

**CHAPTER 20**  
**SECTION 9**

**TRICARE DEMONSTRATION PROJECT FOR THE STATE OF ALASKA - CRITICAL ACCESS HOSPITAL (CAH) PAYMENT RATES**

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**1.0. PURPOSE**

*Under this demonstration project, TRICARE will reimburse Critical Access Hospitals (CAH) in the state of Alaska in a similar manner as they are reimbursed under Medicare. This demonstration project will test adopting a Medicare-like CAH reimbursement methodology prior to nationwide implementation, in those states that have established State Flex Programs. It will also test CAH provider participation in TRICARE, beneficiary access to care, cost of health care services, military medical readiness, morale and welfare. This demonstration will be conducted under statutory authority provided in 10 U.S.C. 1092.*

**2.0. BACKGROUND**

**2.1.** *Hospitals are authorized TRICARE institutional providers under 10 U.S.C. 1079(j)(2) and (4). Under 10 U.S.C. 1079(j)(2), the amount to be paid to hospitals, Skilled Nursing Facilities (SNFs), and other institutional providers under TRICARE, "shall be determined under joint regulations... which provide that the amount of such 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 [Medicare]". Under 32 CFR 199.14(a)(1)(ii)(D)(1) through (9) it specifically lists those hospitals that are exempt from the Diagnosis Related Groups (DRG)-based payment system. CAHs are not listed as excluded, thereby making them subject to the DRG-based payment system. CAHs are not listed as exempt, because at the time this regulatory provision was written, CAHs were not a recognized entity.*

**2.2.** *Legislation enacted as part of the Balanced Budget Act (BBA) of 1997 authorized states to establish State Medicare Rural Hospital Flexibility Programs, under which certain facilities participating in Medicare could become CAHs. CAHs represent a separate provider type with their own Medicare conditions of participation as well as a separate payment method. Since that time, a number of hospitals, acute care and general, as well as Sole Community Hospitals (SCHs), have taken the necessary steps to be designated as CAHs. Since the statutory authority requires TRICARE to apply the same reimbursement rules as apply to payments to providers of services of the same type under Medicare to the extent practicable, TRICARE must proceed with publication of a proposed and final rule to exempt CAHs from the DRG-based payment system and adopt a method similar to Medicare principles for these hospitals when it becomes practicable to implement. The purpose of the demonstration is to test implementation immediately for CAHs in the state of Alaska.*

**3.0. POLICY**

**3.1.** *Otherwise covered services and supplies provided by CAHs in the state of Alaska shall be reimbursed for inpatient and outpatient facility services at the lesser of the billed charge or on the basis*

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*of 101% of their allowable and reasonable costs. That is, an overall inpatient Cost-To-Charge Ratio (CCR) and overall outpatient CCR, obtained from data on the hospital's most recent Medicare cost report will be multiplied by the billed charge; the resulting amount will be increased by 1%. This amount shall be compared to the billed charge and the lesser of the two shall be paid to the provider.*

**3.2.** *The following inpatient CCRs shall be effective for inpatient admission on or after July 1, 2007. The outpatient CCRs shall be effective for outpatient facility services with dates of service on or after July 1, 2007.*

**FIGURE 20-9-1 CRITICAL ACCESS HOSPITALS (CAH) IN ALASKA AND THEIR CCRs**

<b>NAME</b>	<b>INPATIENT CCR</b>	<b>OUTPATIENT CCR</b>
<i>Valdez Regional Health Authority (VRHA)</i>	<i>2.1029</i>	<i>1.3978</i>
<i>Providence Seward Medical &amp; Care Center (PSMCC)</i>	<i>0.6799</i>	<i>0.7674</i>
<i>Sitka Community Hospital (SCH)</i>	<i>1.0100</i>	<i>0.8098</i>
<i>Petersburg Medical Center (PMC)</i>	<i>0.9762</i>	<i>0.8901</i>
<i>Wrangell Medical Center (WMC)</i>	<i>0.9445</i>	<i>0.7574</i>
<i>Providence Kodiak Island Medical Center (PKIMC)</i>	<i>0.6992</i>	<i>0.6079</i>
<i>Cordova Community Medical Center (CCMC)</i>	<i>1.0544</i>	<i>1.3456</i>
<i>Norton Sound Health Corporation (NSHC)</i>	<i>1.0438</i>	<i>1.1183</i>

**3.3.** *The TRICARE Management Activity (TMA) shall provide a list of CAHs in the state of Alaska to the MCSC and the inpatient and outpatient CCRs to be used for this demonstration. The CCRs shall be updated on an annual basis using the most recent CCRs for each hospital. TMA shall provide the updated inpatient and outpatient CCRs to the contractor and the updated inpatient and outpatient CCRs shall be effective as of July 1 of each respective year, with the first update occurring effective July 1, 2008.*

**3.4.** *Payment for TRICARE covered outpatient services provided by physicians and other non-institutional individual professional providers in the state of Alaska shall be reimbursed in accordance with the Federal Register (FR) notice published on November 20, 2006 (71 FR 67112-67113). That is, TRICARE will adopt a rate that is 1.35 times the current TRICARE allowable rate. These rates are included in the CHAMPUS Maximum Allowable Charge (CMAC) file that is provided to each of the Managed Care Support Contractors (MCSCs).*

**3.5.** *The TRICARE cost-shares, copayments, and deductibles applicable to hospitals shall also apply to the services provided by CAHs under this demonstration.*

**3.6.** *The CAH portion of the state of Alaska demonstration excludes those Indian Health Service (IHS) facilities that are also CAHs. IHS facilities will continue to be reimbursed the DRG or the negotiated rate for inpatient care, the lower of the billed charge or negotiated rate for outpatient facility care, and the CMAC rates for Alaska for care rendered by individual professional providers.*

**4.0. MCSC RESPONSIBILITY**

*The MCSC for the state of Alaska shall price and process inpatient and outpatient facility claims under this demonstration using the reimbursement methods described in the above Policy.*

**4.1. Out-Of-Jurisdiction Claims**

**4.1.1.** *In the event the MCSC for the state of Alaska receives an out-of-jurisdiction claim, the MCSC shall price the claim using the methods described in the above Policy. Once the claim has been priced, the claim shall be forwarded to the appropriate contractor based on the jurisdiction provisions found in Chapter 8, Section 2.*

**4.1.2.** *In the event that a north or south MCSC or other TRICARE contractor receives a claim from one of the CAHs under this demonstration, the claim shall be sent to the MCSC for the state of Alaska to be priced using the provision of this demonstration. Once the claim has been priced by the state of Alaska MCSC, the claim shall be forwarded to the appropriate contractor based on the jurisdiction provisions found in Chapter 8, Section 2.*

**4.2. Mailing Address**

*In the event that the North or South MCSC, or other TRICARE contractor, receives a claim from one of the CAHs under this demonstration, the claim shall be sent to the MCSC for the state of Alaska to be priced using the provisions of this demonstration. The claim shall be sent to:*

*TriWest Healthcare Alliance  
P.O. Box 42049  
Phoenix, AZ 85080-2049  
Attn: Alaska Claims*

*Once the claim has been priced by state of Alaska MCSC, the claim shall be forwarded for payment to the appropriate contractor based on the jurisdiction provisions found in Chapter 8, Section 2.*

**5.0. EFFECTIVE DATE**

**5.1.** *The portion of the state of Alaska demonstration that provides for 1.35 times the current TRICARE allowable rate took effect on February 1, 2007.*

**5.2.** *The enhanced portion of the state of Alaska demonstration that provides for 101% of reasonable costs for inpatient and outpatient facility reimbursement to CAHs shall be effective for inpatient admissions on and after July 1, 2007, and for outpatient facility services with dates of service on or after July 1, 2007.*

