of 97/3* column describes the calculation using the alternative method for use in determining the amount in a Tribe’s or Tribal organization’s IDC pool that is associated with transferred programs, functions, services, or activities funded by the Secretarial amount, as defined by the ISDEAA. The *Known IDC Associated with Service Unit Shares* column illustrates the amount of known IDC funded in that amount, as supported by documentation.

Case	Secretarial Funds for Service Unit Shares	Application of 97/3	Known IDC Associated with Service Unit Shares
1	\$115,865,939	\$3,475,987	\$12,960,285
2	\$23,079,292	\$692,379	\$1,890,920
3	\$197,177	\$5,915	\$20,779
4	\$5,492,026	\$164,761	\$376,277
5	\$18,518,289	\$555,549	\$553,921
6	\$12,808,160	\$384,245	\$2,605,423
7	\$7,186,820	\$215,605	\$159,301
8	\$120,474	\$3,614	\$2,233
9	\$43,596,744	\$1,307,902	\$3,829,848
10	\$34,919,448	\$1,047,583	\$1,065,854
11	\$91,085,024	\$2,732,551	\$3,613,825
12	\$37,268,329	\$1,118,050	\$391,313
13	\$61,549,235	\$1,846,477	\$3,945,786

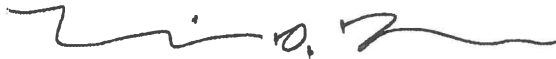
Page 2 – Mr. Andrew Joseph

The cases illustrated in the table demonstrate instances where the IHS knows that IDC is associated with the Service Unit shares and how the amounts compare to the 97/3 provision of the CSC policy. This conflicts with the ISDEAA at 25 U.S.C. § 5325(a)(2) - the known amount is significantly higher than the use of the application of the 97/3, therefore creating conflict with IHS's ability to pay more than the identified CSC need amount. Of note, in some cases the 3% amount is slightly higher than the known IDC associated with service unit shares.

We look forward to recommendations developed by the joint Federal-Tribal CSC Workgroup this week for the IHS to consider. Prior to making changes to our CSC policy, the IHS will engage nationally in Tribal Consultation.

If you have any questions, please contact Ms. Roselyn Tso by telephone at (301) 443-1104 or by e-mail at roselyn.tso@ihs.gov.

Sincerely,



RADM Michael D. Weahkee, MBA, MHSA
Assistant Surgeon General, U.S. Public Health Service
Acting Director