

## Demonstration Projects On Value-Based Purchasing (VBP) Initiatives

---

### 1.0 PURPOSE

This demonstration is being conducted to comply with the requirements set forth in the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, Section 726. This demonstration will 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 Value-Based Purchasing (VBP) initiatives.

### 2.0 BACKGROUND

Section 726 permits the Secretary to adopt a value-based incentive program 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.

### 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 participation based on TRICARE utilization and other factors selected by the Defense Health Agency (DHA). In the direct care sector, Military Treatment Facilities (MTFs) may be considered for demonstration participation at the request of the Services. 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 Managed Care Support Contractor (MCSC) shall contact the provider or hospital and provide details of demonstration participation as appropriate. Unless otherwise noted, participation in a VBP demonstration project is mandatory for purchased care sector providers and facilities. The MCSC 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 demonstration 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 demonstration participation.

#### **4.0 GENERAL DESCRIPTION OF ADMINISTRATIVE PROCESSES**

**4.1** In order to conduct a comprehensive analysis of VBP in the MHS, the demonstration project 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 demonstration project, and designing and implementing appropriate initiatives to be conducted in accordance with Section 726 requirements.

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

**4.3** All new VBP initiatives, and/or any revisions or terminations of existing VBP initiatives, will be announced at least 30 days in advance of implementation.

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

**4.5** Unless otherwise noted under the specific administrative processes below, the MCSCs shall provide annual feedback to demonstration 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 demonstration providers and hospitals no later than 30 days following the Government's completion of the annual data analysis and determination of incentive payments or penalties. The MCSCs shall provide copies of all annual reports to the Director, THP. The format for these reports shall be at the discretion of the MCSC; however, the reports must clearly identify the provider or hospital name and the demonstration 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 demonstration 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.

**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 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 demonstration market. These cohort providers and/or facilities shall serve as control groups for the demonstration initiatives. Cohort providers and hospitals are not eligible for VBP incentive payments regardless of their performance during the demonstration. Cohort performance and data will be used exclusively by the Government to assist in evaluating the effectiveness of the MHS initiatives.

## **5.0 ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS) (ASD(HA)) AND DHA RESPONSIBILITIES**

**5.1** The ASD(HA) is the designated Executive Agent for the demonstration project.

**5.2** The Director of the THP is the DHA Program Manager for the demonstration project.

**5.3** The Director, THP, will designate a project officer for the demonstration.

**5.4** DHA Contracting Officer (CO) will add a Contract Line Item Number (CLIN) to the existing contract (CLIN: VBP Incentives). MCSCs will 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 MCSC will be collected against other future incentive payments (Network discount, Network usage, etc.).

## **6.0 MCSC RESPONSIBILITIES**

**6.1** The MCSCs shall maintain sufficient staffing and management support services to achieve and maintain compliance with all demonstration requirements as described below.

**6.2** The MCSCs shall educate demonstration providers and facilities regarding the goals of the MHS value-based demonstration project and the specific terms and conditions of all demonstration initiatives.

**Note:** The MCSCs are not required to educate cohort providers or hospitals regarding the demonstration; however, this information will be shared upon request.

**6.3** The MCSCs shall continually monitor access to care for demonstration providers and hospitals according to existing TRICARE requirements. The MCSC shall contact DHA within five calendar days if it is determined that demonstration participation is adversely impacting access to care from a demonstration provider or hospital.

**TRICARE Operations Manual 6010.56-M, February 1, 2008**

Chapter 18, Section 20

Demonstration Projects On Value-Based Purchasing (VBP) Initiatives

---

**6.4** The MCSCs shall provide quarterly and annual reports to all demonstration providers and facilities, with a copy to the Director, THP, as described in administrative processes for the demonstration project.

**7.0 APPLICABILITY**

This demonstration is applicable to TRICARE beneficiaries who receive care from designated demonstration providers or hospitals within the 50 United States or the District of Columbia. Refer to specific administrative processes below for a description of the beneficiary population for each demonstration.

**8.0 EXCLUSIONS**

TRICARE beneficiaries with Other Health Insurance (OHI), Active Duty Service Members (ADSMs), beneficiaries enrolled in the TRICARE Overseas Program (TOP), Medicare/TRICARE dual eligible beneficiaries, and beneficiaries in the Continued Health Care Benefit Program (CHCBP) are excluded from all value-based demonstration projects. Refer to the specific administrative processes below for additional exclusions that may apply to an individual initiative.

- END -