



DEPARTMENT OF DEFENSE

Office of the Secretary

TRICARE: TRICARE Competitive Plans Demonstration (CPD)

AGENCY: Office of the Secretary, Department of Defense (DoD).

ACTION: Notice of demonstration.

SUMMARY: The Assistant Secretary of Defense for Health Affairs (ASD(HA)) issues this notice announcing the creation of a demonstration to offer additional opportunities for contractors of local, regional, and national plans to compete with managed care support contractors (MCSCs) under the TRICARE program and to evaluate impacts of competition in these designated markets on costs, outcomes and satisfaction. The Defense Health Agency (DHA) has awarded contracts to CareSource Military & Veterans (CSMV) in both the Atlanta, Georgia market and the Tampa, Florida market and intends to evaluate the impact of having two MCSCs (the Competitive Plans Demonstration (CPD) contractors and Humana Government Business (HGB), the current East region MCSC) providing services in these markets. Eligible beneficiaries will be provided with the opportunity to enroll in TRICARE Prime with CSMV in these markets. This demonstration will also help the DHA assess the efficacy of paying a TRICARE MCSC using a risk-adjusted, population-based capitation methodology for non-pharmacy health care and variable ongoing administrative costs and the efficacy of separately contracting for certain health care administrative tasks (e.g., eligibility, enrollment, and encounter data management functions) rather than including such requirements in the MCS contract.

DATES: This demonstration project will commence January 1, 2026. This demonstration authority will remain in effect until December 31, 2028, unless terminated earlier or extended by the Director, DHA via a subsequent Federal Register notice. CSMV may begin marketing and

beneficiary education activities on or after the date this notice is published in the Federal Register.

FOR FURTHER INFORMATION CONTACT: LTJG Brandon Andriot, Defense Health Agency, (703) 275-6166, brandon.m.andriot.mil@health.mil.

SUPPLEMENTARY INFORMATION: This notice is to advise all parties of a demonstration project under the authority of Title 10, United States Code (U.S.C.), Section 1092, entitled the “Competitive Plans Demonstration.” DHA has competitively awarded two contracts to CSMV which will compete against the East region MCSC (HGB) in delivering health, medical, and administrative support services to eligible TRICARE beneficiaries in the Atlanta, GA and Tampa, FL markets. CSMV, in conjunction with the DHA’s eligibility, enrollment, and encounter (EEE) pilot program contractor (MicroHealth), and Express Scripts (current TRICARE pharmacy benefits manager) will administer the CPD under the purview of the DHA. The CPD project will monitor whether paying a MCSC using a risk adjusted, population-based capitated methodology results in better beneficiary access to care, better beneficiary health outcomes, and increased beneficiary satisfaction without increasing the Department’s health care costs. The DHA will monitor several areas of the CPD including, but not limited to, the following:

- The effects of competition among MCSCs operating in the same geographic areas (overlapping networks).
- Beneficiary access to care and whether it is impacted by paying a MCSC on a risk adjusted, population-based Per Member Per Month (PMPM) basis.
- Quality of care (and health outcomes) and whether they are impacted by paying a MCSC on a risk adjusted population-based PMPM basis.
- Overall cost impact of paying a MCSC using a risk adjusted population-based PMPM payment model (accounting for the costs incurred under the separate EEE contract) as compared to paying the contractor under the traditional TRICARE MCS model.

- Impact of dividing responsibility (and separately contracting) for EEE data management administrative functions and patient care functions.
- Beneficiary experience and whether it is impacted (positively or negatively) by delivering care under a capitated payment model. DHA will measure beneficiary experience through existing tools (e.g., the Joint Outpatient Experience Survey) and re-enrollment rates.

A. Background

Section 705(c) of the National Defense Authorization Act for Fiscal Year 2017 (NDAA-2017), Public Law 114-238, December 23, 2016, directed the Secretary of Defense to “ensure that local, regional, and national health plans have an opportunity to participate in the competition for managed care support contracts under the TRICARE Program. NDAA-2017, Section 705(c) also directed the Secretary to implement a strategy to ensure that future MCS contracts under the TRICARE program incorporate various elements related to improving health care delivery. In an effort to mitigate rising health care costs and develop higher-quality patient care, the DHA intends to conduct the CPD to determine if it can achieve improved beneficiary satisfaction, better access to care, better care outcomes, and cost containment, by employing ongoing competition between MCSCs performing in the same markets and by using a capitated payment model. To achieve this goal, the DHA will conduct a three-year demonstration program that will address the NDAA-2017, Section 705(c) requirements.

The DHA introduced the CPD concept in the request for proposals (RFP) for the TRICARE Fifth generation (T-5) MCS contracts in April 2021. The T-5 RFP advised vendors competing for the T-5 requirement that the DHA intended to carry out the CPD during the period of performance of the resulting T-5 contracts—and that it would do so at one or more of the 23 sites listed in the RFP. In 2023, the Director, DHA determined that, based on various factors, the most suitable initial sites for the CPD were Atlanta, GA and Tampa, FL. The threshold analysis of these initial selected markets projected potential enrollments of 3,000 – 5,000 members in each market. In

July 2023, the DHA solicited proposals for vendors to provide TRICARE MCS services (but minus the eligibility, enrollment, and encounter functions) in Atlanta, GA and Tampa, FL. After receiving and evaluating proposals, the DHA awarded contracts for both markets to CSMV in November 2024.

CSMV will provide, among other things, accredited networks of individual and institutional providers; customer service and beneficiary education services; medical management, case management, referral management, utilization management, population health, and clinical quality management services; telehealth; and nurse advice line services.

B. Description of the Demonstration Project

TRICARE's three-year demonstration project will be voluntary for most TRICARE-eligible active duty family members (ADFM), retirees, and retiree family members who reside within specified ZIP Codes in the metro Atlanta, GA and metro Tampa, FL areas, regardless of whether they currently are enrolled in TRICARE Prime or TRICARE Select. Active duty service members; beneficiaries participating in the TRICARE Reserve Select, TRICARE Retired Reserve, and TRICARE Young Adult programs; and beneficiaries with Medicare coverage are not eligible to participate in the demonstration. In addition, beneficiaries receiving services under the TRICARE Extended Care Health Option program, Autism Care Demonstration, and Continued Health Care Benefit Program are not eligible to participate in the demonstration. Qualifying beneficiaries who reside within the specified ZIP Codes in the Atlanta, GA and Tampa, FL areas will be invited to participate in any of the three years during the demonstration period by enrolling in TRICARE Prime with CSMV. From the demonstration-enrolled beneficiary's perspective, this will be a TRICARE Prime option, with CSMV serving as the MCSC and assigning beneficiaries primary care managers, supported by MicroHealth providing EEE and associated customer service operational support. Beneficiaries who are participating in the CPD will fill their outpatient pharmacy prescriptions through the TRICARE Pharmacy

Program managed by the TRICARE Pharmacy (TPharm) contractor (ESI) or at Military Medical Treatment Facility (MTF) pharmacies.

CSMV will provide enrollees access to all of its network primary care and specialty care providers (both inpatient and outpatient) in the Atlanta, GA and Tampa, FL markets as well as virtual and video visits and consults. CSMV will be authorized to provide enrollees with value added items and services and may offer a beneficiary access to a program with rewards and incentives. CSMV will provide education to all interested beneficiaries, at the time of enrollment, regarding any differences between their plans and the traditional TRICARE Prime plan provided by the regional MCSC (HGB). Under this demonstration, TRICARE beneficiaries will be subject to current Open Season enrollment requirements and the rules governing enrollments based on Qualifying Life Events.

In providing the TRICARE Prime benefit, CSMV will apply standard TRICARE Prime enrollment fees, copays, cost shares, deductibles, and catastrophic caps—except that the applicable annual TRICARE enrollment fee will be waived for TRICARE beneficiaries who elect to participate in the demonstration, for the first year in which they enroll. Standard preauthorization requirements will apply; however, the TRICARE Prime referral requirements will not apply. The TRICARE point-of-service (POS) option, with its associated cost-sharing requirements, will be available to CPD-enrolled beneficiaries. CSMV will educate beneficiaries on how they may access health care when traveling outside of the CPD market areas.

Demonstration enrollees will be locked out of all MTFs for all routine and urgent care. Care at MTFs will be limited to emergency services and pharmacy services only. If a CPD enrollee accesses an MTF for emergency services, then CSMV will be responsible for reimbursing the MTF. An enrollee's violation of the direct care system/MTF lockouts could result in disenrollment of such enrollee.

C. Communication

The DHA will proactively educate beneficiaries and other stakeholders about the Demonstration through its Strategic Communications Office and through marketing materials prepared by the CPD contractors and the EEE Pilot contractor. Marketing materials will explain the Demonstration benefit to eligible beneficiaries. This will allow TRICARE sponsors and beneficiaries to make the best choice for their families in a timely fashion in the selected markets. Marketing efforts may begin after publication of this notice. CSMV will market its plan for each market and inform beneficiaries of any benefit or process differences from the traditional TRICARE Prime program.

D. Evaluation

This demonstration project will assist the DHA in evaluating whether delivery of the TRICARE Prime health care option under the framework of the CPDs (as described above) will result in improvements in health care quality for TRICARE Prime beneficiaries and/or a reduction in health care spending for the DoD. This program is intended to determine if the presence of local, regional or national level CPD-like health plans will generate beneficial competition between the CPD-like plans and the regional MCSCs for the enrollment of TRICARE beneficiaries. In addition to expanding DHA's body of knowledge with regard to beneficiary choice and competition in the TRICARE space, this demonstration will observe the effects on patient satisfaction, clinical outcome measures, overall cost (using risk-adjusted capitation payment models and risk sharing), and data interactions among the responsible contractors.

Regular evaluations of health care encounters, patient satisfaction, and cost of care (for the CPD beneficiaries and a comparison group) will provide data relating to the impact of health care spending in order to ascertain whether care provided by the CPD providers results in positive changes in cost trends and/or if there has been an improvement in health care outcomes such as decreased mortality rates and shorter lengths of stay. At the conclusion of each demonstration year, DHA will analyze costs and performance and compare it to costs and performance under previous years of the demonstration (as applicable) as well as to care received across the

TRICARE program to determine whether CPD care options were effective in reducing health care spending and/or improving quality of health care. The Department reserves the right to terminate the demonstration early if the participation, cost, or quality do not support the continuation of the demonstration.

E. Reimbursement

The DHA will pay CSMV a full-risk capitation rate (PMPM) for non-pharmacy health care and the variable portion of ongoing administrative costs. The DHA will also pay CSMV's fixed administrative costs. The DHA will establish the PMPM rates based on the projected average government health care cost for TRICARE Prime beneficiaries enrolled to the East region MCSC (i.e., "network Prime" enrollees) in the same market. These costs will be derived from TRICARE Encounter Data records and historical MTF-delivered care records, with the MTF-delivered care valued at approximately private-sector-care rates.

DHA will develop separate rates for two broad beneficiary categories: ADFM and others (referred to as "non-ADFM"). Certain other differences among beneficiaries (e.g., age, gender, health risk) will be accounted for using a risk adjustment methodology, described hereafter. Beneficiaries with other health insurance (other than Medicare) will be allowed to participate in the CPD if they otherwise meet the CPD enrollment criteria.

As noted above, beneficiaries enrolled in the CPD who visit a provider outside of the demonstration may be subject to POS charges consistent with TRICARE claims processing rules. If a beneficiary repeatedly seeks care outside of the demonstration and/or does not follow CSMV processes, the DHA may remove the beneficiary from the demonstration (or decline to re-enroll them) and require the beneficiary to make a new plan election (e.g., TRICARE Prime or Select) in accordance with TRICARE procedures.

This demonstration is intended to be patient-centered, and changes in health plan enrollment are disruptive to beneficiaries. Therefore, the DHA will remove a beneficiary from the

demonstration only in the most extraordinary of cases, with the Director, DHA (or designee) being the decision authority in such cases. When CSMV believes there is cause to remove a beneficiary from the demonstration, it will provide DHA with a written justification addressing the beneficiary's unwillingness to follow program rules that includes the following information: a description of the specific efforts made by the contractor to engage the beneficiary in care and care decisions; a description of beneficiary and/or caregiver education efforts; data showing that the beneficiary's failure to follow such rules has resulted in significant impact to the beneficiary's health, quality of care, or total cost of care to the Government or beneficiary. The Director, DHA, shall be the final authority on beneficiary disenrollment, and decisions shall be made on the basis of the best interest of the specific beneficiary (health, quality of care, and cost to the Government/beneficiary), and not on a basis that disenrollment will be beneficial to CSMV.

F. Implementation

Care for CPD enrolled beneficiaries will begin effective January 1, 2026 and will continue for a period of three years unless terminated early by the Director, DHA. CSMV and MicroHealth may begin patient education efforts regarding this demonstration after publication of this notice.

Dated: April 23, 2025.

Aaron T. Siegel,

Alternate OSD Federal Register Liaison Officer,

Department of Defense.

