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HEALTH AFFAIRS

APR 20 2007

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr Chairman

The enclosed report responds to the National Defense Authorization Act for Fiscal Year 2006, Section 716, requiring an annual report on the monitoring, oversight, and improvement of TRICARE Standard activities of each TRICARE Regional Office (TRO)

The report describes activities undertaken by each TRO during FY 2006 to ensure our beneficiaries who choose to use the TRICARE Standard option have access to high quality health care provided by a sufficient number of physicians These activities include not only initiatives performed by the TROs to monitor and improve provision of TRICARE Standard, but also their oversight of the regional managed care support contractors' performance of TRICARE Standard sustainment and improvement tasks In response to Congressional interest, each TRO designated a person to monitor, oversee, and improve provision of the TRICARE Standard option As required in the statute, the enclosed annual report also provides an assessment of the participation of eligible health care providers in TRICARE Standard in each TRICARE region and a description of any problems or challenges that have been identified by both providers and beneficiaries with respect to use of the TRICARE Standard option and the actions undertaken to address such problems or challenges The report concludes that as a result of initiatives it has undertaken, the Department of Defense has been successful in ensuring our TRICARE beneficiaries who choose the TRICARE Standard option have ready availability of the high quality health care they deserve

Thank you for your continued support of the Military Health System

Sincerely,

S Ward Casscells, MD

Enclosure
As stated

cc
The Honorable John McCain
Ranking Member

Report to Congress

TRICARE Standard Activities of TRICARE Regional Offices

In

Fiscal Year 2006

Department of Defense
Report to Congress
On
TRICARE Standard Activities of TRICARE Regional Offices
in Fiscal Year 2006

Introduction

The National Defense Authorization Act for Fiscal Year 2006 required the Secretary of Defense to provide an annual report to the Committees on Armed Services on the monitoring, oversight, and improvement of TRICARE Standard activities performed by each TRICARE Regional Office (TRO) The statute also required the annual report include an assessment of the participation of eligible health care providers in TRICARE Standard for each TRICARE region It further required a description of any problems or challenges that have been identified by both providers and beneficiaries regarding the use of the TRICARE Standard option, and the actions undertaken to address such problems or challenges This report contains the requested information Because the TROs are part of the TRICARE Management Activity and draw on support from various parts of that organization to carry out their responsibilities, the report includes a description of key aspects of such support applicable to provision of the TRICARE Standard benefit

Background

TRICARE is the Department of Defense (DoD) health plan for uniformed service members, retirees from the uniformed services, and their eligible family members The DoD's TRICARE Management Activity (TMA) manages the plan TRICARE provides three health plan options for beneficiaries

1 TRICARE Prime — a managed care plan in which each participant has an assigned primary care manager (PCM) who acts as an access-to-care "gatekeeper" for beneficiaries enrolled in TRICARE Prime The PCM is either a member of a military treatment facility medical staff or a medical provider in the TRICARE private sector care network For specialty care, the TRICARE Prime enrollee must receive a referral from his/her PCM and authorization from a regional managed care support contractor TRICARE Prime beneficiaries, except active duty service members (ADSMs) and their family members, pay an annual enrollment fee and modest, fixed copayments for care received in the private sector network The plan also includes a TRICARE Prime point-of-service (POS) option The POS option lets TRICARE Prime enrollees, except ADSMs, get non-emergency, TRICARE-covered services from any TRICARE-authorized provider without a PCM's referral or a regional contractor authorization POS co-pays ($300 per year/$600 maximum per family) and deductibles (50 percent of the TRICARE allowable charge) will apply if the beneficiary elects the POS option

2 TRICARE Standard — an open choice type of plan TRICARE Standard is available to those beneficiaries not enrolled in TRICARE Prime TRICARE Standard medical providers are not members of the TRICARE private sector care network Beneficiaries using TRICARE Standard pay no annual enrollment fee but are subject to an annual deductible and copayments The latter are assessed as a percentage of the TRICARE allowable charge for services received

3 TRICARE Extra — a preferred provider organization (PPO) type of plan TRICARE Extra is available to those beneficiaries not enrolled in TRICARE Prime TRICARE Standard beneficiaries obtaining care from a provider in the private sector network are utilizing the TRICARE Extra option Beneficiaries using TRICARE Extra pay no annual enrollment fee but are subject to an annual deductible, as well as copayments. The latter are assessed as a percentage of the TRICARE allowable charge for services received, but at a lesser percentage than for care received from a provider outside the TRICARE private sector care network

TRICARE Standard is the fee-for-service option that gives beneficiaries the opportunity to see any TRICARE authorized provider A TRICARE authorized provider is a licensed medical provider who is approved by TRICARE Some beneficiaries' primary reason for choosing to use TRICARE Standard is the flexibility it affords in choosing medical providers as compared to TRICARE Prime For beneficiaries living in areas where the TRICARE Prime network is not available, TRICARE Standard is their option for using the TRICARE benefit

For various reasons, not all authorized TRICARE providers actually accept TRICARE patients This has occasionally been problematic for some TRICARE beneficiaries TMA, through its TROs, has undertaken a number of initiatives to ensure beneficiaries desiring to use TRICARE Standard have satisfactory access to qualified medical professionals willing to accept TRICARE patients

TRICARE Regional Office Activities

TRICARE Regional Office-North

Activity	Activity Type		
	Monitor	Oversee	Improve
TRO-North hired one full-time Federal Government employee health system specialist in the newly created "TRICARE Standard Operations" position to monitor, oversee, and improve provision of the TRICARE Standard option in the North Region	X	X	X

Activity	Activity Type		
	Monitor	Oversee	Improve
TRO-North incorporated TRICARE Standard activities into the TRO-North Business Plan These include the identification and development of demographics and locations of non-military treatment facility (MTF) enrolled beneficiaries in remote areas of the North Region, identifying of cities with populations of greater than 1,000 Standard eligible beneficiaries targeted for outreach efforts, recommending cities in which to administer a survey of civilian health care providers to increase provider awareness of and participation in TRICARE as an authorized provider, and exploring opportunities for partnership with the North Region managed care support contractor (MCSC), Health Net Federal Services (HNFS), for educating and recruiting new providers.	X		X
TRO-North oversaw HNFS's establishment of pilot asthma, diabetes, depression, and chronic heart failure disease management education programs for TRICARE Standard beneficiaries HNFS also offered case management services for catastrophically ill or injured Standard beneficiaries by coordinating required care among different providers	X	X	
TRO-North oversaw HNFS's performance of its contractual requirement to assist TRICARE Standard beneficiaries by conducting provider location services, including those offered at TRICARE Service Centers		X	
TRO-North supported TRICARE Management Activity's development of outreach activities designed to increase medical providers' awareness and acceptance of the TRICARE Standard benefit These included mail-out of a provider newsletter with an enclosed "TRICARE Accepted Here" window decal sticker Additional outreach	X		X

Activity	Activity Type		
	Monitor	Oversee	Improve
activities supported were mail-out of the TRICARE Standard Newsletter to all Standard beneficiaries and publishing the TRICARE Standard Handbook The latter item is available at the TMA Web site and TRICARE Service Centers, as well as by request from HNFS			
TRO-North undertook outreach and education activities for Reserve Component members to provide information about TRICARE Prime, Extra, and Standard benefits			X
TRO-North developed a plan to increase information about TRICARE Standard on its Web homepage It also provided links to TRICARE Standard information at the TMA website.			X
In support of the ongoing TRICARE Standard Participation and Awareness Survey conducted by TMA, TRO-North recommended five cities for inclusion in the Fiscal Year 2006 phase of the survey	X		X
Utilizing results of the Fiscal Year 2005 phase of TRICARE Standard Survey, in Fiscal Year 2006 TRO-North mailed a "TRICARE Awareness" letter to over 140 providers in Brooklyn, New York, to increase their awareness of the TRICARE Standard option and to advise them how to obtain more information about it The survey had identified Brooklyn as a location where providers' awareness of TRICARE Standard was lower than average	X		X
TRO-North partnered with HNFS to support and encourage recruiting additional TRICARE Standard authorized providers TRO-North provided a list of cities and requested the contractor to phone a random sample of non-participating providers there to monitor their acceptance of TRICARE Standard patients The		X	X

Activity	Activity Type		
	Monitor	Oversee	Improve
TRO-North provider network has increased from 74,406 TRICARE providers in September 2004 to 98,818 TRICARE providers in November 2006			
TRO-North monitored results of the most recent Population-Based Survey for Assessing Beneficiary Satisfaction conducted by TMA Survey results showed that a higher percentage of TRICARE Standard beneficiaries in the TRICARE North Region reported no problem with getting needed care and satisfaction with getting care quickly than either MTF or civilian network TRICARE Prime enrollees reported	X		

TRICARE Regional Office-South

Activity	Activity Type		
	Monitor	Oversee	Improve
TRO-South designated a Federal Government employee health system specialist to monitor, oversee, and improve provisions of the TRICARE Standard option in the South Region	X	X	X
TRO-South monitored compliance of the South Region MCSC (Humana Military Healthcare Services (HMHS)) with its commitment to establish provider networks for the delivery of TRICARE Prime and Extra services throughout 100% of the TRICARE South Region Over 71,000 providers, over one-third of the total practicing providers in the TRICARE-South Region, are in the network, enhancing access to care for TRICARE Standard beneficiaries who wish to use the TRICARE Extra option	X	X	
TRO-South monitored HMHS as it conducted non-network (TRICARE Standard) provider and network provider seminars in the TRICARE-South Region Prime service areas At the seminars, HMHS provided marketing materials to TRICARE Standard providers	X		

Activity	Activity Type		
	Monitor	Oversee	Improve
The TRO-South staff and HMHS teamed to target areas with relatively low TRICARE Standard access-to-care availability For such areas, the team conducted additional network adequacy analysis and "town hall" meetings with providers and beneficiaries HMHS offered provider representatives to assist non-network providers in resolving claims submission difficulties and other problems	X	X	X
TRO-South supported TMA's development of outreach activities designed to increase medical providers' awareness and acceptance of the TRICARE Standard benefit These included mail-out of a provider newsletter with an enclosed "TRICARE Accepted Here" window decal sticker Additional outreach activities supported were mail-out of the TRICARE Standard newsletter to all Standard beneficiaries and publishing the TRICARE Standard Handbook	X		X
TRO-South coordinated with TMA to identify areas of interest for future surveys intended to assess providers' knowledge about and willingness to accept TRICARE Standard			X
TRO-South recommended the addition of a question on the TMA TRICARE Standard survey about providers' acceptance of Medicare to assess their willingness to accept any government health insurance plan at all A provider reporting non-acceptance of such insurance was asked to specify the reason(s) why Providers' willingness to accept Medicare is particularly pertinent to their willingness to accept TRICARE Standard since authorized Medicare providers are deemed to be authorized TRICARE providers			X
TRO-South monitored beneficiaries' use of TRICARE Standard in the region through review	X		

Activity	Activity Type		
	Monitor	Oversee	Improve
of data available from HMHS The data listed the number of TRICARE Prime, Extra, and Standard claims processed by the contractor			
TRO-South oversaw HMHS's performance of its contractual requirement to provide health care finder services to beneficiaries, including TRICARE Standard beneficiaries, via a toll-free phone line TRO-South performance assessment of HMHS's provision of an on-line providers directory to assist beneficiaries in locating providers resulted in improved accuracy of the information on the directory		X	
TRO-South met regularly with the other TROs and HMHS to develop marketing and education strategies for TRICARE Standard beneficiaries			X
TRO-South undertook outreach and education activities for Reserve Component members to provide information about TRICARE Standard benefits available through the Transitional Assistance Management Program (TAMP) and TRICARE Reserve Select (TRS)			X
TRO-South monitored results of HMHS's outreach action via a postcard mailed in late Fiscal Year 2005 to 27,680 TRICARE Standard beneficiaries in the TRICARE-South region to publicize advantages of the TRICARE provider network to TRICARE Standard users The audience consisted of those Standard users with recent (within 12 months) claims over $1,000 HMHS's analysis of the claims data during Fiscal Year 2006 identified a small shift of beneficiaries from TRICARE Standard to TRICARE Extra and Prime	X		
TRO-South monitored results of the most recent Population-Based Survey for Assessing Beneficiary Satisfaction conducted by TMA Survey results showed that a higher percentage of	X		

Activity	Activity Type		
	Monitor	Oversee	Improve
TRICARE Standard beneficiaries in the TRICARE South Region reported no problem with getting needed care and satisfaction with getting care quickly than either MTF or civilian network TRICARE Prime enrollees reported			

TRICARE Regional Office-West

Activity	Activity Type		
	Monitor	Oversee	Improve
TRO-West hired one full-time Federal Government employee health system specialist in the newly created "TRICARE Standard Operations" position to monitor, oversee, and improve provision of the TRICARE Standard option in the TRICARE West Region	X	X	X
TRO-West supported TMA's development of outreach activities designed to increase medical providers' awareness and acceptance of the TRICARE Standard benefit These included mail-out of a provider newsletter with an enclosed "TRICARE Accepted Here" window decal sticker Additional outreach activities supported were mail-out of the TRICARE Standard newsletter to all Standard beneficiaries and publishing the TRICARE Standard Handbook	X		X
TRO-West performed an analysis of the amount and types of health care purchased in the West Region to find areas with large concentrations of beneficiaries The TRO then correlated the results of this analysis with findings from the TRICARE Standard survey to identify areas requiring concentrated efforts to improve providers' acceptance of TRICARE Standard	X		X
TRO-West conducted teleconference briefings for numerous Beneficiary Counseling and Assistance Coordinators (BCACs) assigned to military			X

Activity	Activity Type		
	Monitor	Oversee	Improve
treatment facilities to apprise them of the TRO contact for TRICARE Standard matters			
TRO-West oversaw the TriWest MCSC's case management, concurrent review, and claims review for high volume users of the Standard benefit who do not have other health insurance		X	X
TRO-West monitored teaming by TriWest and TMA to better inform TRICARE beneficiaries in rural areas about the TRICARE Standard benefit through a series of public service announcements that will serve to point beneficiaries to specific conduits of TRICARE Standard information	X		
TRO-West monitored other TriWest efforts to increase the number of providers willing to accept TRICARE Standard, including the following initiatives • Prospecting for new providers using the monthly non-network referral report The TRICARE West Region provider network has increased from approximately 70,000 providers in 2004 to nearly 110,000 at present Many of these providers have been recruited in rural, non-Prime service areas where TRICARE Standard utilization has occurred • Using the TriWest Web site to announce upcoming provider seminars, e-seminars, and educational Web casts • Holding town hall meetings, as well as focused meetings with provider groups, in each of the 21 TRICARE West Region states • Prospecting for new providers using rural hospital Web sites • Sending email messages about TRICARE to providers in areas identified with specific specialty shortfalls, such as endocrinologists	X		

Activity	Activity Type		
	Monitor	Oversee	Improve
in Nevada and New Mexico and pediatricians in El Paso			
TRO-West used data from the TRICARE Standard survey to focus particular TRICARE Standard access improvement attention on areas where provider acceptance of TRICARE beneficiaries was found to be relatively low, particularly in Seattle, Washington, Monterey, California, Olympia, Washington, and Anchorage, Alaska	X		X
TRO-West maintained an ongoing record of beneficiaries who contacted the TRO requesting assistance with provider access During 2006 the TRO-West TRICARE Standard Program Manager received only four such calls	X		X
TRO-West monitored results of the most recent Population-Based Survey for Assessing Beneficiary Satisfaction conducted by TMA Survey results showed that a higher percentage of TRICARE Standard beneficiaries in the TRICARE West Region reported no problem with getting needed care and satisfaction with getting care quickly than either military treatment facilities or civilian network TRICARE Prime enrollees reported	X		

Participation of Eligible Health Care Providers in TRICARE Standard by Region

The National Defense Authorization Act for Fiscal Year 2004 required DoD to conduct surveys in TRICARE market areas to assess the willingness of civilian health care providers to accept TRICARE Standard beneficiaries as new patients In Fiscal Year 2006, TMA administered the required survey in 20 state-wide market areas, supplemented with random samples of physicians in 38 hospital service areas (HSAs) The TRICARE Regional Offices and TRICARE beneficiary organizations selected the majority of the HSAs to be sampled from the survey TMA sent the survey to the billing managers of randomly-selected doctors in the HSAs and adjusted the results for both the size of the populations sampled and for non-respondents The survey revealed that, overall, after weighting results with adjustments for non-responses, of those responding, 93 percent were aware of the TRICARE health plan, 96 percent accept new patients, and 82 percent of those accepting any new patients accept new

TRICARE Standard patients Adjusted survey results for each TRICARE region follow below

Provider Participation in the TRICARE North Region

In the TRICARE North Region, 89 6 percent of HSA survey respondents expressed an awareness of the TRICARE health plan, ranging from a low of 84 percent in the Mount Clemens, Michigan, HSA to a high of 100 percent in the Tomah, Wisconsin, HSA

Overall, 96 percent of survey respondents in the TRICARE North Region reported they would accept new patients, ranging from a low of 92 percent in the Raleigh, North Carolina, HSA to a high of 100 percent in the Tomah, Wisconsin, HSA Of those accepting any new patients, 82 percent accepted new TRICARE Standard patients, ranging from a low of 67 percent in the Raleigh, North Carolina, HSA to a high of 92 percent in the Bangor, Maine, HSA

Provider Participation in the TRICARE South Region

In the TRICARE South Region, 92 4 percent of HSA survey respondents expressed an awareness of the TRICARE health plan, ranging from a low of 87 9 percent in the Dallas, Texas, HSA to a high of 99 3 percent in the Wichita Falls, Texas, HSA

Overall, 96 percent of survey respondents in the TRICARE South Region reported they would accept new patients, ranging from a low of 90 percent in the Enid and Lawton, Oklahoma, HSAs to a high of 99 percent in the Atlanta, Georgia, HSA Of those accepting any new patients, 75 percent accepted new TRICARE Standard patients, ranging from a low of 69 percent in the Dallas, Texas, HSA to a high of 97 percent in the Temple, Texas, HSA

Provider Participation in the TRICARE West Region

In the TRICARE West Region, 91 5 percent of HSA survey respondents expressed an awareness of the TRICARE health plan, ranging from a low of 85 7 percent in the Kealakekua, Hawaii, HSA to a high of 100 percent in the Junction City, Kansas, HSA

Overall, 94 percent of survey respondents in the TRICARE West Region reported they would accept new patients, ranging from a low of 78 percent in the Kealakekua, Hawaii, HSA to a high of 97 1 percent in the Des Moines, Iowa, HSA Of those accepting any new patients, 77 percent accepted new TRICARE Standard patients, ranging from a low of 42 percent in the Lihue, Hawaii, HSA to a high of 100 percent in the Junction City, Kansas, HSA

TRICARE Standard Problems and Challenges Identified by Providers and Beneficiaries

With some permitted exceptions, the TRICARE payment amount for a service provided by a healthcare professional must, by statutory requirement (10 USC 1079(h)), be no more than the amount paid for the same service by Medicare This amount is called the "CHAMPUS Maximum Allowable Charge" (CMAC) Whenever Congress has considered reducing Medicare rates, various medical associations, individual providers, and TRICARE beneficiary organizations have expressed concern that TRICARE beneficiaries' access to care would suffer as a result of physicians declining to accept TRICARE Standard patients Even if a health care provider does not react to a decrease in Medicare reimbursement rates by declining to see TRICARE beneficiaries, there is another way reductions can adversely impact them "Participating providers" accept the CMAC as payment-in-full for services rendered However, non-participating providers may legally bill a TRICARE beneficiary an amount that is 15 percent greater than the CMAC Physicians are free to decide, on a patient-by-patient basis, whether they will participate in TRICARE Standard Reduction in Medicare reimbursement rates, and therefore a required concomitant reduction in the CMAC, makes it more likely that physicians will shift costs to beneficiaries by choosing to be non-participating TRICARE Standard health care providers If analysis reveals that in a particular locality TRICARE beneficiaries' access to specific health care services is severely impaired due to the CMAC reimbursement schedule, the TRICARE Management Activity Director, after considering recommendations from the TRO Regional Director, may approve a locality waiver of the CMAC by establishing higher payment rates as provided for under existing regulatory authority (32 CFR 199 14) that implements provisions in the National Defense Authorization Acts for Fiscal Years 2000 and 2001 As of mid-2006, 12 CMAC waivers have been approved, about one-half for network providers only and the remainder being locality waivers affecting all providers in an area

Testifying before Congress in 2002, military beneficiary groups and civilian managed care support contractors described problems with the processing of TRICARE claims for civilian-provided care These problems included slow payments and procedures that made claims processing inefficient In its October 2003 report (GAO-04-69), the General Accounting Office (now the Government Accountability Office) (GAO) documented process changes implemented by the Department of Defense and its managed care contractors that successfully improved claims processing efficiency Since that report, the Department has implemented a follow-on generation of managed care contracts with stringent claims processing standards enforced by imposition of monetary penalties for failure to meet them The contractors are meeting these standards consistently, resulting in further increases in claims processing efficiency beyond that noted in the October 2003 GAO report Unfortunately, some health care providers may not be aware of these improvements and may be declining to accept TRICARE Standard patients because of unfavorable experiences with TRICARE claims processing in earlier years A number of physician respondents to the TRICARE Standard survey have cited slow payment of TRICARE claims as their reason for

not accepting Standard beneficiaries This presents an education and marketing challenge that the Department and its managed care contractors are addressing through various efforts, noted earlier in this report, to outreach to physicians

Conclusion

The Department of Defense is conducting a multifaceted effort to ensure TRICARE Standard remains widely available to beneficiaries Results from ongoing surveys of providers to assess their knowledge about and acceptance of TRICARE Standard, the high degree of satisfaction with TRICARE Standard expressed in population-based surveys by beneficiaries, and the very low volume of complaints about TRICARE Standard received from beneficiaries by the TRICARE Regional Offices all indicate the Department is on the right track However, the Department realizes that health care in the United States is a dynamic process with numerous independent variables Continuing to achieve desirable results in such a complex environment demands strong, continuing management attention The Department is committed to providing that attention so our TRICARE beneficiaries who choose the TRICARE Standard option will have ready availability of the high quality health care they deserve