



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

FEB 13 1997

MEMORANDUM FOR: SURGEON GENERAL OF THE ARMY
SURGEON GENERAL OF THE NAVY
SURGEON GENERAL OF THE AIR FORCE

SUBJECT: Policy for Privatizing Billing and Collecting in Military Treatment Facilities

The Department of Defense strongly encourages the privatization of noncore competencies performed by DoD agencies. The business of the Military Health Services System (MHSS) is to support the readiness mission and provide our beneficiaries quality patient care in the most efficient manner during peacetime. Clearly, the business of billing and collecting is not a core competency of the MHSS. For this reason, we are privatizing this function effective February 1, 1998.

Several current MHSS trends make privatization even more viable. First, under TRICARE we will be enrolling progressively fewer patients in our MTFs with other health insurance (OHI). Second, our information systems are becoming better at identifying beneficiaries with OHI, and sharing this information across systems (DEERS, CHCS PAD, CHCS MCS module, TPOCS, ADS, etc.). Third, we are already moving in this direction by privatizing the payment of supplemental care bills. Finally, recognizing the need to focus on what we do best, we recently decided to forego collections in a field environment.

An overriding principle in how we privatize is the need to provide sufficient flexibility to make the best business decisions. To maximize this flexibility, effective February 1, 1998, we will not renew our participation as a mandatory user of the national Health Care Cost Recovery (HCCR) contract. By that time, the Services should be prepared to fully privatize this function. To assist you in accomplishing this, a Health Affairs sponsored working group will develop implementation options directed at ensuring continued program effectiveness. These options will be provided under separate cover.

This policy is not a value judgment tied to past program performance. In fact, the Services have shown continuous improvement in this program. Rather, it recognizes that we need to utilize scarce active duty and DoD civilian resources in our core patient care competencies.

A handwritten signature in black ink, appearing to read "Stephen C. Joseph". The signature is stylized and includes a long horizontal line extending to the right.

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

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