

CATASTROPHIC LOSS PROTECTION

Issue Date: March 21, 1988

Authority: Sections 1079(b)(5) and 1086(b)(4), Title 10, United States Code

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.

[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. Catastrophic Cap For Family Members of Active Duty Members.

1. Under the TRICARE Extra and TRICARE Standard programs, 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. Under the TRICARE Prime Program, in addition to the catastrophic loss protection based on the fiscal year, Prime enrollees also have an enrollment year catastrophic cap:

a. For services received before October 1, 1996, total out-of-pocket TRICARE Prime Program costs, excluding costs involved in Point of Service claims, may not exceed \$1,000 per one-year enrollment period. The one-year enrollment period, or enrollment year, begins on the enrollment anniversary date;

b. For services received on or after October 1, 1996, the \$1,000 catastrophic cap calculation is based on the fiscal year only. The "enrollment year" calculation is discontinued effective October 1, 1996.

B. Catastrophic Cap For All Other Beneficiaries.

1. Under the TRICARE **Basic** program, the fiscal year cap is \$7,500.

2. For beneficiaries enrolled in TRICARE Prime, out-of-pocket expenses accrue toward an enrollment year catastrophic cap of \$3,000 as well as toward the \$7,500 fiscal year catastrophic cap.

NOTE: For additional information regarding TRICARE and catastrophic caps, including which expenses may be applied to the fiscal year cap and which to the enrollment year cap, see Chapter 12, Section 2.2 and Chapter 12, Section 10.1.

C. 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 programs for the remainder of the fiscal year. For TRICARE Prime beneficiaries refer to Chapter 12, Section 2.2, for more information.

III. POLICY CONSIDERATIONS

A. Double Coverage. For purposes of catastrophic loss protection, the full deductible and cost-share calculated according to the TRICARE/CHAMPUS 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 | \$8169.11 |
| Total Amount Allowed | 8169.11 |
| Cost-Share (25% of the Total Amount Allowed) | 2042.27 |
| Paid By Beneficiary To Provider | 0.00 |
| Paid By Other Insurance | 7119.11 |
| Total TRICARE/CHAMPUS Payment | 1050.00 |
| AMOUNT TO BE CREDITED TOWARD CAP | 2042.27 |

NOTE: Normal double coverage rules, as provided in Chapter 13, Section 12.1, 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.

B. TRICARE/CHAMPUS Supplemental Plans. The so-called TRICARE/CHAMPUS 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.

C. 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.

D. Former Spouses. Any TRICARE/CHAMPUS 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.

E. 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/CHAMPUS 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 (see [Chapter 13, Section 6.1B](#)). 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/CHAMPUS 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/CHAMPUS 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/CHAMPUS 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.

F. 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. The contractor will verify the catastrophic cap credit balance with the other contractor if requested by the beneficiary in writing. See the [OPM Part Two, Chapter 1, Section VI.C.5](#).

G. 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 ([Chapter 13, Section 11.2](#)). 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 ([Chapter 13, Section 11.2](#)).

Step 1: CALCULATE FY 88 CATASTROPHIC CAP CREDIT
FY88 care (from 9/25 through 9/30/88) = 6 days
FY88 cost-share per diem = \$175/day
FY88 catastrophic cap credit = \$1050.00
[6 days X 175/day = \$1050.00]

Step 2: CALCULATE FY 89 CATASTROPHIC CAP CREDIT
FY89 care (from 10/1 through 10/3/88) = 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 ([Chapter 13, Section 11.1](#)). 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 \$4000.00 allowable charge = \$1000.00

| | | |
|---------|---|------------------------|
| Step 2: | CALCULATE TOTAL DAYS OF CARE Care (from 9/29 through 10/8/88) [excludes day of discharge] | = 9 days |
| Step 3: | CALCULATE DAILY COST-SHARE AMOUNT \$1000.00 cost-share amount 9 days of care | \$111.11/day |
| Step 4: | CALCULATE FY88 CATASTROPHIC CAP CREDIT FY88 care (from 9/29 through 9/30/88) 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 10/1 through 10/8/88) [excludes day of discharge] FY89 catastrophic cap cost-share credit [7 days X 111.11/day = \$777.77] | = 7 days = \$777.77 |

IV. 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. For readjustment purposes refer to [Chapter 13, Section 21.2](#).

C. Beneficiary costs for non-covered services or any beneficiary payments above the TRICARE/CHAMPUS determined allowable charge (see [Chapter 13, Section 1.1](#)), 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 (see [Chapter 12, Section 10.1](#)).

V. EFFECTIVE DATE

A. The catastrophic cap of \$10,000 is effective for services and supplies received for the periods fiscal year 1988 through fiscal year 1992.

B. The catastrophic cap reduction to \$7,500 for beneficiaries other than Active Duty Family Members is effective for fiscal year 1993.

C. The catastrophic cap reduction to \$3,000 for beneficiaries other than Active Duty Family Members who are enrolled in TRICARE Prime is effective November 1, 1995.

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