



VA/DoD Health Executive Council
Memorandum of Agreement
Health Care Resource Sharing
Reimbursement Methodology

This document establishes the reimbursement methodology for direct sharing of health care resources between facilities of the Department of Veterans Affairs (VA) and the Department of Defense (DoD). It replaces reimbursement guidelines issued in 1983 and 1989. This document pertains to direct sharing agreements only, not to agreements between the VA and TRICARE Managed Care Support Contractors.

1 BACKGROUND

During previous agreements between VA and DoD, flexibility was given to establish locally developed rates for medical sharing agreements. This resulted in the proliferation of rate setting mechanisms, introduced unnecessary complexity in the billing process and called in question the financial efficacy of such agreements. Facilities focused their attention on the negotiation of rates rather than collaborating together. Once the rates were set, they were often not reviewed for several years.

The Financial Management Work Group, under the direction of the VA/DoD Health Executive Council, proposed a national rate structure be implemented that is regionally adjusted, and discounted to encourage further resource sharing. Use of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Maximum Allowable Charge rate structure will ensure that rates are regionally adjusted, updated yearly, and are easily accessible via website.

2. AUTHORITY

- A. Department of Veterans Affairs and Department of Defense Health Resources Sharing and Emergency Operations Act (38 U.S.C. 8111)

3. POLICY

- A. Both the VA and DoD will use CHAMPUS Maximum Allowable Charge (CMAC) rates less 10% as the reimbursement methodology for health care reimbursement between medical facilities, for institutional and professional charges. The discount rate will be reviewed annually to maximize resource sharing levels.
- B. The two Departments will use this reimbursement methodology for all clinical services and specialty programs such as spinal cord injury, traumatic brain injury and

blind rehabilitation, but will not use these rates for non-clinical services such as laundry and food service, which should be negotiated independently.

- C. The two Departments will use this reimbursement methodology for joint venture agreements where a discrete episode of clinical care is provided that can be assigned ICD9, CPT or DRG codes. Joint ventures and co-located facilities are allowed flexibility to account for unique circumstances involving shared space, staffing or other arrangements. Joint ventures and co-located facilities may adjust the discount percentage to reflect the value of these non-monetary contributions. It is recommended that non-clinical services agreements are negotiated separately (e.g. laundry, food service, etc.). The VA/DoD Financial Management Workgroup is available to answer questions regarding the rate structure and adjustments.
- D. The two Departments will be allowed to charge for outlier days as currently allowed under CMAC business rules. The Departments will not bill for Graduate Medical Education or Capital Expense Equipment.
- E. This reimbursement methodology will apply to both existing and new agreements. Existing agreements will be modified to reflect this policy change.
- F. A CMAC billing guide will be developed to assist facilities in preparing claims under this methodology.
- G. As required by law, reimbursements will be credited to the facility that provided the services.
- H. The implementation will be phased in to coordinate with DoD's introduction of itemized billing within the Military Health System.

4. REVIEW

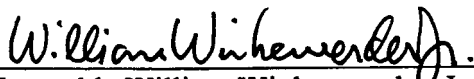
Each Department will monitor the VA/DoD sharing agreements and track reimbursements to ensure that they are in accordance with the guidelines set forth in this Memorandum of Agreement. This MOA will be reviewed annually and may be amended by mutual consent of both Departments.

5. WAIVER PROCESS

Although waivers are generally discouraged, there are two scenarios under which a waiver from the standardized rate may be requested: 1) if the standardized rate does not cover marginal costs or 2) if the standardized rate is higher than local market rates and both parties desire a larger discount from CMAC. In either instance, documentation must be provided to the VA/DoD Financial Management Work Group co-chairs for determination. Both co-chairs must agree for a waiver to be granted.

6. EFFECTIVE DATE

Outpatient billing using CMAC less 10% will begin in the first quarter of fiscal year 2003. It is anticipated that inpatient care will be billed using this methodology during the third quarter of fiscal year 2003, as DoD implements itemized inpatient billing. This memorandum may be amended by mutual consent of the participating entities. Either party upon 60 days notice in writing may terminate of the agreement.



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