participation in the TRICARE network, we believe that this requirement is reasonable. Payment amounts under the CHAMPUS and Medicare programs are very similar, so there would not seem to be an economic issue involved. The vast majority of physicians nationally (83 percent in 1993) already participate in Medicare, so there should be a large pool of providers available. For hospitals, CHAMPUS and Medicare participation is linked by statute. Physician participation is not linked for the standard CHAMPUS program, but in the context of establishing a managed care network is entirely appropriate and consistent with statutory authority to establish reasonable requirements for network providers, including acceptance of Medicare assignment.

Regarding the suggestions that some providers may not be Medicare participating providers because it is irrelevant to their line of business, and thus should be exempted from the requirement, we agree that there may be some classes of providers which, while providing services of importance to CHAMPUS beneficiaries, provide no services covered by Medicare. Such a case may be covered by the waiver for "extraordinary circumstances" which is

included in this provision.

Regarding the comment that any additional requirements established for network providers should be subject to the rule making process, we point out that this provision refers to additional, local requirements established for network providers, consistent with the program-wide rules established in this regulation and other program documents. Further rulemaking activity in this regard is neither necessary nor

appropriate

Regarding the suggestion that we provide additional specificity concerning the special reimbursement methods for network providers, we do not agree that additional specifics should be provided. The rule provides added flexibility to vary payment provisions from those established by regulation, to accommodate local market conditions. To attempt to specify in advance the possible reimbursement approaches would defeat our purpose of providing a flexible mechanism. We also disagree that network rate setting should be the same as under standard CHAMPUS rules; a key aim of managed care programs is to negotiate lower rates of reimbursement with networks of preferred providers.

Regarding the comments which recommended specification of provider types to be included in the network, or suggested anti-discrimination provisions, we point out that section

199.17(p)(5) requires that the network have an adequate number and mix of providers such that, coupled with MTF capabilities, it can meet the reasonably expected health care needs of enrollees. Beneficiaries will have available the full range of needed health care services, and network managers will be responsible for arranging to meet any unanticipated health care needs which cannot be accommodated in the network. We do not think it is appropriate to specify which provider types and how many will be included in the network, because this will vary by location, depending on beneficiary demographics and local health care marketplace conditions.

Regarding payment for travel or overnight accommodations if a beneficiary must travel more than 30 minutes from home to a primary care delivery site, we will not make such payments. Payment for travel is authorized only in association with the specialized treatment services program, under section 199.4(a)(10).

Regarding why 199.17(p)(5)(ii) allows a four-week wait for a well-patient visit, and a two-week wait for a routine well-patient visit, this was a typographical error in the proposed rule. The provision should be, a four-week wait for a well-patient visit, and a one-week wait for a routine visit.

Regarding the comment that the wide latitude in network development methods provided by 199.17(p)(7) would create undesirable inconsistencies across the nation, we point out that a single method is being implemented nationally: competitive solicitation of regional TRICARE support contractors. We expect that alternative methods will be used only to address special circumstances.

Regarding the suggestion that any qualified provider be allowed into the preferred provider network, regardless of the method used to develop the network, we disagree. The rule contains provisions (section 199.17(q)) for using such a method, but our preferred method, which we are implementing, is to establish regional TRICARE support contracts on a competitive basis, with offerors proposing a selective provider network.

## 3. Provisions of the Final Rule

The final rule is consistent with the proposed rule, except for correction of a typographical error; the rule now specifies maximum wait time for a routine visit of one week.

Q. Preferred Provider Network Establishment Under Any Qualified Provider Method (Section 199.17(q))

## 1. Provisions of Proposed Rule

This paragraph describes one process that may be used to establish a preferred provider network (the "any qualified provider method") and establishes the qualifications which providers must demonstrate in order to join the network.

## 2. Analysis of Major Public Comments

Several commenters urged that the "any qualified provider" method not be used in the development of managed care network for DoD.

One commenter recommended that the requirement that providers follow all quality assurance and utilization management procedures established by OCHAMPUS be linked to the requirement that providers must meet all other rules and procedures that are established, publicly announced, and

uniformly applied.

*Response.* As provided in section 199.17(p)(7), there are several possible methods for establishing a civilian preferred provider network, including competitive acquisitions, modification of and existing contract, or use of the "any qualified provider" approach described in section 199.17(q). The current method of choice in implementing TRICARE is the first approach: DoD plans to award several regional managed care support contracts in the next few years. The managed care support contractors will establish the civilian provider networks according to the requirements specified in the government's request for proposals (RFP) for each procurement; these RFP requirements will be consistent with the provisions of section 199.17(p). At this point, we do not anticipate any broad use of the "any qualified provider" approach; it could be used under special circumstances, however.

A commenter suggested that we link two of the "any qualified provider" requirements—section 199.17(q)(2), which specifies that providers must meet all quality assurance and utilization management requirements established pursuant to section 199.17, and section 199.17(q)(4), which requires that providers follow all rules and procedures established, publicly announced and uniformly applied by the commander or other authorized official. A linkage is not appropriate. The former requirement specifically emphasizes some of nationally established regulatory requirements will apply to providers under the "any qualified provider" approach. The latter