

## Catastrophic Loss Protection

Issue Date: March 21, 1988

Authority: Sections 1079(b)(5) and 1086(b)(4), Title 10, USC

Revision:

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### 1.0 DESCRIPTION

**1.1** The National Defense Authorization Act (NDAA) for Fiscal Years (FYs) 1988 and 1989 (Public Law 100-180) amended Title 10, United States Code (USC), and established catastrophic loss protection for TRICARE beneficiary families on a Government fiscal year basis. The law placed fiscal year limits or catastrophic caps on beneficiary liabilities for deductibles and cost-shares under the TRICARE Basic Program. The NDAA for FY 1993 (Public Law 102-484) amended Title 10, USC, and reduced the catastrophic cap for beneficiaries other than Active Duty Family Members (ADFM)s. The NDAA for FY 2001 also amended Title 10, USC, and further reduced the fiscal year catastrophic cap for beneficiaries other than ADFMs from \$7,500 to \$3,000.

**1.2** [32 CFR 199.18\(f\)](#), authorizes catastrophic loss protection for TRICARE Prime beneficiary families on a one-year enrollment period basis in addition to the protection on a fiscal year basis. The enrollment period shall coincide with the fiscal year (i.e., the beneficiary's initial enrollment data is May 1 with the enrollment expiration being October 1, all future enrollment periods will be October 1 to October 1).

### 2.0 POLICY

#### 2.1 TRICARE Standard and TRICARE Extra

##### 2.1.1 Catastrophic Cap For ADFMs

Under the TRICARE Extra and TRICARE Standard, the maximum family liability is \$1,000 for deductibles and cost-shares based on allowed charges for the services and supplies received in a fiscal year.

##### 2.1.2 Catastrophic Cap For All Other Beneficiaries

For dates of service on or after October 1, 2000, the fiscal year cap is \$3,000.

##### 2.1.3 Cap is Met

For beneficiaries not enrolled in TRICARE Prime, after the fiscal year catastrophic cap is met, the TRICARE determined allowable amount shall be paid in full for all covered services and supplies under TRICARE Standard and Extra for the remainder of the fiscal year.

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## 2.2 TRICARE Prime

Under TRICARE Prime, in addition to the catastrophic loss protection based on the fiscal year, Prime enrollees also have an enrollment year catastrophic cap.

**2.2.1** For TRICARE Prime enrollees who are ADFMs.

**2.2.1.1** Out-of-pocket expenses accrue toward the \$1,000 fiscal year catastrophic cap. The enrollment year catastrophic cap is eliminated.

**2.2.2** For TRICARE Prime enrollees who are other than active duty personnel or ADFMs (i.e., retirees, family members of retirees, survivors, etc.) out-of-pocket expenses accrue toward a \$3,000 per enrollment year catastrophic cap. Out-of-pocket expenses also accrue toward the \$3,000 fiscal year catastrophic cap.

**2.2.3** For TRICARE Prime enrollees that retire other than the first of the month, enrollment in TRICARE Prime shall be allowed with no break in coverage. The enrollment anniversary date shall be determined using the existing "20th day of the month" rule. Additional enrollment fees shall not be collected for days between the effective enrollment date and the determined enrollment anniversary date. Any out-of-pocket payments made by the enrollee between the actual enrollment date and the enrollment year start date (anniversary date) shall not be applied to the enrollment year catastrophic cap. Out-of-pocket expenditures shall be applied to the enrollment year and fiscal year catastrophic cap as of the enrollment anniversary date.

**2.2.4** Prime enrollees shall pay no more applicable out-of-pocket expenses for the rest of the fiscal year once the fiscal year catastrophic cap is met.

**2.2.5** Prime enrollees shall pay no more Prime copayments or enrollment fees for the rest of the enrollment year once the enrollment year catastrophic cap is met.

**2.2.6** The following expenses may be credited to a Prime beneficiary's fiscal year catastrophic cap:

- Enrollment fees,
- The outpatient and inpatient cost-shares and copayments.

**Note:** Deductibles and cost-shares imposed on services provided under the Point of Service (POS) option shall not be creditable to the enrollment/fiscal year catastrophic cap.

**2.3 Double Coverage**

For purposes of catastrophic loss protection, the full deductible and cost-share calculated according to the TRICARE provisions shall be credited toward meeting the applicable catastrophic cap (even when double coverage exists). See an illustration below for an inpatient retiree with other insurance who is not enrolled in TRICARE Prime:

Total Amount Billed	\$8,169.11
Total Amount Allowed	8,169.11
Cost-Share (25% of the Total Amount Allowed)	2,042.27
Paid By Beneficiary To Provider	0.00
Paid By Other Health Insurance (OHI)	7,119.11
Total TRICARE Payment	1,050.00
 AMOUNT TO BE CREDITED TOWARD CAP	 \$2,042.27

**Note:** Normal double coverage rules, as provided in [Chapter 4, Section 1](#), remain in effect after the cap has been reached. The beneficiary shall not have to pay a cost-share after the OHI has made payment.

**2.4 TRICARE Supplemental Plans**

TRICARE supplemental plans which provide coverage for deductibles, cost-shares, and sometimes for non-covered services, will be ignored. As with double coverage, the full deductible and cost-share shall be credited toward meeting the catastrophic cap.

**2.5 Multiple Family Situations**

Multiple family situations--e.g., sponsor and new spouse and children live together, and sponsor's children from previous marriage live elsewhere--shall be treated as one family. In other words, for a divorced and then remarried sponsor with two sets of family members, their deductibles and cost-shares shall be combined to meet the fiscal year catastrophic cap.

**Note:** When a family's sponsor changes, e.g., a spouse divorces a sponsor and marries another active duty person, then only the new sponsor's liabilities for deductible and cost-shares in a fiscal year shall count toward meeting the cap. In other words, this spouse cannot carry to the new family those credits accumulated toward the cap under the previous sponsor.

**2.6 Former Spouses**

Any TRICARE eligible former spouse will be treated as an "other than ADFM." For the purpose of determining the catastrophic cap, a former spouse will be treated as an independent family and must independently meet the catastrophic cap.

**2.7 Change of Sponsor Status**

A change in a sponsor's duty status will have the following effects on application of the

catastrophic cap.

## **2.7.1 Claims Subject To The TRICARE DRG-Based Payment System**

**2.7.1.1** When the status changes during a beneficiary's inpatient stay, the appropriate catastrophic cap shall apply to that stay according to the beneficiary's cost-sharing status for the stay. Effective for services provided after 12:00 p.m. (midnight) of the day of discharge from the hospital, the catastrophic cap shall be based on the sponsor's current status.

**2.7.1.2** When the status changes at any time other than during a beneficiary's inpatient stay, the appropriate catastrophic cap (according to the sponsor's current duty status) shall apply for TRICARE eligible families for the remaining fiscal year (or until the status changes again) effective for services provided after 12:00 p.m. (midnight) of the day the duty status changes.

**2.7.1.3** When the status changes, the full deductible and cost-shares credited toward meeting the previous family cap shall be credited toward the new cap as the sponsor's liabilities in the same fiscal year. However, in no case shall a change in a sponsor's status from retired to active duty result in an adjustment to previous claims, even if the aggregate cost-share has exceeded the active duty cap.

## **2.7.2 Claims Exempt From The TRICARE DRG-Based Payment System**

When a sponsor's duty status changes, the appropriate cap (according to the sponsor's current duty status) shall apply for TRICARE eligible families for the remaining fiscal year effective for services provided after 12:00 p.m. (midnight) of the day the duty status changes. The full deductible and cost-shares credited toward meeting the previous family cap shall be credited toward the new cap as the sponsor's liabilities in the same fiscal year.

## **2.8 Inpatient Care Spanning Two Fiscal Years**

When the dates of inpatient care span different fiscal years, it is absolutely necessary that the catastrophic cap application be as accurate as possible. If for a claim the ending date of care is in a different fiscal year from the beginning date of care, the beneficiary cost-share amount shall be allocated between the two fiscal years based on the dates of care. For the purpose of the catastrophic cap application only, the following provisions are applicable:

### **2.8.1 Cost-Share When Fixed Daily Amount Is Known**

When the beneficiary cost-share is based on a fixed daily amount (or when such amount can accurately be calculated), the actual daily cost-share amount shall be allocated between the two fiscal years according to the days of care received in each fiscal year.

**Example:** DRG claim involving per diem cost-share amounts. Retiree admitted on September 26, 2005 [FY 2005] and discharged on October 3, 2005 [FY 2006]:

We know that effective October 1, 2005, the cost-share per diem for other than active duty dependents went up from \$512 to \$535. We also know that no per diem cost-share amount shall be required for the day of discharge.

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<b>Step 1:</b>	CALCULATE FY 2005 CATASTROPHIC CAP CREDIT	
	FY 2005 care (from 09/26 through 09/30/2005)	= 5 days
	FY 2005 cost-share per diem	= \$512/day
	FY 2005 catastrophic cap credit	= \$2,560.00
	[5 days X 512/day = \$2,560.00]	
<b>Step 2:</b>	CALCULATE FY 2006 CATASTROPHIC CAP CREDIT	
	FY 2006 care (from 10/01 through 10/03/2005)	= 2 days
	[excludes day of discharge]	
	FY 2006 cost-share per diem	= \$535/day
	FY 2006 catastrophic cap cost-share credit	= \$1,070.00
	[2 days X 535/day = \$1,070.00]	

**2.8.2 Cost-Share When Fixed Daily Amount Is NOT Known**

When a fixed (or actual) daily amount of cost-share is not known or cannot be accurately determined, the daily cost-share amount shall be calculated by proration, that is, by dividing the claim's cost-share amount by the number of days of care (not counting the day of discharge) and the resulting daily amount shall be allocated between the two fiscal years according to the days of care received in each fiscal year.

**Example:** Hospital claim involving a cost-share amount that is 25% of the TRICARE-determined allowable charge. Retiree admitted on September 29, 2005 [FY 2005] and discharged on October 8, 2005 [FY 2006] with a TRICARE-determined allowable charge of \$10,000.00:

<b>Step 1:</b>	CALCULATE TOTAL COST-SHARE AMOUNT	
	25% of \$10,000.00 allowable charge	= \$2,500.00
<b>Step 2:</b>	CALCULATE TOTAL DAYS OF CARE	
	Care (from 09/29 through 10/08/2005)	= 9 days
	[excludes day of discharge]	
<b>Step 3:</b>	CALCULATE DAILY COST-SHARE AMOUNT	
	\$2,500.00 cost-share amount	\$277.78/day
	÷ 9 days of care	
<b>Step 4:</b>	CALCULATE FY 2005 CATASTROPHIC CAP CREDIT	
	FY 2005 care (from 09/29 through 09/30/2005)	= 2 days
	FY 2005 catastrophic cap cost-share credit	= \$555.56
	[2 days X 277.78/day = \$555.56]	

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<b>Step 5:</b>	CALCULATE FY 2006 CATASTROPHIC CAP CREDIT	
	FY 2006 care (from 10/01 through 10/08/2005) [excludes day of discharge]	= 7 days
	FY 2006 catastrophic cap cost-share credit [7 days X 277.78/day = \$1,944.46]	= \$1,944.46

**3.0 EXCEPTIONS**

**3.1** No catastrophic loss protection is available for the NATO family members.

**3.2** The Extended Care Health Option (ECHO) sponsor/beneficiary liabilities shall not accrue toward meeting the catastrophic cap.

**3.3** Beneficiary costs for non-covered services or any beneficiary payments above the TRICARE determined allowable charge, shall not count toward meeting the catastrophic cap.

**3.4** For TRICARE Prime enrollees, POS deductible and cost-share amounts do not have a catastrophic cap.

**4.0 EFFECTIVE DATES**

**4.1** The fiscal year catastrophic cap is \$7,500 for beneficiaries other than ADFMs effective fiscal year 1993. Effective October 1, 2000 [FY 2001], the fiscal year catastrophic cap is \$3,000 for beneficiaries other than ADFMs.

**4.2** The enrollment year catastrophic cap is \$3,000 for beneficiaries other than ADFMs who are enrolled in TRICARE Prime effective November 1, 1995. It will apply to out-of-pocket expenses incurred on and after November 1, 1995.

**4.3** Effective October 1, 1996, enrollment fees accrue toward the fiscal year catastrophic cap under TRICARE Prime.

**4.4** Effective October 1, 1996, the calculation for the enrollment period catastrophic cap for ADFMs enrolled in TRICARE Prime is eliminated.

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