

## Catastrophic Loss Protection For TRICARE Services Received On Or After January 1, 2018

Issue Date: October 20, 2017

Authority: [32 CFR 199.4](#), [32 CFR 199.5](#), and [32 CFR 199.17](#)

Revision: C-40, August 30, 2019

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### 1.0 BACKGROUND

**1.1** National Defense Authorization Act for Fiscal Year 2017 (NDAA FY 2017), Section 701, made significant changes to the TRICARE Program, especially to TRICARE Prime; TRICARE Extra, which is replaced by TRICARE Select; and to the third option, TRICARE Standard, which was terminated as of December 31, 2017, and is also replaced by TRICARE Select. TRICARE Select is a self-managed, Preferred Provider Option (PPO) under the TRICARE Program, and replaces the TRICARE Extra and Standard programs and adopts a number of improvements, including fixed copayments rather than percentage copays for covered benefits provided by a civilian network provider. It also features freedom of choice of providers, with reduced beneficiary out-of-pocket costs for covered care received from a civilian network provider. The NDAA also included the continuation of TRICARE Prime as a managed care, Health Maintenance Organization (HMO)-like option under the TRICARE Program. TRICARE Prime adopts a number of changes to conform to specifications in the new law, including categories of health care services applicable to the determination of catastrophic loss protection. Other features of the NDAA include preservation of benefits for Active Duty Family Members (ADFM)s and TRICARE For Life (TFL) beneficiaries and conforming changes to generally incorporate TRICARE Select into the TRICARE Young Adult (TYA), TRICARE Reserve Select (TRS), TRICARE Retired Reserve (TRR), and Continued Health Care Benefits Program (CHCBP).

**1.2** With respect to beneficiary catastrophic loss protection, the NDAA FY 2017 established the catastrophic caps for each identified beneficiary group, specified certain annual updates, and converted the coverage from a fiscal year to a calendar year basis. The law also introduced a new split of beneficiaries into two groups: one group (Group A or grandfathered beneficiaries) consists of sponsors and their family members who first became affiliated with the military through enlistment or appointment before January 1, 2018, and the second group (Group B or non-grandfathered beneficiaries) who first became affiliated on or after that date.

**1.3** With respect to beneficiary catastrophic loss protection, the NDAA FY 2017 preserved the benefits for TFL beneficiaries. TFL means the Medicare wraparound coverage option of the TRICARE program made available to the beneficiary by reason of 10 United States Code (USC) section 1086(d).

**1.4** Fees under the Extended Care Health Option (ECHO) are defined in [32 CFR 199.5](#).

**1.5** Fees under the TRICARE Pharmacy Benefit Program are defined in [32 CFR 199.21](#).

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**1.6** Cost-shares are updated each calendar year in accordance with [32 CFR 199.17](#), and are available at <http://www.health.mil/rates>.

## **2.0 POLICY**

### **2.1 TRICARE Prime And TRICARE Select**

**2.1.1** Catastrophic cap for ADFMs under TRICARE Prime and TRICARE Select, the calendar year cap is:

**2.1.1.1** Group A: \$1,000.

**2.1.1.2** Group B: \$1,000 for calendar year (CY) 2018, adjusted annually thereafter indexed to the amount of increase under 10 USC section 1401a.

**2.1.2** Catastrophic cap for all other beneficiaries under:

**2.1.2.1** TRICARE Prime:

**2.1.2.1.1** Group A retirees have a calendar year cap of \$3,000.

**2.1.2.1.2** Group B retirees have an annual cap of \$3,500 in calendar year 2018, adjusted annually thereafter indexed to the amount of increase under 10 USC section 1401a.

**2.1.2.2** TRICARE Select:

**2.1.2.2.1** Group A retirees have an annual cap of \$3,000 for CYs 2018 through 2020; except for certain beneficiaries described in [paragraph 2.1.2.2.2](#), in CY 2021 the cap is \$3,500, adjusted annually thereafter indexed to the amount of increase under 10 USC section 1401a.

**2.1.2.2.2** Group A retirees consisting of survivors of active duty deceased sponsors or medically retired Uniformed Services members and their dependents have a calendar year cap of \$3,000.

**2.1.2.2.3** Group B retirees have an annual cap of \$3,500 for CY 2018; adjusted annually thereafter indexed to the amount of increase under 10 USC section 1401a.

**2.2** TFL. Under the catastrophic cap for TFL beneficiaries, an individual or family group of two or more beneficiaries may not be required to pay a total of more than \$3,000 for health care received during any calendar year. See [Chapter 4, Section 4](#) for information regarding specific double coverage actions involving Medicare for TFL beneficiaries.

**Note:** ADFMs with Medicare (not TFL) shall be subject to the catastrophic cap limitations in [paragraph 2.1.2](#).

### **2.3 TYA, TRR, TRS, and CHCBP**

Enrollees in these plans have Group B catastrophic cap limitations shown under [paragraph 2.1](#) based on the coverage (TRICARE Prime or TRICARE Select) the plan provides.

### 3.0 CAP IS MET

**3.1** For TRICARE Prime, TRICARE Select, and TFL beneficiaries, after the applicable calendar year catastrophic cap is met, **TRICARE Prime or TRICARE Select enrollment fees will no longer be collected, and a fee waiver is then applied for TRICARE Prime or TRICARE Select enrollment fees for the remainder of the calendar year. At that point,** the TRICARE determined allowable amount shall be paid in full for all covered services and supplies for the remainder of the calendar year.

**3.2** For TYA, TRR, TRS, and CHCBP enrollees, after the Group B calendar year catastrophic cap is met, the TRICARE determined allowable amount shall be paid in full for all covered services and supplies for the remainder of the calendar year.

**4.0** The following expenses may be credited to a TRICARE Prime, TRICARE Select, or TFL sponsor's calendar year catastrophic cap:

- **Enrollment fees (TRICARE Prime and TRICARE Select).**
- Deductibles.
- The outpatient and inpatient cost-shares and copayments.

### 5.0 OTHER COVERAGE SITUATIONS

#### 5.1 TRICARE Supplemental Plans

TRICARE 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.

#### 5.2 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 calendar 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 calendar 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.

#### 5.3 Former Spouses

Any TRICARE eligible former spouse will be treated as an "other than ADFM." 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.

#### 5.4 Change Of Sponsor Status

A change in a sponsor's duty status will have the following effects on application of the catastrophic cap.

**5.4.1 Claims Subject To The TRICARE Diagnosis Related Group (DRG)-Based Payment System**

**5.4.1.1** 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. Effective for services provided after midnight of the day of discharge from the hospital, the catastrophic cap will be based on the sponsor's current status.

**5.4.1.2** 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 eligible families for the remaining calendar year (or until the status changes again) effective for services provided after midnight of the day the duty status changes.

**5.4.1.3** 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 calendar 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.

**5.4.2 Claims Exempt From The TRICARE 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 eligible families for the remaining calendar year effective for services provided after 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 calendar year.

**5.5 Inpatient Care Spanning Two Calendar Years**

When the dates of inpatient care span different calendar 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 calendar year from the beginning date of care, the beneficiary cost-share amount must be allocated between the two calendar years based on the dates of care.

**5.6 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 calendar years according to the days of care received in each calendar year.

**6.0 EXCEPTIONS**

**6.1** No catastrophic loss protection is available for the North Atlantic Treaty Organization (NATO) or Partnership For Peace (PfP) family members.

**6.2** The Extended Care Health Option (ECHO) sponsor/beneficiary liabilities do not accrue toward meeting the catastrophic cap.

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**6.3** Beneficiary costs for non-covered services or any beneficiary payments above the TRICARE determined allowable charge, shall not count toward meeting the catastrophic cap.

**6.4** For TRICARE Prime enrollees, POS deductible and cost-share amounts do not have a catastrophic cap.

**7.0 EFFECTIVE DATE**

January 1, 2018.

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