UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2011

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

Dear Mr. Chairman:

The Department is pleased to forward the enclosed annual report for Fiscal Year (FY) 2011, as required by section 731 of the John Warner National Defense Authorization Act for FY 2007. In the four previous reports, the Department identified 12 claims processing differences between the TRICARE program and the Medicare program. During this fiscal year, the Department conducted further analysis and no additional differences were identified. Of the 12 differences, the Department provided business cases to retain four, three claims processing differences are now aligned with the Medicare program, and the remaining five claims processing differences are awaiting elimination through already planned actions. There were no additional claims processing differences identified in FY 2011.

A similar letter has been sent to the other congressional defense committees. Thank you for your interest in the health and well-being of our Service members, veterans, and their families.

Sincerely,

Clifford L. Stanley

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2011

The Honorable Jim Webb
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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The Honorable Lindsey Graham
Ranking Member

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PERSONNEL AND
READINESS

MAY 3 2011

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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Enclosure:
As stated

cc:
The Honorable Thad Cochran
Vice Chairman

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2013

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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The Honorable Thad Cochran
Vice Chairman

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PERSONNEL AND
READINESS

MAY 3 2011

The Honorable Howard P. "Buck" McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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Enclosure:
As stated

cc:
The Honorable Adam Smith
Ranking Member

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2011

The Honorable Joe Wilson
Chairman, Subcommittee on Military Personnel
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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As stated

cc:
The Honorable Susan A. Davis
Ranking Member

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2011

The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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cc:
The Honorable Norman D. Dicks
Ranking Member

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

PERSONNEL AND
READINESS

MAY 3 2012

The Honorable C. W. Bill Young
Chairman, Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Department is pleased to forward the enclosed annual report for Fiscal Year (FY) 2011, as required by section 731 of the John Warner National Defense Authorization Act for FY 2007. In the four previous reports, the Department identified 12 claims processing differences between the TRICARE program and the Medicare program. During this fiscal year, the Department conducted further analysis and no additional differences were identified. Of the 12 differences, the Department provided business cases to retain four, three claims processing differences are now aligned with the Medicare program, and the remaining five claims processing differences are awaiting elimination through already planned actions. There were no additional claims processing differences identified in FY 2011.

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The Honorable Norman D. Dicks
Ranking Member

**Report to Congress**

**Fiscal Year 2011**

Standardization of Claims Processing
Under TRICARE Program
and Medicare Program

**Preparation of this study/report cost the Department of Defense a total of Approximately $13,840 for the 2011 Fiscal Year**
**Reference: 0-F97CC00**

# REPORT TO CONGRESS
# ON
# STANDARDIZATION OF CLAIMS PROCESSING UNDER TRICARE PROGRAM AND MEDICARE PROGRAM

## INTRODUCTION

This fifth annual report is in response to Section 731(d) of the National Defense Authorization Act for Fiscal Year (FY) 2007. This section requires the Secretary of Defense to submit an annual report beginning not later than October 1, 2007 to the congressional defense committees setting forth a complete list of the claims processing requirements under the TRICARE program that differ from the claims processing requirements under the Medicare program. Each previous report includes business cases for claims processing requirements which are different between the two programs. The business case either supports maintaining the requirement under the TRICARE program or projects alignment of the requirement with Medicare's claims processing methodology.

## BACKGROUND

In the Department's FY 2007 report, the Department defined the scope of this project as covering claims processing from the point at which services have been rendered to the time the claims have been paid or denied. Three distinct phases were identified during the analysis of this process:

1. Provider or Beneficiary Claim Preparation and Submittal Requirements;

2. Claim Processing and Notification to Provider and/or Beneficiary; and

3. TRICARE Claims Data Requirements.

Analysis of each phase supported the identification of the commonalities and differences in the claims processing methodologies of the two programs. The following summarizes, by report year, the Department's findings:

## CLAIMS PROCESSING REQUIREMENT DIFFERENCES RETAINED BASED ON FY 2007 REVIEW AND ANALYSIS

Electronic Claims Submission Requirement

The Department continues to encourage electronic claims submission through its Managed Care Support (MCS) Contract requirements and has included it as a requirement in the T-3 contracts.

Nonstandard Claim Forms

The Department will continue to accept nonstandard claim forms due to the need to accept claims directly from TRICARE beneficiaries.

Other Health Insurance (OHI) Payment Calculation Program

Even though the TRICARE OHI calculation for claims processing is more extensive than Medicare's, the Department will not change to the Medicare OHI calculation as this would result in increased costs for the TRICARE beneficiaries and potentially increase the overall TRICARE program health care costs.

Explanation of Benefits (EOB)

There is insufficient justification for the Department to incur any additional costs by returning to prescriptive requirements for TRICARE EOBs. In the T-3 contracts—although non-prescriptive with regards to the EOB format—the Department is allowing the contractors the choice of providing a monthly summary EOB in lieu of an EOB for each individual claim processed. This change is more in alignment with the summary EOB requirements of the Medicare program.

**CLAIMS PROCESSING REQUIREMENT DIFFERENCES ADDRESSED IN THE FY 2008 REPORT**

Claims Editing Software

In order to align with Medicare, the Department implemented the national Outpatient Prospective Payment System (OPPS), which includes the use of Medicare's National Correct Coding Initiative (NCCI) software for auditing outpatient claims, on May 1, 2009.

Claims Processing Jurisdiction

In the T-3 MCS Contracts, the TRICARE program's out-of-area jurisdiction claims processing is aligned with the Medicare Advantage program out-of-area claims processing rules.

Institutional Outpatient Claims Processing

The Department will adopt Medicare's institutional outpatient claims processing methodology by requiring revenue codes to identify reimbursement for services in the T-3 contracts.

## CLAIMS PROCESSING REQUIREMENT DIFFERENCES ADDRESSED IN THE FY 2009 REPORT

Use of National Provider Identifier (NPI) on Paper Claims

The Department will align with Medicare regarding the mandatory use of NPIs on all claim transactions once the T-3 contracts are awarded.

Edit for Number of Services by Procedure Code

Medicare's claims editing process for determining number of services for Healthcare Common Procedure Coding System (HCPCS)/Current Procedure Terminology (CPT) codes is more comprehensive than that currently used by TRICARE. The Department will adopt Medicare's Medically Unlikely Edit (MUE) program, aligning the number of services by HCPCS/CPT codes accepted by TRICARE with that accepted by Medicare and commercial health plans. This will reduce provider confusion on what is an allowable number of services per day for each HCPCS/CPT code. The change has been implemented.

Processing of Interim Bills

Changes have been made to the TRICARE Systems Manual directing the TRICARE contractors to submit all interim-interim and interim-final billings as unique claims rather than adjustments to the interim-interim claim. However, system implementation is not completed.

## CLAIMS PROCESSING DIFFERENCES ADDRESSED IN THE FY 2010 REPORT

Ambulatory Surgical Center (ASC) Services Accepted on Center for Medicare and Medicaid Services (CMS) 1500 Claims Form

Upon publication of the final rule migrating freestanding ASCs to the OPPS payment methodology, the Department will adopt the use of the CMS 1500 claims form for freestanding ASCs.

Use of Modifiers on Health Professional Shortage Area (HPSA) Claims

The Department will adopt Medicare's methodology for paying providers the HPSA bonus payment once the T-3 MCS Contracts have been implemented in the three TRICARE regions.

## FY 2011 REPORT

There were no additional claims processing differences identified in FY 2011.

## SUMMARY

### CLAIMS PROCESSING REQUIREMENT DIFFERENCES RETAINED BASED ON REVIEW AND ANALYSIS

1. Electronic Claims Submission. The Department does not plan to seek authority to require TRICARE providers to file claims electronically, but will continue to encourage this practice through the MCS Contract requirements in both the current and T-3 contracts.

2. Nonstandard Claims Forms. The Department already uses the standardized claims forms and formats from providers within the United States, but will continue to accept nonstandard claims forms from beneficiaries submitting their own claims.

3. OHI Payment Calculation. The Department will not change to the Medicare OHI calculation as this would result in increased costs to TRICARE beneficiaries and potentially increase the overall TRICARE program health care costs.

4. EOB. The Department is allowing the contractors the choice of providing a monthly summary EOB in lieu of an EOB for each individual claim processed, which is more in alignment with the summary EOB requirements of the Medicare program.

### CLAIMS PROCESSING DIFFERENCES NOW ALIGNED WITH MEDICARE PROGRAM

5. Claims Processing Jurisdiction. The TRICARE program is in alignment with the Medicare Advantage program out-of-area jurisdiction claims processing.

6. Claims Editing Software. In order to further align with Medicare's claims processing methodologies, the Department will use the Medicare NCCI editing software along with commercial claims editing software, e.g., ClaimCheck® for institutional outpatient claims as part of the OPPS implementation. The Department implemented OPPS on May 1, 2009.

7. Edit for Number of Services by Procedure Code. The Department has adopted Medicare's MUE program, thereby aligning the number of services by HCPCS/CPT codes accepted by TRICARE with that accepted by Medicare and commercial health plans.

### CLAIMS PROCESSING DIFFERENCES TO BE ADDRESSED

8. Processing of Interim Bills. The Department anticipated beginning processing interim bills in January 2011, however during system testing with the TRICARE Encounter Data System (TEDS), critical coding issues were uncovered and delayed implementation for an unspecified period.

9. Institutional Outpatient Claims Processing. Once funding has been received, the Department will adopt this approach in the T-3 contracts.

10. Use of National Provider Identifier on Paper Claims. The Department plans on implementing the requirement for mandatory use of NPI on all claim transactions once the T-3 contracts are awarded in each of the three TRICARE regions.

11. Use of Modifiers on Health Professional Shortage Area Claims. The Department will adopt Medicare's methodology for paying providers the HPSA bonus payment once the T-3 MCS Contracts have been implemented in the three TRICARE regions.

12. ASC Services Accepted on CMS 1500 Claims Form. Upon publication of the final rule migrating freestanding ASCs to the OPPS payment methodology and funding is received to make the necessary changes to TEDS, the Department will adopt the use of the CMS 1500 claims form for freestanding ASCs.