

United States Senate

WASHINGTON, DC 20510

November 21, 2008

The Honorable Robert Gates
Secretary of Defense
U.S. Department of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Gates:

We are writing to express our concerns regarding the transition in the U.S. Department of Defense's (DoD) proposed rule for TRICARE to adopt Medicare's prospective payment system for hospital outpatient services (OPPS).

We support TRICARE's efforts to adopt reimbursement rules which are, to the extent practicable, in accordance with the same reimbursement rules used by Medicare. However, we are concerned that DoD's proposal, as outlined in the April 1, 2008, *Federal Register*, lacks a broad, effective transition that would cushion all hospitals serving TRICARE beneficiaries from disruptive reductions in payments across all services.

Sudden and severe shifts in payments as have been proposed by DoD could jeopardize providers' ability to care for TRICARE patients. To prevent such disruptions to quality of and access to care, it is crucial that such new payment policies be implemented with a meaningful transition period.

For example, when Medicare implemented its current OPPS, the agency included a robust transition over several years, providing crucial transition payments to all hospitals suffering losses. This transition was instrumental in helping hospitals absorb significantly lower payments and still continue to deliver health care to seniors.

Moreover, TRICARE provided a sustained transition over several years for physicians when adopting Medicare's physician fee schedule. This seamless transition serves as an important precedent and a practical, effective alternative to what TRICARE has proposed. We strongly urge DoD to consider a similar transition for hospitals.

As the TRICARE system harmonizes payment methodologies with Medicare, we believe it is important that a period of transition apply to all TRICARE network hospitals, and be sustained over a multi-year period. Thank you for your consideration of this important matter. We look forward to hearing from you.

Sincerely,

Benjamin Nelson

Kent Conrad

Richard Shelby

J. Shum

Samuel Alaka

Barbara Boxer

Pat Roberts

Chris G. Hatch

Debbie Stabenow

Robert Menendez

Norm Coleman

Frank R. Lautenberg

Dianne Feinstein

Amy Klobuchar

Sam Brownback

Dick Durbin

Chuck Sch

Jim Bunning

Bryan D. Burris

Jeff Blain

John Cornyn

David Vitter

Mary Landrieu

Ken Salazar

Joe Lieberman

Joe Manchin

Allen S. Pardo

Bill Nelson

Zoe Lofgren

Hillary Rodham Clinton

Lois Wick

Tim Wirth

Bill Claitor

Chris Dodd

Sayby Chavkin

Bob Carey, Jr.

John F. Kennedy

Edward M. Kennedy

John Reed

Maria Cantwell

Susan M. Collins

Bob F. Bennett

Lamar Alexander

Blanche L. Lincoln

Ron Wyden

Mike Crozo

Jim Johnson

Jeff Bond

Phil Hartwig

Patty Murray

Olympia Snowe

Bob Corb

Jim Webb

John Erisman

James R. ...

Paul Cochran

Eric Boyl