



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010



MAY 14 2002

The Honorable Bob Stump  
Chairman, Committee on Armed Services  
House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

The enclosed, "Report on Long-Term Care Initiatives" is required by Section 701 of the National Defense Authorization Act for Fiscal Year 2002. This report focuses on the feasibility and desirability of establishing new initiatives to improve the availability of long-term care for members and retired members of the uniformed services and their families, and identifies current and emerging long-term care policies within the Department of Defense (DoD) as well as supplemental programs available outside of DoD. The report also discusses potential initiatives to further supplement the current policy for our beneficiaries.

The Department is committed to excellence in healthcare for Service members, their families and retirees, and we look forward to working with you on these matters. Thank you for your continued interest in the Military Health System.

Sincerely,

Enclosure:  
As stated

cc:  
Representative Skelton  
Ranking Democrat

ARMED SERVICES COMMITTEE ON

# Report to Congress



## Report on Long-Term Care Initiatives

Required by: Section 701(e), National Defense Authorization Act  
for Fiscal Year 02

## Table of Contents

Introduction .....	2
NDAA-02 Sub-acute and Long-term Care Reform.....	2
Access to Long-term Medical Care and Services .....	3
Skilled Nursing Facility Care.....	3
Home Health Care .....	4
Hospice Coverage.....	4
Rehabilitative Services .....	4
Extended Coverage for Certain Active Duty Family Members .....	5
Supplemental Programs for DoD Beneficiaries.....	5
Department of Veterans Affairs .....	5
State, Community, and Employer-based Programs.....	6
Federal Long Term Care Insurance .....	6
Future Initiatives for Long Term Care .....	6
Evaluating Trends .....	6

## REPORT TO CONGRESS ON LONG-TERM CARE INITIATIVES

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### **INTRODUCTION**

Section 701(e) of the National Defense Authorization Act for Fiscal Year 2002 (NDAA-02) directs that the Secretary of Defense prepare a report to address the feasibility and desirability of establishing new initiatives to improve the availability of long-term care for members and retired members of the uniformed services and their families.

### **NDAA-02 SUB-ACUTE AND LONG-TERM CARE REFORM**

Section 701 of the NDAA-02 directs the Department of Defense (DoD) to establish an effective, efficient, and integrated sub-acute and long-term care program. The provision, together with section 707 of the NDAA-02:

- *requires alignment of the TRICARE skilled nursing facility (SNF) benefit and reimbursement system with Medicare;*
- *requires alignment of the TRICARE home healthcare (HHC) benefit and reimbursement system with Medicare;*
- *provides a statutory definition of custodial care similar to that of other federal programs;*
- *terminates the Individual Case Management Program;*
- *authorizes provision of more extensive home healthcare coverage for certain special needs active duty dependents; and*
- *authorizes coverage for respite care for certain special needs active duty dependents.*

The Department believes these changes will greatly improve coordination of benefits for our age 65 and over beneficiaries and simplify authorization and provision of medically necessary sub-acute and long-term healthcare for all.

## **ACCESS TO LONG-TERM CARE AND SERVICES**

DoD beneficiaries currently have access to a broad array of complementary extended or long-term care services. As a health plan, TRICARE focuses primarily on providing medically necessary skilled care rather than non-skilled or less skilled services. Prior to the NDAA-02, TRICARE sub-acute and long-term care benefits included:

- *Care in a SNF;*
- *In-home skilled nursing care;*
- *Hospice; and*
- *Rehabilitative services such as speech, occupational and physical therapy.*

### **Skilled Nursing Facility Care**

SNF care has been a TRICARE benefit for many years, but the overall cost for this type of care has been relatively low because the demand was also low. However, with the inception of TRICARE For Life (TFL) in October 2001 which reinstated TRICARE benefits for DoD beneficiaries age 65 and over, the Department anticipated a much greater demand for this type of care. Congress responded to the expected increase by mandating in the NDAA-02 that TRICARE adopt Medicare's benefit structure and Prospective Payment System (PPS) for SNF care with one key difference; TRICARE will continue to provide services beyond the 100-day limit imposed by Medicare as long as it is medically necessary. For the first 100 days in a SNF, TRICARE is the secondary payer to Medicare and offsets the out-of-pocket expenses incurred by TFL beneficiaries during that timeframe. Thereafter, TRICARE becomes the primary payer for all remaining medically necessary days in a SNF. This provides significant increased healthcare support and financial savings for DoD TFL beneficiaries.

For our non-Medicare eligible beneficiaries, TRICARE will provide the same SNF benefit using the same payment methodology but with TRICARE as first payer.

### **Home Health Care**

Sections 701(a) and 707 also mandated that TRICARE also adopt Medicare's benefit structure and payment system for home health care services. The major benefits expected are: improved coordination of services; improved medical oversight and assessment; a reduction in the number of unnecessary home health visits; and assurance of the appropriate level of intensity and resource utilization needed to effectively treat a beneficiary's illness or injury. Home health services may now include:

- *Part-time or intermittent skilled nursing care provided by or under the supervision of a registered professional nurse;*
- *Part-time or intermittent services of a home health aide;*
- *Physical, or occupational therapy, or speech-language pathology services;*
- *Medical social services under the direction of a physician; and*
- *Medical supplies and durable medical equipment.*

### **Hospice and Palliative Care**

TRICARE offers hospice services to individuals whose life expectancy is six months or less. This supportive care includes a full range of services including:

- physician visits;
- nursing care; medical social services;
- bereavement counseling;
- respite care;
- medical supplies and drugs;
- durable medical equipment;
- home health aides; and
- physical therapy and occupational therapy.

### **Rehabilitative Services**

Physical, speech and occupational therapy are all covered benefits under TRICARE. These benefits are available on both an inpatient and outpatient basis.

**Extended Coverage for Certain Active Duty Family Members**

Section 701(b) of the NDAA 02 expands the range of services that may be offered under the Program for Persons with Disabilities (PFPWD). Additional benefits may now include expanded home health care and respite care. This special program is available to qualifying dependents of active duty service members. A qualifying condition can be moderate or severe mental retardation or a serious physical disability and now also includes those with an extraordinary medical or psychological condition. The program's primary objective is to provide additional financial assistance to special needs families to cover the cost of services and supplies not covered under the basic TRICARE benefit. The most notable program change is the addition of coverage for expanded home health care for those beneficiaries whose needs are greater than that covered by the basic TRICARE benefit. A respite benefit may now also be authorized to allow primary caregivers short-term, intermittent in-home relief. The Department believes this authority supports readiness through improved quality of life for these special families.

**SUPPLEMENTAL PROGRAMS AVAILABLE TO DOD BENEFICIARIES**

**Department of Veterans Affairs (VA)**

While TRICARE meets medical needs, many DoD beneficiaries are also eligible for existing supplemental programs through the Department of Veterans Affairs (VA). The VA is nationally respected for providing high quality non-medical services that include nursing homes and assisted living facilities, adult day care, homemaker services and respite programs.

### **State, Community-based and Employer-based Programs**

Many DoD beneficiaries also have access to State and community-based programs. A significant number of retiree beneficiaries have access to services provided through other employer-based benefits programs.

### **Federal Long Term Care Insurance**

DoD beneficiaries will also soon have the ability to purchase long-term care insurance at discounted group rates through the Federal Long Term Care Insurance Program. This will include the flexibility to purchase coverage that can be tailored to provide coverage at whatever level they desire. Beneficiary education and marketing of the new program is expected to begin in the spring of 2002 with an official effective date in October 2002.

## **FUTURE INITIATIVES FOR LONG-TERM CARE**

### **Evaluating Trends**

The reform actions implemented through NDAA-02 ensure availability of improved and enhanced sub-acute and long-term medical care and services for all DoD beneficiaries. The benefit is both comprehensive and robust in comparison with the private sector and other federal programs. We believe it is prudent to properly assess and evaluate the impact of the current programmatic changes for efficacy prior to introducing other long-term care benefits. Because TFL is still in its early stages, the Department does not yet have adequate data to support definitive analyses regarding the impact of the potential increased demand for SNF and home health care by TFL beneficiaries. Also, it is too early to assess the impact of the changes resulting from the alignment of the TRICARE SNF and home health benefit with Medicare. The Department will gather and evaluate this data as it becomes available and will consider further recommendations based on its findings.

The initial election period for the federal long-term care insurance does not officially begin until October 2002, and it will take approximately six months to a year for the Office of Personnel Management to report on enrollment and utilization. Once adequate data are available, the Department will explore further potential expansion or supplementation for long-term care coverage.