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Congress of the United States  
House of Representatives  
Washington, DC 20515-3303

March 11, 2014

The Honorable Dr. Jonathon Woodson  
Assistant Secretary of Defense for Health Affairs  
511 Leesburg Pike  
Skyline 5, Suite 810  
Falls Church, VA 22041-3251

Dear Dr. Woodson:

As the Department considers the impact of TRICARE's elimination of the Sole Community Hospital program on member hospitals, please allow us to bring another concern regarding the methodology selected for implementing this reduction and its impact on a hospital near or in our districts.

New Hanover Regional Medical Center (NHRMC) is the tertiary regional hospital in Southeastern North Carolina, serving as an in-network TRICARE hospital for a large population of Active Duty Service Members, their families and retired military personnel. Because of the specialty services NHRMC can provide that are unique to this region, the hospital was included in TRICARE's Sole Community Hospital (SCH) program in August 2012. As is the case with Onslow Memorial Hospital in nearby Jacksonville, the hospital is disappointed this program is being phased out, but that decision is not its primary issue.

Instead, it is the manner in which this rule is being implemented, which we believe represents an unintentional oversight of the impact on a small number of hospitals whose initial year in the program is the same as the 2012 base year.

In the 2013 Federal Register, Rule 32 CFR Part 199, the Department of Defense states throughout its analysis for the final rule an intent to eliminate SCH status gradually to reduce the impact on member hospitals. For example, in the opening section under "Transition Period," it states: "To protect SCHs from sudden significant reductions, the Final Rule will gradually transition from the base year of paying 100 percent of allowable charges .... The transition rules prevent a reduction of more than 10 percentage points per year for network hospitals."

However, NHRMC finds itself in an untenable position regarding this rule. The "base year" the rule establishes is Fiscal Year 2012. NHRMC joined the program in August 2012, or just two months before the end of the fiscal year. When the entire year is calculated as a "base" rate, this includes 10 months of NHRMC being reimbursed at a DRG level, greatly skewing the reimbursement percentage downward.

As a result, NHRMC's "base" is considered to be 35.78% of charges, instead of the TRICARE negotiated rate of 80% of charges. **Whereas the rule describes a process of tapering down SCH payments by 10 percentage points per year over four to six years, on Jan. 1, 2014, NHRMC was reduced overnight by 44.22 percentage points, which is clearly outside the intent of this rule.** Out of 435 hospitals in the SCH program at the end of FY 2012, NHRMC is one of only two that joined the program mid-year FY 2012.

The decision's impact will be detrimental to our current and retired military members who served our country faithfully and deserve full access to specialty care where they live. If we cannot find relief, we fear NHRMC will leave the TRICARE network, impacting 1,150 inpatients per year, with \$32 million in billed charges, and \$26 million worth of outpatient billed charges. It will also impact NHRMC's operations and its ability to serve other patients in need.

We believe there is ample opportunity within the Federal Register rule and in the TRICARE Reimbursement Manual to overturn this decision and grant NHRMC a "base year" at 80% of billed charges, which is its negotiated rate.

Within Part 199.14, or "Provider reimbursement methods," paragraph (a)(8) describes the process to ask for a General Temporary Military Contingency Payment Adjustment (GTMCPA), saying the TMA Director can approve a year-end *discretionary* adjustment if the hospital serves a disproportionate share of ADSMs and ADDs; is in the TRICARE network; "extraordinary economic circumstances" exist; and without the GTMCPA, DoD's ability to "meet military contingency mission requirements will be significantly compromised."

We believe NHRMC qualifies on all four of the GTMCPA elements. NHRMC's TRICARE intermediary, Health Net Federal Services, agrees with and is advocating for this position.

Furthermore, Part 199.1 (n) of the TRICARE regulations, under a heading of "*Discretionary Authority*," states that the Director has authority to waive any requirements of this part (which includes implementation of the entire TRICARE program), other than unrelated exceptions.

The final rule also states that while calculating allowable cost verses percentage of billed amounts, TRICARE should define the allowed-to-billed ratio as "the TRICARE allowed amounts (including discounts) to the amount of billed charges for TRICARE inpatient admissions at the *SCH* in FY 2012." (Part 199.14 (a)(7)(ii). We believe this language is inviting TRICARE to consider admissions only during a hospital's inclusion in the SCH program. For New Hanover Regional Medical Center, this would include only two months of FY of 2012 and would set the medical center's base rate at the negotiated rate of 80% of billed charges.

This issue will cost NHRMC an unbudgeted \$6.3 million in FY 2014, and \$22.7 million over the five-year transition period. While other SCHs in the TRICARE network are appropriately allowed to phase in the program's elimination 10 percentage points as a time, NHRMC is taking on the full brunt of the reduction all at once, which is clearly counter to the intent of this rule.

We ask that you consider using the GTMCPA process or the discretionary authority as granted by DoD rules to reverse this impact on New Hanover Regional Medical Center and allow it to use its previous negotiated rate with TRICARE as its baseline reimbursement going forward.

Sincerely,



Walter B. Jones  
Member of Congress



Mike McIntyre  
Member of Congress