Chapter 29 Section 1

General

Revision: C-21, March 1, 2018

1.0 PURPOSE

In addition to the authority under Section 1092, Chapter 55, Title 10 of the United States Code (USC) which allows the Secretary of Defense to conduct studies and demonstration projects as described in Chapter 18, other statutory provisions specifically authorize the Secretary to conduct TRICARE VBP initiatives. This chapter (Chapter 29) shall include notice describing each value-based initiative, whether authorized under Section 1092 or any other statute, designed to achieve such results as including the improvement in: (a) quality of health care; (b) a beneficiary's experience in receiving health care; and/or (c) the health of beneficiaries. Examples of statutory authority authorizing value-based initiatives include the following:

1.1 The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, Section 726 authorized one or more demonstrations to determine whether the Department of Defense (DoD) can reduce the rate of increase in health care spending and improve health care quality, beneficiaries' health, and beneficiaries' experience of care by implementing one or more VBP initiatives.

1.2 Additionally, the NDAA for FY 2017, Sections 701(h), 705(a), and 729 authorized additional VBP pilots to further explore the feasibility of incorporating VBP into the purchased care sector of the TRICARE program.

2.0 BACKGROUND

2.1 NDAA FY 2016, Section 726 permits the Secretary to adopt a VBP initiative(s) conducted by the Centers for Medicare and Medicaid Services (CMS) or any other governmental or commercial health care program for a TRICARE demonstration project. The size, scope, and duration of the demonstration must be reasonable relative to the project's purpose, and the project's criteria and data collection must enable proper evaluation of value-based incentives to allow informed decision-making regarding any future implementation of value-based incentives in the Military Health System (MHS). Beneficiaries must have timely access to health care during the project and not incur any additional financial costs as a result of participation in the demonstration.

2.2 NDAA FY 2017, Section 701(h) directs the Secretary to carry out a pilot program to demonstrate and assess the feasibility of incorporating value-based health care methodology in the purchased care component of the TRICARE program by eliminating or reducing copayments or cost-shares for targeted populations of covered beneficiaries in the receipt of high-value medications and services and the use of high-value providers under such purchased care component, including by exempting certain services from deductible requirements. The amount of any reduction or elimination of copayment or

cost-share shall be credited towards meeting any applicable deductible as if such reduction or elimination had not been applied.

2.3 NDAA FY 2017, Section 705(a) directs the Secretary to develop and implement value-based incentive programs as part of any contract awarded under chapter 55 of title 10, United States Code (10 USC 55), for the provision of health care services to covered beneficiaries to encourage health care providers under the TRICARE program (including physicians, hospitals, and other persons and facilities involved in providing such health care services) to improve:

- The quality of health care provided to covered beneficiaries under the TRICARE program;
- The experience of covered beneficiaries in receiving health care under the TRICARE program; and
- The health of covered beneficiaries.

2.4 NDAA FY 2017, Section 729 directs the Secretary to implement programs to improve health outcomes and control health care costs. Specifically, this Section directs the implementation of medical intervention programs, healthy lifestyle interventions, and healthy lifestyle maintenance programs which may include lowering fees for enrollment in the TRICARE program by a certain percentage or lowering copayment and cost-share amounts for health care services during a particular year for covered beneficiaries with chronic diseases or conditions described in paragraph 2.0 who met participation milestones, as determined by the Secretary, in the previous year in such medical intervention programs.

3.0 POLICY AND ELIGIBILITY

3.1 In the purchased care sector, both network and non-network providers and facilities will be considered for demonstration/pilot/program participation based on TRICARE utilization and other factors selected by the Defense Health Agency (DHA). In the direct care sector, Military Treatment Facilities (MTFs)/Enhanced Multi-Service Markets (eMSMs) may be considered for participation at the request of the Services or DHA. Specific provider/hospital and beneficiary eligibility criteria are described within the detailed administrative processes for each value-based initiative described in this section.

3.2 Upon DHA's identification of one or more providers or facilities for a specific value-based demonstration in the purchased care sector, the appropriate regional contractor shall contact the provider or hospital and provide details of demonstration/pilot/program participation as appropriate. These details include any DHA decision to make participation in a VBP initiative mandatory for purchased care sector providers and facilities. The contractor shall contact DHA within five calendar days if:

- A network provider or hospital indicates, either verbally or in writing, that they refuse to renew their network agreement as a direct result of VBP participation, or
- A non-network provider or hospital indicates, either verbally or in writing, that they intend to deny access to TRICARE beneficiaries as a result of VBP participation.

4.0 GENERAL DESCRIPTION OF ADMINISTRATIVE PROCESSES

4.1 In order to conduct a comprehensive analysis of VBP in the MHS, all value-based initiatives will evaluate a variety of value-based Alternative Payment Methodologies (APMs) and incentives across multiple TRICARE markets. DHA, the Services, and other key stakeholders will establish a process for evaluating VBP concepts, determining which initiatives would add value to the project, and designing and implementing appropriate initiatives to be conducted in accordance with NDAA requirements.

4.2 At the Government's discretion, new VBP initiatives may be introduced at any time during the demonstration/pilot/program period. Additionally, the Government may decide to revise the terms and/or terminate existing VBP initiatives prior to the end of the demonstration/pilot/program period.

4.3 When authority exists to conduct a value-based initiative, **Federal Register** notice shall be published describing the initiative and any statutory or regulation provision that is being waived or modified by the initiative. If existing statutory or regulation provisions will continue to be implemented without interfering with the terms or conditions of the initiative, no **Federal Register** notice is mandated. However, for purposes of transparency, in general, **Federal Register** notice will be given for all initiatives unless the DHA Director determines that such notice will not be practicable, in which case alternative forms of notice will be required to provide transparency to the public in conduct of the TRICARE program.

4.4 Unless otherwise noted under the specific administrative processes below, the contractor shall provide quarterly written feedback to providers and hospitals in the purchased care sector regarding their cost and quality performance as compared to the established benchmarks for each value-based initiative. These feedback reports shall be provided to VBP participating providers and hospitals no later than 30 days following the Government's completion of the data analysis. The contractor shall provide copies of all calendar year reports to the Director, TRICARE Health Plan (THP). The format for these reports shall be at the discretion of the contractor; however, the reports must clearly identify the provider or hospital name and the value-based initiative period of performance, and shall include all applicable data elements provided in the Government's quarterly data analysis. Reports shall commence following the completion of the first full calendar quarter of the demonstration/pilot/program (covering services provided since the start date of the initiative) and every subsequent calendar quarter thereafter.

4.5 Unless otherwise noted under the specific administrative processes below, the contractor shall provide annual feedback to VBP providers and hospitals in the purchased care sector regarding their cost and quality performance and their eligibility for a positive or negative incentive (as determined by the Government). These feedback reports shall be provided to VBP participating providers and hospitals no later than 30 days following the Government's completion of the annual data analysis and determination of positive or negative incentive payments. The contractor shall provide copies of all annual reports to the Director, THP. The format for these reports shall be at the discretion of the contractor; however, the reports shall clearly identify the provider or hospital name and the period of performance, and shall include all applicable data elements provided in the Government's annual data analysis and incentive determination.

4.6 Unless otherwise noted under the specific administrative processes below, any earned incentive payments will be paid to VBP participating providers and hospitals on a retrospective basis. Negative incentives, if applicable, will be withheld from future claims payments. DHA will share data

used in calculating any incentives; however, the final dollar amount of any incentive (positive or negative) is not appealable.

4.6.1 The recoupment process outlined in Chapter 10, Section 4 shall apply to the collection of any negative incentives (including the requirements for multiple demand letters and offsets). DHA will provide the file to the contractor to initiate any necessary recoupments.

4.6.2 Negative collections shall be recorded on non-underwritten bank reconciliation reports as a non-TED "unable to adjust" collection.

Note: Although the final dollar amount and calculation methodology are not appealable, the government may consider recalculating if errors are identified.

4.7 Unless otherwise noted under the specific administrative processes below, DHA will not recalculate any incentives (positive or negative) after the analysis for each demonstration/pilot/program year has been completed.

4.8 Unless otherwise noted under the specific administrative processes below, one or more cohort providers and/or hospitals will be identified in each market. These cohort providers and/or facilities shall serve as control groups for the VBP initiatives. Cohort providers and hospitals are not eligible for VBP incentive payments regardless of their performance during the value-based initiative. Cohort performance and data will be used exclusively by the Government to assist in evaluating the effectiveness of the MHS initiatives.

5.0 DHA RESPONSIBILITIES

5.1 The Director, DHA is the designated Executive Agent for MHS value-based initiatives.

5.2 The Director, THP, is the DHA Program Manager for MHS value-based initiatives.

5.3 The Director, THP, will designate a project officer for each MHS value-based initiative.

5.4 DHA Contracting Officer (CO) will add a Contract Line Item Number (CLIN) to the existing contract (CLIN: VBP Incentives). The contractor shall invoice DHA for the incentive payments to providers. The DHA Project Officer will analyze and evaluate the worksheets showing calculations for positive incentives, as well as negative incentives, and certify the amount due. If the sum of the incentives results in a net-negative being owed to the government, the negative amount due by the contractor will be collected against other future incentive payments (Network discount, Network usage, etc.).

6.0 CONTRACTOR RESPONSIBILITIES

6.1 The contractor shall maintain sufficient staffing and management support services to achieve and maintain compliance with all value-based initiative requirements as described below.

6.2 The contractor shall educate VBP participating providers and facilities regarding the goals, terms and conditions of the initiative.

Note: The contractor is not required to educate cohort providers or hospitals; however, information will be shared upon request.

6.3 The contractor shall continually monitor access to care for VBP participating providers and hospitals according to existing TRICARE requirements. The contractor shall contact DHA within five calendar days if it is determined that VBP participation is adversely impacting access to care.

7.0 APPLICABILITY

Value-based initiatives are applicable to TRICARE beneficiaries who receive care from designated VBP participating providers or hospitals within the 50 United States and the District of Columbia. Refer to specific administrative processes below for a description of the beneficiary population for each demonstration/pilot/program.

8.0 EXCLUSIONS

Unless otherwise noted, TRICARE beneficiaries with Other Health Insurance (OHI), beneficiaries enrolled in the TRICARE Overseas Program (TOP), Medicare/TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC) beneficiaries, and beneficiaries in the Continued Health Care Benefit Program (CHCBP) are excluded from all value-based initiatives. Refer to the specific administrative processes in the specific pilots for additional exclusions that may apply to an individual initiative.

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