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TRICARE
MANAGEMENT ACTIVITY

MB&RB

**CHANGE 10
6010.58-M
AUGUST 6, 2009**

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

The TRICARE Management Activity has authorized the following addition(s)/revision(s) to the 6010.58-M, issued February 2008.

**CHANGE TITLE: ADOPTING MEDICARE'S ADJUSTMENTS FOR REPLACEMENT OF
IMPLANTED DEVICES**

PAGE CHANGE(S): See page 2.

SUMMARY OF CHANGE(S): This change follows Medicare's adjustments by reducing TRICARE payments when an implanted device is replaced. This change brings this manual up-to-date with published Change 96 to the Aug 2002 TRICARE Reimbursement Manual and Change 72 to the Aug 2002 TRICARE Systems Manual 7950.1-M (June 22, 2009).

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

This change is made in conjunction with Feb 2008 TSM, Change No. 8.

**Reta Michak
Acting Chief, Medical Benefits and
Reimbursement Branch**

**ATTACHMENT(S): 2 PAGE(S)
DISTRIBUTION: 6010.58-M**

**CHANGE 10
6010.58-M
AUGUST 6, 2009**

REMOVE PAGE(S)

CHAPTER 6

Section 8, page 17

INSERT PAGE(S)

Section 8, pages 17 and 18

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 6, Section 8

Hospital Reimbursement - TRICARE DRG-Based Payment System (Adjustments To Payment Amounts)

- Inpatient Rehabilitation Hospitals
- Psychiatric Hospitals
- Sole Community Hospitals (SCHs)
- Veterans Administration (VA) Hospitals

3.2.8.6.2 Contractors shall identify claims from those hospitals that are exempt from POA reporting, and shall take the actions necessary to be sure that the TRICARE grouper software does not apply HAC logic to the claim.

3.2.8.7 The DRG payment is considered payment in full, and the hospital cannot bill the beneficiary for any charges associated with the hospital-acquired complications or charges because the DRG was demoted to a lesser-severity level.

3.2.8.8 Effective October 1, 2009, claims will be denied if a non-exempt hospital does not report a valid POA indicator for each diagnosis on the claim.

3.2.8.9 Replacement Devices

3.2.8.9.1 TRICARE is not responsible for the full cost of a replaced device if a hospital receives a partial or full credit, either due to a recall or service during the warranty period. Reimbursement in cases in which an implanted device is replaced shall be made:

- At reduced or no cost to the hospital; or
- With partial or full credit for the removed device.

3.2.8.9.2 The following condition codes 49 and 50 allow TRICARE to identify and track claims billed for replacement devices:

- Condition Code 49. Product replacement within product lifecycle. Condition code 49 is used to describe replacement of a product earlier than the anticipated lifecycle due to an indication that the product is not functioning properly - warranty.
- Condition Code 50. Replacement of a product earlier than the anticipated lifecycle due to an indication that the product is not functioning properly. Condition code 50 is used to describe that the manufacturer or the U.S. Food and Drug Administration (FDA) has identified the product for recall and, therefore, replacement.

3.2.8.9.3 When a hospital receives a credit for a replaced device that is 50% or greater than the cost of the device, hospitals are required to bill the amount of the credit in the amount portion for value code **FD**.

3.2.8.9.4 Beginning with admissions on or after October 1, 2009, the contractor shall reduce hospital reimbursement for those DRGs subject to the replacement device policy, by the full or partial credit a provider received for a replaced device. The specific DRGs subject to the replacement device policy will be posted on TRICARE's DRG web page at <http://www.tricare.mil/>

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Hospital Reimbursement - TRICARE DRG-Based Payment System (Adjustments To Payment

[drgrates/](#). As necessary, the DRGs subject to the replacement device policy will be updated as part of the annual DRG update.

3.2.8.9.5 Hospitals must use the combination of condition code 49 or 50, along with value code **FD** to correctly bill for a replacement device that was provided with a credit or no cost. The condition code 49 or 50 will identify a replacement device while value code **FD** will communicate to TRICARE the amount of the credit, or cost reduction, received by the hospital for the replaced device.

3.2.8.9.6 The contractor shall deduct the partial/full credit amount, reported in the amount for value code **FD** from the final DRG reimbursement when the assigned DRG is one of the DRGs subject to the replacement device policy.

3.2.8.9.7 Once a DRG rate is determined, any full/partial credit amount is deducted from the DRG reimbursement rate. The beneficiary copayment/cost-share is then determined based on the reduced rate.

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