

## Catastrophic Loss Protection For TRICARE Services Received Prior To January 1, 2018; And For TRICARE Services Received On Or After January 1, 2018, By TRICARE For Life (TFL) Beneficiaries

Issue Date: March 21, 1988

Authority: Sections 1079(b)(5) and 1086(b)(4), Title 10, USC

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### 1.0 DESCRIPTION

1.1 The National Defense Authorization Act (NDAA) for Fiscal Years (FYs) 1988 and 1989 (Public Law 100-180) amended Title 10, United States Code (USC), and established catastrophic loss protection for TRICARE beneficiary families on a Government FY basis. The law placed FY limits or catastrophic caps on beneficiary liabilities for deductibles and cost-shares under the TRICARE Basic Program. The NDAA for FY 1993 (Public Law 102-484) amended Title 10, USC, and reduced the catastrophic cap for beneficiaries other than Active Duty Family Members (ADFM). The NDAA for FY 2001 also amended Title 10, USC, and further reduced the FY catastrophic cap for beneficiaries other than ADFMs from \$7,500 to \$3,000.

1.2 [32 CFR 199.17](#), authorizes catastrophic loss protection for TRICARE Prime beneficiary families on a one-year enrollment period basis in addition to the protection on a FY basis (Calendar Year (CY) beginning January 1, 2018). The enrollment year coincides with CY starting January 1, 2018.

### 2.0 POLICY

#### 2.1 TRICARE Standard and TRICARE Extra

##### 2.1.1 Catastrophic Cap For ADFMs

Under TRICARE Extra and TRICARE Standard, the maximum family liability is \$1,000 for deductibles and cost-shares based upon allowed charges for the services and supplies received in a FY.

##### 2.1.2 Catastrophic Cap For All Other Beneficiaries

For dates of service on or after October 1, 2000, the FY (CY for dates of service after December 31, 2017) cap is \$3,000.

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#### 2.1.3 Cap is Met

For beneficiaries not enrolled in TRICARE Prime, after the **FY (CY for dates of service after December 31, 2017)** catastrophic cap is met, the **contractor shall consider the TRICARE** determined allowable amount **as** paid in full for all covered services and supplies under TRICARE Standard and TRICARE Extra for the remainder of the **FY (CY for dates of service after December 31, 2017)**.

#### 2.2 TRICARE Prime

Under TRICARE Prime, in addition to the catastrophic loss protection based **upon the FY**, Prime enrollees also have an enrollment year catastrophic cap. **As of January 1, 2018, the protection is based on CY and enrollment year as they are both the same. See Section 4 for catastrophic loss protraction guidance for the plan years beginning January 1, 2018.**

**2.2.1** For TRICARE Prime enrollees who are ADFMs. Out-of-pocket expenses accrue toward the \$1,000 **FY** catastrophic cap. The enrollment year catastrophic cap is eliminated effective December 31, 2017.

**2.2.2** For TRICARE Prime enrollees who are other than active duty personnel or ADFMs (**e.g.**, retirees, family members of retirees, survivors) out-of-pocket expenses accrue toward a \$3,000 per enrollment year catastrophic cap. Out-of-pocket expenses also accrue toward the \$3,000 **FY (CY for dates of service after December 31, 2017)** catastrophic cap.

**2.2.3** **Through December 31, 2017**, for TRICARE Prime enrollees that retire other than the first of the month, enrollment in TRICARE Prime **is** allowed with no break in coverage. The enrollment anniversary date **is** determined using the existing "20th day of the month" rule. Additional enrollment fees **are** not collected for days between the effective enrollment date and the determined enrollment anniversary date. Any out-of-pocket payments made by the enrollee between the actual enrollment date and the enrollment year start date (anniversary date) **are** not applied to the enrollment year catastrophic cap. Out-of-pocket expenditures **are** applied to the catastrophic cap as of the enrollment anniversary date.

**2.2.4** **Through December 31, 2017**, TRICARE Prime enrollees shall pay no more applicable out-of-pocket expenses for the rest of the **FY** once the **FY** catastrophic cap is met.

**Note:** For FY 2017 only, the **FY** range was extended three months through December 2017 to accommodate the transition to **CY**. See **Section 4** for catastrophic loss protraction guidance for the plan years beginning January 1, 2018.

**2.2.5** TRICARE Prime enrollees shall pay no more TRICARE Prime copayments or enrollment fees for the rest of the enrollment year once the enrollment year catastrophic cap is met.

**2.2.6** The following expenses **are** credited to a TRICARE Prime beneficiary's catastrophic cap:

- Enrollment fees,
- The outpatient and inpatient cost-shares and copayments.

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**Note:** Deductibles and cost-shares imposed on services provided under the Point of Service (POS) option are not creditable to the catastrophic cap.

### 2.3 Double Coverage

For purposes of catastrophic loss protection, the contractor shall credit the full deductible and cost-share calculated according to the TRICARE provisions 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	\$8,169.11
Total Amount Allowed	8,169.11
Cost-Share (25% of the Total Amount Allowed)	2,042.27
Paid By Beneficiary To Provider	0.00
Paid By Other Health Insurance (OHI)	7,119.11
Total TRICARE Payment	1,050.00
AMOUNT TO BE CREDITED TOWARD CAP	\$2,042.27

**Note:** The contractor shall apply normal double coverage rules, as provided in Chapter 4, Section 1, after the cap has been reached. The contractor shall not charge the beneficiary a cost-share after the OHI has made payment.

### 2.4 TRICARE Supplemental Plans

The contractor shall ignore TRICARE supplemental plans which provide coverage for deductibles, cost-shares, and sometimes for non-covered services. As with double coverage, the contractor shall credit the full deductible and cost-share toward meeting the catastrophic cap.

### 2.5 Multiple Family Situations

The contractor shall treat multiple family situations (e.g., sponsor and new spouse and children live together, and sponsor's children from previous marriage live elsewhere) as one family. In other words, for a divorced and then remarried sponsor with two sets of family members, the contractor shall combine their deductibles and cost-shares to meet the catastrophic cap.

**Note:** When a family's sponsor changes (e.g., a spouse divorces a sponsor and marries another active duty person), then the contractor shall count only the new sponsor's liabilities for deductible and cost-shares in a FY (CY for dates of service after December 31, 2017) 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.

### 2.6 Former Spouses

The contractor shall treat any TRICARE eligible unremarried former spouse as an "other than

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ADFM." For the purpose of determining the catastrophic cap, **the contractor shall treat** a former spouse as an independent family and **the former spouse shall** meet the catastrophic cap **independently**.

## 2.7 Change of Sponsor Status

**When the** sponsor's duty status **changes, the contractor shall apply the following to** the catastrophic cap.

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

**2.7.1.1** When the status changes during a beneficiary's inpatient stay, the **contractor shall apply the** appropriate catastrophic cap 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 **contractor shall base the** catastrophic cap **upon** the sponsor's current status.

**2.7.1.2** When the status changes at any time other than during a beneficiary's inpatient stay, the **contractor shall apply the** appropriate catastrophic cap (according to the sponsor's current duty status) for TRICARE eligible families for the remaining **FY (CY for dates of service after December 31, 2017)**, (or until the status changes again) effective for services provided after midnight of the day the duty status changes.

**2.7.1.3** When the status changes, the **contractor shall credit all** deductible and cost-shares **paid to** meeting the previous family cap toward the new cap as the sponsor's liabilities in the same **FY (CY for dates of service after December 31, 2017)**. However, **when** a sponsor's status **changes** from retired to active duty, **the contractor shall not adjust** previous claims, even if the aggregate cost-share exceeded the active duty cap.

### 2.7.2 Claims Exempt From The TRICARE DRG-Based Payment System

When a sponsor's duty status changes, the **contractor shall apply the** appropriate cap (according to the sponsor's current duty status) for TRICARE eligible families for the remaining **FY (CY for dates of service after December 31, 2017)** effective for services provided after midnight of the day the duty status changes. The **contractor shall credit all** deductible and cost-shares **paid** toward meeting the previous family cap **to** the new cap as the sponsor's liabilities in the same **FY (CY for dates of service after December 31, 2017)**.

## 2.8 Inpatient Care Spanning Two Years

When the dates of inpatient care span different **FYs (CY for dates of service after December 31, 2017)**, it is absolutely necessary **for accurate** catastrophic cap application. If for a claim the ending date of care is in a different **FY (CY for dates of service after December 31, 2017)** from the beginning date of care, the **contractor shall allocate the** beneficiary cost-share amount between the two **periods** based **upon** the dates of care. For the purpose of the catastrophic cap application only, the **contractor shall apply the** following provisions:

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#### 2.8.1 Cost-Share When Fixed Daily Amount Is Known

When the beneficiary cost-share is based upon a fixed daily amount (or when such amount may accurately be calculated), the contractor shall allocate the actual daily cost-share amount between the two periods according to the days of care received in each period.

**Example:** DRG claim involving per diem cost-share amounts. Retiree admitted on September 26, 2005 [FY 2005] and discharged on October 3, 2005 [FY 2006]:

We know that effective October 1, 2005, the cost-share per diem for other than ADFMs went up from \$512 to \$535. We also know that no per diem cost-share amount is required for the day of discharge.

**Step 1:** CALCULATE FY 2005 CATASTROPHIC CAP CREDIT

FY 2005 care (from 09/26 through 09/30/2005)	= 5 days
FY 2005 cost-share per diem	= \$512/day
FY 2005 catastrophic cap credit	= \$2,560.00
[5 days X 512/day = \$2,560.00]	

**Step 2:** CALCULATE FY 2006 CATASTROPHIC CAP CREDIT

FY 2006 care (from 10/01 through 10/03/2005)	= 2 days
[excludes day of discharge]	
FY 2006 cost-share per diem	= \$535/day
FY 2006 catastrophic cap cost-share credit	= \$1,070.00
[2 days X 535/day = \$1,070.00]	

#### 2.8.2 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 contractor shall calculate the daily cost-share amount 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 allocate the resulting daily amount between the two periods according to the days of care received in each period.

**Example:** Hospital claim involving a cost-share amount that is 25% of the TRICARE-determined allowable charge. Retiree admitted on September 29, 2005 [FY 2005] and discharged on October 8, 2005 [FY 2006] with a TRICARE-determined allowable charge of \$10,000.00:

**Step 1:** CALCULATE TOTAL COST-SHARE AMOUNT

25% of \$10,000.00 allowable charge	= \$2,500.00
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**Step 2:** CALCULATE TOTAL DAYS OF CARE

Care (from 09/29 through 10/08/2005)	= 9 days
[excludes day of discharge]	

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<b>Step 3:</b>	CALCULATE DAILY COST-SHARE AMOUNT	
	\$2,500.00 cost-share amount	\$277.78/day
	÷ 9 days of care	
<b>Step 4:</b>	CALCULATE FY 2005 CATASTROPHIC CAP CREDIT	
	FY 2005 care (from 09/29 through 09/30/2005)	= 2 days
	FY 2005 catastrophic cap cost-share credit	= \$555.56
	[2 days X 277.78/day = \$555.56]	
<b>Step 5:</b>	CALCULATE FY 2006 CATASTROPHIC CAP CREDIT	
	FY 2006 care (from 10/01 through 10/08/2005)	= 7 days
	[excludes day of discharge]	
	FY 2006 catastrophic cap cost-share credit	= \$1,944.46
	[7 days X 277.78/day = \$1,944.46]	

### 3.0 EXCEPTIONS

- 3.1 The contractor shall not offer catastrophic loss protection for the North Atlantic Treaty Organization (NATO)/Partnership for Peace (PfP) family members.
- 3.2 The contractor shall not accrue Extended Care Health Option (ECHO) sponsor/beneficiary liabilities toward the catastrophic cap.
- 3.3 The contractor shall not count beneficiary costs for non-covered services or any beneficiary payments above the TRICARE determined allowable charge toward the catastrophic cap.
- 3.4 For TRICARE Prime enrollees, the contractor shall not cap POS deductible and cost-share amounts.

### 4.0 EFFECTIVE DATES

- 4.1 The FY catastrophic cap is \$7,500 for beneficiaries other than ADFMs effective FY 1993. Effective October 1, 2000 (FY 2001), the FY catastrophic cap is \$3,000 for beneficiaries other than ADFMs.
- 4.2 The enrollment year catastrophic cap is \$3,000 for beneficiaries other than ADFMs who are enrolled in TRICARE Prime effective November 1, 1995. It applies to out-of-pocket expenses incurred on and after November 1, 1995.
- 4.3 Effective October 1, 1996, enrollment fees accrue toward the FY catastrophic cap under TRICARE Prime.
- 4.4 Effective October 1, 1996, the calculation for the enrollment period catastrophic cap for ADFMs enrolled in TRICARE Prime is eliminated.

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**4.5** Effective January 1, 2018, the catastrophic cap is calculated on a CY basis.

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