



Arizona Hospital and Healthcare Association

March 5, 2009

David E. Bennett
TRICARE Management Activity, Medical Benefits and Reimbursement
Federal Docket Management System Office
1160 Defense Pentagon
Washington D.C. 20301-1160

Re: TRICARE OPPS Comments

Dear Mr. Bennett:

On behalf of the Arizona Hospital and Healthcare Association (AzHHA) and our 95 member hospitals, thank you for this opportunity to comment on the final rule implementing the TRICARE Outpatient Prospective Payment System (OPPS) rule. Arizona's hospitals take great pride in the care they provide to our state's servicemen and women and their families. With this in mind, we are concerned that the TRICARE OPSS rule, as currently written, will hinder our hospitals' ability to continue to serve this important population.

Arizona hospitals care for over 200,000 TRICARE beneficiaries, most of whom are seen at hospitals located near one of the five major military installations in the state – Davis-Monthan Air Force Base in Tucson; Army Intelligence Center and Fort Huachuca in Sierra Vista; Luke Air Force Base in western Maricopa County; Yuma Proving Ground in Yuma; and Marine Corp Air Station at Yuma. From third quarter 2007 through the second quarter 2008, three hospitals in Arizona – Tucson Medical Center, Yuma Regional Medical Center and Sierra Vista Regional Health Center – cared for over 30 percent of all TRICARE patients in Arizona. Five additional hospitals accounted for another 30 percent of TRICARE cases.

The high concentration of TRICARE patients treated at a handful of community hospitals, some of which are sole community hospitals, makes these hospitals and the communities they serve particularly vulnerable to the drastic cuts that will result from the OPSS prescribed in the Department of Defense's (DoD) final rule. One healthcare system, which serves many TRICARE beneficiaries in Maricopa County, stands to lose \$14.5 million in 2009 under the final rule. Three other hospitals caring for service members, retirees and their families in Yuma, Sierra Vista and Tucson, will lose an estimated \$3.6 million, \$3.9 million, and \$2.8 million respectively for 2009. These impacts are considerable, particularly as hospitals struggle in the current economic climate.

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A recent AzHHA survey shows that Arizona hospital operating margins and total income margins declined 54 and 91 percent respectively from September 2007 to September 2008. Forty-seven percent of hospitals lost money during the third quarter 2008. With elective procedures down and uncompensated care up, hospitals have implemented hiring and salary freezes, delayed purchase of clinical equipment, postponed construction and renovation projects, and put off new medical services. With reductions in TRICARE payments coming on the heels of significant cuts in Medicaid and Medicare payments, hospitals will be forced to reevaluate existing services.

We understand the DoD is required by law to adopt an OPSS consistent with Medicare regulations. However, we urge the DoD to reevaluate the TRICARE OPSS as prescribed in the final rule. Specifically, we urge the Department to reissue the final rule with a meaningful transition to mitigate the fiscal impact on Arizona hospitals and to ensure access to outpatient hospital services for our state's military service members, retirees and their families. **To this end, we strongly urge the DoD to implement an annual 15 percent payment reduction limit for hospitals that would remain in place until TRICARE rates are in line with Medicare rates.** This approach mirrors the approach the Department used in implementing TRICARE physician payment changes in order to bring them in line with Medicare payments. **We further urge the Department to either exempt hospitals with high concentrations of TRICARE patients from the OPSS altogether, or enact additional protections to ease their transition to an OPSS.**

In closing, thank you for this additional opportunity to comment on the TRICARE OPSS rule. If you have any questions or would like further information regarding our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Rivers". The signature is stylized with a large initial "J" and "R".

John R. Rivers, FACHE
President and Chief Executive Officer

/gmh