

provider network (the "any qualified provider method") and establishes the qualifications which providers must demonstrate in order to join the network.

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

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

S. Partial Implementation of TRICARE (proposed § 199.17(s))

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.

T. Inclusion of Veterans Hospitals in TRICARE Networks (proposed § 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.

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

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.

V. Administrative Procedures (proposed § 199.17(v))

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

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

A. In General. (§ 199.18(a))

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 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 military health services system," 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 Bare 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.

A new HMO benefit is being presented in this proposed rule as the Uniform HMO Benefit. The principal features of the proposed 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 dependents and survivors is reduced to the levels faced by active duty dependents, with concomitant increases in enrollment fees for these beneficiaries. A second important change is that there would be no enrollment fee for dependents of active duty members. Finally, fees are set so that they may be held constant for a five-year period, rather than escalating each year with price inflation.

The development of this proposed 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 proposed rule is the most generous benefit DoD can offer consistent with the statutory cost-neutrality mandate.

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

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.

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

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 of 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.