



DEC 21 2017

Dear Tribal Leader:

I am writing to notify you of an important policy update to the Indian Health Service (IHS) Indian Health Manual, Part 6 – *Services to Tribal Governments and Organizations*, Chapter 3 – *Contract Support Costs (CSC)* (“CSC policy”). Effective immediately, the IHS has decided to temporarily rescind § 6-3.2E(3) – *Alternative Methods for Calculating Indirect Costs Associated with Recurring Service Unit Shares* of the CSC policy.

The IHS has become aware that this section may not conform in all cases with the statutory authority of the Indian Self-Determination and Education Assistance Act (ISDEAA) at 25 U.S.C. § 5325(a). The IHS will initiate Tribal Consultation in the near future regarding this provision prior to making a final decision on how to amend the CSC policy.

This section of the CSC policy, often referred to by Federal and Tribal ISDEAA negotiators as the “97/3 Split” or “97/3 Method,” permits a Tribe or Tribal organization to exercise the option for “Service Unit level shares” that is similar to the option that previously applied only to “Area” and “Headquarters” level shares. In sum, this option in the policy provides an alternative method for use in determining the amount in a Tribe’s or Tribal organization’s indirect cost pool that is associated with transferred programs, functions, services, or activities already funded by the Secretarial amount, as defined by the ISDEAA. After a year of implementing the revised CSC policy, the IHS has found that in certain circumstances, this option yields a result that is inconsistent with statutory authority.

One of the CSC policy’s guiding principles, at § 6-3.1B(18), is that it will “be reassessed on a regular basis.” In addition, the CSC policy, at § 6-3.1D, states that “IHS will continue to reassess the [CSC policy] on a regular basis, and further changes will only be implemented after Tribal consultation.” As an initial step, the IHS will seek input on a final decision on how to amend this provision of the CSC policy through the CSC Workgroup (CSCWG) no later than mid-January 2018. The last IHS CSCWG meeting convened in Tulsa, Oklahoma, on August 16, 2017. During this meeting, the CSCWG discussed the manner in which the updated CSC policy has been implemented since October 26, 2016. The input from the CSCWG will be one of the next steps of Tribal Consultation on how to update the CSC policy.

I will provide an update with additional details on the Tribal Consultation in a separate letter and during the next All Tribal Leader and Urban Indian Organization Leader Call.

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If you have any questions, please contact Ms. Roselyn Tso, Acting Director, Office of Direct Service and Contracting Tribes, IHS, by telephone at (301) 443-1104 or by e-mail at [roselyn.tso@ihs.gov](mailto:roselyn.tso@ihs.gov).

Sincerely,

/Michael D. Weahkee/

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