

Chapter 6

Section 1

Hospital Reimbursement - TRICARE Diagnosis Related Group (DRG)-Based Payment System (General)

Issue Date: October 8, 1987

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

Revision:

1.0 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 the Defense Health Agency (DHA) and specifically included in the network provider agreement.

2.0 ISSUE

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

3.0 POLICY

Statutory Background:

3.1 Department of Defense (DoD) Authorization Act, 1984. The DoD Authorization Act, 1984, amended Title 10, Section 1079(j)(2)(A) and provided TRICARE with the statutory authority to reimburse institutional providers based on 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”.

3.2 Consolidated Omnibus Budget Reconciliation Act (COBRA), 1986. On April 7, 1986, the President signed the COBRA which contained a provision requiring hospitals which participate in Medicare also to participate in TRICARE for inpatient services. Because of questions regarding the effect of this provision, it was amended by (Public Law 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 for inpatient hospital services provided pursuant to admissions to hospitals occurring on or after January 1, 1987.

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4.0 EFFECTIVE DATES

4.1 Implementation of the TRICARE 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 DRG-based payment system.

4.2 Implementation of the TRICARE/CHAMPUS DRG-based payment system modeled on the Medicare Severity DRG shall occur for admissions on or after October 1, 2008.

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