

105TH CONGRESS  
1ST SESSION

# H. R. 192

To establish a demonstration project to evaluate the cost-effectiveness of using the medicare trust funds to reimburse the Department of Defense for certain health care services provided to medicare-eligible covered military beneficiaries.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. HEFLEY (for himself, Mr. WATTS of Oklahoma, Mr. NORWOOD, Mr. TAYLOR of Mississippi, Mr. FILNER, Mr. ENSIGN, Mr. BONILLA, Mr. BARTLETT of Maryland, Mr. ABERCROMBIE, Mr. GONZALEZ, Mr. RAMSTAD, Mr. CONDIT, Mr. GOODLATTE, Mr. LEWIS of Kentucky, Mr. BALLENGER, Mr. BEREUTER, Mr. CUNNINGHAM, Mr. CLEMENT, and Mr. HERGER) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Commerce and National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To establish a demonstration project to evaluate the cost-effectiveness of using the medicare trust funds to reimburse the Department of Defense for certain health care services provided to medicare-eligible covered military beneficiaries.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the  
3 “Uniformed Services Medicare Subvention Demonstration  
4 Project Act”.

5 (b) **TABLE OF CONTENTS.**—The table of contents of  
6 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.
- Sec. 3. Establishment of demonstration project.
- Sec. 4. Determination of reimbursement amounts.
- Sec. 5. Reporting requirements.

7 **SEC. 2. DEFINITIONS.**

8 For purposes of this Act:

9 (1) **MEDICARE-ELIGIBLE COVERED MILITARY**  
10 **BENEFICIARY.**—The term “medicare-eligible covered  
11 military beneficiary” means a beneficiary under  
12 chapter 55 of title 10, United States Code, who—

13 (A) is entitled to hospital insurance bene-  
14 fits under part A of title XVIII of the Social  
15 Security Act (42 U.S.C. 1395c et seq.);

16 (B) is enrolled in the supplementary medi-  
17 cal insurance program under part B of such  
18 title (42 U.S.C. 1395j et seq.); and

19 (C) resides within a geographic area des-  
20 ignated under section 3(b) as a location for the  
21 demonstration project.

22 (2) **TRICARE PROGRAM.**—The term  
23 “TRICARE program” means the managed health

1 care program that is established by the Secretary of  
2 Defense under the authority of chapter 55 of title  
3 10, United States Code, principally section 1097 of  
4 such title, and includes the competitive selection of  
5 contractors to financially underwrite the delivery of  
6 health care services under the Civilian Health and  
7 Medical Program of the Uniformed Services.

8 (3) DEMONSTRATION PROJECT.—The term  
9 “demonstration project” means the uniformed serv-  
10 ices medicare subvention demonstration project es-  
11 tablished under section 3.

12 (4) SECRETARIES.—The term “Secretaries”  
13 means the Secretary of Defense and the Secretary of  
14 Health and Human Services acting jointly, except  
15 that in section 6, the term means the Secretary of  
16 Veterans Affairs and the Secretary of Health and  
17 Human Services acting jointly.

18 **SEC. 3. ESTABLISHMENT OF DEMONSTRATION PROJECT.**

19 (a) ESTABLISHMENT REQUIRED.—The Secretary of  
20 Defense and the Secretary of Health and Human Services  
21 shall jointly establish a demonstration project to provide  
22 the Department of Defense with reimbursement, in ac-  
23 cordance with section 4, from the medicare program under  
24 title XVIII of the Social Security Act (42 U.S.C. 1395

1 et seq.) for health care services provided to medicare-eli-  
2 ble covered military beneficiaries who enroll in the dem-  
3 onstration project and receive the health care services  
4 through the managed care option of the TRICARE pro-  
5 gram.

6 (b) LOCATION OF PROJECT.—The Secretaries shall  
7 conduct the demonstration project in not more than five  
8 geographic areas of the United States designated by the  
9 Secretaries.

10 (c) DURATION.—The Secretaries shall conduct the  
11 demonstration project during the three-year period begin-  
12 ning on January 1, 1998.

13 (d) VOLUNTARY ENROLLMENT; EFFECT OF ENROLL-  
14 MENT.—Enrollment of medicare-eligible covered military  
15 beneficiaries in the demonstration project shall be vol-  
16 untary, subject to the capacity and funding limitations  
17 specified in section 4. In the case of a medicare-eligible  
18 covered military beneficiary who enrolls in the demonstra-  
19 tion project, payments may not be made under title XVIII  
20 of the Social Security Act (42 U.S.C. 1395 et seq.) other  
21 than for health care services provided through the dem-  
22 onstration project, except that the Secretaries may provide  
23 exceptions for emergencies or other situations as the Sec-  
24 retaries consider appropriate.

1 (e) TRICARE PROGRAM ENROLLMENT FEE WAIV-  
2 ER.—The Secretary of Defense shall waive the enrollment  
3 fee applicable to any medicare-eligible covered military  
4 beneficiary enrolled in the managed care option of the  
5 TRICARE program for whom reimbursement may be  
6 made under section 4.

7 (f) MODIFICATION OF TRICARE CONTRACTS.—In  
8 carrying out the demonstration project, the Secretary of  
9 Defense may amend existing TRICARE program con-  
10 tracts to incorporate provisions applicable to medicare-eli-  
11 gible covered military beneficiaries enrolled in the dem-  
12 onstration project.

13 (g) COST SHARING.—The Secretary of Defense may  
14 establish cost sharing requirements for medicare-eligible  
15 covered military beneficiaries who enroll in the demonstra-  
16 tion project.

17 (h) EXPANSION OF DEMONSTRATION PROJECT.—  
18 The Secretaries shall include in the demonstration project  
19 a provision for expanding the demonstration project to in-  
20 corporate health care services provided to medicare-eligible  
21 covered military beneficiaries under the fee-for-service op-  
22 tions of the TRICARE program if, in the report submitted  
23 under section 713 of the National Defense Authorization  
24 Act for Fiscal Year 1997 (Public Law 104–106; 110 Stat.

1 2591), the Secretaries determined that such expansion of  
2 the demonstration project is feasible and advisable.

3 **SEC. 4. DETERMINATION OF REIMBURSEMENT AMOUNTS.**

4 (a) REIMBURSEMENT OF DEPARTMENT OF DE-  
5 FENSE.—

6 (1) BASIS OF PAYMENTS.—Monthly payments  
7 to the Department of Defense under the demonstra-  
8 tion project from the medicare program under title  
9 XVIII of the Social Security Act (42 U.S.C. 1395 et  
10 seq.) shall be made on the basis that payments are  
11 made under section 1876(a) of such Act (42 U.S.C.  
12 1395mm(a)).

13 (2) AMOUNT OF PAYMENTS.—Subject to sub-  
14 section (c), the Secretary of Health and Human  
15 Services shall make payments to the Department of  
16 Defense from the Federal Hospital Insurance Trust  
17 Fund and the Federal Supplementary Medical In-  
18 surance Trust Fund (allocated by the Secretary of  
19 Health and Human Services between each trust  
20 fund based on the relative weight that each trust  
21 fund contributes to the required payment) at a per  
22 capita rate equal to 93 percent of the applicable ad-  
23 justed average per capita cost for each medicare-eli-  
24 gible covered military beneficiary enrolled in the  
25 demonstration project in excess of the number of

1 such beneficiaries calculated under subsection (b)(4)  
2 for the Department of Defense maintenance of  
3 health care effort.

4 (b) MAINTENANCE OF DEFENSE HEALTH CARE EF-  
5 FORT.—

6 (1) MAINTENANCE OF EFFORT REQUIRED.—

7 The Secretary of Defense shall maintain the Depart-  
8 ment of Defense health care efforts for medicare-eli-  
9 gible covered military beneficiaries so as to avoid the  
10 imposition on the medicare program of the costs of  
11 health care that medicare-eligible covered military  
12 beneficiaries would be expected to receive from the  
13 Department of Defense in the absence of the dem-  
14 onstration project.

15 (2) ESTIMATE OF PRIOR EFFORT.—The Sec-  
16 retaries shall estimate the amount expended by the  
17 Department of Defense for fiscal year 1997 for pro-  
18 viding health care items and services (other than  
19 pharmaceuticals provided to outpatients) to medi-  
20 care-eligible covered military beneficiaries. Such  
21 amount shall be adjusted for inflation after the first  
22 year of the demonstration project, for differences be-  
23 tween estimated and actual amounts expended, and  
24 for changes in the Department of Defense health  
25 care budget that exceed \$100,000,000.

1           (3) DISTRIBUTION OF EFFORT.—The amount  
2           determined and adjusted under paragraph (2) shall  
3           be divided into a portion devoted to providing health  
4           care services to medicare-eligible covered military  
5           beneficiaries who do not enroll in the demonstration  
6           project (which of the total amount may not exceed  
7           70 percent in the first year, 60 percent in the second  
8           year, and 50 percent in the third year) and a portion  
9           devoted to medicare-eligible covered military bene-  
10          ficiaries who are enrolled in the demonstration  
11          project.

12           (4) TARGET FOR DEFENSE EFFORT.—The Sec-  
13          retaries shall establish monthly targets for the num-  
14          ber of medicare-eligible covered military beneficiaries  
15          enrolled in the demonstration project necessary to  
16          meet the maintenance of effort portion devoted to  
17          such beneficiaries under paragraph (3).

18          (c) ANNUAL LIMIT ON USE OF MEDICARE FUNDS.—  
19          Annual medicare payments to the Department of Defense  
20          under subsection (a) for the demonstration project may  
21          not exceed \$65,000,000.

22          (d) PROTECTION OF MEDICARE PROGRAM AGAINST  
23          INCREASED COSTS.—

1           (1) PURPOSE.—The purpose of this subsection  
2           is to protect the medicare program against costs in-  
3           curred in connection with the provision of health  
4           care services to medicare-eligible covered military  
5           beneficiaries enrolled in the demonstration project  
6           that would not have been incurred by the medicare  
7           program in the absence of the reimbursement re-  
8           quirement under subsection (a).

9           (2) ADDITIONAL PROTECTIONS.—If the Sec-  
10          retaries determine that the trust funds under title  
11          XVIII of the Social Security Act (42 U.S.C. 1395 et  
12          seq.) still incur excess costs as a result of the dem-  
13          onstration project, the Secretaries shall take such  
14          steps as may be necessary to offset those excess  
15          costs (and prevent future excess costs), including  
16          suspension or termination of the demonstration  
17          project or adjustment of the payment rate under  
18          subsection (a)(2).

19          (e) REVIEW BY COMPTROLLER GENERAL.—Not later  
20          than December 31 of each year in which the demonstra-  
21          tion project is conducted, the Comptroller General shall  
22          determine and submit to the Secretaries and Congress a  
23          report on the extent, if any, to which the costs of the Sec-  
24          retary of Defense under the TRICARE program and the  
25          costs of the Secretary of Health and Human Services

1 under the medicare program have increased as a result  
2 of the project.

3 (f) DEMONSTRATION PROJECT ADJUSTMENTS FOL-  
4 LOWING REVIEW.—Based on the review prepared under  
5 subsection (e), the Secretaries shall modify the demonstra-  
6 tion project at the end of each year as provided in sub-  
7 section (d)(2) to correct for any discrepancy between cost  
8 targets and actual spending under the demonstration  
9 project. The Secretaries shall provide for an annual rec-  
10 onciliation of payments to ensure that actual costs in-  
11 curred by the Secretary of Defense to provide health care  
12 services to medicare-eligible covered military beneficiaries,  
13 exclusive of payments from the Secretary of Health and  
14 Human Services under subsection (a), met the mainte-  
15 nance of effort requirements under subsection (b).

16 **SEC. 5. REPORTING REQUIREMENTS.**

17 Not later than 15 months after the establishment of  
18 the demonstration project, and then not later than 90 days  
19 after the end of the demonstration project, the Secretaries  
20 shall submit to Congress a report containing the following:

21 (1) The number of medicare-eligible covered  
22 military beneficiaries enrolling in the demonstration  
23 project instead of receiving health benefits through  
24 another health insurance plan (including through the  
25 medicare program).

1           (2) An analysis of whether, and in what man-  
2           ner, easier access to the military treatment system  
3           affects the number of medicare-eligible covered mili-  
4           tary beneficiaries receiving health benefits under the  
5           medicare program.

6           (3) A list of the health insurance plans and pro-  
7           grams that were the primary payers for medicare-eli-  
8           gible covered military beneficiaries during the year  
9           prior to their enrollment in the demonstration  
10          project and the distribution of their previous enroll-  
11          ment in such plans and programs.

12          (4) An identification of cost-shifting (if any)  
13          among medical care programs as a result of the  
14          demonstration project and a description of the na-  
15          ture of any such cost-shifting.

16          (5) An analysis of how the demonstration  
17          project affects the overall accessibility of the military  
18          treatment system and the amount of space available  
19          for point-of-service care and a description of the un-  
20          intended effects (if any) upon the normal treatment  
21          priority system.

22          (6) A description of the difficulties (if any) ex-  
23          perienced by the Department of Defense in manag-  
24          ing the demonstration project.

1           (7) A description of the effects of the dem-  
2           onstration project on military treatment facility  
3           readiness and training and the probable effects of  
4           the project on overall Department of Defense medi-  
5           cal readiness and training.

6           (8) A description of the effects that the dem-  
7           onstration project, if permanent, would be expected  
8           to have on the overall budget of the military health  
9           care system and the budgets of individual military  
10          treatment facilities.

11          (9) An analysis of whether the demonstration  
12          project affects the cost to the Department of De-  
13          fense of prescription drugs or the accessibility, avail-  
14          ability, and cost of such drugs to program bene-  
15          ficiaries.

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