

(Health Affairs), Health Services Operations and Readiness, Pentagon Room 3E343, Washington, D.C. 20301-1200.

FOR FURTHER INFORMATION CONTACT: LCDR Patrick Kelly, (703) 756-8910.

SUPPLEMENTARY INFORMATION: Currently, the Third Party Collection program regulation includes a special rule for Partnership Program providers. The Partnership Program allows civilian health care providers authorized to provide care under the CHAMPUS program to provide services to CHAMPUS beneficiaries in military hospitals and to receive payment from the CHAMPUS program. Pursuant to CHAMPUS payment rules, CHAMPUS is always the secondary payer to other health insurance plans; Thus, CHAMPUS may not make payment to the Partnership Program provider in cases in which the beneficiary has other health insurance. To accommodate this CHAMPUS requirement, the third Party Collection program currently excludes Partnership Program provider services from the military hospital claims. Thus, for example, for inpatient hospital care, the Third Party Payer now receives two claims, one from the military facility for the hospital and ancillary costs, and a separate claim from the provider for the professional services.

The current practice has produced some confusion in that it is a departure from the normal procedure for claims arising from care provided by military hospitals. In addition, because the Partnership Program providers function independently from the military hospital's management system, there are no DoD standards that govern the amounts claimed by various Partnership Program providers.

DoD is now proceeding with implementation of a major managed care program, called TRICARE, in its military medical treatment facilities and CHAMPUS. Under TRICARE, regional managed care support contractors will work with military treatment facilities on a wide range of managed care activities. Among the activities of the managed care contractors is the Resource Sharing Program. Under this program, the contractor makes agreements with military hospitals in the region under which the contractor will supply personnel and other resources in order to allow the facility to increase the services it can make available to DoD health care beneficiaries. The TRICARE program is now the subject of a separate rulemaking proceeding, which will result in comprehensive regulations codified at 32 CFR 199.17.

TRICARE Resource Sharing Agreements are similar to Partnership Program payment arrangements in that both result in civilian providers coming into the military facility and providing care in that facility. However, a significant difference exists in the method of payment. Under the Partnership Program, payment is on a fee-for-service basis under the normal operation of the CHAMPUS program. Under Resource Sharing, the method of payment may be on a salary basis or other arrangement made by the managed care support contractor. Under the Partnership Program, the CHAMPUS second payer requirement applies. Under Resource Sharing Agreements, the overall managed care contract separates the financing from the normal CHAMPUS payment rules and allows for special payment rules.

Based on this, we are establishing a special rule for Resource Sharing Agreements. Or, more accurately, we are establishing the normal rule for Resource Sharing Agreements. That is to say that care provided in whole or in part through TRICARE Resource Sharing Agreements will be handled for purposes of third party billings just like all other services provided in the military facility, and will be billed at the same rates. The special rule applicable to the Partnership Program providers, under which two claims are made to the third party payer, will not apply under TRICARE Resource Sharing Agreements. As a result, care provided in military facilities will be billed to third party payers in the same manner and same amount, regardless of whether the professional services were provided by a military physician or Resource Sharing Agreement provider.

The TRICARE program is being phased in region-by-region throughout the United States. As it takes hold, we expect the Partnership Program to be phased out and be replaced by TRICARE Resource Sharing Agreements. Thus, in several years, the special Partnership Program rule will no longer be needed, and the simpler, single-claim rule for TRICARE Resource Sharing Agreements will apply. We view this as both a simplification and an improvement in the Third Party Collection program.

With respect to regulatory procedures, this proposed rule is not a significant regulatory action under Executive Order 12866, nor does it significantly affect a substantial number of small entities under the Regulatory Flexibility Act, nor impose new information collection requirements under the Paperwork Reduction Act. This is a proposed rule. All public comments are invited. We expect to proceed with promulgation of

a final rule within approximately 60 days after close of the comment period.

List of Subjects in 32 CFR Part 220

Claims, Health care, Health insurance.

For the reasons stated in the preamble, 32 CFR part 220 is proposed to be amended as follows:

PART 220—COLLECTION FROM THIRD PARTY PAYERS OF REASONABLE COSTS OF HEALTHCARE SERVICES

1. The authority citation for part 220 continues to read as follows:

Authority: 5 U.S.C 301; 10 U.S.C. 1095.

2. Section 220.8 is amended by revising paragraphs (h) and (k) to read as follows:

§ 220.8 Reasonable costs.

* * * * *

(h) *Special rule for certain ancillary services ordered by outside providers and provided by a facility of the Uniformed Services.* If a Uniformed Services facility provides certain ancillary services, prescription drugs or other procedures requested by a source other than a Uniformed Services facility and are not incident to any outpatient visit or inpatient services, the reasonable cost will not be based on the usual DRG or per visit rate. Rather, a separate standard rate shall be established based on the accumulated cost of the particular services, drugs, or procedures provided during one day. The billing threshold shall be published annually. For fiscal year 1996 that threshold limit shall be \$25. The reasonable cost for the services, drugs or procedures to which this special rule applies shall be calculated and made available to the public annually.

* * * * *

(k) *Special rules for TRICARE Resource Sharing Agreements and Partnership Program providers.*

(1) *In general.* This paragraph (k) establishes special Third Party Collection program rules for TRICARE Resource Sharing Agreements and Partnership Program providers.

(i) TRICARE Resource Sharing Agreements are agreements under the authority of 10 U.S.C. 1096 and 1097 between uniformed services treatment facilities and TRICARE managed care support contractors under which the TRICARE managed care support contractor provides personnel and other resources to the uniformed services treatment facility concerned in order to help the facility increase the availability of health care services for beneficiaries. TRICARE is the managed care program authorized by 10 U.S.C. 1097 (and