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THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

OCT 18 1995

MEMORANDUM FOR: ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (MRAI&E)

SUBJECT: Policy on Use of Supplemental Care Funds by the Military Departments

Reference(s): (a) 10 U.S.C., Sections 1074(a), (b),
and (c); 1076(b); 1079; 1086; and 1097
(b) 32 CFR Section 199.16(c)(3)
(c) OCHAMPUS 6010.47-M and DoD 6010.8R
(d) ASD(HA) Memorandum, "Utilization Management (UM)
Activities in the Direct Care System Under TRICARE," November 23, 1994

It has come to my attention that there may be some confusion regarding the appropriate use of supplemental funds to pay for civilian sector care. This policy memorandum is to clarify the authority, and the subsequent use of this authority by the Military Services, to use supplemental funds to purchase or contract for medical services from private, non-governmental health care providers for Department of Defense (DoD) beneficiaries. These authorities are provided in various sections under chapter 55 of title 10, United States Code, and the specific sections are identified at reference (a).

By law, health care services are authorized to be provided to eligible beneficiaries in three ways and each entails certain procedures and rules of eligibility. First there is care in the direct care system, where all DoD beneficiary categories are entitled to receive health care benefits; with active duty members having priority access to care, followed by their families, and finally other beneficiaries. Second, since the direct care system is not sized or staffed to provide all needed health care services, DoD is authorized to contract for health care services from non-governmental health care sources with reimbursement to providers under Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). CHAMPUS provides insurance-like coverage to most non-active duty, non-Medicare eligible DoD beneficiaries. Third, under the Supplemental Care Program, DoD may use funds appropriated to the military departments to pay for health care from non-governmental sources for active duty members. Under this authority, as outlined in reference (b), care can also be provided to non-active duty beneficiaries in very limited circumstances; however, the primary use of supplemental funds is to ensure active duty personnel receive all necessary health care services.

Circumstances where supplemental funds may be used to reimburse for care rendered by non-governmental health care providers to non-active duty patients are limited to those where a medical treatment facility (MTF) provider orders the needed health care services from civilian sources for a patient, and the MTF provider maintains full clinical responsibility for the episode of care. This means that the patient is not disengaged from the MTF that is providing the care. For example, a provider may need to obtain a particular diagnostic test from a civilian provider to complete a treatment course, but the primary clinical management of the patient and the responsibility to complete a treatment course, remains with the MTF provider. There are no other circumstances where supplemental funds may be used to reimburse for health care provided by civilian providers outside of the MTFs. We envision few ambulatory situations where supplemental funds will occur for non-active duty beneficiaries.

Additionally, all CHAMPUS authorized providers must accept payment under the supplemental care program based on CHAMPUS payment rules. The Services need to ensure that claims for health care under this program are paid at the most favorable rates negotiated by the government or contractors in the managed care support (MCS) contract regions. Unlike standard CHAMPUS, beneficiary cost-sharing is not applicable to health care paid under this program. To streamline the claims adjudication system for supplemental care, we strongly recommend transferring the claims payment responsibilities presently being performed by MTFs to the managed care support contractors, who are responsible for pricing the supplemental health care claims.

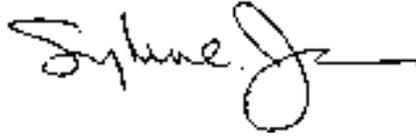
The Cooperative Care Program is a program similar to the Supplemental Care Program, where a MTF provider orders or refers a CHAMPUS-eligible patient for medical services or supplies that are needed, but cannot be provided by either the MTF or the provider who is managing the care of the patient. The beneficiary is fully informed of the cost-sharing responsibilities of this option, and all CHAMPUS requirements, exclusions, and limitations apply as identified in reference(c).

Under TRICARE, it is policy that referrals for care for both programs must be made to network providers when a MCS contract is in place and the needed service is available in the network. This includes active duty referrals. There should be few exceptions to this policy, and the Services are expected to maintain an accounting of these exceptions. Additionally, all medical services requested under this program must be reviewed for medical necessity as required by reference (d) prior to approval by the MTF or Service. Emergencies are exempt from this requirement.

This policy memorandum is effective immediately. You are requested to review the current applicable Service guidance and practices by the MTFs to determine if implementing guidance conforms to the above stated policies and to determine if changes to either guidance or MTF practices are required. A report delineating the results of your review and implementing guidance is requested by October 30, 1995.

In addition, I am asking the OASD(HA) Defense Health Program Resource Management Steering Committee to work in conjunction with the Deputy Assistant Secretary of Defense for Health Services Financing to develop and propose more specific guidance and policies addressing questions and issues raised by the Services relative to this policy. I anticipate the Steering Committee to further delineate the policies necessary to ensure appropriate use of supplemental funds as they relate to our current plans for implementing TRICARE and effect transfer of this process to MTF contractors. I also expect the Committee members, as part of their efforts, to conduct a review of the reports on Service guidance and MTF practices submitted by the respective Services.

Please contact Jean Storck at (703) 697-8975 if you have any questions regarding this matter.

A handwritten signature in black ink, appearing to read "Stephen C. Joseph", with a long horizontal stroke extending to the right.

Stephen C. Joseph, M.D., M.P.H.

HA POLICY 96-005

cc: Surgeons General

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Last update: 12/21/1998