

GAO Highlights

Highlights of [GAO-15-402](#), a report to congressional committees

Why GAO Did This Study

DOD offered health care to about 9.6 million eligible beneficiaries through TRICARE, which provides care through military treatment facilities and civilian providers. Because DOD determined that its approach for reimbursing SCHs (459 in 2014) based on their billed charges was inconsistent with TRICARE's governing statute to reimburse civilian providers in a manner similar to Medicare, it implemented revised rules in January 2014.

House Report 113-446, which accompanied the National Defense Authorization Act for Fiscal Year 2015, included a provision for GAO to review issues related to the changes in TRICARE's reimbursement rules for SCHs. In this report, GAO examines (1) how TRICARE's revised reimbursement rules for SCHs compare to Medicare's reimbursement rules for these hospitals, and (2) the extent to which TRICARE's revised reimbursement rules for SCHs may have affected access to these facilities by servicemembers and their dependents. GAO reviewed federal laws and regulations as well as TRICARE and Medicare's rules for reimbursing SCHs. GAO analyzed fiscal year 2013 TRICARE claims data on SCH admissions and reimbursement amounts, and Medicare data on SCH net patient revenue and total discharges. GAO interviewed 10 SCHs with the highest number of TRICARE admissions or reimbursement amounts about access issues. GAO also interviewed officials from DOD and national health care associations and military beneficiary coalition groups.

View [GAO-15-402](#). For more information, contact Debra A. Draper at (202) 512-7114 or draperd@gao.gov.

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SOLE COMMUNITY HOSPITALS

Early Indications Show That TRICARE's Revised Reimbursement Rules Have Not Affected Access to Care

What GAO Found

TRICARE's revised reimbursement rules for Sole Community Hospitals (SCHs), which provide health care in rural areas or where similar hospitals do not exist under certain criteria, approximate those for Medicare's. Specifically, both programs reimburse SCHs using the greater of either a cost-based amount or the allowed amount under a diagnostic-related-group-based payment system, although each program takes a different approach in implementing these methods. Each program also provides for reimbursement adjustments under specific circumstances. In order to minimize sudden significant reductions in SCHs' TRICARE reimbursements, the revised rules include a transition period during which an eligible SCH is reimbursed using a cost-based ratio that is reduced annually until it matches the SCH's Medicare cost-to-charge ratio, which is calculated by the Centers for Medicare & Medicaid Services for each hospital. Under TRICARE's revised rules for SCHs, this cost-to-charge ratio will be multiplied by the hospitals' billed charges to determine their reimbursement amounts. Most SCHs—about 74 percent—qualified for a transition to their Medicare cost-to-charge ratios.

Because most SCHs have just completed the first year of a multi-year transition, it is too early to determine the full effect of the revised reimbursement rules, including any impact on TRICARE beneficiaries' access to care at these hospitals. Nonetheless, early indications show that TRICARE beneficiaries have not experienced problems accessing inpatient care at these facilities. Specifically, Defense Health Agency (DHA) officials reported that they do not think access to inpatient care at SCHs will be an issue because hospitals that participate in the Medicare program are required to participate in the TRICARE program and serve its beneficiaries. Although some of them were not familiar with this requirement, officials from the 10 SCHs GAO interviewed with the highest number of TRICARE admissions, the highest reimbursement amounts, or both, stated that they provide care to all patients, including TRICARE beneficiaries. DHA officials also said that they track access issues pertaining to inpatient care at SCHs through concerns or complaints, and as of February 2015, they had not received any access complaints. They noted that they are still looking at ways to measure changes in access to care at these facilities and will likely focus on the 44 SCHs that had 100 or more TRICARE admissions. In addition, other stakeholders, including representatives of national health care associations and military beneficiary coalition groups, said that they are not aware of TRICARE beneficiaries having difficulty accessing care at SCHs. Moreover, in its analysis of available Medicare data for these facilities (427 of 459 SCHs), GAO found that overall TRICARE reimbursements for SCHs averaged less than 1 percent of SCHs' net patient revenue, with TRICARE beneficiaries making up just over 1 percent of their total discharges for fiscal year 2013. As a result, the impact of TRICARE's revised reimbursement rules may likely be small for most SCHs.

GAO provided a draft of this report to the Department of Defense (DOD) for comment. DOD responded that it agreed with the report's findings and provided technical comments, which we incorporated as appropriate.