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TRICARE  
MANAGEMENT ACTIVITY

MB&RB

CHANGE 80  
6010.55-M  
SEPTEMBER 16, 2008

PUBLICATIONS SYSTEM CHANGE TRANSMITTAL  
FOR  
TRICARE REIMBURSEMENT MANUAL (TRM)

The TRICARE Management Activity has authorized the following addition(s)/  
revision(s) to the 6010.55-M, issued August 2002.

**CHANGE TITLE:** FOREIGN FEE SCHEDULE IMPLEMENTATION

**PAGE CHANGE(S):** See page 2.

**SUMMARY OF CHANGE(S):** This change includes clarification that the foreign fee schedules apply to retirees or their eligible family members or standard Active Duty Family Members (ADFM) for services received in the Philippines or Panama that fall under the claims processing jurisdiction of the foreign claims processor; removal of March 1, 2009 Country Specific Index Factor 0.229; and, clarification that the primary or principal diagnosis (not the admitting diagnosis) for an admission will be used to determine the group for a payment rate. In addition, this change increases the inpatient per diem amounts by including an add-on to reimburse for hospital capital costs. It also provides that country specific index factor adjusted CMACs will not apply to ancillary services.

**EFFECTIVE AND IMPLEMENTATION DATE:** Upon direction of the Contracting Officer.

This change is made in conjunction with Aug 2002 TPM, Change No. 88.

Reta Michak  
Chief, Office of Medical Benefits  
and Reimbursement Branch

ATTACHMENT(S): 11 PAGE(S)  
DISTRIBUTION: 6010.55-M

**CHANGE 80**  
**6010.55-M**  
**SEPTEMBER 16, 2008**

**REMOVE PAGE(S)**

**CHAPTER 1**

Table of Contents, pages i and ii

Section 34, pages 1 through 5

Section 35, pages 1 through 3

**INSERT PAGE(S)**

Table of Contents, pages i and ii

Section 34, pages 1 through 5

Section 35, pages 1 through 4

## GENERAL

SECTION	SUBJECT
1	Network Provider Reimbursement
2	Accommodation Of Discounts Under Provider Reimbursement Methods
3	Claims Auditing Software
4	Reimbursement In Teaching Setting
5	National Health Service Corps Physicians Of The Public Health Service
6	Reimbursement Of Physician Assistants, Nurse Practitioners, <b>And Certified Psychiatric Nurse Specialists</b>
7	Reimbursement Of Covered Services Provided By Individual Health Care Professionals And Other Non-Institutional Health Care Providers
8	Economic Interest In Connection With Mental Health Admissions
9	Anesthesia
10	Postoperative Pain Management
11	Durable Medical Equipment Claims: Prosthetics, Orthotics, And Supplies (DMEPOS)
12	Oxygen And Related Supplies
13	Laboratory Services
14	Ambulance Services
15	Legend Drugs And Insulin
16	Surgery
17	Assistant Surgeons
18	Professional Services: Obstetrical Care
19	Charges For Provider Administrative Expenses
20	State Agency Billing
21	Hospital Reimbursement - Billed Charges Set Rates
22	Hospital Reimbursement - Other Than Billed Charges
23	Hospital Reimbursement - Payment When Only SNF Level Of Care Is Required

# TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

## CHAPTER 1 - GENERAL

SECTION	SUBJECT
24	Hospital Reimbursement - Outpatient Services For All Services Prior To Implementation Of OPPS, And Thereafter, For Services Not Otherwise Reimbursed Under Hospital OPPS
25	Preferred Provider Organization (PPO) Reimbursement
26	Supplemental Insurance
27	Legal Obligation To Pay
28	Reduction Of Payment For Noncompliance With Utilization Review Requirements
29	Reimbursement Of Emergency Inpatient Admissions To Unauthorized Facilities
30	Reimbursement Of Certain Prime Travel Expenses
31	Newborn Charges
32	Hospital-Based Birthing Room
33	Bonus Payments In Health Professional Shortage Areas (HPSA) And In Physician Scarcity Areas (PSA)
34	Hospital Inpatient Reimbursement In Locations Outside The 50 United States And The District Of Columbia
	FIGURE 1-34-1 Country Specific Index Factors - 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
35	Professional Provider Reimbursement In Specified Locations Outside The 50 United States And The District Of Columbia
	FIGURE 1-35-1 Country Specific Index Factors - 2008
ADDENDUM A	Sample State Agency Billing Agreement
ADDENDUM B	Figures
	FIGURE 1-B-1 Suggested Wording To The Beneficiary Concerning Rental vs. Purchase Of DME

## 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)

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### I. APPLICABILITY

This policy is mandatory for reimbursement of all hospital inpatient services provided in the locations identified in [paragraph IV.B](#). 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.

### II. ISSUE

How are specified inpatient hospital services reimbursed in the locations specified in [paragraph IV.B](#)?

### III. 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.

### IV. BACKGROUND

Reimbursement Systems:

#### A. General.

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 (a) billed charges or (b) the prospectively determined per diems adjusted by a country specific index.

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

## TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

### CHAPTER 1, SECTION 34

#### HOSPITAL INPATIENT REIMBURSEMENT IN LOCATIONS OUTSIDE THE 50 UNITED STATES AND THE DISTRICT OF COLUMBIA

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amounts that TRICARE shall reimburse. 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.

#### B. Applicability.

1. This payment system applies to all hospitals providing inpatient services in:

- a. The Philippines.
- b. Panama.
- c. Other as designated by the Government.

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 (ADFM)s falling under the claims processing jurisdiction of the foreign claims processor.

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 and other diagnostic services directly related to the inpatient episode of care; 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. The per diem rates do not include such items as physician fees, irrespective of the physician's employment status with the hospital. The per diem rates do not include other professional providers (e.g., nurse anesthetist) recognized by TRICARE and 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.

C. 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.**

D. Institutional Payment Rates.

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/>.**

2. The rates setting methodology was developed as follows:

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

b. 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.

c. 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.**

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

TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

CHAPTER 1, SECTION 34

HOSPITAL INPATIENT REIMBURSEMENT IN LOCATIONS OUTSIDE THE 50 UNITED STATES AND THE DISTRICT OF COLUMBIA

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E. Payments.

1. General. The per diem group rate will be based upon 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:

a. Actual billed charge for hospital inpatient care; or

b. **The amount determined based upon the country specific index factor adjusted per diem.** 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.

2. Only the primary **or principal diagnosis for an admission** will be taken into consideration when determining the group for a payment rate. **This diagnosis is the condition established after study to be chiefly responsible for the admission.** 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.

F. Beneficiary Change in Eligibility Status. Since payment is on a per diem basis, the hospital claims for services shall be paid for the days the beneficiary is TRICARE eligible and denied for the days the beneficiary is not TRICARE eligible.

G. 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.

H. Updating Payment Rates. **Updates, additions, changes, revisions, or deletions** to the ICD-9-CM codes or country specific index **or per diems** 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](#).

I. The overseas claims processor shall maintain the current year and two immediate past years' iterations of the country specific index factor **adjusted per diems**.

J. 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.

**TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002**  
 CHAPTER 1, SECTION 34  
 HOSPITAL INPATIENT REIMBURSEMENT IN LOCATIONS OUTSIDE THE 50 UNITED  
 STATES AND THE DISTRICT OF COLUMBIA

**FIGURE 1-34-1 COUNTRY SPECIFIC INDEX FACTORS - 2008**

COUNTRY SPECIFIC INDEX FACTOR	EFFECTIVE
Philippines	0.52
Panama	0.70

**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

NOTE: Care delivered must be a benefit of TRICARE under [32 CFR 199.4](#) and [199.5](#).

- END -



## PROFESSIONAL PROVIDER REIMBURSEMENT IN SPECIFIED LOCATIONS OUTSIDE THE 50 UNITED STATES AND THE DISTRICT OF COLUMBIA

ISSUE DATE: April 7, 2008

AUTHORITY: [32 CFR 199.14\(m\)](#), [\(n\)](#), and [\(o\)](#)

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### I. APPLICABILITY

This policy is mandatory for reimbursement of providers of professional services in specified locations outside the 50 United States and the District of Columbia. This policy revises, replaces, and supersedes the current reimbursement policies for professional reimbursement, effective March 2004, in the Philippines. Puerto Rico follows the reimbursement methodologies used for the 50 United States and the District of Columbia.

### II. ISSUE

How are providers of professional services in locations specified in [paragraph IV.A.](#) reimbursed?

### III. POLICY

A. The term “allowable charge” is the maximum amount TRICARE will reimburse for covered health care services:

B. The allowable charge is the lowest of: (a) the actual billed charge or (b) the maximum allowable charge. The maximum allowable charge is developed prospectively and utilizes the U.S. National CHAMPUS Maximum Allowable Charge (CMAC) which incorporates Relative Value Units (RVUs). For any covered service, the National CMAC rate is multiplied by a country specific index factor. This standardizes the National CMAC for that country and thus represents the maximum allowable TRICARE will reimburse in that country for that service.

#### IV. BACKGROUND

##### Reimbursement Systems:

A. Locations Affected. This payment system applies to covered professional services delivered in all designated locations outside the 50 United States and the District of Columbia. The designated locations are:

1. The Philippines
2. Panama
3. Other as designated by the Government.

B. **Applicability.** This payment system will be applied by the foreign claims processor. It applies to professional 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.

##### C. General Methodology.

1. Payment for **non-ancillary** professional services, in specified locations outside the 50 United States and the District of Columbia, are made utilizing the lesser of (a) billed charges or (b) prospectively determined rates that multiplies the U.S. National CMAC rates by a country specific index factor. The National CMAC rates are comprised of approximately 7,000 Current Procedural Terminology (CPT) codes. Each CPT code associates with an established CMAC rate. There are a limited number of CPT codes that do not have a National CMAC established. If these CPT codes are billed to the TRICARE program, they shall be reimbursed at billed charges. The U.S. National CMAC rates utilized in specified locations outside the 50 United States and the District of Columbia are paid at "the site of service" location of physicians' office without regard of the actual location where the service is delivered. This site of service location (physicians' office) represents the highest reimbursement allowed for all physicians. For example, should a physician, in a specified location outside the 50 United States and the District of Columbia, deliver a service in the emergency room, his payment will be based on the CPT code submitted, and paid at the site of service level of physician office (the highest). Each CPT code rate is multiplied by a specific country index factor and represents the maximum allowed to be paid to professional providers in designated locations outside the 50 United States and the District of Columbia.

2. **The payment rates are all inclusive. An eligible and a representative procedure code or narrative description must be submitted by the provider or developed by the overseas claims processor.**

D. Country Specific Index. The country specific index factor is obtained from the World Bank's International Comparison Program. **The index factor, known as Purchasing Power Parity (PPP) conversion factor,** is based upon a large array of goods and services or market basket within a specific country which is then standardized and weighted to a U.S. standard

## TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002

### CHAPTER 1, SECTION 35

#### PROFESSIONAL PROVIDER REIMBURSEMENT IN SPECIFIED LOCATIONS OUTSIDE THE 50 UNITED STATES AND THE DISTRICT OF COLUMBIA

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 a country specific index enables a conversion and therefore 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 1-35-1.

E. Updating Professional Payment Rates. Annually, the Policy and Statistical Analysis Services contractor shall calculate the National CMAC rates. The data will contain each CPT code, a short description, a U.S. National payment rate, as well as the effective date. On an annual basis, the National CMAC may increase or decrease as determined by TRICARE. This contractor shall separately supply to the TRICARE Management Activity (TMA) the country specific index every year or as dictated by the World Bank’s International Comparison program or as determined by TRICARE, which will be included in Figure 1-35-1. The above contractor shall also provide the country specific index adjusted CMAC files, and any updates or corrections, electronically to TMA, which will be provided to the overseas claims processor at least annually, or as specifics may dictate. For those codes that contain a technical as well as professional component, each component shall have a separate supplied payment rate. Updates, additions, changes, revisions or deletions to the CPT codes or country specific index or CMACs will 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. The adjusted per diems will be available at: <http://www.tricare.mil/tma/foreignfee/>.

F. Beneficiary Eligibility - Change in Eligibility Status. Since the payment is on a date of service basis, the professional, and other charges shall be paid for all dates of service that the beneficiary is TRICARE eligible and denied for all dates of services the beneficiary is not TRICARE eligible.

G. Beneficiary Cost-Shares. Beneficiary cost-shares are contained in Chapter 2, Section 1, and shall be applicable to TRICARE’s applicable professional allowable charges.

H. The overseas claims processor and the overseas contractor shall maintain the current year and two immediate past years’ iterations of the country specific index adjusted CMAC CPT rates.

I. Exception. The payment system does not apply to ancillary services for CPT<sup>1</sup> codes 70000 - 89999. These ancillary services in the Philippines will be reimbursed using the Puerto Rico CMACs and in Panama using the billed charges.

<sup>1</sup> CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

**TRICARE REIMBURSEMENT MANUAL 6010.55-M, AUGUST 1, 2002**

CHAPTER 1, SECTION 35

PROFESSIONAL PROVIDER REIMBURSEMENT IN SPECIFIED LOCATIONS OUTSIDE THE 50  
UNITED STATES AND THE DISTRICT OF COLUMBIA

**FIGURE 1-35-1 COUNTRY SPECIFIC INDEX FACTORS - 2008**

	<b>COUNTRY SPECIFIC INDEX FACTOR</b>	<b>EFFECTIVE</b>
Philippines	0.52	November 1, 2008
Panama	0.70	February 1, 2009

- END -