

INTERNAL REVENUE SERVICE**26 CFR Part 1****Filing of Consolidated Returns***CFR Correction*

In Title 26 of the Code of Federal Regulations, Part 1 (§ 1.1401 to End), revised as of April 1, 2000, in § 1.1502-75, paragraph (k) is corrected by correctly revising “See § 1.338(h)(10)-T(d)(7)” to read “See § 1.338(h)(10)-1T(d)(7)”.

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DEPARTMENT OF DEFENSE**Office of the Secretary****32 CFR Part 199**

RIN 0720-AA62

Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)/TRICARE; Partial Implementation of Pharmacy Benefits Program; Implementation of National Defense Authorization Act Medical Benefits for Fiscal Year 2001

AGENCY: Office of the Secretary, DoD.

ACTION: Interim final rule.

SUMMARY: This interim final rule implements several sections of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001. The rule allows coverage of physical examinations for beneficiaries ages 5 through 11 that are required in connection with school enrollment; provides an additional two-year period for survivors of deceased active-duty members to remain eligible for TRICARE medical and dental benefits at active-duty dependent rates; extends eligibility for medical and dental benefits to Medal of Honor recipients and their immediate dependents in the same manner as if the recipient were entitled to retired pay; partially implements the Pharmacy Benefits Program establishing revised copays and cost-shares for the prescription drug benefit; implements the TRICARE Senior Pharmacy Program by establishing a new eligibility for prescription drug benefits for Medicare-eligible retirees; allows a waiver of copayments, cost-shares, and deductibles for all Uniformed Services TRICARE eligible active duty family members residing with their TRICARE Prime Remote eligible Active Duty Service Member Sponsor within a TRICARE Prime Remote designated area

until implementation of the TRICARE Prime Remote for Family Member Program or October 30, 2001, whichever is later; provides for the elimination of TRICARE Prime copayments for active duty family members enrolled in TRICARE Prime; provides for the reimbursement of reasonable travel expenses for TRICARE Prime beneficiaries referred by a primary care provider to a specialty care provider who provides services over 100 miles away; and reduces the maximum amount which retirees, their family members and survivors would be liable from \$7,500 to \$3,000. The Department is publishing this rule as an interim final rule in order to meet statutorily required effective dates. Public comments, however, are invited and will be considered as to possible revisions to this rule.

DATES: This rule is effective April 10, 2001. Written comments will be accepted until April 10, 2001.

ADDRESSES: Forward comments to Medical Benefits and Reimbursement Systems, TRICARE Management Activity, 16401 East Centretch Parkway, Aurora, CO 80011-9043.

FOR FURTHER INFORMATION CONTACT: Tariq Shahid, Medical Benefits and Reimbursement Systems, TRICARE Management Activity, Office of the Assistant Secretary of Defense (Health Affairs), telephone (303) 676-3801. Questions regarding payment of specific CHAMPUS claims should be addressed to the appropriate TRICARE/CHAMPUS contractor.

SUPPLEMENTARY INFORMATION:**I. Overview of the Rule**

On October 30, 2000, the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Pub. L. 106-398) was signed into law. This interim final rule implements provisions of this Act that were effective upon the date of enactment or a date within 180 days thereafter. Specifically, this rule implements the following sections of this Act:

Section 703, school required physicals, which was effective on the date of enactment;

Section 704, two-year extension of benefits for survivors, which was effective on the date of enactment;

Section 706, benefits for Medal of Honor recipients, which was effective on the date of enactment;

Section 711, TRICARE Senior Pharmacy Program, which is effective April 1, 2001;

Section 722, that portion of TRICARE Prime Remote for Family Members that was effective on the date of enactment;

Section 752, elimination of copayments for Active Duty Dependents in TRICARE Prime, which the statute requires be implemented within 180 days;

Section 758, reimbursement of certain travel expenses for TRICARE Prime beneficiaries, which was effective on the date of enactment; and

Section 759, reduction of retiree catastrophic cap, which was effective on the date of enactment.

In addition, because of the effect on the overall pharmacy program of the new TRICARE Senior Pharmacy Program and the change in TRICARE Prime active duty dependent copayments, this rule also partially implements the Pharmacy Benefits Program, as authorized by Section 1074g of title 10, United States Code, as a significant step toward expected implementation late in 2001 of the comprehensive Pharmacy Benefits Program.

II. School Required Physicals

This rule implements Section 703 of the National Defense Authorization Act for Fiscal Year 2001 which extends coverage of physical examinations to CHAMPUS eligible beneficiaries ages 5 through 11 that are required in connection with school enrollment. The scope of the legislative provision encompasses all programs and beneficiary categories (i.e., coverage extends to active duty dependents, retirees and their dependents under TRICARE Prime, Standard and Extra plans). These newly covered school physicals will be recognized as preventive services, and as such, subject to the same cost-sharing/copayment and referral/authorization requirements as prescribed under TRICARE Prime and Standard/Extra clinical preventive benefits. TRICARE Prime enrollees will not be required to pay copayments or seek referral/authorization from their primary care managers (PCMs) unless they go to a non-network provider. While Standard and Extra beneficiaries will not require referral and/or authorization, they will have to pay the applicable cost-sharing and deductibles for preventive services as prescribed under their respective plans.

School physicals for TRICARE Prime enrollees ages 5 through 11 will be covered under the enhanced benefit provision of the CHAMPUS administering regulation (32 CFR 199.18(b)(3)), which allows benefit enhancements and waiver or relaxation of benefit restrictions under the Uniform HMO Benefit at the discretion of the Assistant Secretary of Defense (Health Affairs). However, since coverage also