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THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

May 13, 1997

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

**SUBJECT:** Specialized Treatment Services (STS) Reconciliation Policy

Reference: ASD(HA) Memorandum, "Specialized Treatment Service," October 18, 1995

This memorandum applies to the reconciliation of payments to Military Treatment Facilities (MTF) holding STS designation under the provisions of the referenced memorandum. The purpose of the reconciliation policy is to provide a framework to identify the source of funds and apply a consistent resource allocation process in response to shifting workload patterns that result from the STS initiative.

To assist the Military Departments in starting or expanding the STS program, OASD(HA) has established an STS withhold account to be available for approved STS start-up and operational costs. Resource Sharing or Resource Support initiatives are also available to support the STS program, and Services are encouraged to use the most economical method. Before any funds can be distributed from the STS withhold account, the originating Service must provide a cost savings schedule to the STS Funding Prioritization Work Group. The cost savings schedule should identify start-up and/or operational funding requirements, payback schedule, and estimated liability by Service. Before the STS cost savings schedule is submitted to Health Budgets and Programs (HB&P), it must be approved by the three Chief Medical Resource Managers. Setting MTF prices for STS procedures as well as reimbursement between MTF's and MCS contractors for STS procedures will comply with the Enrollment Based Capitation reconciliation methodology. Third-party reimbursement for patients having other health insurance will conform to current OASD policy.

Each Chief Medical Resource Manager will brief the status of their STS program during the Defense Health Program (DHP) POM submission, Budget submission and the Quarterly Budget Execution Review as a Special Interest item. Apart from the additional STS funding, each Service is expected to execute their DHP budget within funds provided by the Enrollment Based Capitation allocation.

My staff point of contact for this issue is Major Wayne Jackson, Capitation Financing, at (703) 681-7888.

*Edward D. Martin*

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Acting Assistant Secretary of Defense

**HA POLICY 97-048**

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