

HOSPITAL REIMBURSEMENT - TRICARE/CHAMPUS DRG-BASED PAYMENT SYSTEM (GENERAL)

ISSUE DATE: October 8, 1987

AUTHORITY: [32 CFR 199.14\(a\)\(1\)](#)

I. APPLICABILITY

This policy is mandatory for reimbursement of services provided by either network or non-network providers. However, alternative network reimbursement methodologies are permitted when approved by TMA and specifically included in the network provider agreement.

II. ISSUE

How is the TRICARE/CHAMPUS DRG-based payment system to be used in determining reimbursement for hospitals under TRICARE/CHAMPUS?

III. POLICY

A. Statutory Background

1. Department of Defense Authorization Act, 1984. The Department of Defense Authorization Act, 1984, amended Title 10, Section 1079(j)(2)(A) and provided TRICARE/CHAMPUS with the statutory authority to reimburse institutional providers based on diagnosis-related groups (DRGs). Specifically, it provides that payments "shall be determined to the extent practicable in accordance with the same reimbursement rules as apply to payments to providers of services of the same type under Title XVIII of the Social Security Act".

2. Consolidated Omnibus Budget Reconciliation Act, 1986. On April 7, 1986, the President signed the Consolidated Omnibus Budget Reconciliation Act which contained a provision requiring hospitals which participate in Medicare also to participate in TRICARE/CHAMPUS for inpatient services. Because of questions regarding the effect of this provision, it was amended by P.L. 99-514, Section 1895(B)(6), which was signed by the President on October 22, 1986. This amendment requires all providers participating in Medicare also to participate in TRICARE/CHAMPUS for inpatient hospital services provided pursuant to admissions to hospitals occurring on or after January 1, 1987.

IV. EFFECTIVE DATE

Implementation of the TRICARE/CHAMPUS DRG-based payment system was effective

for admissions occurring on or after October 1, 1987. Unless specified differently in sections of this instruction, this is to be considered the effective date for the TRICARE/CHAMPUS DRG-based payment system.

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