requirement enables establishment of additional, uniform, local requirements for the "any qualified provider" approach. These could include, for example, a requirement for a five percent discount off prevailing CHAMPUS payment amounts, applicable to all providers in the network. The amount of discount feasible would depend on local market conditions and the degree of military presence in the community, hence it would be more appropriate as a local requirement than a nationally established standard.

### 3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

### R. General Fraud, Abuse, and Conflict of Interest Requirements Under TRICARE Program (Section 199.17(r))

1. Provisions of Proposed Rule

This paragraph establishes that all fraud, abuse, and conflict of interest requirements for the basic CHAMPUS program are applicable to the TRICARE Program.

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.

### S. Partial Implementation of TRICARE (Section 199.17(s))

### 1. Provisions of Proposed Rule

This paragraph explains that some portions of TRICARE may be implemented separately: a program without the HMO option, or a program covering a subset of health care services, such as mental health services.

2. Analysis of Major Public Comments

One commenter suggested that partial implementation of TRICARE would be inconsistent with the Congressional mandate for a uniform benefit across the country, and urged commitment to full implementation of all TRICARE options in all regions.

*Response.* We are indeed intent upon implementing TRICARE nationally. It would not be inconsistent with Congressional direction to implement TRICARE partially in a location, given that the Congressional mandate for establishment of the Uniform HMO Benefit is to make it applicable throughout the country, to the maximum extent practicable. If local circumstances were to make full implementation impracticable, it might be preferable to implement at least some features of TRICARE.

One potential circumstance for partial implementation of TRICARE is the offering of TRICARE Prime to selected beneficiary groups in remote sites. This would be consistent with the Congressional direction to implement the Uniform HMO Benefit nationally, to the extent practicable. For example, military recruiters are often assigned to duty in locations without MTFs, and thus their families may be at a disadvantage in terms of health care cost or access, compared to most families of active duty members.

### 3. Provisions of the Final Rule

The final rule is consistent with the proposed rule, except that we have clarified that partial implementation of TRICARE may include offering TRICARE Prime to limited groups of beneficiaries in remote sites, and that some of the normal requirements of TRICARE Prime may be waived in this regard.

# T. Inclusion of Veterans Hospitals in TRICARE Networks (Section 199.17(t))

This paragraph would provide the basis for participation by Department of Veterans Affairs facilities in TRICARE networks, based on agreements between the VA and DoD.

2. Analysis of Major Public Comments

One public comment was received relating to this section of the rule, applauding the inclusion of VA facilities in TRICARE and urging prompt action to implement the provision.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

U. Cost Sharing of Care for Family Members of Active Duty Members in Overseas Locations (Section 199.17(u))

### 1. Provisions of Proposed Rule

This paragraph would permit establishment of special CHAMPUS cost sharing rules for family members of active duty members when they accompany the member on a tour of duty outside the United States. A recently initiated demonstration program, described in the Federal Register of September 2, 1994 (59 FR 45668), tests such a program for active duty family members in countries served by OCHAMPUS, Europe.

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, except that it provides further details of the circumstances under which alternatives to CHAMPUS cost sharing rules may be approved, in the context of management care programs in overseas locations. Programs will include networks of providers who have agreed to accept CHAMPUS assignment for all care. Beneficiary cost sharing for care obtained from network providers will be zero.

## V. Administrative Procedures (Section 199.17(v))

#### 1. Provisions of Proposed Rule

This paragraph authorizes establishment of administrative procedures for the TRICARE Program.

2. Analysis of Major Public Comments

One commenter asked whether MTF billing of other primary health insurance would continue under TRICARE.

*Response.* MTF billing of third party insurance, governed by provisions of 32 CFR Part 220, will continue under TRICARE.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

III. Provisions of the Rule Concerning the Uniform HMO Benefit Option

A. In General (Section 199.18(a))

1. Provisions of Proposed Rule

This paragraph introduces the Uniform HMO Benefit option. The statutory provision that establishes the parameters for determination of the Uniform HMO Benefit option is section 731 of the National Defense Authorization Act for Fiscal Year 1994. It requires the establishment of a Uniform HMO Benefit option, which shall "to the maximum extent practicable" be included "in all future managed health care initiatives undertaken by" DoD. This option is to provide "reduced out-of-pocket costs and a benefit structure that is as uniform as possible throughout the United States." The statute further requires a determination that, in the managed care initiative that includes the Uniform HMO Benefit, DoD costs "are no greater than the costs that would otherwise be incurred to provide health care to the covered beneficiaries who enroll in the option.'

In addition to this provision of the National Defense Authorization Act for Fiscal Year 1994, a similar requirement