THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

MAY 16 2006

The Honorable John W. Warner
Chairman, Armed Services Committee
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

Due to the late passage of the National Defense Authorization Act for Fiscal Year 2006 and the Department of Defense Appropriations Act, 2006, and the number and complexity of the issues addressed, we need more time to provide you with a final report on the following:

Section 750 of the National Defense Authorization Act for Fiscal Year 2006 (NDAA-06), "Policy on the Role of Military Medical and Behavioral Science Personnel in Interrogation of Detainees":

Section 750 requires the Secretary of Defense to establish a policy on the role of the military medical and behavioral science personnel in the interrogation of persons detained by the Armed Forces. The provision also requires that a report on the policy established be submitted to the defense committees by March 1, 2006. Due to the intricate nature of this request, additional time is required to adequately address and provide a comprehensive report on this issue. The Department anticipates that a final report will be made available to Congress in June 2006.

Section 739 of NDAA-06, "Demonstration Project Study on Medicare Advantage Regional Preferred Provider Organization Option for TRICARE-Medicare Dual-Eligible Beneficiaries":

Section 739 requires a study and plan on the feasibility/cost effectiveness of conducting a demonstration project to evaluate whether applying the managed care methods under the Medicare Advantage program would improve the quality of care, realize cost savings to DoD, and improve beneficiary satisfaction for DoD beneficiaries who are entitled to health care under Medicare. The Department plans to discuss this potential demonstration project with its health care contractors and other experts in managed care over the next few months to determine the optimal course of action. We will address the issues detailed in the conference report, and also assess the likelihood of success of various approaches given the richness of the Medicare/TFL benefit. We expect to provide a report in August 2006.

Senate Report 109-141, "Nurse Accession Bonus":

Requests the Assistant Secretary of Defense for Health Affairs to provide a report comparing accession bonuses, salaries and other benefits offered by DoD and VA and their effect on recruitment and retention rates to the defense committees by March 1, 2006. The Department welcomes the opportunity to address the accession bonuses, salaries and other benefits offered by the DoD and VA and their impact on recruitment and retention. Due to the complexity of the issue, additional time is required to complete a comprehensive study. The Department anticipates that a final report will be made available to Congress in July 2006.

House Report 109-89, "Non-Monetary Benefits Package for President of the Uniformed Services University of the Health Sciences":

Requests the Assistant Secretary of Defense for Health Affairs to develop a non-monetary benefits package for the person holding the office of the president of Uniformed Services University of the Health Sciences (USUHS). The report requests that the Department will evaluate government furnished housing on the installation of the National Naval Medical Center and submit report/recommendations to the defense committees by March 1, 2006. The Department welcomes the opportunity to provide its recommendations regarding the non-monetary benefits package for the person holding the office of the president of USUHS. Due to the involved nature of this request, additional time is required to ensure a comprehensive report is provided. The Department anticipates that a final report will be made available to Congress in June 2006.

House Report 109-89, "Respiratory Therapists to Serve as Commissioned Officers":

Requests the Assistant Secretary of Defense for Health Affairs to assess whether respiratory therapists should serve as commissioned officers in the armed forces, based on a review of the requirements of the military services. If the assessment indicates that respiratory specialists should be commissioned, the Secretary should also discuss the pre-commissioning requirements for respiratory therapists. The report requests that the report shall be submitted to defense committees by April 1, 2006. The Department welcomes the opportunity to provide its position regarding the commissioning of respiratory therapists in the armed forces. Due to the complexity of the issue, more time is required to complete a study addressing this issue. The Department anticipates that a final report will be made available to Congress in July 2006.

House Report 109-89, "Review of TRICARE Policy regarding Treatment of Other Health Insurance":

Requests the Secretary of Defense to conduct a study on the impact of changing current TRICARE policy to mirror TRICARE Dual Eligible Intermediary Contracts

(TDEFIC), formally known as TRICARE For Life (TFL), reimbursement for other health insurance (OHI) by March 31, 2006. Adoption of this supplemental type coverage would result in the transitioning from a multi-step coordination of benefits (COB) process to one of simply paying an amount equal to the remaining beneficiary liability after the primary insurer processes the claim without regard to any TRICARE deductible and copayment/cost-share amounts that would otherwise be assessed. The report further requests the Secretary as part of the study to: 1) determine whether the current policy unfairly penalizes beneficiaries with OHI by requiring out-of-pocket expenses for covered TRICARE benefits; 2) compare the cost of reimbursing beneficiaries with OHI all out-of-pocket costs for TRICARE covered benefits to those beneficiaries with only TRICARE coverage; and 3) determine how the current policy has impacted customer service demand and associated costs on TRICARE contractors. Due to the scope and complexity of this analysis (i.e., review and analysis of the impact on both contractors and TRICARE beneficiary populations along with potential increases in overall government expenditures), more time is required to fairly assess the consequences resulting from converting from a COB methodology to a more simplified supplemental reimbursement process. This comprehensive study will analyze the effectiveness of this proposed alternative supplemental methodology in providing incentives for beneficiaries not to drop their primary coverage due to out-of-pocket expenses. It is anticipated that the final report will be made available to Congress in June of 2006.

House Report 109-89, "Review of TRICARE Reimbursement Rates for Obstetrics, Gynecology, Pediatrics and Mental Health":

Requests the Secretary of Defense to conduct a study that compares the CMAC Charges rates for obstetrics, gynecology, pediatrics, and mental health to other federal health programs in at least two TRICARE regions and report to the defense committees by March 31, 2006. The study will review CMAC rates against rates allowed by other federal health programs including Medicaid, Medicare, the Department of Veterans Affairs, and the Federal Employee Health Benefits Program. If it is found that CMAC rates are less than the other federal programs and if lower rates are causing problems in maintaining networks and causing access to care problems, recommendations will be made to at least increase the CMAC rates to the levels that will mitigate network and access issues related to reimbursement rates. The study will also address the contention that if TRICARE would raise payment levels to other federal payers, the issues of increasing provider participation and seeing new or additional TRICARE patients would be alleviated. Finally, if the study finds that CMACs should be increased to help resolve problems caused by our current payment levels, the study will disclose the costs to the government for raising the CMAC rates in the areas of obstetrics, gynecology, pediatrics, and mental health.

Due to the wide scope of services required for this comparison, more time is needed to properly gather and compile the information so appropriate conclusions can be made. An analysis of the current CMAC rates compared to other federal payers' rates

involves significant time especially if it is determined that other payers have higher established rates. This would lead to whether other federal program rates can be readily adopted to the TRICARE reimbursement system and if so, at what costs, i.e., increased healthcare costs and implementation and administrative costs of the TRICARE contractors. The timeframe for providing a final report to Congress is projected to be July 2006.

House Report 109-95, "TRICARE Reimbursement Rates for Physicians":

Requests the Assistant Secretary of Defense for Health Affairs to report on the process for establishing reimbursement rates and the adequacy of current reimbursement rates for physicians in all three TRICARE Regions by March 1, 2006. The process for establishing current reimbursement rates is relatively simple since TRICARE adopts the rates established by CMS for Medicare. However, determining whether the current TRICARE rates for physician services are adequate is a bigger issue requiring significant time and effort to compile. The review of these rates established for physician services would include CMACs, anesthesia rates, injectable and IV drug rates, component priced rates (mainly for diagnostic services), locality adjusted rates, urban versus rural rates, rates by physician specialty, physician bonus payments, software edited rates, waivers that have been provided, etc. Discussions with knowledgeable groups, individuals, and organizations along with data analysis should provide insight concerning the adequacy of current reimbursement rates in maintaining current providers, attracting new providers, and enticing current providers to treat additional TRICARE patients. Issues specific to TRICARE Prime versus TRICARE Standard should be identified and recognized.

Due to the need for an in-depth analysis concerning the adequacy of current reimbursement rates and the scope of physician medical and mental health services that are involved, more time is required to properly evaluate the adequacy of these reimbursement rates. If it is found that rates are not adequate, the results of the review should be specific so that concrete recommendations can be made. These recommendations would also associate all costs to the government including increased healthcare costs along with additional implementation and administrative costs to the TRICARE contractors. The timeframe for providing a final report to Congress is projected to be July 2006.

House Report 109-95, "TRICARE Mail Order Pharmacy":

Requests the DoD to educate the TRICARE beneficiary population on the benefits and the value of the TRICARE Mail Order Pharmacy Program (TMOP) and report findings by March 1, 2006. The Department has already begun working on a comprehensive educational and marketing plan which has involved discussing components of the draft plan with beneficiary groups. In addition, DoD has also engaged its Mail Order Pharmacy contractor in discussions on how it might help DoD educate beneficiaries on the benefits and value of the mail order program, in order to determine

the optimal course of action for DoD to reach those beneficiaries who could benefit most from the mail order program. DoD intends to implement a detailed educational and marketing plan to beneficiaries throughout FY 2006 that addresses the issue raised in the conference report. It is anticipated that a report will be made available to Congress in October 2006.

Conference Report 109-359, "DoD/VA Patient Records":

The Conference Report accompanying the Department of Defense Appropriations Act, 2006 requests the Department of Defense (DoD) and the Department of Veterans Affairs (VA) to report on how the Departments share health information and provide continuity of care, and to discuss the DoD and VA's significant progress in the real time sharing of pertinent and appropriate health information of patients treated in both DoD and VA facilities, or transferred from DoD to VA. The report is to further discuss DoD plans to ensure VA has access to DoD inpatient health information for DoD patients transferred to VA. The Conference Report requests that the report be submitted to the congressional defense committees not later than April 1, 2006. Due to the focus on inpatient health information sharing, which is a subject not previously addressed in Congressional reports, and the need for the report to be signed by both Departments, DoD anticipates that a final report will be available to Congress in June 2006.

House Report 109-95, "Health Care Benefits for Reservists and Their Families":

Requests the Department to report on the need for and ramifications of additional healthcare for reservists and their families. The report should include, but not be limited to the total estimated costs--delineated among Budget Activity Groups in the Defense Health Program; long term costs and implications of the proposal; a demographic trend and rising healthcare costs comparison on how current benefits compare to national healthcare.

The Department's report will require a comprehensive review of current benefits, some newly enacted, to determine a baseline from which to determine costs and additional programs, if any, and their costs. It will require about twelve months to complete the analysis work and evaluation to provide a comprehensive review. It will be completed in September 2006.

Concurrently the Department will prepare a healthcare benefits comparison among TRICARE and other plans available in the United States to include in the report. This analysis will examine cost and benefit structure of major plans for comparison. This comprehensive review will take into account recent trends and, if applicable, the impact of rising healthcare costs.

Senate Report 109-69, "Premium Conversion/Flexible Spending Account Options for Service Members":

Requests the Secretary of Defense to provide a report to the congressional defense committees by March 1, 2006, on a plan to evaluate and implement the premium conversion/flexible spending account (FSA) options for uniformed service members, including identification of any administrative or statutory barriers to achieving their implementation. The FSA program is currently available and administered by the Office of Personnel Management (OPM) for all Federal Employees.

One constraint is that reimbursement for premiums is not allowed under this program. The statutory barrier that must to be coordinated between DoD, OPM and the Internal Revenue Service is the issue of reimbursement for TRICARE premiums (IRS Publication 502 http://www.irs.gov/publications/p502/index.html (Note: While insurance premiums are included in Publication 502, they are not reimbursable expenses for FSA purposes). The Congressional Committee wants this addressed in the Report. "The committee believes that active-duty members and Selected Reserve members should be able to use premium conversion to pay dental insurance premiums, and Selected Reserve personnel should be able to use it to pay TRICARE Reserve Select premiums authorized by the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375)."

Due to the fact that the program's authority and administration overlaps three agencies, a thorough study of the statutory and administrative barriers needs to be conducted. We anticipate providing the committee evaluation and implementation plan recommendations in September 2006.

Conference Report 109-359, "Special Mental Health Care – TRICARE South Region":

Requests the ASD(HA) in conjunction with the TRICARE Regional Director for the South to report with a plan to expand existing capabilities to ensure that potential regional PTSD and related mental health challenges in this area are adequately addressed, to include Phoebe Putney Memorial Hospital. We are in the process of contacting each facility in the South region to confirm mental health services and recruit into the TRICARE network. We need an extension until August 2006 to develop/forward a plan to expand existing capabilities.

Section 731 of NDAA-06, "Study Relating to Predeployment and Postdeployment Medical Exams of Certain Members of the Armed Forces":

Section 731 of NDAA-06 requires a report to Congress on the effectiveness of the self-report instrument used in the pre-deployment and post-deployment medical exams,

including the mental health portion of the assessments, of members of the Armed Forces that are carried out as part of the medical tracking system required under Section 1074f of Title 10, United States Code.

The Department of Defense pre-deployment and post-deployment medical examinations consist of global health assessments that include both written standardized questions answered by the individual service member and a clinical review of those answers by a credentialed medical provider. These medical examinations are identifying health concerns and conditions of the individuals and facilitating access to care for further evaluation and appropriate treatment.

To fully address the requirements of this report, a comprehensive study is being conducted under contract to John Snow Incorporated in consultation with Harvard Medical School. The study findings and analyses will be completed by September 30, 2006, and we will provide a complete report no later than December 2006.

Conference Report 109-360, "Mental Health Counselors":

Requests the DoD to report actions taken to improve the efficiency and effectiveness of procedures facilitating physician referral and supervision of licensed mental health counselors (LMHCs). This report requires significant research because the information requested in the report is unavailable in any existing data sources. We anticipate this report will be completed by September 2006.

House Report 109-95, "TRICARE Enterprise-Wide Referral and Authorization Process":

Requests the Secretary of Defense to report with an update on the TRICARE Enterprise-Wide Referral and Authorization Process as recommended by the Services' Deputy Surgeons General by March 1, 2006. The Department is still planning the implementation of the referral and authorization process, and will report in October 2006, once the implementation schedule is determined.

Thank you for your continued support of the Military Health System.

Sincerely,

William Winkenwerder, Jr., MD

cc:
Senator Carl Levin