

CHAPTER 13
SECTION 6.3

HOSPITAL REIMBURSEMENT - OTHER THAN BILLED CHARGES

Issue Date: August 26, 1985

Authority: [32 CFR 199.14\(a\)](#)

I. ISSUE

What methods other than the TRICARE/CHAMPUS DRG-based payment system, the TRICARE/CHAMPUS inpatient mental health per diem payment system, and billed charges may be used to determine hospital reimbursement under TRICARE/CHAMPUS?

II. POLICY

A. Agreements.

1. When discount agreements are available to the contractor, the contractor shall obtain such discounts for TRICARE/CHAMPUS reimbursement. Moreover, the contractor shall determine if any state in its jurisdiction has enacted legislation which implements a rate setting system which can be applied to TRICARE/CHAMPUS. If so, the contractor shall utilize the rates. The contractor shall maintain documentation of its actions with regard to each state which shows how any discounts or state-set rates are used or the reasons they cannot be used.

2. Contractors may negotiate agreements with providers to extend the Medicare cost reimbursement methodology, including appropriate modifications, to cover reimbursement of TRICARE/CHAMPUS-covered services. Once the contractor has established a feasible plan for implementing such individually negotiated provider agreements, the proposal must be submitted to the TMA Contracting Officer for review and approval before the contractor proceeds with implementation. The proposal must demonstrate lower benefit costs than available through the contractor's currently approved method of reimbursement.

3. Contractors may negotiate individual or collective agreements with providers to establish a prospective reimbursement method that demonstrates savings in TRICARE/CHAMPUS benefit dollars through implementation of improved cost controls. Once the contractor has established a feasible plan for implementing the negotiated provider agreements, the proposal must be submitted to the TMA Contracting Officer for review and approval before the contractor proceeds with implementation. The proposal must demonstrate lower benefit costs than available through the contractor's currently approved method of reimbursement.

4. The TRICARE/CHAMPUS DRG-based payment system and the TRICARE/CHAMPUS inpatient mental health per diem payment system are required for those hospitals which are subject to them. Therefore, none of the above agreements or procedures can be used for any hospital subject to the DRG or per diem payment system.

III. EXCEPTION

When the hospital participates in a special program approved by TMA (e.g., Health Care Finder and Participating Provider Program), the DRG-based amount or the mental health per diem amount shall be further reduced by the negotiated (discount) rate.

- END -