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DEFENSE HEALTH CARE

Transfers of Military Personnel With Disabled Children

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Human Resources Division

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The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This report responds to your request for information on the procedures the Department of Defense (DOD) uses to reassign personnel who have children with disabilities. Specifically, you wanted to know (1) whether disproportionate numbers of personnel who have children with disabilities are transferred inappropriately to military bases in some states, such as Washington, and (2) the status of efforts to resolve disputes that have arisen between the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and the states over who should pay for services provided to children with disabilities.

Background

Children with disabilities, mental and/or physical, have special health care needs, such as physical, occupational, and speech therapies, education, and equipment. The disabled children of military personnel may be eligible to receive such services through many sources, including

- military treatment facilities,
- basic CHAMPUS benefits,
- CHAMPUS's Program for the Handicapped,
- state Maternal and Child Health block grant programs,
- state Medicaid programs,
- DOD dependent and public schools with funding provided under the Education for All Handicapped Children Act of 1975, and
- private agencies.

The larger military treatment facilities can generally meet the normal medical care needs of disabled children. Even these facilities, however, have limited capability to meet the special care needs of such children. The CHAMPUS Program for the Handicapped was established to provide additional financial support to families of active duty personnel in recognition of (1) the high cost of caring for seriously disabled family members and (2) the limited access to care for many specialized services because of long waiting lists for public services and state and/or local eligibility restrictions (such as residency requirements), which adversely affect military personnel. To be eligible for financial support

under this program, a child must be seriously disabled. In addition, military personnel must first obtain a state or local official's statement that state or local funds or facilities are either unavailable or insufficient to meet the child's needs. CHAMPUS officials told us that about two-thirds of the care provided to seriously handicapped children is paid for through basic CHAMPUS benefits, and the remainder is paid through the program.

The availability of public funding and facilities to help children with disabilities varies considerably with each state. This is because states have considerable flexibility in determining (1) who will be eligible for public assistance under their Maternal and Child Health block grant and Medicaid programs and (2) what services will be provided under these programs.

A state or community that provides extensive services to children with disabilities through its Maternal and Child Health block grant program could be financially disadvantaged if large numbers of military personnel who have children with disabilities are transferred to the state. This is because CHAMPUS's program will pay for only those services not provided through state or local government-sponsored sources. Such transfers would not, however, generally affect state Medicaid budgets because Medicaid is a secondary payer to CHAMPUS.[1]

On the other hand, the CHAMPUS program could be financially disadvantaged if DOD transfers personnel who have children with disabilities to states that provide few services for such children under their block grant programs. The CHAMPUS program would end up paying for most of the services provided to the children transferred to those states.

In effect, therefore, DOD has had a financial incentive to transfer military personnel who have children with disabilities to bases in states that provide extensive services for such children under their block grant program.[2] Concern that this might be happening led to your question on whether DOD was inappropriately transferring military personnel who have children with disabilities to these states, for the purpose of reducing CHAMPUS costs.

[1]When a person has health benefits under two policies or programs, one provider is considered primary (which has the primary responsibility for payment of claims); the other is considered secondary (which pays only that portion of the claim not paid by the primary provider).

[2]DOD officials told us that this financial incentive no longer exists to the same extent. This, they said, is because states have reoriented their block grant programs toward preventive services and are no longer funding many direct care services.

Scope and Methodology

To determine (1) whether disproportionate numbers of personnel who have children with disabilities are being transferred inappropriately to military bases in some states and (2) what progress has been made in resolving disputes over which health program(s) should pay for services provided to military dependents with disabilities, we

- reviewed DOD guidance and procedures on the reassignment process;
- interviewed officials from DOD's Office of the Assistant Secretary for Health Affairs, the services, CHAMPUS, the Exceptional Family Member Program,[3] military treatment facilities (Madigan Army Medical Center, Tacoma, Washington; David Grant Medical Center, Fairfield, California; Naval Hospital, San Diego, California; and Fitzsimons Army Medical Center, Aurora, Colorado), and the Washington State Children's Coordinated Services program; and
- reviewed correspondence relating to the payment dispute in Washington State and efforts to resolve it.

Though Disproportionate, Transfers Do Not Seem Inappropriate

In reviewing program guidance and discussing procedures for reassigning military personnel who have children with disabilities, we found no evidence that DOD was encouraging inappropriate transfers to states or communities with more extensive services for such children in order to reduce CHAMPUS costs. Disproportionate transfers are likely to occur, however, because of efforts to balance the military's need for certain specialties with the desire of military personnel to be assigned to a location that can best meet the special needs of their child.

When such military personnel are being considered for reassignment, personnel managers, with advice from the Exceptional Family Member Program, look for a transfer location that (1) has a need for the occupational specialty and grade of the service member and (2) is near a major military treatment facility that can best accommodate the family's special care needs.

Although the availability of state and local funds or services is not formally considered in the reassignment process, military personnel who

[3]This program is intended to identify families with special needs, such as a dependent requiring special treatment, therapy, education, training, or counseling. A principal objective of the program is to consider the special education and medical needs of this child during the reassignment process for personnel being considered for reassignment outside the continental United States. The program counselors work with the family to identify reassignment options where the special needs of the child can be met, through either the military health care system or the community, or both. For reassignments within the continental United States, only the ability to meet the medical needs of the exceptional family member is formally considered.

have children with disabilities may request transfers to bases in states that they know offer extensive services to such children.

This may result in disproportionate numbers of these military personnel being transferred to states with (1) large military bases (because they can accommodate military personnel with diverse occupational specialties and grade levels), (2) large military medical facilities (because they are generally better equipped to meet the special care needs of a child with disabilities), and (3) extensive state programs providing services to children with disabilities. For example, Washington State has several large military bases, including the Army's Fort Lewis, the Air Force's McChord Air Force Base, and the Navy's Bremerton Naval Air Station; a large military medical center, Madigan Army Medical Center, which offers a developmental pediatric specialty program and other services for children with disabilities not available at most military treatment facilities; and extensive state-provided services for children with disabilities. Madigan officials believe a disproportionate number of military personnel who have children with disabilities have been transferred to bases in Washington, but did not know how many. They explained that these personnel will frequently leave their family in Washington while they go on an unaccompanied tour overseas.

Progress in Resolving Dispute Over Who Should Pay for Services

DOD has established two task forces that are working together to improve delivery of services to disabled children. Among other things, the task forces are attempting to develop a long-term resolution to a dispute over which health care program(s)—CHAMPUS, Medicaid, or the Maternal and Child Health block grant—should be the primary payer for medical services provided. This dispute, which had been ongoing in Washington for several years, became more pronounced in 1989 when two major civilian providers of services and equipment to children with disabilities threatened to stop delivering such services to CHAMPUS beneficiaries until one of the three programs agreed to pay them. None of the three programs would pay for the services, each claiming to be secondary to one of the other programs.

The dispute stemmed from changes in the focus of and eligibility criteria for the state's Children With Special Health Care Needs (CSHCN) program funded under the Maternal and Child Health block grant. Before 1987, CSHCN was a fee-for-service program for children eligible under one of the means-tested programs (such as Aid to Families With Dependent Children). The program has since shifted focus, however, and now provides funding only for health services not available through other

sources. Other major program emphases now include early identification of children with or at risk of chronic illness or disabilities. At the same time, eligibility criteria shifted from means-tested criteria (that is, income and asset based) to functional (that is, based on the presence of a disability). These changes, state officials told us, result in more children being eligible for services and fewer funds being available for the purchase of medical services.[4]

These changes led to CSHCN cutting off payment for services to the handicapped children of military personnel, reserving available funds for nonmilitary state residents. What followed was a "revolving door" in which none of the three programs would pay for the services provided:

- Medicaid refused to pay because it is, by law, secondary to CHAMPUS;
- CHAMPUS's Program for the Handicapped refused to pay because it is, by law, secondary to state and local programs as long as public funds and programs are available and CSHCN had not provided evidence that funding and services were not available; and
- CSHCN would not pay, claiming it no longer had sufficient funding to provide services, as primary payer, to military dependents, and that it was secondary payer to Medicaid.

Three actions were taken to temporarily resolve the impasse. First, the Surgeon General of the Army directed the Commander of Madigan Army Medical Center to use facility funds to pay for those services already provided. Second, CHAMPUS made administrative changes to pay first for children who were Medicaid enrolled. Third, CHAMPUS and the state program officials worked out interim administrative changes to ensure that services are provided until a permanent solution is reached. Under the interim working agreement:

- For those children with disabilities who are eligible for Medicaid, CHAMPUS will be the primary payer.
- For those eligible for CSHCN, but not Medicaid, the state program will be the primary payer until a predetermined "set aside" has been reached. CSHCN is to set aside a percentage of the funds allocated to its county agencies to provide services to children of military personnel. The amount set aside is proportional to the percentage of the county population that are military personnel (in other words, if 6 percent of the

[4]The changes were made, they said, because of the increasing availability and use of third party and entitlement sources of funding to provide many of the needed services.

county's residents are military personnel, then 6 percent of the state program's funds will be reserved for military dependents).
- Once the set aside has been exhausted, CHAMPUS will be the primary payer.

DOD officials told us in October 1991 that a formal memorandum of understanding between Washington and DOD is currently being reviewed by the state. It will then go to DOD's Office of Health Affairs and Office of CHAMPUS.

DOD, Department of Health and Human Services, and Washington State officials reviewed a draft of this report and their comments have been incorporated as appropriate.

Copies of this report are being provided to the above agencies and the committees having oversight responsibilities for the DOD, Medicaid, and block grant programs. Copies will be made available to others on request.

Please call me at (202) 275-6207 if you or your staff have any questions concerning the report. Other major contributors to this report are listed in appendix I.

Sincerely yours,

David P. Baine

David P. Baine
Director, Federal Health Care
Delivery Issues

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