

[\[Categorical Listing\]](#) [\[Numerical Listing\]](#)

This policy is superseded by HA Policy [97-043](#)



THE ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, DC 20301-1200

MAY 22 1995

**MEMORANDUM FOR:** ASSISTANT SECRETARY OF THE ARMY (M&RA)  
ASSISTANT SECRETARY OF THE NAVY (M&RA)  
ASSISTANT SECRETARY OF THE AIR FORCE (MRAI&E)

**SUBJECT:** Transfer Payment Policy

An effective method to provide for a transfer of funds between military medical treatment facilities (MTF) is an integral part of building a competitive health services system using a business case approach. With the advent of capitation financing, MTFs are no longer staffed or budgeted on the basis of workload. The Military Departments now allocate funds and staffing to their commanders on the basis of catchment area population. With this change, the financial incentive has shifted from the production of workload to the efficient delivery of necessary health care to the beneficiary population. The purpose of this [transfer payment policy](#) (Attachment 1) is to provide the framework, identify the data resources and apply a consistent resource allocation process in response to shifting workload patterns that result from these new incentives. These workload shifts, whether the result of Base Realignment and Closure (BRAC) driven population changes, clinical referral patterns or managed care decisions may adversely affect the operating budgets of referral centers and result in "windfall profits" to referring facilities. This policy is designed to protect the integrity of individual facility budgets and provide a source of funding to respond to clinical management decisions which return financial resources to the Military Health Services System (MHSS) that would otherwise be funnelled into the private sector. The process provides the capital to support effective managed care decisions and provides protection against imprudent workload shifts. In all cases, baseline resourcing is established as a starting point from which shifts in relative weighted products will be compared. In short, the transfer payment policy openly moves funds to where the care is provided.

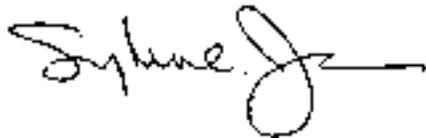
This policy represents the culmination of a significant effort, by a transfer payment committee composed of senior ranking representatives from each Military Department, to maintain financial stability in our capitated resource environment. Every MTF is involved in the transfer process. Each MTF catchment area is considered to be funded (through direct care or CHAMPUS) for all inpatient, outpatient and ancillary care historically supported irrespective of the origin of the workload. This policy will be governed by reports consisting of Diagnosis Related Group (DRG) designations aggregated into base relative weighted products (RWPs). The FY95 RWPs will be allocated into several categories based on historical workload reporting and adjusted by changes in population. The information is drawn from each Military Department's data in the Defense Medical

Information System. The ability to separate inpatient care into categories (e.g. payables and receivables baselines) is designed to prevent inappropriate transfers. It will also be important for each facility to accurately track its out-of-catchment area workload to identify referred (i.e. clinically managed) services from "walk in" work. Also, each MTF must have an accurate measure of its Medicare inpatient care. This is important because the only source of funding to enable the MHSS to actively increase its service level to this category of beneficiary is the MTF's direct care Operation and Maintenance funds. We continue to actively pursue legislative relief from this constraint.

Military Department representatives, Captain George Crittenden, MSC, USN, BUMED 01B, DSN 294-1074, LtCol James Geiger, HQ USAF/SGMC, DSN 297-5058 and LTC Dave Moonan, OTSG/RM, DSN 289-0274, will evaluate workload transfers among facilities in the MHSS during FY95 and will recommend specific adjustments to a facility's budget if workload transfers exceed the historical baseline. Inquiries can be made directly to your committee member.

Each Military Department will review and provide to its MTFs the proposed FY95 baselines and transfer payment price per RWP. This policy with baselines and prices will be available in electronic form on the TRICARE Executive Bulletin Board. MTF commanders will submit proposed changes to their baselines and price to their Military Department by 1 July 1995. Military Departments will submit recommended changes to baselines and prices to the office of the Deputy Assistant Secretary of Defense for Health Budgets and Programs for approval, by 15 July 1995. The OASD(HA) will publish approved MTF transfer payment prices per RWP and MTF baselines by 31 July 1995. Military Departments will provide this information to all MTF's by 14 August 1995. Military Departments will provide to the OASD(HA) by 15 July 1995 their implementing instructions to the transfer payment policy.

The [point of contact](#) for this action is Colonel Douglas Braendel, (703) 756-8876.



Stephen C. Joseph, M.D., M.P.H.

THE NEW POINT OF CONTACT IS COLONEL NICE, (703) 681-9976

Attachment:  
As stated

**HA POLICY 95-00**

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Last update: 1/11/1999