is established by section 8025 of the DoD Appropriations Act, 1994. As part of an initiative "to implement a nationwide managed health care program for the MHSS," DoD shall establish "a uniform, stabilized benefit structure characterized by a triple option health benefit feature." Our Uniform HMO Benefit also implements this requirement of law.

In fiscal year 1993, DoD implemented the expansion of the CHAMPUS Reform Initiative to the areas of Carswell and Bergstrom Air Force Bases in Texas and England Air Force Base, Louisiana. (These sites were singled out because they were military bases identified for closure in the Base Realignment and Closure, or "BRAC" process; thus the benefit developed for them is called the "BRAC Benefit.") This expansion of the CHAMPUS Reform Initiative offers positive incentives for enrollment and preserves the basic design of the original CHAMPUS Reform Initiative program, although it is not identical to that program. The original CHAMPUS Reform Initiative design featured a \$5 per visit fee for most office visits, a very much reduced schedule of other copayments, and no deductible or enrollment fee. Although its generosity made it very popular with beneficiaries, it also caused substantial concerns regarding government budget impact. This benefit fails to meet the statutory requirement for cost neutrality to DoD.

The Carswell/Bergstrom/England HMO benefit (BRAC Benefit) model attempts partially to address these concerns, while providing enhanced benefits. It features enrollment fees for some categories of beneficiaries, \$5, \$10, or \$15 per visit fees, depending on beneficiary category, and inpatient per diems of \$125 for retirees, their family members and survivors. This benefit also fails to meet the statutory requirement for cost neutrality to DoD.

A new HMO benefit is being presented in this rule as the Uniform HMO Benefit. The principal features of the benefit are displayed in Table 3 following the preamble. Its most significant change from the BRAC Benefit is that inpatient cost sharing for retirees, their family members and survivors is reduced to the levels faced by active duty family members, with concomitant increases in enrollment fees for these beneficiaries. A second important change is that there would be no enrollment fee for family members of active duty members. Finally, fees are set so that if the predicted costs remain valid, they may be held constant for a five-year period, rather than escalating each year with price inflation.

The development of this Uniform HMO Benefit included painstaking analysis of utilization, cost, and administrative effect of potential cost sharing schedules. This analysis included a series of assumptions regarding most likely ramifications of various components of the benefit and the operation of the TRICARE Program. Based on this exhaustive analysis, the formulation of the Uniform HMO Benefit in the rule is the most generous benefit DoD can offer consistent with the statutory cost-neutrality mandate.

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.

B. Benefits Covered Under the Uniform HMO Benefit Option (Section 199.18(b))

1. Provisions of Proposed Rule

For CHAMPUS-eligible beneficiaries, the HMO Benefit option incorporates the existing CHAMPUS benefit package, with potential additions of preventive services and a case management program to approve coverage of usually noncovered health care services (such as home health services) in special situations.

2. Analysis of Major Public Comments

One commenter suggested that the extent of case management benefits and the circumstances under which they would be provided should be clarified.

Response. Case management of services for CHAMPUS beneficiaries will be addressed in a separate, forthcoming rule making action. We anticipate publication of a proposed rule on this subject later in 1995.

3. Provisions of the Final Rule

The final rule is consistent with the proposed rule.

C. Deductibles, Fees, and Cost Sharing Under the Uniform HMO Benefit Option (Sections 199.18 (c) through (f))

1. Provisions of Proposed Rule

Instead of usual CHAMPUS cost sharing requirements, Uniform HMO Benefit option participants will pay special per-service, specific dollar amounts or special reduced cost sharing percentages, which would vary by category or beneficiary.

The Uniform HMO Benefit also would include an annual enrollment fee, which would be in lieu of the CHAMPUS deductible. The current CHAMPUS deductible is \$50 per person

or \$100 per family for family members of active duty members in pay grades E–1 through E–4; and \$150 per person or \$300 per family for all other beneficiaries. The enrollment fee under the Uniform HMO Benefit option would vary by beneficiary category: \$0 for active duty family members, and \$230 individual or \$460 family for retirees, their family members, and survivors.

The amount of enrollment fees, outpatient charges and inpatient copayment under the Uniform HMO benefit are presented in detail in sections 199.18 (c) through (f).

2. Analysis of Major Public Comments

Two commenters suggested that high enrollment fees might deter CHAMPUS-eligible retirees, survivors, and their family members from enrolling. One demanded that separate and higher copayments for mental health services be eliminated.

Another commenter indicated that the cost share proposed for durable medical equipment and prostheses, coupled with the catastrophic cap of \$7,500 for retirees, survivors and their family members, presented a risk of costs too high, and suggested lowering the catastrophic cap to \$2,500.

Another commenter objected to the provision allowing for annual updates in enrollment fees and copayments, since the Uniform HMO Benefit cost sharing was calculated to be constant over a five year period.

One commenter objected to application of enrollment fees to retirees, their survivors, and family members, and not to active duty families and suggested that this represents an inappropriate subsidy.

One commenter noted the requirement that the Uniform HMO Benefit be modeled on private sector HMO plans, and pointed out that the average office visit copayment was \$6.23 for in civilian HMOs in 1993, compared to \$12 for most beneficiaries under the Uniform HMO Benefit. It was suggested that DoD thus ignored a basic requirement of the statute.

Response. Regarding the suggestion that high enrollment fees might deter CHAMPUS-eligible retirees, survivors, and their family members from enrolling, we recognize that each family has different health care needs and circumstances, and all will not find enrollment in TRICARE Prime as the right choice. However, it does offer a cost-effective alternative to TRICARE Standard, and will be the best option for many people.

Regarding the demand that separate and higher copayment for mental health services be eliminated, we cannot