



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

APR 19 1996

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: Policy for Newborn Billing

On June 19, 1995, we promulgated a billing policy for newborns to recover our reasonable cost of care and to establish consistent billing policies. Under this policy, we bill for newborn care from the time the baby is born, rather than only if they stay beyond the mother's hospitalization. The policy was subsequently held in abeyance for further review and comment.

This issue was twice staffed through our TRICARE Executive Committee with the Services non-concurring with the implementation of this new policy. We have carefully reviewed Service input and fully understand their concerns. For individuals who are not DoD beneficiaries (either regular beneficiaries or Secretarial Designees), we have a legal obligation to "recover the reasonable cost of health care services provided" ([see attached](#)). We expend resources to care for these newborns and are obligated to recover the cost of this care. Therefore, we will implement this policy correction. However, we will defer the effective date of this policy correction to October 1, 1996, in order to provide you sufficient time to plan for a reasonable implementation approach using Secretarial Designee authority.

The greatest concern among the Services is for newborns of dependent daughters and former service member maternity newborns. With this change in policy, these newborns will be billed at the full reimbursement rate from the time they are born, resulting in a charge of approximately \$600-\$800. One approach to address possible hardship is that you jointly consider using Secretarial Designee status to make these newborns eligible beneficiaries for care without required reimbursement. This Secretarial Designee class could be newborns of dependent daughters and former service member newborns from time of birth to time of the mother's discharge. Another option would be to limit the status to individuals based on hardship. Regardless of the approach taken, it is important that you consider a common policy, whether it is on an entire class basis or on an individual hardship basis.

A handwritten signature in black ink, appearing to read "Stephen C. Joseph".

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

Attachment:
As stated

HA POLICY 96-041



DEPARTMENT OF DEFENSE OFFICE OF GENERAL
COUNSEL 1600 DEFENSE PENTAGON
WASHINGTON, DC 20301-1600
January 16, 1995

MEMORANDUM FOR PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

SUBJECT: Billing for Newborn Care in DoD Medical Treatment Facilities (MTFs)

This responds to your request that I review the legal issues related to the policy for billing newborns. I am aware that the services have nonconcurred with the proposed changes in policy to bill Medical Service Account (MSA) patients in the same manner DoD bills Third Party Collection Program (TPCP) carriers.

As an initial matter, it is best to clarify that there appear to be two issues involved here. One is the legal requirement to recover the reasonable cost of health care services provided to certain patients. A second issue is the entitlement issue of which newborns who are not statutory beneficiaries should be treated as eligible beneficiaries for purposes of initial neonatal care.

The proposed new policy addresses issue number one by recognizing DoD's legal obligation to treat Medical Service Account (MSA) newborns in the same manner as newborns under the Third party Collection Program (TPCP). Under the TPCP, DoD bills separately for the mother and the newborn, based on the fact that DoD is expending resources to care for the newborn that are not included in the mother's bill, and that we are required to recover the "reasonable cost of health care services provided." [As an aside, this is consistent with CHAMPUS' requirement that separate bills be submitted for the mother and the newborn under their DRG-based payment system (CHAMPUS Policy Manual, Chap. 4, sec. 5.1).]

Given the existing requirement to recover our costs, there are several options to consider:

1. Propose a change in the law to establish a special newborn entitlement.
2. Change the existing accounting and billing system to include the newborn's costs as part of the mother's episode of care. This would naturally result in the mother's charge being significantly higher.
3. Change the existing policy, billing MSA newborns as TPC newborns are billed, and use Secretarial Designee status for designated classes of newborns or in individual cases to alleviate hardship.

Continuing with the existing policy is not an appropriate option, in my view, because it is not consistent with the legal requirement to cover costs. In my opinion, the existing policy should be changed to bill MSA newborns as TPC newborns are billed. Secretarial designee status could be used to address the issue of eligibility for care at DoD expense for newborns of dependent daughters, former service members, civilian employees, and/or any other group.

I hope you find this responsive to your request. If anything further is needed, please advise.

John A. Casciotti
Associate Deputy General Counsel
(Health Affairs)