

Hospital Reimbursement - Other Than Billed Charges

Issue Date: August 26, 1985

Authority: [32 CFR 199.14\(a\)](#)

1.0 APPLICABILITY

This policy is mandatory for reimbursement of services provided by either network or non-network providers. However, alternative network reimbursement methodologies are permitted when approved by the TRICARE Management Activity (TMA) and specifically included in the network provider agreement.

2.0 ISSUE

What methods other than the Diagnosis Related Group (DRG)-based payment system, the inpatient mental health per diem payment system, **the reasonable cost method for Critical Access Hospitals (CAHs)**, and billed charges may be used to determine hospital reimbursement?

3.0 POLICY

3.1 Agreements

3.1.1 When discount agreements are available to the contractor, the contractor shall obtain such discounts for TRICARE reimbursement. Moreover, the contractor shall determine if any state in its jurisdiction has enacted legislation which implements a rate setting system which can be applied to TRICARE. If so, the contractor shall utilize the rates if this results in a lower cost to the government. The contractor shall maintain documentation of its actions with regard to each state which shows how any discounts or state-set rates are used or the reasons they cannot be used.

3.1.2 The contractors may negotiate individual or collective agreements with providers to establish reimbursement methods.

3.1.3 The DRG-based payment system, the inpatient mental health per diem payment system, **the reasonable cost method for CAHs**, are required for those hospitals which are subject to them ([Chapter 6, Section 4](#) and [Chapter 7, Section 1](#)). Therefore, none of the above agreements or procedures can be used for any hospital subject to the DRG, **the per diem payment system, or the reasonable cost method for CAHs**. However, when the hospital participates with the contractor as a network provider, the DRG-based amount or the mental health per diem amount, **or the reasonable cost method for CAHs**, shall be further reduced by the negotiated (discount) rate.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

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3.2 Outside the United States

The Director, TMA, or designee, is authorized by regulation to determine appropriate reimbursement methodologies for covered medical services or supplies provided by hospitals outside the United States (see [Section 34](#) for reimbursement methodology utilized for hospital services provided in the Philippines).

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