

[\[Categorical Listing\]](#) [\[Numerical Listing\]](#)



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

OCT 18 1995

**MEMORANDUM FOR:**

ASSISTANT SECRETARY OF THE ARMY (M&RA)  
ASSISTANT SECRETARY OF THE NAVY(M&RA)  
ASSISTANT SECRETARY OF THE AIR FORCE(MRAI&E)

SUBJECT: Specialized Treatment Services Program

References: (a) Federal Register, Vol 58, pages 58955-64, November 5, 1993, codified at 32 CFR 199.4(a)(10)  
(b) ASD(HA) Memorandum, "DoD Specialized Treatment Services Program," October 15, 1993 (hereby canceled)  
(c) Office of Civilian Health and Medical Program of the Uniformed Services, "CHAMPUS Policy Manual," July 1995  
(d) DoD Instruction 6015.19, "Issuance of Nonavailability Statements," June 11, 1991  
(e) DoD Regulation 6010.8-R, "CHAMPUS," July 1991  
(f) ASD(HA) Memorandum, "Utilization Management (UM) Activities in the Direct Care System Under TRICARE," November 23, 1994

This memorandum prescribes interim policy, pending issuance of a DoD Instruction, to implement the Specialized Treatment Services (STS) Program that was established by reference (a). These services involve complex medical care that is best delivered in centers of clinical excellence in order to ensure the most favorable patient outcomes and to conserve resources.

**Delegation of Authority.** Reference (b) stated that the Assistant Secretary of Defense for Health Affairs (ASD (HA)) will designate national STSs and delegated to Lead Agents the authority to designate regional STSs. ASD (HA) will designate STS facilities that have a national catchment area, as well as multi-regional STS facilities with catchment areas that involve more than one Health Services Region (HSR). Lead Agents will designate regional STS facilities with a catchment area within their HSRs of approximately 200 miles in radius, identified by zip codes in which beneficiaries reside.

**Requirements.** STS facilities will meet these requirements:

- a. **Clinical Excellence.** The facility meets a standard comparable to that of other specialized institutions providing the same care.

- b. **Experience and Outcomes Tracking.** The facility staff has recognized experience in providing the STS, and in the tracking and analysis of outcomes of its care. Outcomes are measured, for example, as rates of actuarial survival, sustained disease remission, or objective functional improvement.
- c. **Cost Savings.** Costs, compared on the basis of total aggregate costs to the government, are less for care in the STS facility than costs for the same care obtained under normal CHAMPUS rules, or costs negotiated under TRICARE by a managed care support contractor. Total government cost projections may employ methodology used for CHAMPUS alternate-use projects, plus travel and lodging reimbursements as specified below. The reimbursed travel and lodging costs will be met by the STS facility as part of its cost of providing the care.
- d. **Complexity of Care.** The STS care is complex and resource intensive, meeting one of the following conditions:
  1. The care is at least twice as complex as that of the average inpatient case, as shown by a Diagnosis Related Group (DRG) payment system weight of 2.0 or more for a single DRG or for an aggregated category of DRGs.
  2. High technology procedures require equipment with an actual cost of over \$1 million.
  3. The STS requires other highly specialized procedures as determined by the Lead Agent.

STS facilities will use the patient and facility selection criteria identified in the CHAMPUS Policy Manual, reference (c). If the STS facility staff believes that the criteria require updating or revision, they will propose the revisions to the Director, OCHAMPUS, in conjunction with their Lead Agent medical staff. The ASD(HA) will decide any criteria issues that are unresolved after 30 days' discussion among the STS facility, the Lead Agent medical staff, and OCHAMPUS.

Before implementing an STS, a Lead Agent will notify beneficiaries and practitioners in the Health Services Region, managed care support contractors, fiscal intermediaries, OCHAMPUS, the major Service commands responsible for health support in the HSR (Army Health Service Support Area, Navy Regional Line Command, Air Force Major Command), the Surgeons General, and the ASD(HA). Reference (a) requires that notice of new STSs be published in the Federal Register at least 30 days before they become operational. An example of a [Federal Register notification](#) is at Attachment 1. OASD(HA) will assist Lead Agents with submission of notices to the Federal Register. Lead Agents will furnish copies of the Federal Register notification to centers known to provide the STS care to beneficiaries residing in their HSR. TRICARE managed care support contractors will assist Lead Agents in the process of notifying beneficiaries, practitioners and facilities about STS facilities.

**Nonavailability Statements.** Beneficiaries residing in the national or regional catchment area for a specific STS must receive the care from the designated facility or obtain a Nonavailability Statement (NAS) for CHAMPUS cost sharing. Local MTF Health Benefits Advisors or TRICARE Health Care Finders will assist beneficiaries with the process. The following classes of care are exempt from the NAS requirement: (1) emergency care, (2) care provided under the primary coverage of another insurance plan or program, and (3) care specifically designated as exempt from NAS requirements in the CHAMPUS Policy Manual.

The STS facility will either provide the STS care directly or issue a NAS. Because of the serious nature of

illnesses requiring STS care, and the travel distances involved, STS facilities will place special emphasis on making NAS decisions rapidly, fairly, and with the best interest of the patient as the primary consideration. NASs will be issued when the required care exceeds the capacity of the STS facility, when care in the STS facility would be medically inappropriate, or when undue personal or family hardship would result from the provision of care available in the STS facility, as described in reference (a).

Lead Agents will ensure that STS facilities consider NAS requests expeditiously, handling the requests directly or with the assistance of a support contractor, in accordance with the provisions of references (a) and (d). Prospective and retroactive NAS requests for STS care will be answered within 2 working days. As provided by reference (d), NASs will be valid for 30 days after issue for most STSs. NASs for organ transplantation will be valid without expiration unless sooner canceled by the issuing STS facility because the care has become available and the beneficiary agrees to use the STS facility.

Beneficiaries may appeal an adverse NAS decision as described in references (a) and (d). Lead Agents and the ASD(HA) will ensure that NAS appeals for STS care are decided within 3 working days of receipt for each level of appeal.

**Medical Necessity Review.** NASs for non-emergent inpatient admissions, including those for STS care, require a clinical review for medical necessity. Reviews are required as part of the CHAMPUS Quality and Utilization Review Peer Review Organization (PRO) program. The Lead Agent may obtain PRO support from a sole-function contractor or, after TRICARE implementation, from the regional managed care support contractor.

Due process and consideration of appeals, as prescribed in reference (e), will be provided for any adverse decision regarding medical necessity, appropriateness, or reasonableness of care under CHAMPUS. As provided by reference (e), an expedited preauthorization and appeals process within 2 days will be conducted when expedited processing is judged to be in the beneficiary's best interest by the referring physician. As far as possible, the STS facility staff involved in a NAS decision will base their medical necessity assessment on discussion with the referring physician and review of medical records and test results, rather than requiring a patient to travel to the STS facility. Timeliness of medical necessity reviews will be monitored by the Lead Agent. Lead Agents will require STS facilities to comply with reference (f) to ensure the medical necessity of inpatient care within the STS facility itself.

**Quality Assurance.** Quality standards for initial and continued STS designation will be comparable for military medical treatment facilities, other Federal facilities, and civilian centers. Specific clinical standards established by ASD(HA) will be based on national standards published in the medical literature. Lead Agents and the ASD (HA) will monitor and analyze the effectiveness and quality of the STS program, and will ensure that STS facilities have adequate capacity and capability to support the program. Facilities will be accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

**Travel.** To the extent authorized by 10 U.S.C. 1105 (f), the Joint Federal Travel Regulations, Volume 1, current edition, and Joint Travel Regulations, Volume 2, current edition, reimbursement may be authorized for reasonable expenses for travel of a beneficiary to and from an STS facility. Also, if determined by the STS facility staff or the referring physician to be medically necessary, reimbursement may be authorized for travel, lodging and meals for one nonmedical attendant to accompany the patient beneficiary.

**Cost Share.** The patient's cost share for STS care provided by a facility other than a military MTF is the same as for any care provided under other programs for that beneficiary, to include responsibility for meeting CHAMPUS deductible and cost sharing requirements.

**Service Responsibilities.** The Secretaries of the Military Departments will ensure that the STS Program is fully funded using Defense Health Program funds provided to their Service, that Lead Agents notify the chain of command and responsible agencies, including intermediate Service commanders (Army Health Service Support Area, Navy Regional Line Command, Air Force Major Command), the Service Surgeons General, ASD(HA) and OCHAMPUS, on matters concerning STS designations in their HSRs, that Lead Agents develop appropriate mechanisms to approve or deny NASSs, and that Lead Agents submit an annual summary of current and projected STS facilities in their HSRs.

An annual summary of the STS Program is due to ASD(HA) by March 31 of each year, as part of the Service Quality Assurance Summary. It will include: (1) a quality review of clinical outcomes, a summary of actions taken, and patient and provider satisfaction assessments; (2) a cost review with range and average episode costs and total costs to the MHSS and patients, using data from DMIS, RCMAS, and/or CHAMPUS and specifying the data source; (3) an access review; (4) any issues or problems regarding the nonmedical attendants of patients receiving STS care; (5) the impact of the STS Program on readiness; (6) any projects to upgrade existing facilities and the results of JCAHO surveys conducted during the reporting period, and (7) a list of current and projected STSs in the HSR.

**Payment.** The Director, OCHAMPUS, after notification by the Lead Agent, shall ensure that CHAMPUS contractors and fiscal intermediaries know the policy about payment for CHAMPUS claims for STSs and that payments are appropriately made. The responsibility for oversight of payments may be delegated to the Lead Agent consistent with the Lead Agent's responsibility for contract administration.

**National STS Facilities Serving a National Catchment Area.** In order to be designated for STS care for a national catchment area, a facility will submit its application through the Lead Agent, its intermediate Service commander, Service Surgeon General, and Service Secretary, to the ASD(HA). The facility will identify the population to be served, the standards for patient access and quality of care to be provided, the experiential or actuarial survival measures or other parameters needed to assess outcomes as approved by ASD(HA), the cost required to provide care in the facility compared with the cost of using CHAMPUS, the impact of the STS on graduate medical education and other clinical programs at the facility and in the HSR, the facility's current clinical outcomes for the STS under review compared with national standards, the impact of providing the STS on readiness, and available lodging for nonmedical attendants. The application will include a copy of the facility's most recent JCAHO survey report, and a statement by the Service that it will continue to request and justify funding for personnel and resources to sustain the STS program.

**Regional STS Facilities Serving a 200-Mile Catchment Area.** In order to be designated for STS care for a regional 200-mile catchment area, a facility, with the approval of its chain of command, will submit the above information to its Lead Agent for consideration. The Lead Agent will review annually the facilities in the HSR which are providing STS care and will determine if their designation should continue under the requirements of this memorandum.

**Multi-Regional STS Facilities.** An STS facility, with the initial approval of its chain of command and Lead

Agent, may apply to ASD(HA) for designation as a multi-regional STS. Lead Agents of the involved HSRs that do not contain the STS facility will expedite evaluation and movement of patients and nonmedical attendants to the multi-regional STS facility. Approval standards for multi-regional STS facilities will be the same as those for national STS facilities. Applications will include certification by the Lead Agents of the involved HSRs that do not contain the facility that they consider movement of patients out of their region to be the best mechanism of providing high quality care for the specific STS, and that they will ensure the maximum possible provision of follow-up care in the beneficiary's home HSR. The catchment area for a multi-regional STS facility will be agreed on by the involved Lead Agents and approved by ASD(HA). While it may be tailored in size to take best advantage of STS care capability, it will not extend farther than 200 miles in radius.

**Non-Federal STS Facilities.** Contract acquisition actions to designate non-Federal institutions as STS facilities will meet the requirements specified above. Non-Federal institutions will be designated as STS facilities by the Lead Agent of the HSR in which the facility is located, in conformance with applicable government acquisition regulations and requirements. In HSRs in which a TRICARE managed care support contract has been awarded, the managed care support contractor's function of providing for non-Federal civilian network health care can include establishing non-Federal STS facilities as directed by the Lead Agent. As part of the cost review included in the annual summary, non-Federal STS facilities will report costs for claims submitted to DoD and for bills submitted to beneficiaries.

This policy memorandum is effective immediately.



Stephen C. Joseph, M.D., M.P.H.

Attachment:  
Example Federal Register Notification

**HA POLICY 96-004**

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**EXAMPLE**

*Federal Register* Notification

DEPARTMENT OF DEFENSE

Office of the Secretary

32 CFR Part 199.4(a)(10)

Civilian Health and Medical Program of the Uniformed Services (CHAMPUS);  
Specialized Treatment Services (STS) Program

AGENCY: Office of the Secretary, DoD

ACTION: Notice

**SUMMARY:** This notice is to advise interested parties that Brooke Army Medical Center (BAMC) has been designated the national Specialized Treatment Service facility for bone marrow transplantation, allogeneic, pediatric (up to the age of 18). All DoD beneficiaries who fall into the above patient category must be evaluated by BAMC before receiving an allogeneic bone marrow transplant under direct military care or CHAMPUS cost sharing. Although evaluation in person is preferred, it is possible to conduct the evaluation telephonically if the patient is unable to travel to BAMC. If the bone marrow transplant cannot be performed at BAMC, the regional PRO will provide a medical necessity review in order to support issuance of a Nonavailability Statement by BAMC.

**EFFECTIVE DATE:** March 1, 1995

**FOR FURTHER INFORMATION CONTACT:** COL Pick, BAMC, at (210) 916-9707, or COL Dunn, OSD (Health Affairs), at (703) 695-2640.

**SUPPLEMENTARY INFORMATION:** In FR DOC 93-27050, appearing in the Federal Register on November 5, 1993 (Vol. 58, FR 58955-58964), the final rule on the STS Program was published. Included in the final rule was a provision that a notice of all military and civilian STS facilities be published in the Federal Register annually.

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Last update: 12/21/1998