Chapter 1 Section 34

Hospital Inpatient Reimbursement In Locations Outside The 50 United States And The District Of Columbia

Issue Date: September 9, 2004
Authority: 32 CFR 199.1(b) and 32 CFR 199.14(m), (n), and (o)

1.0 APPLICABILITY

This policy is mandatory for reimbursement of all hospital inpatient services provided in the locations identified in paragraph 4.2. This policy revises, replaces, and supersedes the previously issued policy, effective October 1, 2004, for hospital reimbursement in the Philippines. Puerto Rico follows Continental United States (CONUS) based reimbursement methodologies used for the 50 United States and the District of Columbia.

2.0 ISSUE

How are specified inpatient hospital services reimbursed in the locations specified in paragraph 4.2?

3.0 POLICY

The institutional per diem for those specified locations outside the 50 United States and the District of Columbia is the maximum amount TRICARE will authorize to be paid for inpatient services on a per diem basis. The allowable institutional rates for those specified locations outside the 50 United States and the District of Columbia, shall be the lesser of (a) billed charges or; (b) the amount based on prospectively determined per diems which are adjusted by a country specific index factor.

4.0 BACKGROUND

Reimbursement Systems:

4.1 General

4.1.1 Payment for inpatient hospital stays in specified locations outside the 50 United States and the District of Columbia, are made utilizing the lesser of:

- Billed charges; or
- The prospectively determined per diems adjusted by a country specific index.

4.1.2 The prospectively determined per diem rates for specified locations outside the 50 United States and the District of Columbia, are developed into reimbursement groupings by

utilizing diagnosis codes as contained in the International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM). The per diem rates are the maximum allowable amounts that TRICARE shall reimburse and the amount on which patient cost-shares are calculated. The National U.S. per diem rate is multiplied by a unique country specific index factor which adjusts the National U.S. per diems for the applicable country. The country specific hospital per diem, for those specified locations outside the 50 United States and the District of Columbia is the product of the National U.S. per diem and the country specific index.

4.2 Applicability

4.2.1 This payment system applies to all hospitals providing services in:

- The Philippines.
- Panama.
- Other as designated by the Government.

4.2.2 This payment system will be applied by the foreign claims processor. It applies to hospital inpatient services furnished to retirees or their eligible family members or Standard Active Duty Family Members (ADFMs) falling under the claims processing jurisdiction of the foreign claims processor.

4.2.3 Institutional providers accepting, admitting and treating TRICARE beneficiaries will receive the per diem reimbursement on applicable hospital services included on inpatient claims. This payment system is to be used regardless of the type of hospital inpatient services provided. The prospectively determined per diem rates established under this system are all-inclusive and are intended to include, but not be limited to, a standard amount for nursing and technician services; room, board and meals; drugs including any take home drugs; biologicals; surgical dressings, splints, casts; Durable Medical Equipment (DME) for use in the hospital and is related to the provision of a surgical service, procedure or procedures, equipment related to the provision and performance of surgical procedures; laboratory services and testing; X-ray or other diagnostic procedures directly related to the inpatient Episode Of Care (EOC); special unit operating costs, such as intensive care units; malpractice costs, if applicable, or other administrative costs related to the services furnished to the patients, recordkeeping and the provision of records; housekeeping items and services; and capital costs.

4.2.4 The per diem rates do not include such items as physicians' fees, irrespective of a physician's employment status with the hospital. The per diem rates do not include other professional providers (e.g., nurse anesthetist) recognized by TRICARE who render directly related inpatient services and bill independently from the hospital for them. A valid primary ICD-9-CM code or narrative description of services must be submitted by the hospital or institutional provider. The medical description provided shall be able to support development of the claim by the overseas claims processor prior to reimbursement.

4.3 Country Specific Index

The country specific index is a factor obtained from the World Bank's International Comparison Program. The index factor, known as Purchasing Power Parity (PPP) conversion factor,

is based on a large array of goods and services or market basket within the specific country which is then standardized and weighted to a U.S. standard and currency. The World Bank defines PPP conversion factor as: "Number of units of a country's currency required to buy the same amount of goods and services in the domestic market that a U.S. dollar would buy in the U.S." The use of the country specific index enables a conversion and therefore creates parity between the U.S. and the specific country in the purchasing of the same amount and type of medical services. TRICARE is utilizing the World Bank's International Comparison Program country specific index as provided in Figure 1.34-1.

4.4 Institutional Payment Rates

4.4.1 The Policy and Statistical Analysis Services contractor shall annually calculate the U.S. National group payment rates and provide them electronically to the TRICARE Management Activity (TMA), which will be included in Figure 1.34-2. The provided data will contain the ICD-9-CM range or groups of related diagnosis codes. The first three digits of the principal ICD-9-CM diagnosis code determines placement into a diagnosis group as well as a reimbursement group. The data will also contain a description of the diagnosis ICD-9-CM groups. The rate for each group is the average U.S. allowed amounts per day in short-stay hospitals for all ICD-9-CM diagnoses in the particular group plus an add-on to reimburse for capital costs. The add-on percentage will be determined by the above contractor using the U.S. data and the amount will be built-in into the per diem rate for each group. The rate file will also designate the effective date of the per diem rates. The above contractor shall also communicate the country specific factor to TMA annually or as dictated by the World Bank's International Comparison Program or as determined by TMA. The above contractor shall also provide the country specific adjusted per diem files, electronically to TMA, which will be provided to the overseas claims processor by TMA at least annually, or as specifics dictate. The adjusted per diems will be available at: http://www.tricare.mil/tma/foreignfee/.

4.4.2 The rate setting methodology was developed as follows:

4.4.2.1 A rate setting methodology utilizing the first three digits of a primary diagnosis code.

4.4.2.2 Eighteen diagnosis groupings were defined and designed based on the groupings and definitions contained in the ICD-9-CM publication. For example, Group 1 is defined as ICD-9-CM codes 001 to 139, or Infectious and Parasitic Diseases. The first three digits of a primary diagnosis code are utilized for placement into one of the eighteen groups.

4.4.2.3 The payment rate for each of the 18 diagnostic groups was the average allowed amount per day over all the ICD-9-CM codes in a diagnosis group, based upon the claim's primary diagnosis, plus an add-on to reimburse for capital costs.

4.4.2.4 Group payments were calculated by dividing total allowed charges by total inpatient days for the group.

4.5 Payments

4.5.1 General. The per diem group payment rate will be based on the first three digits of the primary diagnosis code. The TRICARE allowable charge and amount reimbursed for hospital inpatient care shall be the lesser of:

- Actual billed charges for hospital inpatient care; or
- The TRICARE U.S. National per diem rate multiplied by the country specific index factor is the country specific hospital per diem. This per diem is multiplied by the number of covered days of hospital inpatient care and equals the maximum amount allowed by TRICARE to be paid for the episode on inpatient care.

4.5.2 Only the primary diagnosis code, on the date of admission, will be taken into consideration when determining the group for a payment rate. Only one payment group can be assigned to each independent episode of inpatient care. Each institutional claim for service reimbursement must contain a valid ICD-9-CM code or narrative description of services, and must be used to represent the primary diagnosis for inpatient admission. If a valid diagnosis code or narrative description is not supplied by the institutional provider it must be developed and supported by the overseas claims processor. Development of an institutional claim should contain the necessary elements to satisfy TRICARE Encounter Data (TED) requirements.

4.6 Beneficiary - Change in Eligibility Status

Since payment is on a per diem basis, the hospital claim for services shall be paid for the days the beneficiary is TRICARE eligible and denied for the days the beneficiary is not TRICARE eligible.

4.7 Beneficiary Cost-Shares

Inpatient cost-shares as contained in Chapter 2, Section 1, for non-Diagnosis Related Group (DRG) facilities shall be applicable to TRICARE's hospital allowable charge.

4.8 Updating Payment Rates

Additions, changes, revisions or deletions to the ICD-9-CM codes or country specific index shall be communicated to the overseas claims processor and be considered as routine updates to this payment system and processed under TRICARE Operations Manual (TOM), Chapter 1, Section 4, paragraph 2.4.

4.9 The overseas claims processor shall maintain the current year and two immediate past years' iterations of the TRICARE U.S. National per diems and the country specific index factors.

4.10 There is no TRICARE waiver process applicable to hospitals in specified locations outside the 50 United States and the District of Columbia for institutional inpatient rates.

FIGURE 1.34-1 COUNTRY SPECIFIC INDEX FACTORS - 2008

	COUNTRY SPECIFIC INDEX FACTOR	EFFECTIVE
Philippines	0.52	November 1, 2008
Panama	0.70	February 1, 2008

FIGURE 1.34-2 INSTITUTIONAL INPATIENT DIAGNOSTIC GROUPINGS FOR SPECIFIED LOCATIONS OUTSIDE THE 50 UNITED STATES AND THE DISTRICT OF COLUMBIA - NATIONAL INPATIENT PER DIEM AMOUNTS - 2008

GROUP	DESCRIPTION	ICD-9-CM CODE RANGE	NATIONAL INPATIENT PER DIEM
01	Infectious Disease	1 - 139	$2,463
02	Cancer	140 - 239	$2,576
03	Endocrine	240 - 289	$2,457
04	Mental Health	290 - 319	$851
05	Nervous System	320 - 389	$2,212
06	Circulatory	390 - 459	$3,810
07	Respiratory	460 - 519	$1,972
08	Digestive	520 - 579	$2,172
09	Genitourinary	580-629	$2,482
10	Pregnancy, birth (mother)	630 - 679, V22 - V24, V27	$1,196
11	Musculoskeletal and skin	680 - 739	$4,304
12	Congenital abnormalities	740 - 759	$3,570
13	Perinatal Fetus and infant	760 - 779, V21, V29 - V39	$717
14	Signs, Symptoms, etc.	780 - 799	$2,326
15	Injuries	800 - 959	$2,689
16	Poisoning	960 - 995	$2,302
17	Complications	996 - 999	$3,022
18	All other "V" based codes		$2,080

- END -