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Report to the Chairmen and Ranking Minority Members, Senate and House Committees on Armed Services

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DEFENSE HEALTH CARE

Uniformed Services Treatment Facility Health Care Program

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Health, Education, and
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The Honorable Sam Nunn
Chairman
The Honorable Strom Thurmond
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Ronald V. Dellums
Chairman
The Honorable Floyd D. Spence
Ranking Minority Member
Committee on Armed Services
House of Representatives

This report responds to the requirement in the National Defense Authorization Act for Fiscal Year 1994 (P.L. 103-160, sec. 717) that the Comptroller General and the Director of the Congressional Budget Office (CBO) evaluate the agreements entered into between the Department of Defense (DOD) and the Uniformed Services Treatment Facilities (USTF) to provide health care to members of the uniformed services.[1] More specifically, as agreed with Committee staff, CBO will be reporting on the following two issues specified in the act:

- the cost effectiveness of the agreements compared to other components of the military health care delivery system, including the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS);[2] and
- the impact of the agreements during their 4-year term on DOD's budget and expenditures for health care programs.

This report addresses the remaining three issues specified in the act:

[1]USTFs are 10 former Public Health Service hospitals and clinics that transferred to civilian ownership and were deemed to be part of DOD's health care system (The Military Construction Authorization Act of 1982 (42 U.S.C. 248c)). This USTF legislative authority has been periodically extended. The current authority expires on December 31, 1996. The uniformed services include the Army, Navy, Marines, Air Force, Coast Guard, and the Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration.

[2]CHAMPUS is a fee-for-service health insurance program that pays for a substantial part of the health care that civilian hospitals, physicians, and others provide to DOD beneficiaries. Retirees and their dependents, and dependents of active-duty personnel and deceased service members receive care from these providers if they cannot obtain it at military facilities.

- the health care services available through the USTFs under the agreements compared to the health care services available through other components of the military health care delivery system,
- the beneficiary cost-sharing requirements of the USTFs compared to those of the other components of the military health care delivery system, and
- the costs and other implications of terminating the agreements before their expiration.

Background

DOD operates one of the largest health care systems in the world. Currently, approximately 8.6 million people are eligible for medical care—1.9 million active-duty members and 6.7 million nonactive-duty beneficiaries, including the spouses and children of active-duty members, retired members and their spouses and children, and survivors of deceased, retired, and active-duty members. The system has two parts, a direct care system of 140 hospitals and 551 clinics worldwide and CHAMPUS.[3] Total DOD health care costs in fiscal year 1993 were about $15.1 billion, including CHAMPUS costs of about $3.5 billion. The USTF portion of the defense health care program has a budget of $291 million for fiscal year 1994.

Beginning in fiscal year 1994, DOD and the USTFs implemented a managed care program modeled after a health maintenance organization (HMO). The USTFs and DOD signed agreements to operate the program for 4 years, through September 30, 1997. The program is characterized by the formation of provider networks to deliver a full spectrum of inpatient and outpatient care, enrollment of beneficiaries, and a capitated reimbursement system under which each USTF is paid a monthly sum for each enrollee regardless of the amount of health care resources consumed by the enrolled population. DOD currently permits only nonactive-duty beneficiaries to enroll. Active-duty members must receive their health care from military hospitals and clinics. Beneficiaries who enroll agree not to use other DOD health facilities and programs or the Medicare program. Table 1 lists the USTFs and their enrollments as of April 1994.

[3]Active-duty members have the highest priority for obtaining services in the direct care system. Other beneficiaries may use the direct care system when space, staff, and other resources are available. Beneficiaries lose their eligibility for CHAMPUS when they become eligible for Medicare; however, they retain their eligibility for treatment in direct care facilities but on a space-available basis.

Table 1: USTFs' Location and Enrollment (April 1994)

USTFs	Location	Enrollment
Martin's Point Health Center	Portland, Me.	17,387
Brighton Marine	Boston, Mass.	10,589
Bayley Seton Hospital	Staten Island, N.Y.	9,691
Johns Hopkins Medical Services (Formerly Wyman Park)	Baltimore, Md.	17,319
Lutheran Medical Center	Cleveland, Ohio	4,794
St. Mary's Hospital	Galveston, Tex.	2,443
St. John Hospital	Nassau Bay, Tex.	9,118
St. Joseph Hospital	Houston, Tex.	10,054
St. Mary Hospital	Port Arthur, Tex.	3,578
Pacific Medical Center	Seattle, Wash.	16,701
	Total	**101,674**

After several years of conducting various demonstration programs designed to improve access to care and control costs, in December 1993, DOD announced and began implementing a restructuring of its health care system. When fully implemented, the new program, referred to as TRICARE, will offer eligible beneficiaries a choice of three health care plans. Beneficiaries will be free to enroll in an HMO option, TRICARE Prime; use a network of preferred providers, TRICARE Extra; or use CHAMPUS. Administratively, the program will divide the country into 12 health service regions. Each region will be headed by a military medical center commander, designated as lead agent, with broad responsibilities for managing the care delivered to beneficiaries both in military facilities and by civilian providers. Each region's entire civilian health care needs will be arranged through a TRICARE support contract with a private health care company. Several regional support contracts are currently being competed. Plans call for TRICARE to be implemented nationwide by the end of fiscal year 1996. DOD has not yet determined the exact role, if any, of the USTFs under TRICARE.

Scope and Methodology

We compared the USTF program's health care benefit and cost-sharing package (as specified in the agreements between DOD and the USTFs) with the following components of the military health care delivery system: military hospitals and clinics located in or near USTF service areas, TRICARE Prime, TRICARE Extra, and CHAMPUS. With regard to the cost and other implications of terminating the USTF agreements before they expire, we focused on the effects that such a termination would have on the

government (not just DOD), beneficiaries, and the USTFs themselves. Appendix I describes our scope and methodology in detail. Our work was done between December 1993 and May 1994 in accordance with generally accepted government auditing standards.

Results in Brief

The USTF health care services are the same as those being established under TRICARE Prime, greater than those available under CHAMPUS and TRICARE Extra, and, on balance, greater than those available in military facilities located near the USTFs.

The USTF program requires less beneficiary cost sharing than either TRICARE or CHAMPUS, but slightly more than the direct care system for most beneficiaries.

The cost and other implications of terminating the USTF agreements before they expire vary among the three parties affected—the government, beneficiaries, and the USTFs themselves:

- The impact on the government depends largely on the extent to which the USTF program is cost effective compared to other components of the military health care delivery system—one of the issues on which CBO is reporting. Additionally, if DOD terminates the agreements for reasons other than those specified by statute or in the agreements, it may have to face costly litigation brought by the USTFs.
- If the program were to be terminated, beneficiaries will be able to access health care services through TRICARE, CHAMPUS, Medicare, the direct care system, or private health insurance they may have. However, beneficiaries will likely pay more in cost sharing, and some may experience disruptions in the continuity of their care by having to find new health care providers.
- The implications of termination for the USTFs vary by facility, based, at least in part, on the extent to which the facility depends upon USTF program revenue. For some USTFs, the program provides nearly all their revenue, and therefore program termination could possibly result in the closure of the facility and the loss of jobs. On the other hand, if these USTFs continue serving beneficiaries as Medicare, CHAMPUS, or TRICARE providers just as they did before the current program, the impact of terminating the USTF agreements would be much less significant.

USTF Health Care Services Equal TRICARE Prime and Surpass Other Components of the Military Health Care System

The health care services provided in the USTF program equal those proposed for TRICARE Prime and surpass those in CHAMPUS, TRICARE Extra, or nearby military facilities, in most cases. TRICARE Prime and the USTF program provide the range of services typically found in HMOs. Generally, HMOs and fee-for-service health plans either provide or pay for care for similar illnesses and accidents, but HMOs also provide additional services to promote health and prevent illnesses. The USTF program and TRICARE Prime health services include all of the health services available under standard CHAMPUS and TRICARE Extra, as well as more than 100 age-related preventive services such as immunizations, screening tests, and counseling sessions that are associated with 60 medical conditions. These preventive services were recommended by a Department of Health and Human Services task force in 1988.[4] Some of the basic and preventive services provided in the USTF program are listed in table 2.

[4]Guide to Clinical Preventive Services, U.S. Preventive Services Task Force, Department of Health and Human Services, 1988. This work is updated and summarized in chapter 3 of Benefit Design: Clinical Preventive Services, Office of Technology Assessment, U.S. Congress, 1993.

Table 2: Health Care Services in the USTF Program

Basic service
Inpatient care
Outpatient care
Physician services
Pharmacy services
Dental care[a]
Mental health care
Skilled nursing care
Emergency services
Ambulance services
Medical equipment
Home health care
Physical therapy
Eye examinations
Preventive services
Screening tests
Glaucoma
Tuberculosis
Sickle cell anemia
Lead toxicity
Mammograms
Breast exams
Human immunodeficiency virus
Counseling
Diet
Exercise
Smoking cessation
Injury prevention
Dental health
Immunizations and chemical treatments
Diphtheria
Tetanus
Polio
Measles
Fluoride treatments
Estrogen therapy

[a]Some USTFs offer dental care at no additional cost to beneficiaries. Dental services, however, are not a required benefit under the USTF program.

Because DOD's direct care facilities located near the USTFs differ in type, they offer different kinds of health care services. Some provide a full range of services. Others, however, are only outpatient clinics and provide minimal care. A list of military facilities in or near USTF service areas and some of the basic services they provide appears in appendix II.

Fourteen military hospitals are in or near USTF service areas. They provide inpatient, outpatient, and some preventive services (as part of DOD's health promotion program), such as screening for cholesterol and high blood pressure and counseling for smoking cessation and substance abuse.[5] However, 12 of the 14 hospitals are located in just three of the USTF service areas, and 1 of the remaining 2 hospitals is scheduled to close in fiscal year 1994. Additionally, the hospitals in one of the three USTF service areas that have most of the military facilities are small, ranging from 35 to 65 beds. Six USTFs have no military hospitals in or near their service areas.

Thirty-five military outpatient clinics in or near USTF service areas provide services to all categories of beneficiaries. The clinics themselves vary in capability, ranging from those providing only pharmacy services to those providing emergency, pediatric, surgical, internal medicine, and psychiatric services. However, 30 of the 35 clinics are in the same three USTF areas as most of the military hospitals. Five USTFs have no military clinics (or hospitals) in or near their service areas.

Despite the significant number and size of military facilities located nearby two of the USTFs (Baltimore and Seattle), more than $20 million in CHAMPUS-funded medical care is provided in those USTF service areas, indicating that the military direct care system is not providing that care and some portion of it is not available in military facilities. More specifically, in fiscal year 1993, CHAMPUS costs in the Baltimore USTF service area totaled $12.1 million ($8.8 million for the government and $3.3 million for beneficiaries). In the Seattle USTF service area, total CHAMPUS costs were $8.6 million ($5.9 million for the government and $2.7 million for beneficiaries).

Another indication that the military hospitals located in or near the USTFs cannot provide significant amounts of care to eligible beneficiaries is that these facilities have issued about 36,000 nonavailability statements for care sought from fiscal years 1991 through 1993. The hospitals issue these statements when they cannot provide inpatient and some outpatient care. The statements allow beneficiaries to use CHAMPUS to obtain care.

[5]Defense Health Care: Health Promotion in DOD and the Challenges Ahead (GAO/HRD-91-75, June 1991).

Beneficiary Cost Sharing in USTFs Is Less Than in Other DOD Health Programs Except the Direct Care System

The USTF program requires less beneficiary cost sharing than CHAMPUS and TRICARE, but slightly more than DOD's direct care system. The specific cost-sharing differences between the health programs are shown in appendix III. In the USTF program, retirees and families of active-duty members in pay grades E4 or lower receive free outpatient care, including prescription drugs, outpatient surgery, and emergency outpatient services. Families of all retirees and active-duty members in pay grades E5 or higher make small copayments of $5 or $10 for outpatient professional services and $25 for outpatient surgery or emergency outpatient care. Under TRICARE Prime, enrollees will eventually pay annual enrollment fees of up to $100 a family (except for families of active-duty members in grades E4 and below) and make copayments of $5 to $15 for most outpatient services. Beneficiary copayments for outpatient surgery and emergency outpatient care range from $15 to $75. Under CHAMPUS and TRICARE Extra, beneficiaries pay yearly deductibles up to $300 per family and outpatient coinsurance rates of 20 or 25 percent for CHAMPUS and 15 or 20 percent for TRICARE Extra. Outpatient care in military facilities is free to all beneficiaries.

For inpatient care under the USTF program, beneficiaries have no cost sharing for families of active-duty members in pay grades E4 and below. Retirees, their families, and families of active-duty members in pay grades E5 or higher pay $25 per inpatient admission, not to exceed $100 per enrollee per year. Under TRICARE Prime, active-duty families will pay the greater of $9.30 for each day of inpatient care or $25, while retirees and their families will pay $125 daily (to $1,250 per hospital stay) and 20 percent of inpatient professional fees for care received from civilian providers.[6] Inpatient cost sharing under CHAMPUS and TRICARE Extra will be the same as TRICARE Prime for active-duty family members, but retirees and their families will pay the lesser of $272 daily or 25 percent of all charges. In the direct care system, inpatient care requires a copayment of $5.10 a day for retired officers and $9.30 for all other beneficiaries.

Costs and Other Implications of Termination

The cost and other implications of terminating the USTF agreements before they expire differ among the three parties affected—the government, beneficiaries, and the USTFs. Termination would not only have financial

[6]For inpatient mental health care, USTF enrollees who are families of retirees or families of active-duty members in pay grades E5 or higher pay $50 per admission, not to exceed $200 per enrollee per year. Under TRICARE Prime, all families of active-duty members will pay the greater of $9.30 per inpatient day or $25. Retirees and their families will pay the lesser of $100 per inpatient day or 25 percent of all charges.

implications for the government and the USTFs, but would also affect beneficiary out-of-pocket medical expenses and continuity of care.

For the government, the impact of terminating the agreements depends largely on (1) whether the USTFs are as cost effective as other programs providing services to these beneficiaries and (2) whether the government has the legal right to terminate the agreements for reasons other than those specified by statute or the agreements. If the USTFs are cost effective, the government would incur higher costs by terminating the agreements. (Much of the USTF beneficiaries' health care would then be financed through Medicare, CHAMPUS, TRICARE, or the DOD direct care system.) Conversely, the government would save money by terminating the USTF agreements if they are not cost effective. CBO is evaluating the cost effectiveness of the agreements and is reporting separately on this issue.

DOD could also face costly litigation brought by a USTF whose agreement is terminated for reasons other than those stated in the participation agreement or specified by statute. (Termination and other relevant provisions of the agreements appear in app. IV.) Generally, the agreements state that the government may terminate the program for the following reasons: (1) inferior or harmful quality of care, (2) fraud, (3) noncompliance with administrative procedures, (4) insolvency, or (5) failure to maintain accreditation. Additionally, by statute (42 U.S.C. 248d(e)), the government may also terminate the agreements after December 1996 if the USTFs are not cost effective. The agreements are not subject to the Federal Acquisition Regulation (FAR), which generally provides the government with the right to terminate under the "termination for convenience" provisions of the FAR. USTF and DOD officials stated that if the USTF agreements are terminated for reasons other than those cited above, the government could face costly litigation brought by the USTFs.

For beneficiaries, termination should not greatly affect their overall access to care, but they will likely experience increased out-of-pocket costs, and some may experience disruptions in the continuity of their care. Several private and community medical providers are located in and around the areas serving the USTFs, and beneficiaries would retain their eligibility for TRICARE, CHAMPUS, or Medicare-financed care, as well as DOD's direct care system, so termination should not affect access. Additionally, some beneficiaries have private insurance.

Under TRICARE, CHAMPUS, and Medicare, beneficiaries may be able to continue receiving care from the USTF facilities and physicians that they currently use as long as these providers maintain their status as authorized providers of care in the federal programs. However, some disruptions in continuity of care would almost certainly occur, particularly for beneficiaries whose providers elect not to participate in CHAMPUS, TRICARE, or Medicare and for those who can access care in military facilities.

TRICARE, CHAMPUS, and Medicare have higher cost-sharing requirements than the USTF program.[7] Beneficiaries would incur these additional costs either directly or through the purchase of supplemental insurance. DOD and USTF data (as displayed in table 3), show that the estimated average additional costs to beneficiaries of obtaining care through Medicare, TRICARE Prime, and CHAMPUS, would range from about $60 per year for a dependent of an active-duty member (E4 or below) who enrolled in TRICARE Prime, to over $600 per year for a retiree over age 65 who used Medicare. DOD's direct care system has slightly less cost sharing than the USTF program, but access is limited to the extent that space and resources are available.

[7]For hospital services (Part A), Medicare requires a $696 deductible and additional daily copayments of $174 if the stay exceeds 60 days and $348 if the stay is between 91 and 150 days. For inpatient and outpatient professional services (Part B), there is a monthly premium of $41.10, a $100 deductible, and a 20 percent coinsurance.

Table 3: Estimated Average Annual Beneficiary Cost Sharing in the USTF Program, Other Components of the DOD Health Program, and Medicare

Health care program	Active-duty families		Retirees		Retiree families	
	E1 to E4	E5 and over	Age 64 or younger	Age 65 or older	Age 64 or younger	Age 65 or older
USTF Program						
USTF estimate						
DOD	None	$63.75	$2.50	$7.13	$63.75	$186.63
estimate	None	71.00	None	None	70.00[c]	70.00[c]
CHAMPUS Program						
USTF estimate						
DOD	$178.59	278.59	439.89	[a]	439.89	[a]
estimate	119.86	171.66	397.62	[a]	397.62	[a]
TRICARE Prime						
USTF estimate						
DOD	61.75	124.00	289.65	[b]	289.65	[b]
estimate	63.00	122.00	220.00	[b]	220.00	[b]
Medicare						
USTF estimate						
DOD				612.00		612.00
estimate	Not applicable	Not applicable	Not applicable	[d]	Not applicable	[d]

[a]People lose CHAMPUS eligibility when they become eligible for Medicare, usually at age 65.

[b]As currently designed, retirees and their dependents age 65 and older will be eligible for TRICARE Prime to the extent that space is available in military hospitals and clinics where care is free. If space is not available, these beneficiaries will not have access to military health care benefits.

[c]DOD estimates do not distinguish between beneficiaries under age 65 and those 65 or older.

[d]Estimate not provided.

The impact on the USTFs of terminating their current agreements with DOD would depend largely on whether and to what extent the USTFs would continue as authorized providers of care to military beneficiaries under CHAMPUS, TRICARE, and Medicare. If the USTFs continued to provide care to military beneficiaries at the same levels they did before their current agreements with DOD, the impact on their operations would be minimal. If, however, the USTFs no longer served military beneficiaries, the impact of terminating the agreements would vary by facility. It appears, however,

that termination could significantly disrupt the operations of several facilities, not only because of substantial employee layoffs but because of possible closures or cutbacks in the delivery of services.

The extent to which each facility currently depends upon the USTF program for revenue varies considerably. In fiscal year 1993 (as shown in table 4), USTF program revenue as a percentage of total USTF revenue for each facility ranged from 7.3 to 80.5 percent. Four USTFs received more than 50 percent of their revenue from the USTF program, and three facilities received less than 10 percent from the USTF program. Eight USTFs are owned by other companies. The extent to which these parent companies depend on the USTF program for corporate revenue also varies but is much less significant, ranging from about 5 to 18 percent.

USTF representatives told us that if the program were terminated and the USTFs no longer provided medical care to military beneficiaries under any DOD program, about 3,000 people would lose their jobs. (In all, according to the USTFs, they employ about 11,300 people, including those who work in the corporate offices.) Additionally, the USTFs stated that two facilities would close—Bayley Seton Hospital and Martin's Point Health Center—and others would substantially reduce their health care delivery capability.

Table 4: USTF Revenue and Total Corporate Revenue, by Facility, Fiscal Year 1993

Dollars in millions

USTF	FY 1993 USTF program revenue	Total facility revenue	Percent USTF program to total	Total corporate revenue	Percent USTF program to corporate
Martin's Point	$23.1	$29.1	79.4%	Not applicable	Not applicable
Brighton Marine[a]	33.4	41.5	80.5%	181.8	18.4%
Bayley Seton[b]	21.4	92.5	23.1%	Data not available	Data not available
Johns Hopkins	40.2	97.3	41.3%	701.0	5.7%
Lutheran Medical	4.6	63.1	7.3%	190.0	2.4%
Pacific Medical	45.0	72.8	61.8%	Not applicable	Not applicable
St. John[c]	34.0	58.9	57.7%	1,337.9	2.5%
St. Joseph[c]	14.2	174.6	8.1%	1,337.9	1.1%
St. Mary's[c] (Galveston)	7.4	33.4	22.2%	1,337.9	0.6%
St. Mary[c] (Port Arthur)	5.6	73.9	7.6%	1,337.9	0.4%
Total[d]	**$228.9**	**$737.1**	**31.1%**	**$2,410.7**	**3.6%**

[a]Brighton Marine corporate total includes St. Elizabeth Medical Center.

[b]Subsidiary of the Sisters of Charity Health Care System. Corporate revenue figures not available.

[c]Owned by the Sisters of Charity of the Incarnate Word.

[d]Total fiscal year 1993 USTF program revenue does not equal $230 million due to rounding. Corporate totals adjusted to prevent duplicative counting of Sisters of Charity facilities.

Agency Comments

We did not obtain written comments on this report. However, we discussed the contents of a draft of this report with DOD and USTF officials who generally agreed with the information presented.

We are sending copies of this report to the Secretary of Defense, the USTFs, and interested congressional committees. We will also make copies available to others on request. If you have any questions about this report, please call me on (202) 512-7101. Other major contributors to this report

were Stephen P. Backhus, Assistant Director, Michael C. Williams, Senior Analyst, and Stefanie G. Weldon, Office of the General Counsel.

David P. Baine

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Director, Federal Health
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Contents

Abbreviations

CBO	Congressional Budget Office
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
DOD	Department of Defense
FAR	Federal Acquisition Regulation
HMO	health maintenance organization
USTF	Uniformed Services Treatment Facility

Scope and Methodology

We compared the Uniformed Services Treatment Facility program's health care benefit and cost-sharing package (as specified in the agreements between the Department of Defense and the USTFs) with the following components of the military health care delivery system: military hospitals and clinics located in or near USTF service areas, TRICARE Prime, TRICARE Extra, and CHAMPUS. While other DOD health care program components are currently operating (such as the CHAMPUS Reform Initiative in California and Hawaii, a managed mental health care program in Virginia, and a preferred provider program in Georgia and Florida), these programs are being incorporated into TRICARE. Therefore, we believed it would be more appropriate to focus our analyses on the TRICARE benefits and cost-sharing package for which DOD is currently asking prospective offerors to submit proposals.

To compare services available in military hospitals in or near the USTF service areas, we initially identified military facilities with the same first three ZIP code digits as those that are part of the USTFs' service areas. DOD then provided us information on each facility's staffing levels, mix of services provided, and service utilization by category of beneficiary. We supplemented this information with fiscal year 1993 Civilian Health and Medical Program of the Uniformed Services claims costs (the most recent available) for those USTF service areas that have military hospitals and clinics nearby (within 40 miles). The data serve as an indication of how much medical care (in addition to the USTF workload) is being provided outside the military direct care system in the USTF service areas.

With regard to the cost and other implications of terminating the USTF agreements before they expire, we focused on the effects that such a termination would have on the government (not just DOD), beneficiaries, and the USTFs themselves. (Congressional Budget Office's report on the cost of the USTF program compared to other DOD health programs addresses the principal costs to the government if the program were terminated.) To supplement the CBO report, we examined the conditions for termination as specified in law and in the participation agreements to determine what, if any, liability (and costs) the government would incur by terminating the agreements early.

To assess the impact of termination on the USTFs, we obtained information from both the USTFs and DOD showing the extent to which and where applicable their corporate sponsors depend on the USTF program for revenue. The USTFs also provided information on the number of people

they employ and estimated the number of employees that would lose their jobs if the USTF program were terminated.

To determine the impact of termination on beneficiaries, we obtained data from both DOD and the USTFs that show the estimated annual beneficiary out-of-pocket costs for health care received under the USTF program, TRICARE, CHAMPUS, and Medicare. Finally, we obtained information on the extent to which USTF providers previously participated in the CHAMPUS and currently participate in Medicare.

We supplemented these data with discussions with USTF representatives, program officials in DOD's Office of the Assistant Secretary of Defense (Health Affairs), and attorneys in DOD's Office of General Counsel and the Department of the Army Headquarters Services-Washington.

Military Hospitals and Clinics in or Near USTF Service Areas and Services Provided

	Health care services									
USTF military hospitals and clinics[a]	**OP**	**EM**	**PE**	**OB**	**CA**	**PH**	**SU**	**IM**	**PS**	**SW**
Wyman Park, Baltimore, Md.										
Hospitals										
Walter Reed (Army)	X	X	X	X	X	X	X	X	X	X
Bethesda (Navy)	X	X	X	X	X	X	X		X	X
Malcolm Grow (Air Force)	X	X	X	X	X	X	X	X	X	
Kimbrough (Army)	X	X	X	X		X	X	X	X	X
Patuxent River (Navy)	X	X	X	X		X	X	X	X	X
Dewitt (Army)	X	X	X	X	X	X	X	X	X	X
Clinics										
Aberdeen (Army)	X	X	X	X		X	X	X	X	
Edgewood (Army)	X									
Ft. McNair (Army)	X	X								
Ft. Myer (Army)	X	X	X	X		X		X		X
Ft. Richie (Army)	X		X			X				X
Ft. Detrick (Army)	X		X			X				
Washington Navy Air Facility	X									
U.S. Naval Academy	X		X	X		X		X	X	X
Bolling (Air Force)	X									
Curtis Bay (Coast Guard)	X		X	X		X				
Burke, PRIMUS	X									
Indian Head (Navy)	X					X				
Davison (Army)	X		X	X						
Fairfax, PRIMUS	X		X							
Quantico (Navy)	X		X			X		X	X	X
Woodbridge, PRIMUS	X									
Cameron Station Health Clinic (Army)	X									
Medical Clinic (Coast Guard)	X					X				
Bayley Seton, Staten Island, N.Y.										
Hospitals										
Keller (Army)	X	X	X	X		X	X	X		
Walson (Air Force)	X	X	X			X	X	X	X	X
Patterson (Army)	X	X	X	X		X	X	X		X
Clinics										
Ainsworth (Army)	X	X	X	X	X	X		X		X
NY Naval Station (Navy)	X									
NY Support Center (Coast Guard)		X				X				X

(continued)

	Health care services									
USTF military hospitals and clinics[a]	**OP**	**EM**	**PE**	**OB**	**CA**	**PH**	**SU**	**IM**	**PS**	**SW**
Picatinny Arsenal, N.J. (Army)	X									
Bayonne, N.J. (Army)	X		X			X				
Earle (Navy)	X					X				X
Lakehurst (Navy)	X					X				
Brighton Marine, Boston, Mass.										
Hospitals										
Cutler (Army)[b]	X	X	X	X		X	X	X	X	X
Newport, R.I. (Navy)	X	X	X	X		X	X	X	X	X
Clinics										
Boston Health (Coast Guard)	X	X				X				
Kaehler (Coast Guard)	X									
Hanscom (Air Force)	X	X	X			X			X	
Pacific Medical USTF										
Hospitals										
Bremerton (Navy)	X	X	X	X		X	X	X	X	X
Madigan (Army)	X	X	X	X	X	X	X	X	X	X
Oak Habor (Navy)		X	X	X		X	X		X	X
Clinics										
Keyport (Navy)	X	X				X				
McChord (Air Force)	X									
Port Angeles (Coast Guard)	X					X				
Seattle (Coast Guard)	X									
Puget Sound (Navy)	X									
Martin's Point, Portland, Me.										
Hospitals (none)										
Clinics										
Brunswick (Navy)	X					X		X		X
Portsmouth, N.H. (Navy)	X					X		X		X
Lutheran Medical, Cleveland, Ohio										
Hospitals (none)										
Clinics (none)										
St. John, Nassau Bay, Tex.										
Hospitals (none)										
Clinics (none)										
St. Joseph, Houston, Tex.										
Hospitals (none)										
Clinics (none)										
St. Mary, Port Arthur, Tex.										

(continued)

	Health care services									
USTF military hospitals and clinics[a]	**OP**	**EM**	**PE**	**OB**	**CA**	**PH**	**SU**	**IM**	**PS**	**SW**
Hospitals (none)										
Clinics (none)										
St. Mary's, Galveston, Tex.										
Hospitals (none)										
Clinics (none)										

Legend:

OP Outpatient services
EM Emergency services
PE Pediatrics
OB Obstetrics/gynecology
CA Cardiac services
PH Pharmacy services
SU Surgical services
IM Internal medicine
PS Psychiatric services
SW Social work services

[a]Includes only those facilities open to all beneficiaries.

[b]Scheduled to close as part of DOD's base realignment and closure.

Comparison of the USTF Program With Other Components of the DOD Health Care Program

Table III.1: Comparison of USTF Program With TRICARE Prime

	USTF Program		TRICARE Prime		
Program feature	**Active-duty and retiree family members[a]**	**Retirees**	**Active-duty families E1-E4**	**Active-duty families E5+**	**Retirees and their families**
Annual premiums	None	None	None	$35 individual $70 family	$50 individual $100 family
Provider visits	$5	None	$5	$10	$15
Laboratory and x rays	$5[b]	None	$5	$10	$15
Routine pap smears	$5[b]	None	$0	$0	$0
Ambulance	$0	None	$5	$10	$15
Emergencies (outpatient)	$25	None	$35[d]	$50[d]	$60[d]
Medical equipment and prosthetics	$0	None	10% of charges	15% of charges	20% of charges
Home health care	$0	None	$5	$10	$10
Family health care	$5	None	$5	$10	$15
Well baby care	$0	None	$5	$10	$15
Outpatient mental health	$10	None	$10 individual $5 groups	$20 individual $10 groups	$25 individual $10 groups
Prescription drugs	$5 for 30-day supply	None	$4 for 30- day supply	$4 for 30-day supply	$8 for 30-day supply
Ambulatory surgery	$25	None	$15	$25	$75
Immunizations	$5[b]	None	$5	$10	$15
Eye examinations	$10	None	$5	$10	$15
Hospitalization	$25 an admission to $100 max. per enrollee	$25 an admission to $100 max. per enrollee	Greater of $9.30 daily or $25	Greater of $9.30 daily or $25	$125 daily to $1,250 max. and 20% of prof. fees
Inpatient mental health[c]	$50 an admission to $200 max. per enrollee	$25 an admission to $100 max. per enrollee	Greater of $9.30 daily or $25	Greater of $9.30 daily or $25	Lesser of $100 daily or 25% of all charges

[a]No copayments required for families of active-duty members in pay grades E1 to E4.

[b]No copayments required if service is provided as part of a visit.

[c]Includes services for the treatment of alcohol and drug abuse.

[d]Urgent care copayments are $20 for E1-E4, $40 for E5 and higher, and $50 for retirees and their families.

Table III.2: Comparison of USTF Program With CHAMPUS and TRICARE Extra

	USTF Program		CHAMPUS and TRICARE Extra[d]	
Program feature	**Active-duty and retiree family members[a]**	**Retirees**	**Active-duty families**	**Retirees and their families**
Deductibles	None	None	E1-E4: $50 individual $100 family E5 and above: $150 individual $300 family	$150 individual $300 family
Provider visits	$5	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Laboratory and x rays	$5[b]	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Routine pap smears	$5[b]	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Ambulance	$0	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Emergencies (outpatient)	$25	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Medical equipment and prosthetics	$0	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]

(continued)

	USTF Program		CHAMPUS and TRICARE Extra[d]	
Program feature	Active-duty and retiree family members[a]	Retirees	Active-duty families	Retirees and their families
Home health care	$0	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Family health care	$5	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Well baby care	$0	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Outpatient mental health	$10	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Prescription drugs	$5 for 30-day supply	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Ambulatory surgery	$25	None	CHAMPUS: 20% of allowable charges[e] TRICARE Extra:15% of allowable charges[e]	CHAMPUS: 25% of allowable charges[e] TRICARE Extra: 20% of allowable charges[e]
Immunizations[a]	$5[b]	None	CHAMPUS: Not covered TRICARE Extra: 15% of allowable charges	CHAMPUS and TRICARE Extra: Not covered
Eye examinations	$10	None	CHAMPUS: 20% of allowable charges TRICARE Extra: 15% of allowable charges	CHAMPUS and TRICARE Extra: Not covered

(continued)

	USTF Program		CHAMPUS and TRICARE Extra[d]	
Program feature	Active-duty and retiree family members[a]	Retirees	Active-duty families	Retirees and their families
Hospitalization	$25 an admission to $100 max. per enrollee	$25 an admission to $100 max. per enrollee	CHAMPUS and TRICARE Extra: Greater of $9.30 daily or $25	CHAMPUS: Lesser of $272 daily or 25% of charges TRICARE Extra: Lesser of $200 daily or 25% of charges, plus 20% of professional fees
Inpatient mental health[c]	$50 an admission to $200 max. per enrollee	$25 an admission to $100 max. per enrollee	CHAMPUS and TRICARE Extra: Greater of $9.30 daily or $25	CHAMPUS: Lesser of $272 daily or 25% of charges TRICARE Extra: 20% of charges, plus 20% of professional fees

[a]No copayments required for families of active-duty members in pay grades E1-E4.

[b]No copayments required if service is provided as part of a visit.

[c]Includes services for the treatment of alcohol and drug abuse.

[d]TRICARE Extra will require the same deductibles as CHAMPUS. Allowable charges will be negotiated with network providers, which should result in lower enrollee cost sharing.

[e]After the outpatient deductible is met.

Summary of Termination and Other Provisions in the USTF Participation Agreements

In the executive branch of the government, most acquisitions of goods and services are subject to the Federal Acquisition Regulation (FAR), which is issued pursuant to the Office of Federal Procurement Policy Act (41 US.C. 421(c)). However, the Participation Agreements between the government and the Uniformed Services Treatment Facilities to provide medical and dental care to members and former members of the uniformed services and their dependents are specifically excluded from FAR coverage. The statutes that apply to the USTFs are the exclusive authority for the administration of these agreements.[1] Procurements under the FAR give procuring organizations authority to terminate contracts for the convenience of the government and for cause (committing an act or failing to meet certain professional obligations that would be harmful to the government's interest) and give contractors no unilateral right to terminate contracts. The USTF statute and the specific Participation Agreements, in contrast, confer broader contracting rights to the facilities to terminate the agreements, but greatly limit the government's authority to terminate them.

Specifically, 42 U.S.C 248d(e) permits the government to terminate a facility's status as a USTF only after December 31, 1996, if it has been formally certified that more effective medical and dental care is available elsewhere in the same geographic area. The termination may take effect no less than 6 months after the facility has received such a formal order, which must be jointly issued by the Secretary of Defense, the Secretary of Health and Human Services and, in certain circumstances, the Secretary of Transportation.

The USTF agreements also contain termination provisions, which, when read in conjunction with the USTF statutory termination authority and the specific statutory exclusion from the FAR, constitute the exclusive basis for terminating a USTF agreement. Generally, the agreements permit the government to terminate either for cause or financial insolvency. The USTFs are permitted to terminate for any reason with 180 days notice or with 30 days notice if the agreement obligates the government to pay a facility less than 75 percent of its prior year's obligation.

Convenience termination, by definition, is not termination for cause. Nor is it the same as the statutory termination of status upon a finding that alternative cost-effective care is available. The consequences for the government when it cannot terminate an agreement for its own convenience are not clear. Under the FAR, when the government chooses

[1]Statutory authorization for the USTFs is codified at 42 U.S.C. 248a to 248d, as amended.

to terminate a contract for its convenience, its liability is clearly prescribed by regulation at least on the categories of allowable costs for which a contractor may seek compensation. The absence of such express limitation leaves the question of liability open. The following pages contain the specific termination and other relevant provisions in the USTF Participation Agreements.

Termination and Other Provisions in the USTF Participation Agreements

G-5. TERMINATION OF AGREEMENT

(1) Termination by Government for Cause. The Government may terminate this Agreement for cause, subject to the procedures specified in paragraph (3) below, for acts or omissions by the Facility which, in the judgement of the Government, constitute a material breach of the terms and conditions of this Agreement. Causes for termination shall include, but shall not be limited to: a) delivery of care harmful to patients, or care of inferior quality as determined by the Government after review by the civilian external peer review committee; b) knowing submission to the Government of false information of a nature that is material to this Agreement; c) persistent noncompliance with administrative procedures that result in material damage to the Government; d) persistent failure to provide the full benefit package; e) failure of the Facility or major suppliers of the Facility to maintain required insurance or licenses and permits; f) failure to obtain or maintain accreditation from the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for the Facility itself and for any ambulatory facilities owned, operated or staffed by the Facility (such failure occurs only if the JCAHO withdraws accreditation entirely); and g) a finding of fraud against the Facility under the procedures of either CHAMPUS or Medicare.

(2)Facility Insolvency. The Government may terminate this Agreement, subject to the procedures specified in paragraph (3) below, a) in the event of the appointment of a receiver to take possession of all, or substantially all, of the assets of the Facility, or b) if the Facility enters into insolvency. In no event shall this Agreement be assignable by operation of law or by voluntary or involuntary bankruptcy proceedings and in no event shall this Agreement or any rights or privileges hereunder be an asset of the Facility under any insolvency, bankruptcy or reorganization proceedings. If the Facility files for bankruptcy, failure to continue to provide health care services will be cause for termination in accordance with paragraph (1) above.

(3)Termination Procedures. Termination by the Government under the terms of either paragraph (1) or (2) shall be effective thirty (30) days following written notice delivered by the Government Program Director to the Facility. During the notice period, the Facility shall have an opportunity to cure the deficiency identified by the Government in its termination notice. The written notice of termination will be rescinded by the Government Program Director, if, during the notice period, the Officer is satisfied that all aspects of the identified deficiency have been cured or the Facility has provided to the Government Program Director an acceptable plan of action for curing the deficiency.

(4)Termination by Facility. The Facility may terminate this Agreement by giving the Government Program Director 180 days' written notice of its intention to terminate. Because this Agreement is the sole means by which the Government pays the Facility as a USTF for covered services rendered to enrolled Uniformed Services beneficiaries, termination by the Facility shall remove the Government's obligation hereunder to reimburse the Facility for covered services the Facility may render. Termination of this Agreement by the Facility shall in no way affect the Facility's ability to function as a provider of care under CHAMPUS or other Government reimbursement programs. In the event the maximum amount that the Government is obligated to pay the Facility under Section B-6 of this Agreement for any fiscal year shall be less than 75 percent of the maximum amount for the preceding fiscal year, the Facility may terminate this Agreement with 30 days written notice after the Government Program Director gives notice to the Facility of its annual budget maximum.

(5)Obligations Upon Termination or Expiration. Upon termination (including expiration) of this Agreement the rights of each party shall terminate, provided that termination shall not release the Government or the Facility from its obligation with respect to:

(a)Financial obligations incurred before termination by either the Facility or the Government. These obligations shall not be eliminated by termination and must be settled in accordance with the provisions of the Plan and the Agreement. Financial obligations include final reconciliation of the reinsurance plan and coordination of benefits collections.

(b)The Facility's agreement not to seek compensation from Enrollees other than copayments, or cost shares for Covered Services provided prior to termination.

(c)Completion of inpatient hospital treatment of any Enrollee then receiving care until continuation of the Enrollee's care can be arranged by the Facility. Any changes incurred by the Facility for such care after the date of termination shall be paid to the Facility through the provisions of other health insurance coverage, including CHAMPUS benefits.

(d)Any reporting requirements specified herein, including reports detailed in Section C-5 related to enrollment, management clinical data, NOS enrolled beneficiaries, health care services provided, Facility financial statements, and third party payments.

G-6. EXCEPTION FROM FEDERAL ACQUISITION REGULATION

This Agreement, negotiated between the Uniformed Services Treatment Facility and the Secretary of Defense, shall not be subject to the Federal Acquisition Regulation issued pursuant to Section 25(c) of the Office of Federal Procurement Policy Act (41 U.S.C. 421 (c)).

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