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TRICARE
MANAGEMENT ACTIVITY

MB&RB

**CHANGE 124
6010.55-M
DECEMBER 22, 2010**

**PUBLICATIONS SYSTEM CHANGE TRANSMITTAL
FOR
TRICARE REIMBURSEMENT MANUAL (TRM), AUGUST 2002**

The TRICARE Management Activity has authorized the following addition(s)/revision(s).

CHANGE TITLE: FISCAL YEAR (FY) 2011 CRITICAL ACCESS HOSPITAL (CAH)
COST-TO-CHARGE RATIO (CCR) CAPS

CONREQ: 15231

PAGE CHANGE(S): See page 2.

SUMMARY OF CHANGE(S): This change provides the annual update to the CAH inpatient and outpatient CCR caps.

EFFECTIVE DATE: December 1, 2010.

IMPLEMENTATION DATE: Upon direction of the Contracting Officer.

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Acting Chief, Medical Benefits and
Reimbursement Branch**

**ATTACHMENT(S): 2 PAGE(S)
DISTRIBUTION: 6010.55-M**

CHANGE 124
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REMOVE PAGE(S)

CHAPTER 15

Section 1, pages 5 and 6

INSERT PAGE(S)

Section 1, pages 5 and 6

TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

CHAPTER 15, SECTION 1

CRITICAL ACCESS HOSPITALS (CAHS)

improved road is any road that is maintained by a local, state, or federal government entity and is available for use by the general public. An improved road includes the paved surface up to the front entrance of the CAH and the front entrance of the garage.

NOTE: CAHs that are not exempt from the allowable charge methodology may not report condition code B2.

C. Reasonable Cost Methodology. Reasonable cost is based on the actual cost of providing services and excluding any costs, that are unnecessary in the efficient delivery of services covered by the program.

1. TMA shall calculate an overall inpatient CCR and overall outpatient CCR, obtained from data on the hospital's most recently filed Medicare cost report as of July 1 of each year.

2. The inpatient and outpatient CCRs are calculated using Medicare charges, e.g., Medicare costs for outpatient services are derived by multiplying an overall hospital outpatient CCR (by department or cost center) by Medicare charges in the same category.

3. The following methods are used by TMA to calculate the CCRs for CAHs. The worksheet and column references are to the CMS Form 2552-96 (Cost Report for Electronic Filing of Hospitals).

Inpatient CCRs

Numerator Medicare costs were defined as Worksheet D-1, Part II, line 49 MINUS (worksheet D, Part III, Column 8, sum of lines 25-30 PLUS Worksheet D, Part IV, line 101).

Denominator Medicare charges were defined as Worksheet D-4, Column 2, sum of lines 25-30 and 103.

Outpatient CCRs

Numerator Outpatient costs were taken from Worksheet D, Part V, line 104, the sum of Columns 6, 7, 8, and 9.

Denominator Total outpatient charges were taken from the same Worksheet D, Part V, line 104, sum of Columns 2, 3, 4, and 5 for the same breakdowns.

4. To reimburse the vast majority of CAHs for all their costs in an administratively feasible manner, TRICARE will identify CCRs that are outliers using the method used by Medicare to identify outliers in its Outpatient Prospective Payment System (OPPS) reimbursement methods. Specifically, Medicare classifies CCR outliers as values that fall outside of three standard deviations from the geometric mean. Applying this method to the CAH data, those limits will be considered the threshold limits on the CCR for reimbursement purposes. For Fiscal Year (FY) 2010, this calculation resulted in an inpatient CCR cap of 2.31 and outpatient CCR cap of 1.26. **For FY 2011, the inpatient CCR cap is 2.57 and the outpatient CCR cap is 1.31.** Thus, for FY 2011, TRICARE will pay the lesser of 2.57 multiplied by the billed charges or 101% of costs (using the hospital's CCR and billed charges) for inpatient services and the lesser of 1.31 multiplied by the billed charges or 101% of costs for outpatient services. Following is the two step comparison of costs.

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CRITICAL ACCESS HOSPITALS (CAHs)

STEP 1: Inpatient, pay the lesser of:

FY cap x billed charges (minus non-covered charges) OR
1.01 x (hospital-specific CCR x billed charges (minus non-covered charges))

STEP 2: Outpatient, pay the lesser of:

FY cap x billed charges OR
1.01 x (hospital-specific CCR x billed charges)

5. TMA shall provide a list of CAHs to the Managed Care Support Contractors (MCSCs) with their corresponding inpatient and outpatient CCRs by November 1 each year. The CCRs shall be updated on an annual basis using the second quarter CMS Hospital Cost Report Information System (HCRIS) data. The updated CCRs shall be effective as of December 1 of each respective year, with the first update occurring December 1, 2009.

6. TMA shall also provide the MCSCs the State median inpatient and outpatient CAH CCRs to use when a hospital specific CCR is not available.

D. CAH Listing.

1. TMA will maintain the CAH listing on the TMA's web site at <http://www.tricare.mil/hospitalclassification/>, and will update the list on a quarterly basis and will notify the contractors by e-mail when the list is updated.

2. For payment purposes for those facilities that were listed on both the CAH and SCH lists prior to June 1, 2006, the contractors shall use the implementation date of June 1, 2006, as the effective date for reimbursing CAHs under the DRG-based payment system. The June 1, 2006, effective date is for admissions on or after June 1, 2006. For admissions prior to June 1, 2006, if a facility was listed on both the CAH and SCH lists, the SCH list took precedence over the CAH list. The contractors shall not initiate recoupment action for any claims paid billed charges where the CAH was also on the SCH list, prior to the June 1, 2006, effective date. For admissions on or after December 1, 2009, CAHs are reimbursed under the reasonable cost method.

3. The effective date on the CAH list is the date supplied by CMS upon which the facility began receiving reimbursement from Medicare as a CAH, however, if a facility was listed on both the CAH and SCH lists prior to June 1, 2006, the effective date for TRICARE DRG reimbursement is June 1, 2006. For admissions on or after December 1, 2009, CAHs are reimbursed under the reasonable cost method.

4. After June 1, 2006, if a CAH is added or dropped off of the list from the previous update, the quarterly revision date of the current listing shall be listed as the facility's effective or termination date, respectively.

5. If the contractor receives documentation from a CAH indicating their status is different than what is on the CAH listing on TMA's web site, the contractor shall send the