

# **DOD Office of the Secretary TRICARE Demonstration Project for the Philippines**

**AGENCY:** Department of Defense, Office of the Secretary of Defense (Health Affairs)/TRICARE Management Activity.

**ACTION:** Notice of a TRICARE demonstration project for the Philippines.

**SUMMARY:** This notice is to advise interested parties of a Military Health System demonstration project entitled “TRICARE Demonstration Project for the Philippines.” The purpose of this demonstration is to validate an alternative approach to providing healthcare services for those beneficiaries covered under the TRICARE Standard option in the Philippines, controlling costs, eliminating any balance billing issues, and ensuring that the billing practices comply with regulatory requirements. Under this demonstration, the overseas contractor in the Philippines will establish a dedicated list of providers in the Philippines who will file their claims with the contractor and be reimbursed under an established fee schedule. The providers will adhere to the quality of care requirements of the overseas contract. The beneficiaries will have overall lower costs because these providers will no longer require payments at the time of service nor will they subject beneficiaries to balanced billing of charges. Because of the geographic conditions in the Philippines and the realization that providers of the required specialties are not available in all areas, the contractor will not be required to develop a list of providers in all areas. However, in those areas where the contractor is able to develop a sufficient list of providers then all TRICARE Standard beneficiaries residing in those areas of the Philippines will be required to use these providers in order for their claims to be paid. Notice will be provided to the beneficiaries informing them of the areas participating and not participating in this demonstration.

**DATES:** *Effective Date:* Effective November 28, 2011.

**ADDRESSES:** TRICARE Management Activity (TMA), TRICARE Policy and Operations Directorate, 5111 Leesburg Pike, Suite 810, Falls Church, VA 22041-3206.

**FOR FURTHER INFORMATION CONTACT:** Mr. Mike Talisnik, Office of the ASD (HA)—TMA, (703) 681-8723.

## **SUPPLEMENTARY INFORMATION:**

### **A. Background**

TRICARE has recognized the unique circumstances existing in the Philippines which made the provision of medical care to TRICARE beneficiaries through the TRICARE Overseas program operated in other overseas locations challenging. TRICARE has experienced dramatic increases in the amount billed for healthcare services rendered in the Philippines from \$15 million in 1999 to \$59 million in 2009 while the number of beneficiaries has remained constant. Administrative controls such as the validation of providers, implementation of a fee reimbursement schedule, duplicate claims edits and the impact of the cost-shares and deductibles have limited actual TRICARE expenditures to \$17 million in 2009 for only approximately 11,000 beneficiaries.

In addition to these administrative controls, fraud and abuse activities in the Philippines have been a growing concern that necessitated prompt investigation and actions to reduce the number of fraudulent or abusive incidences. Measures were taken to prevent or reduce the level of fraud and abuse against TRICARE while concurrent investigations and prosecutions were conducted. In April 2008, seventeen individuals were convicted of defrauding the TRICARE program of more than \$100 million.

As a result, prepayment review of claims is conducted to identify excessive charges and aberrant practices. Prepayment review is a tool typically used on a limited basis. Nevertheless, these efforts alone are not expected to control and eliminate the rising costs in the Philippines.

Because of this concern, the purpose of this demonstration is to validate an alternative approach to providing healthcare services for those beneficiaries covered under the TRICARE Standard option in the Philippines, controlling costs, eliminating any balance billing issues, and ensuring that the billing practices comply with regulatory requirements.

## **B. Description of Demonstration Project**

TMA proposes, utilizing the new overseas contract as the vehicle, to conduct a demonstration in the Philippines to validate that use of a well-certified and limited set of approved providers in overseas locations will result in a significant reduction in the level of claims billing issues, including beneficiaries being liable for balanced billing amounts and fraud by providers, while ensuring beneficiaries have sufficient access to high quality care. The demonstration would be conducted under 10 U.S.C. 1092.

Under the demonstration, the overseas contractor will establish an approved list of providers and inpatient facilities. The contractor will select these providers on the basis of their quality of care, cost of services, and lack of past fraudulent billing practices. The overseas contractor will apply the quality standards under the new overseas contract to providers seeking to be on the approved list. [To be included on the approved list, a provider must agree to accept reimbursement at the lower of the usual and customary charges and the established fee schedule.](#) They must agree to

submit their claims to the overseas contractor for reimbursement and to charge TRICARE beneficiaries only the normal Standard deductible and copayment amounts. They must acknowledge they can be removed from the approved list and will have the right to appeal their removal to the Director, TRICARE Management Activity (TMA) or designee using a format and process determined by the Director, TMA.

TRICARE Standard beneficiaries who choose to access providers from the approved list will pay only their TRICARE annual deductible and costshare amounts. Beneficiaries choosing to use a health care provider not on the approved list will, unless first obtaining an approved waiver from the overseas contractor, be responsible for all charges and will not be reimbursed by TRICARE.

TMA will provide the overseas contractor a list of those locations in the Philippines where eligible Standard beneficiaries reside and will specify areas where the contractor must establish an approved list of providers for them. To the extent practical, the overseas contractor will be required to ensure that Standard beneficiaries have access to primary care, specialty care, and inpatient services. A waiver process will be available for areas where the contractor is unable to find sufficient primary and/or specialty providers to care for the beneficiaries. Additionally, beneficiaries may seek waivers from the overseas contractor for care from providers not on the approved list.

This demonstration is not an expansion of the Prime benefit and beneficiaries are not entitled to benefits not otherwise payable under the TRICARE Standard program. Specifically, the overseas contractor will perform no beneficiary enrollment functions, no referral management services for specialty care, and no care authorizations for inpatient admissions except for the normal utilization management, benefits review and preauthorizations required by all contractors for all Standard beneficiaries. The overseas contractor will merely develop the list of approved providers from which the beneficiaries may make their selection. The overseas contractor will also approve any waivers of the requirement to use providers on this list when approved providers are not available in a particular geographic location and will process and pay claims submitted by providers.

The government will require the overseas contractor to submit an implementation plan 180 days before the start of health care delivery under the demonstration. The implementation plan will consist of the contractor's strategy to develop a list of approved providers, including providers in all of the locations specified by the government; a quality assessment program which will meet, at a minimum, the requirements set forth by the overseas contract, and a description of the requirement to access only approved providers to be used for educating beneficiaries and providers regarding this initiative. The plan will list the number of providers (primary, specialty, and institutional), by location, the contractor intends to place on the approved list. The contractor's plan will also include the use of requests for waivers of the demonstration

requirements for any areas on the Government's specified list where an approved provider list must be established. In those areas where the contractor will not have providers on the approved list, the contractor will provide the geographical areas where waivers will be granted. The contractor will provide TMA the approved list of providers by 120 days before the start of health care delivery under the demonstration. The Government, in conjunction with the contractor, will develop and implement a communication plan to inform and educate beneficiaries about the demonstration at least 60 days before the demonstration commences.

### **C. Implementation**

This demonstration will begin 240 days after publication of the demonstration notice and will run for three years after implementation.

### **D. Exclusion to the Demonstration Project**

This demonstration is limited to TRICARE Standard beneficiaries residing in the Philippines.

### **E. Evaluation**

This demonstration will be evaluated using a combination of administrative and survey measures to determine adequacy of the access to health care by the beneficiaries. In addition, a cost analysis will be conducted to determine the impact to the costs for both the beneficiaries and the government. TRICARE beneficiaries will be asked to comment on the quality of their experiences getting the health care that they need. Costs under the demonstration will be compared to costs in the Philippines before implementation of the project. A review of the occurrence of fraudulent claims submitted by providers on the approved provider list compared to fraudulent claims submissions before the demonstration will be conducted.

Dated: September 23, 2011.

**Aaron Siegel,**

*Alternate OSD Federal Register Liaison Officer, Department of Defense.*

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