

## CATASTROPHIC LOSS PROTECTION

ISSUE DATE: March 21, 1988

AUTHORITY: Sections 1079(b)(5) and 1086(b)(4), Title 10, U.S.C.

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### I. DESCRIPTION

The National Defense Authorization Act for Fiscal Years 1988 and 1989 (P.L. 100-180) amended title 10, United States Code, 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/CHAMPUS Basic Program. The Defense Authorization Act for fiscal year 1993 (P.L. 102-484) amended Title 10, United States Code, and reduced the catastrophic cap for beneficiaries other than active duty family members. The Defense Authorization Act for fiscal year 2001 also amended Title 10, United States Code, and further reduced the fiscal year catastrophic cap for beneficiaries other than active duty family members from \$7,500 to \$3,000.

[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.

### II. POLICY

#### A. TRICARE Standard and TRICARE Extra.

1. **Catastrophic Cap For Family Members of Active Duty Members.** 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. **Catastrophic Cap For All Other Beneficiaries.** For dates of service prior to October 1, 2000, under TRICARE Standard and Extra, the fiscal year cap is \$7,500. For dates of service on or after October 1, 2000, the fiscal year cap is \$3,000.

NOTE: Contractors shall search their files to identify those beneficiaries who have met the reduced \$3,000 catastrophic cap for fiscal year 01. Claims shall be adjusted and refunds shall be paid as appropriate.

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.

B. 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. Each enrollment year begins on the Prime enrollment anniversary date.

1. For TRICARE Prime enrollees who are active duty family members.

a. For dates of service prior to October 1, 1996, out-of-pocket expenses accrue toward a \$1,000 enrollment year catastrophic cap as well as toward a \$1,000 fiscal year catastrophic cap.

b. For dates of service on or after October 1, 1996, out-of-pocket expenses accrue only toward the \$1,000 fiscal year catastrophic cap. Calculation for the enrollment year catastrophic cap is eliminated.

2. For TRICARE Prime enrollees who are other than active duty personnel or active duty family members (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.

3. For TRICARE Prime enrollees that retire other than the first of the month, enrollment in TRICARE Prime will 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) will not be applied to the enrollment year catastrophic cap. Out of pocket expenditures will be applied to the enrollment year and fiscal year catastrophic cap as of the enrollment anniversary date.

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

5. Prime enrollees will pay no more Prime copayments or enrollment fees for the rest of the enrollment year once the enrollment year catastrophic cap is met. All family members must reside and be enrolled in the same contract area in order for the contractor to track and calculate enrollment year catastrophic cap accumulations for the entire family for enrollment periods for which the data is not residing on DEERS.

a. Families with some members enrolled in one area and other members enrolled in another area (split enrollment) are responsible for tracking enrollment year catastrophic cap accumulations for all family members for enrollment periods for which the data is not residing on DEERS.

b. If family accumulations meet or exceed the enrollment year catastrophic cap, a family member or other person must notify one of the involved contractors that the cap has

been met in order for contractors to pay the appropriate charges for the rest of the enrollment year, and to refund excess payments (enrollment fees and/or cost-shares or copayments).

6. Only the following expenses may be credited to a Prime beneficiary's enrollment year catastrophic cap:

a. Enrollment fees, and

b. The outpatient and inpatient cost-shares and copayments defined in [Chapter 2, Section 1](#).

NOTE: Deductibles and cost shares imposed on services provided under the Point of Service option are not creditable to the enrollment year catastrophic cap.

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

a. For dates of service prior to October 1, 1996:

(1) Deductibles (including those assessed to Point of Service claims), and

(2) Copayments and cost-shares (including those assessed to Point of Service claims).

NOTE: Point of Service claims do not have a catastrophic cap even though Point of Service deductible and cost-share amounts are applied to the fiscal year catastrophic cap. All care paid under the Point of Service option must be cost-shared at 50% of the allowable charge (after meeting the Point of Service deductible), even if the enrollment and fiscal year catastrophic caps are met.

b. For dates of service on or after October 1, 1996:

(1) All expenses listed in [paragraph II.B.7.a.](#), above, and

(2) Enrollment fees.

C. Double Coverage. For purposes of catastrophic loss protection, the full deductible and cost-share calculated according to the TRICARE provisions will 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 Insurance	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 will not have to pay a cost-share after the other health insurance has made payment.

D. TRICARE Supplemental Plans. The so-called 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 will be credited toward meeting the catastrophic cap.

E. 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--will 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 will 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 will 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.

F. Former Spouses. Any TRICARE eligible former spouse will be treated as an "other than active duty family member." 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.

G. Change of Sponsor Status. A change in a sponsor's duty status will have the following effects on application of the catastrophic cap.

1. Claims subject to the TRICARE DRG-Based Payment System.

a. When the status changes during a beneficiary's inpatient stay, the appropriate catastrophic cap will 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 will be based on the sponsor's current status.

b. 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) will 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.

c. When the status changes, the full deductible and cost-shares credited toward meeting the previous family cap will be credited toward the new cap as the sponsor's liabilities in the same fiscal year. However, in no case will 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 had exceeded the active duty cap.

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) will 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 will be credited toward the new cap as the sponsor's liabilities in the same fiscal year.

H. **Beneficiary Responsibility.** In order to get credit toward the family fiscal year catastrophic cap for deductible and cost-shares for services received in another contractor's jurisdiction, the beneficiary will be responsible to submit appropriate documentation (such as an Explanation of Benefits) with the claim to the contractor for enrollment periods for which the data is not residing on DEERS. The contractor will verify the catastrophic cap credit balance with the other contractor if requested by the beneficiary in writing.

I. **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 must 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:

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 will be allocated between the two fiscal years according to the days of care received in each fiscal year (FY).

EXAMPLE: DRG claim involving per diem cost-share amounts. Retiree admitted on September 25, 1988 [FY88] and discharged on October 3, 1988 [FY89]:

We know that effective October 1, 1988, the cost-share per diem for other than active duty dependents went up from \$175 to \$210. We also know that no per diem cost-share amount is required for the day of discharge.

STEP 1: CALCULATE FY88 CATASTROPHIC CAP CREDIT  
FY88 care (from 09/25 through 09/30/1988) = 6 days  
FY88 cost-share per diem = \$175/day  
FY88 catastrophic cap credit = \$1,050.00  
[6 days X 175/day = \$1,050.00]

STEP 2: CALCULATE FY89 CATASTROPHIC CAP CREDIT  
FY89 care (from 10/01 through 10/03/1988) = 2 days  
[excludes day of discharge]  
FY89 cost-share per diem = \$210/day  
FY89 catastrophic cap cost-share credit = \$420.00  
[2 days X 210/day = \$420.00]

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 will 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 will 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/CHAMPUS-determined allowable charge. Retiree admitted on September 29, 1988 [FY88] and discharged on October 8, 1988 [FY89] with a TRICARE/CHAMPUS-determined allowable charge of \$4,000.00:	
STEP 1:	CALCULATE TOTAL COST-SHARE AMOUNT 25% of \$4,000.00 allowable charge	= \$1,000.00
STEP 2:	CALCULATE TOTAL DAYS OF CARE Care (from 09/29 through 10/08/1988) [excludes day of discharge]	= 9 days
STEP 3:	CALCULATE DAILY COST-SHARE AMOUNT \$1,000.00 cost-share amount 9 days of care	\$111.11/day
STEP 4:	CALCULATE FY88 CATASTROPHIC CAP CREDIT FY88 care (from 09/29 through 09/30/1988) FY88 catastrophic cap cost-share credit [2 days X 111.11/day = \$222.22]	= 2 days = \$222.22
STEP 5:	CALCULATE FY89 CATASTROPHIC CAP CREDIT FY89 care (from 10/01 through 10/08/1988) [excludes day of discharge] FY89 catastrophic cap cost-share credit [7 days X 111.11/day = \$777.77]	= 7 days = \$777.77

### III. EXCEPTIONS

- A. No catastrophic loss protection is available for the NATO family members.
- B. The Program for Persons with Disabilities (formerly known as Program for the Handicapped) beneficiary liabilities cannot count toward meeting the catastrophic cap.
- C. Beneficiary costs for non-covered services or any beneficiary payments above the TRICARE determined allowable charge, shall not count toward meeting the catastrophic cap.
- D. For TRICARE Prime enrollees, Point of Service deductible and cost-share amounts do not have a catastrophic cap.

### IV. EFFECTIVE DATES

- A. The fiscal year catastrophic cap is \$7,500 for beneficiaries other than Active Duty Family Members effective fiscal year 1993. Effective October 1, 2000 [FY01], the fiscal year catastrophic cap is \$3,000 for beneficiaries other than Active Duty Family Members.
- B. The enrollment year catastrophic cap is \$3,000 for beneficiaries other than Active Duty Family Members 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.

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

D. Effective October 1, 1996, the calculation for the enrollment period catastrophic cap for active duty family members enrolled in TRICARE Prime is eliminated.

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