

PROPOSED RULE: REVISED TRICARE INPATIENT PAYMENT METHODOLOGY FOR SOLE COMMUNITY HOSPITALS

On July 5, 2011, the Department of Defense ("DoD") published a Proposed Rule ("Proposed Rule") notifying the public of DoD's pending implementation of a revised TRICARE payment methodology for Sole Community Hospital ("SCH") inpatients. This revised payment methodology is an important development since, once it is fully phased in, it will likely result in a TRICARE reimbursement reduction in excess of 50% as compared to current reimbursement levels. DoD is proposing this new payment methodology for federal fiscal year ("FFY") 2012. However, because of a phase in period, the full impact of the payment reductions for most SCHs would not be realized until FFY 2015 or 2016. The Proposed Rule does not impact TRICARE payment to SCHs for outpatients (payable under the relatively new TRICARE outpatient prospective payment system) or physician services.