



HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D C 20301-1200

MAY 01 2003

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

Dear Mr Chairman

This report is submitted as requested by House Armed Services Committee Report 107-436 regarding Waiver of TRICARE Senior Pharmacy Deductible for Beneficiaries in Nursing Homes.

The Committee expressed concern that TRICARE beneficiaries who are patients in nursing homes are currently subject to the annual deductible for using out-of-network pharmacy services. Pharmacy services obtained by DoD beneficiaries residing in a nursing home are cost shared as out-of-network services only when the pharmacy providing services to the beneficiary lacks a network agreement with the TRICARE Managed Care Support Contractor's Pharmacy Benefits Manager. Our experience since April 1, 2001, when TRICARE Senior Pharmacy was implemented, is that the use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes is not widespread. When such occurrences have been brought to our attention, we have consistently been able to deal with this issue on a case-by-case basis and have been universally successful in either identifying a network pharmacy that can serve the nursing home beneficiary, or bringing the non-network pharmacy used by the nursing home into the TRICARE network. In either case, patients pay no deductible for their outpatient prescriptions since these services are now obtained from a network provider.

It should also be noted that when a beneficiary is required to pay the TRICARE deductible before TRICARE will cost-share for health care services, there is currently no mechanism for tracking payments made toward satisfying the deductible for pharmacy services, compared to payments made for any other authorized health care services. Under 32 C.F.R. 199.21(f)(4), deductible amounts for non-network retail pharmacy services are \$150 per individual and \$300 per family.

The Committee has requested the Department to consider steps to implement such policies and regulations or recommend any legislative changes that may be necessary to waive the deductible for these patients. A legislative change is unnecessary. Under 10 U.S.C. 1074g(a)(6), the Department may establish cost sharing requirements that may be separate and distinct from cost sharing requirements under the rest of the TRICARE program. Cost sharing requirements were established under our rule making authority in 32 C.F.R. 199.21(f). Therefore, any waiver of the requirement that individuals pay a deductible when using a non-network retail pharmacy creates an exception for beneficiaries residing in nursing homes, and, therefore, would require a change to the regulation.

In implementing a waiver of deductibles associated with non-network pharmacy services, as requested in the report language, the Department would be challenged with first identifying the residence of a TRICARE beneficiary as that of a nursing home. To overcome this dilemma and preclude costly changes to multiple personnel and healthcare systems, the Department is exploring an option of allowing, in those cases where a network pharmacy cannot be used, nursing home residents to file a claim for reimbursement for non-network pharmacy costs that would otherwise apply to their non-network deductible. The claim could document payment through their Explanation of Benefits and show residence in a nursing home at the time the non-network pharmacy services were obtained. We are continuing to assess the extent of the problem and the potential need for initiating a regulatory change.

Thank you for your continued interest in the Military Health System

Sincerely,



William Winkenwerder, Jr., MD

Enclosure  
As stated

cc  
Senator Carl Levin