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May 13, 2024

The Honorable Jack Reed  
Chairman, Armed Services Committee  
United States Senate  
Washington, DC 20510

The Honorable Roger Wicker  
Ranking Member, Armed Services Committee  
United States Senate  
Washington, DC 20510

The Honorable Mike Rogers  
Chairman, Armed Services Committee  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Adam Smith  
Ranking Member, Armed Services Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Reed, Ranking Member Wicker, Chairman Rogers, and Ranking Member Smith:

On behalf of the children's hospitals that care for many of the 2.4 million children in military-connected families, we are writing to share concerns about a recently finalized rule by the Defense Health Agency (DHA) that would implement a new outpatient reimbursement methodology through TRICARE that has started to have negative ramifications for some children's hospitals and the military-connected children and families they serve. For some children's hospitals, TRICARE represents a disproportionately significant payer based on proximity to military bases in the communities they serve. Therefore, we ask that you work with the disproportionately impacted children's hospitals that serve major defense communities to identify a policy solution in this year's National Defense Authorization Act that prioritizes this critical access to care issue for military families.

Children's hospitals serve an essential function in ensuring that children in military-connected families –including children with medical complexities – who are covered by TRICARE have access to needed pediatric health services. As you know, military families face unique stressors – deployment, reintegration, frequent relocation, and life in remote locations, among others – which can impact their overall health and well-being. As a result, children in TRICARE are more likely to have special health care needs and to have a behavioral health diagnosis compared to children with other insurance types. These children rely on the highly specialized pediatric care that can only be found at children's hospitals. In addition, many children's hospitals team with military medical education training programs to provide rotations and training for hundreds of uniformed military physicians in pediatrics and pediatric specialty care.

In April 2023, the Department of Defense (DoD), through DHA, ended a 15-year exemption from the Medicare Outpatient Prospective Payment System (OPPS) for children's hospitals by issuing a final rule that converted its children's hospitals' TRICARE outpatient reimbursement methodology into OPPS, beginning Oct. 1, 2023. The OPPS exemption meant that military children continued to have timely access to needed specialty and subspecialty care without unnecessary barriers stemming from the imposition of adult-focused Medicare policies on child-focused providers.

The final rule states that this reimbursement methodology change would have resulted in at least a \$35 million cut to children's hospitals across the country if it had been implemented in 2021. We understand that the DoD has stated that, under its own calculations, 14 of the largest 20 children's hospitals serving TRICARE beneficiaries will

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experience a decrease in payments, and nine of those 14 will have decreases greater than 30%. Impacted children's hospitals have calculated substantial losses that are likely to exceed DHA's estimates.

Children's hospitals that are already seeing drastic rate reductions as a result of the rule are currently assessing the sustainability of their pediatric specialty services, which may impact access to care in some of the major defense communities across the country. Unfortunately, these TRICARE cuts could lead to longer wait times, costly travel for families to seek care elsewhere, the closure of certain specialty programs, and other hardships.

Providing military families with access to local civilian pediatric specialty care is essential for military recruitment and retention, ensuring continuity of care, maintaining quality health care standards, and supporting the wellbeing of military-connected children and their families.

We remain committed to working with you to ensure that children in military families have access to appropriate, timely and high-quality specialized pediatric care. If you have any questions, please contact Jan Kaplan at [Jan.Kaplan@childrenshospitals.org](mailto:Jan.Kaplan@childrenshospitals.org).

Sincerely,

A handwritten signature in black ink, appearing to read 'Leah Evangelista', written in a cursive style.

Leah Evangelista  
Chief Public Affairs Officer  
Children's Hospital Association

CC: Chair Warren, Ranking Member Scott, Chairman Banks, Ranking Member Kim