

CHAPTER 13
SECTION 10.1

PREFERRED PROVIDER ORGANIZATION (PPO) REIMBURSEMENT

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I. ISSUE

Can payments be made for services rendered to beneficiaries by a Preferred Provider Organization (PPO)?

II. BACKGROUND

A. PPOs. PPOs are a relatively new innovation in the area of alternative health care delivery systems. They are networks of hospitals and physicians which provide specific services for previously agreed upon fees to a designated group of consumers on a contractual basis through a third-party payer.

B. Third-Party Payers. The third-party payer can be either an insurance plan or, more commonly, a company which is self-insured. The PPO provides "discounts" to the contracting third-party payer which in turn provides economic incentives for the buyers of care--usually the elimination of deductibles and cost-shares.

III. POLICY

A. No Obligation to Pay. PPOs provide services at a discounted rate through contractual arrangements with a third-party payer. In some cases either the PPO or the beneficiary may bill TRICARE for the difference between the provider's normal charge and the contractually-set discount amount. TRICARE cannot pay even on a secondary payer basis for these amounts. The rationale for this is that the contracts which PPOs have with third-party payers normally provide that they will be paid in full by the third-party payer, taking any discounts into consideration. Since this would leave no remaining amounts as the responsibility of the beneficiary, there is no further legal obligation to pay. Without such obligation, TRICARE cannot pay.

B. Secondary Payer. TRICARE payments can be made on a secondary payer basis in those situations where the person submitting the claim--either the beneficiary, the individual provider, or the PPO--submits evidence of beneficiary liability beyond the amounts paid to the PPO by the primary payor. The contractor must ensure in such cases that the beneficiary must pay these amounts in the absence of TRICARE payment and that the requirement is part of the PPO contract.

C. **Payment for Non-PPO Members.** It is important to remember that PPO providers may be authorized TRICARE providers in their own right and may render services to individuals who are not PPO members.

In such cases, TRICARE may pay for services rendered to non-PPO member TRICARE beneficiaries. The contractor must ensure, however, that double coverage through another third-party payer contracted with the PPO does not exist.

IV. EXCEPTIONS

This policy does not pertain to cost-saving initiatives under guidelines prescribed by the Secretary of Defense and adopted by the Executive Director, TMA, (such as the Health Care Finder - Participating Provider Program (HCF-PPP) under which a MTF may enter into a contractual agreement with a PPO or HMO for the purpose of providing care to TRICARE beneficiaries at discounted rates).

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