

Hospital execs: Cuts in Tricare repayments may hurt care

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When the urgent care clinic at the Fort Eustis, Va., post hospital shut down in November 2008, the closest emergency care for troops and their families became a 6.2-mile zigzag drive to Bon Secours Mary Immaculate, a 110-bed civilian hospital in northern Newport News.

The hospital and its emergency room, operated by the nonprofit Catholic health care system Bon Secours, have been swamped ever since, system executives say.

The spike in patients is one thing. But the executives say the situation has spawned another problem: A recent reduction in Tricare reimbursement rates for emergency services rendered to Tricare beneficiaries is putting a big hurt on the hospital's budget and, if not addressed, could affect the availability of emergency care for troops and their families.

Tricare's Outpatient Prospective Payment System went into effect last May. Under that federal mandate, hospital outpatient services are paid for on a rate-per-service basis that civilian hospital executives say represents a 40 percent to 50 percent reduction in reimbursements in the first year alone — more than twice what they say the Pentagon told them it would be.

The move effectively shifts significant military health care costs from the Defense Department to civilian providers, saving the department "hundreds of millions of dollars," said Peter Gallagher, senior vice president of Bon Secours Virginia.

But the reductions have cost Mary Immaculate about \$12 million; the Bon Secours system, which has seven hospitals in Virginia, is taking a \$20 million hit, officials said.

Without some form of financial relief, hospital system executives say, the new payment schedule puts them at risk — as well as, eventually, the troops, family members and retirees they serve.

At Mary Immaculate, those who seek care will see a gradual decline in service — in the form of a bigger workload on the staff and a diminished ability to upgrade critical equipment such as CT scanners, which cost more than \$2 million each, officials say.

Michael Kerner, chief executive officer for Bon Secours Hampton Roads, called the old reimbursement rate "reasonable." "But to see a 73 percent drop in reimbursement is really more than we can take at our small hospital," he said.

"And this is the good year," Gallagher added, pointing out that the enabling legislation for the reimbursement reduction included transitional buffer payments for 10 emergency room and hospital clinic visits meant to soften the blow. Those payments are set to decrease each year over four years for Tricare network hospitals and over three years for those outside the network.

Other areas affected

Similar problems affect civilian hospitals in at least two other military-rich areas: Killeen, Texas, near Fort Hood, and Colorado Springs, Colo., whose installations include the Air Force Academy and Fort Carson.

"We're more than happy to accommodate them," Kerner said of Tricare patients. "We do want to do our fair share."

We do want to care for the military. But it makes it very hard as we see these cuts in reimbursement. We have to have competitive salaries and so forth to keep our good staff there and take care of the patients." Officials hesitate to say the strain could shut down the century-old Mary Immaculate facility, which Bon Secours acquired in 1996.

"But I think over time, as we see the cuts that are being proposed across the system in Medicare, Medicaid, Tricare, the hospital could be ... and probably will be at risk," Kerner said.

Similar concern was expressed by Russ Weaver, director of managed care for Adventist Health System Southwest Region, whose Metroplex Adventist Hospital stands just outside the gates of Fort Hood.

The reduced reimbursement rate schedule, he said, "causes us to question whether ... we'll be able to function." The Tricare reimbursement system, he said, "strips away two-thirds of our bottom line. ... I have to figure out how to make up that revenue somewhere else." Weaver estimates that between four and six hospitals nationally face a similar crunch. Two are in Colorado Springs: Memorial Hospital North, just outside the gates of the Air Force Academy, where the base's 10th Medical Group hospital has not handled emergencies since April 2008; and Memorial Hospital Central, which John Suits, director of business development for Memorial Health System, said sees large numbers of patients from Fort Carson.

Darnall Army Medical Center at Fort Hood has a fully functioning emergency department, but the sheer volume spills outside the gates to Metroplex. According to Weaver, 37 percent of the hospital's outpatient care goes to active-duty troops, family members and retirees.

"At the end of the day, there's a much greater need for services than what they're able to supply on post," Weaver said. "We are kind of a Tricare-dependent hospital, kind of by default." Relief could come in several forms. Hospitals can file for exceptions that, if granted, would provide a reimbursement of up to 95 percent of the previous Tricare rate. Bon Secours has submitted such a request to HealthNet and Tricare North and hopes for quick approval. In the longer term, Kerner said legislation amending the reimbursement structure would be welcomed.

In addition, Weaver said his group thinks Tricare should adopt a broader policy to raise its reimbursement rates for civilian hospitals in similar positions — "for those health care partners of Tricare that are truly unique," he said. □



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Civilian hospitals near some large military installations say a recent reduction in Tricare reimbursement rates for emergency services provided to troops and their families is squeezing their budgets and eventually will affect the quality and availability of care.

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