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 final report providing information on the use of Temporary Military Contingency Payment Adjustments (TMCPAs) for TRICARE Outpatient Prospective Payment System (OPPS) Rates, as requested on pages 154-156 of Senate Report 111-201, accompanying S. 3454, the National Defense Authorization Act for Fiscal Year 2011. This report includes responses to the 11 required elements and an assessment of the application process for provision of TMCPAs for TRICARE OPPS.

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

Sincerely,

Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable John McCain  
Ranking Member
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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Principal Deputy

Enclosure:
As stated

cc:
The Honorable Lindsey Graham  
Ranking Member
The Honorable Daniel K. Inouye  
Chairman  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

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Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Thad Cochran  
Vice Chairman
The Honorable Daniel K. Inouye  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
United States Senate  
Washington, DC 20510  

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Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Thad Cochran  
Vice Chairman
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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Sincerely,

Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Adam Smith  
Ranking Member
The Honorable Joe Wilson  
Chairman, Subcommittee on Military Personnel  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

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Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Susan A. Davis  
Ranking Member
The Honorable Harold Rogers  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515  

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Sincerely,

Jo Ann Rooney  
Principal Deputy

Enclosure:  
As stated

cc:  
The Honorable Norman D. Dicks  
Ranking Member
The Honorable C. W. Bill Young  
Chairman, Subcommittee on Defense  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515  

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Sincerely,  

Jo Ann Rooney  
Principal Deputy  

Enclosure:  
As stated  

cc:  
The Honorable Norman D. Dicks  
Ranking Member
Report to Congress

REPORT ON THE USE OF TEMPORARY MILITARY CONTINGENCY PAYMENT ADJUSTMENTS FOR TRICARE OUTPATIENT PROSPECTIVE PAYMENT SYSTEM RATES

Preparation of this study/report cost the Department of Defense a total of approximately $1,913 for the 2011 Fiscal Year.
RefID: E-7259BCA
REPORT TO CONGRESS  
ON  
THE USE OF TEMPORARY MILITARY CONTINGENCY  
PAYMENT ADJUSTMENTS FOR TRICARE OUTPATIENT  
PROSPECTIVE PAYMENT SYSTEM RATES  

INTRODUCTION  
This report is in response to Senate Report 111–201, pages 154–156, to accompany S. 3454, the National Defense Authorization Act for Fiscal Year 2011 which requests the Secretary of Defense to report on and provide an assessment of the application process for the provision of Temporary Military Contingency Payment Adjustments (TMCPAs) for the TRICARE Outpatient Prospective Payment System (OPPS).  

STATUTE  
Per 10 U.S.C. 1079(j)(2) and (j)(4), TRICARE’s payment methods for institutional care shall be determined, to the extent practicable, in accordance with the same reimbursement rules used by Medicare. These sections read:  

(2) The amount to be paid to a provider of services for services provided under a plan covered by this section shall be determined under joint regulations to be prescribed by the administering Secretaries which provide that the amount of such payments shall be determined to the extent practicable in accordance with the same reimbursement rules as apply to payments to providers of services of the same type under Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.).  

(4) In this subsection, the term “provider of services” means a hospital, skilled nursing facility, comprehensive outpatient rehabilitation facility, home health agency, hospice program (as defined in section 1861(dd)(2) of the Social Security Act (42 U.S.C. 1395 x (dd)(2))), or other institutional facility providing services for which payment may be made under a plan covered by this section.  

BACKGROUND  
Based on the above statutory provision, TRICARE adopted an OPPS for reimbursement of hospital outpatient services similar to the system currently in effect for the Medicare program. Under the OPPS, hospital outpatient services are paid on a rate-per-service basis that varies according to the Ambulatory Payment Classification (APC) group to which the services are assigned. Group services identified by Health Care Procedure Coding System codes and descriptors within APC groups are the basis for setting payment rates under the hospital OPPS. In recognition of the Department’s requirement to support military readiness and contingency operations, and in response to Congressional concerns regarding the same, the agency developed TRICARE specific OPPS payment adjustments. The final rule, published on December 10, 2008, included two primary features for phasing in the TRICARE conversion to OPPS.  

1. Temporary Transitional Payment Adjustments (TTPAs). TTPAs were put in place for all hospitals, both network and non-network, to buffer the effect of the decline in
payments upon implementation of TRICARE’s OPPS. For network hospitals, the TTPAs cover a 4-year period. The 4-year transition set higher payment percentages for the 10 APC codes for emergency room and hospital clinic visits, with reductions in each transition year. For non-network hospitals, the TTPAs cover a 3-year period, with reductions in each transition year.

2. TMCPAs were put in place to ensure access to care in communities most vital to the capability of military installations and the Military Health System to respond to operational contingencies. The Department offers the following two TMCPAs.

Transitional TMCPAs:

Transitional TMCPAs were put in place for network hospitals that provide a significant portion of the health care for Active Duty service members (ADSMs) and their families. Significantly impacted hospitals are considered to be those network hospitals with at least $1.5 million of OPPS payments during the year for ADSMs and their families. The total TRICARE OPPS payments to an eligible hospital were increased by 20 percent soon after the end of the first year and (assuming the hospital continues to meet the $1.5 million threshold), increases of 15 percent, 10 percent and 5 percent, respectively, soon after the end of the following 3 years.

A hospital need not apply for a Transitional TMCPA. The TRICARE Management Activity (TMA) examines claims submitted by the hospital for services provided during the previous OPPS year (May 1 to April 30) to determine if the hospital meets the $1.5 million threshold of OPPS payments for ADSMs and their families. Should TMA conclude, after conducting the claims review that a network hospital has not satisfied the Transitional TMCPA criteria, the hospital may petition TMA for a list of claims considered in the review process. Should the hospital then assert that the set of claims considered was incomplete, TMA and its Director, TRICARE Regional Office (DTRO) work through the Managed Care Support Contractor (MCSC) to resolve the issue with the hospital.

General TMCPAs:

General TMCPAs were put in place for possible use both during the phase-in period and beyond. The Director, TMA, or designee, at any time after OPPS implementation, has the authority to adopt, modify and/or extend temporary adjustments to OPPS payment for TRICARE network hospitals deemed essential for military readiness and support during contingency operations. In order for a hospital to be considered for a General TMCPA, one of the following two criteria must be met during the previous OPPS year (May 1 to April 30) prior to the date of the General TMCPA application:

- The hospital’s outpatient revenue from TRICARE ADSMs and their families must have been at least 10 percent of the hospital’s total outpatient revenue during the previous OPPS year (May 1 through April 30); or

- The number of outpatient visits by ADSMs and their families during that same period must have been at least 50,000.
General TMCPAs cannot result in a hospital receiving under OPPS (including basic OPPS, TTPA, Transitional TMCPA, and General TMCPA) more than 95 percent of the amount it would have received under TRICARE pre-OPPS payment policies.

A hospital must submit an application for a General TMCPA that is to be based upon outpatient revenue or number of outpatient visits for services provided to ADSMs and their families. Because TMA has no other way of knowing the total amount of revenue earned by the hospital from services provided to all of its outpatients, military and non-military, this information must be provided by the hospital. The DTRO for the region works with the regional MCSC to assist the hospital in providing information to TMA that is accurate and complete.

It should be noted that the initial description of the TMCPA process, as published in the TRICARE Reimbursement Manual (TRM), Chapter 13, Section 3, contained an error that would have permitted qualification for a General TMCPA to be based on services provided to TRICARE beneficiaries during a period before the implementation of OPPS (i.e., the TRM provision stated the hospital’s initial and all subsequent requests for a General TMCPA shall include a full 12 months of claims payment data.) It did not specify that the 12 months of claims payment data must be based on OPPS claims. As a result, several hospitals submitted requests for a General TMCPA based on claims data prior to OPPS implementation. The General TMCPA was designed to lessen the impact of the effect of OPPS and is based on revenues earned after the implementation of OPPS. It would be inappropriate for a hospital to qualify for a General TMCPA based on revenues received prior to implementation of OPPS. Consequently, the TRM was corrected to clarify that in order to determine if a hospital met the qualifying criteria the analysis for a General TMCPA must be calculated on a full 12 months of claims payment data from the previous OPPS year (May 1 to April 30) prior to the date the General TMCPA is requested.

REQUIREMENTS OF THE REPORT TO CONGRESS

Senate Report 111–201 language on pages 154–156 contained 11 required elements. Each separate element and the Department’s findings are listed below.

1) The number of hospitals that have applied for a General TMCPA since May 1, 2009

The following five hospitals have applied for the General TMCPA:

- Onslow Memorial Hospital (NC)
- Bon Secours -Mary Immaculate (VA)
- Sentara Bayside Hospital (VA)
- Metroplex Health System (TX)
- Scott and White Healthcare (TX)
2) A list of the hospitals that have been granted a Transitional TMCPA

For the first OPPS year (May 1, 2009, through April 30, 2010), 89 hospitals, listed below, received a Transitional TMCPA for a total of $84.5 million.

1. Sentara Bayside Hospital (VA)
2. Samaritan Medical Center (NY)
3. Cape Fear Valley Medical Center (NC)
4. Univ of NC Hospitals (NC)
5. Onslow Memorial Hospital Inc (NC) *
6. Lawrence & Memorial Hospital (CT)
7. Gateway Medical Center (TN)
8. Sentara Virginia Beach General Hosp (VA)
9. New Hanover Regional Medical Center (NC)
10. Sentara Careplex Hospital (VA)
11. Mary Immaculate Hospital Inc (VA)
12. Chesapeake General Hosp (VA)
13. Inova Fairfax Hospital (VA)
14. Mary Washington Hospital (VA)
15. St Elizabeth Hospital (IL)
16. Bayhealth Medical Center Kent (DE)
17. Stafford Hospital LLC (VA)
18. Wayne Memorial Hospital Inc (NC)
19. Carolina East Health System (NC)
20. Newport Hospital (RI)
21. Southside Regional Medical Center (VA)
22. Bon Secours Depaul Medical Center (VA)
23. Potomac Hospital (VA)
24. Virtua-Memorial Hospital of Burlington (NJ)
25. Firsthealth Moore Regional Hospital (NC)
26. John Randolph Medical Center (VA)
27. Sentara Obici Hospital (VA)
28. Lourdes Medical Center of Burlington (NJ)
29. Scott & White Hospital (TX)
30. Metroplex Adventist Hospital (TX)
31. Vanderbilt University Hospital (TN)
32. Houston Medical Center (GA)
33. Trident Medical Center (SC)
34. Memorial University Medical Center (GA)
35. Baptist Medical Center (FL)
36. Medical College of GA Hospital (GA)
37. Sacred Heart Medical Center (FL)
38. Medical University of South Carolina Hospital (SC)
39. Tuomey Reg Med Ctr Inc (SC)
40. Midwest Regional Medical Center (OK)
41. United Health System (TX)
42. Tampa General Hospital (FL)
43. Medical Center (GA)
44. Roper Hospital (SC)
45. The Medical Center (GA)
46. Comanche County Memorial Hospital (OK)
47. St Joeseph/Candler Hospital (GA)
48. Providence Hospital (SC)
49. Medical Center Enterprise (AL)
50. Abilene Regional Medical Center (TX)
51. Gulf Coast Medical Center (FL)
52. Flowers Hospital (AL)
53. Christus Schumpert Health Systems (LA)
54. Ochsner Foundation Hospital (LA)
55. Willis-Knighton Bossier (LA)
56. U Medical Center (OK)
57. University of Colorado Hospital (CO)
58. Memorial Hospital (CO)
59. Penrose St Francis - Penrose Hospital (CO)
60. Trinity Hospitals (ND)
61. The Nebraska Medical Center (NE)
62. Alegent Health Midlands Hospital (NE)
63. St Lukes Reg Med Center (ID)
64. Harrison Medical Center (WA)
65. Davis Hospital and Medical Ctr (UT)
66. Carondelet St Josephs Hospital (AZ)
67. Western Missouri Medical Center (MO)
68. Phelps County Regional Medical Center (MO)
69. Presbyterian Hospital (NM)
70. Rapid City Regional Hospital (SD)
71. Tucson Medical Center (AZ)
72. Yuma Regional Medical Center (AZ)
73. University of New Mexico Hospital (NM)
74. Benefis Hospitals (MT)
75. Providence Everett Med Ctr (WA)
76. Sacred Heart Med Center (WA)
77. Altru Health System, DBA Altru Hospital (ND)
78. Cheyenne Regional Medical Center (WY)
79. The Queen's Medical Center (HI)
80. Denali Center (AK)
81. Community Hospital of the Monterey Penin (CA)
82. Providence Memorial Hospital (TX)
83. Tri City Medical Center (CA)
84. Providence Alaska Medical Center (AK)
85. Mercy Regional Health Center (KS)
86. Plains Regional Medical Center - Clovis (NM)
87. St. Johns Regional Medical Center (CA)
88. St. Clare Hospital (WA)
3) **The average processing time for TMCPA applications**

Transitional TMCPAs do not require an application. If the hospital meets the qualifying criteria, payment is sent directly to the hospital.

Upon receipt of a request for a General TMCPA from the MCSC, the average processing time is approximately 120 days. We expect the processing time will significantly decrease in future years. (Please see the Conclusion section of this Report to Congress.)

4) **The average time for receipt of reimbursement of TMCPA amounts**

Only one hospital has received reimbursement of a General TMCPA. The Deputy Director, TMA, approved the request on December 21, 2010, and payment was issued to Onslow Memorial Hospital on January 14, 2011. Once a final decision was made to reimburse the hospital, processing time was 32 days.

5) **A list of the TMCPA rate adjustment levels granted to approved hospitals, by hospital**

Onslow Memorial Hospital has been approved for a General TMCPA of 2.8 percent of their OPPS total payment amount (including TTPAs and Transitional TMCPA) for the first OPPS year resulting in an additional payment of $214,000.

6) **The metrics by which the Department decides whether to grant a TMCPA and the adjustment level provided**

The DTRO conducts a thorough analysis and recommends the appropriate year end adjustment to total OPPS payments for a network hospital that qualifies for a General TMCPA.

In analyzing and recommending the appropriate year end percentage adjustment, the DTRO will ensure that total OPPS payments (to include the TTPAs and Transitional TMCPA) plus the General TMCPA adjustment does not exceed 95 percent of the amount that would have been received under TRICARE pre-OPPS payment policies. Although the maximum amount that a hospital may receive is 95 percent of the pre-OPPS amount, this does not infer that a hospital will receive the full percentage. It is within the DTRO's discretion to determine the percentage adjustment that is appropriate to ensure access to care in a facility requesting a General TMCPA. The 95 percent ceiling was put in place to ensure providers were not unduly enriched under OPPS by being granted a General TMCPA percentage that would allow them to receive more than they would have based upon pre-OPPS reimbursement rules.
Of the five hospitals that submitted a request for a General TMCPA, two hospitals did not qualify for the General TMCPA as they received more than 95 percent of the amount they would have received prior to implementing OPPS. One of the remaining hospitals did not meet the qualifying criteria for a General TMCPA because the hospital’s outpatient revenue from TRICARE ADSMs and their family members was less than 10 percent of the hospital’s total outpatient revenue during the previous OPPS year (May 1 through April 30). Despite repeated requests, the remaining hospital did not provide its total outpatient revenue during the previous OPPS year (May 1 through April 30) in order to determine whether it qualified for a General TMCPA.

7) **Whether the Department works with providers to ensure applications are complete**

The DTRO for the respective region works with the MCSC for their region in conjunction with the hospital to ensure the information provided to TMA is accurate and complete. TMA is available to assist the DTRO and the MCSC to ensure the General TMCPA request and supporting documentation is complete.

8) **Whether providers are given access to supporting data, information, and conclusions of the TMCPA adjustment decision, whether or not it receives such an adjustment**

Upon request from the hospital, TMA has provided supporting data, information, and conclusions of the General TMCPA adjustment decision and the percentage adjustment the hospital will receive, if applicable.

9) **Whether there is an appeals process in place for hospitals**

There is not an appeals process in place. The TRM, Chapter 13, section 3, paragraph III.A.5.h.(e) notes that the General TMCPA process is not appealable since it is exercised at the discretion of the Director, TMA. Approval of a General TMCPA is based on whether a hospital serves a disproportionate share of ADSMs and Active Duty dependents (ADDs), meets the qualifying criteria, and is essential for network adequacy necessary to support military contingency operations.

10) **The training provided to TRICARE regional officers and local support contractors on the TMCPA application process**

The TRM provides detailed information on the General TMCPA application process. TMA is also available to answer questions and provide any assistance necessary to the TRO’s and MCSC’s on the application process.
11) The feasibility of not requiring annual re-application

Annual reapplication is necessary for several reasons. General TMCPAs are required to be evaluated on a yearly basis by the DTRO in order to determine if the hospital continues to serve a disproportionate share of ADSMs and ADDs and is essential for continued network adequacy necessary to support military contingency operations.

CONCLUSION

While gaining experience during initial year of processing applications from hospitals for transitional payments, and taking into account the committee’s direction to make the TMCPA application process as transparent as possible, the Department identified areas of improvement regarding the process. The TRM language on transitional payments was clarified and the Department worked with the DTRO to provide education on the requirements for requesting transitional payments.

After determining TMCPAs (Transitional and General) to be paid for the first year (May 2009–April 2010) of OPPS operations, TMA increased lines of communication with health care providers to enhance their understanding of transitional payments. TMA responded to a number of requests from hospitals for a detailed explanation and reconsideration of TMCPA denials. The responses included meetings with hospital representatives, provision of a written description of the TMCPA determination process, providing a comprehensive list of claims considered in the process, and consideration of information submitted by a hospital in support of its position. TMA is committed to having its DTROs and MCSCs continue providing the information and data to hospitals that will assure them the TMCPA process is being administered in accordance with published procedures.

In response to the committee’s recommendation that a timeframe be set for notification and receipt of final settlement, a change was made to the TRM that requires the year end adjustment for transitional TMCPAs to be paid approximately four months following the end of the OPPS year. In addition, the first year of OPPS transitional payments identified areas where the Department can improve its process and timeliness of notification and settlement of General TMCPA requests. Steps are being taken to make these improvements.