beneficiaries who wish to enroll will be accommodated.

Regarding the effect of TRICARE on beneficiaries with Worker's Compensation coverage, the answer is that we anticipate little change: under TRICARE, MTFs will continue to have authority to bill Worker's Compensation programs and similar parties, and health care from military providers will continue to be subject to availability.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

D. Health Benefits Under Prime (Section 199.17(d))

1. Provisions of Proposed Rule

This paragraph states that the benefits established for the Uniform HMO Benefit option (see section 199.18, Uniform HMO Benefit option) are applicable to CHAMPUS-eligible enrollees in TRICARE Prime.

Under TRICARE, all enrollees in Prime and all beneficiaries who do not enroll remain eligible for care in MTFs. Active duty family members who enroll in TRICARE Prime would be given priority for MTF access over non-enrollees; priorities for other categories of beneficiary would, under the proposed rule, be unaffected by their enrollment. Regarding civilian sector care, active duty member care will continue to be arranged as needed and paid for through the supplemental care program.

2. Analysis of Major Public Comments

Several commenters recommended that preference for MTF care be given to all TRICARE Prime enrollees over all nonenrollees.

Response. We agree that granting preference to MTFs based on enrollment in TRICARE Prime would be an incentive to enroll. In the case of active duty family members, this preference is being granted. However, other considerations must be taken into account when granting such preference for retirees. In particular, because Medicare beneficiaries are not eligible for enrollment in TRICARE Prime, granting such preference would necessarily limit access to MTFs and increase out-of-pocket costs for this large group of DoD beneficiaries. Several options are under consideration to ensure fair and equitable treatment of Medicare-eligible retirees under TRICARE Prime, and we will revisit the issue of access priority as we have more information about these options. In the meantime, we believe that the appropriate course of action is not to

base retiree preference for MTFs on enrollment in TRICARE Prime.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

E. Health Benefits Under Extra (Section 199.17(e))

1. Provisions of Proposed Rule

This paragraph describes the availability of the civilian preferred provider network under Extra. When Extra is used, CHAMPUS cost sharing requirements will be reduced. (See Table 2 following the preamble for a comparison of TRICARE Standard, TRICARE Extra, and TRICARE Prime cost sharing requirements.)

2. Analysis of Major Public Comments

No public comments were received relating to this section of the rule.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

F. Health Benefits Under Standard (Section 199.17(f))

1. Provisions of Proposed Rule

This paragraph describes health benefits for beneficiaries who opt to remain in Standard. Broadly, participants in standard maintain their freedom of choice of civilian provider under CHAMPUS (subject to nonavailability statement requirements), and face standard CHAMPUS cost sharing requirements, except when they take advantage of the preferred provider network under Extra. The CHAMPUS benefit package applies to Standard participants.

2. Analysis of Major Public Comments No public comments were received relating to this section of the rule.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

G. Coordination with Other Health Care Programs (Section 199.17(g))

1. Provisions of Proposed Rule

This paragraph of the proposed rule provided that, for beneficiaries enrolled in managed health care programs not operated by DoD, DoD may establish a contract or agreement with the other managed health care programs for the purpose of coordinating beneficiary entitlements under the other programs and the MHSS. This potentially includes any private sector health maintenance organization (HMO) or competitive medical plan, and any

Medicare HMO. Any contract or agreement entered into under this paragraph may integrate health care benefits, delivery, financing, and administrative features of the other managed care plan with some or all of the features of the TRICARE Program. This paragraph is based on 10 U.S.C. section 1097(d), as amended by section 714 of the National Defense Authorization Act for Fiscal Year 1995.

2. Analysis of Major Public Comments

One commenter asked whether this section applied only to managed care plans, or to any medical plan.

Response. To clarify, the section applies only to managed care plans, such as health maintenance organizations. The intent of the provision is to enable MTFs to become participating providers in the networks established by such private plans, or to make other coordinating arrangements, so that military beneficiaries who are enrolled in the private plans may utilize the services of the MTF as part of their managed care enrollment.

The Health Care Financing Administration (HCFA) expressed concerns about the expressed DoD intent to include arrangements with Medicare HMOs under this provision. Further discussions between DoD and the Department of Health and Human Services will be necessary before we complete action on this proposed regulatory provision.

3. Provisions of the Final Rule

The final rule does not include provisions relating to coordination with other health plans. Action is reserved, pending further development.

H. Resource Sharing Agreements (Section 199.17(h))

1. Provisions of Proposed Rule

This paragraph provides that MTFs may establish resource sharing agreements with the applicable managed care support contractors for the purpose of providing for the sharing of resources between the two parties. Internal and external resource sharing agreements are authorized. Under internal resource sharing agreements, beneficiary cost sharing requirements are the same as in MTFs. Under internal or external resource sharing agreements. an MTF commander may authorize provision of services pursuant to the agreement to Medicare-eligible beneficiaries, if this will promote the most cost-effective provision of services under the TRICARE Program.