

Chapter 16

Section 1

Long-Term Care Hospitals (LTCHs)

Issue Date: May 24, 2018

Authority: [32 CFR 199.14\(a\)\(9\)](#)

Revision: C-41, September 20, 2019

1.0 APPLICABILITY

This policy is mandatory for the reimbursement of services provided either by 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 DESCRIPTION

An LTCH is a hospital that is classified by the Centers for Medicare and Medicaid Services (CMS) as an LTCH and meets the applicable requirements established by [32 CFR 199.6\(b\)\(4\)\(v\)](#).

3.0 ISSUE

How are LTCHs to be reimbursed?

4.0 POLICY

4.1 Statutory Background

Under Title 10, United States Code (USC), Section 1079(i)(2), the amount to be paid to hospitals, Skilled Nursing Facilities (SNFs), and other institutional providers under the TRICARE program, "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." Based on this statutory provision, TRICARE has adopted Medicare's LTCH Prospective Payment System (PPS) for reimbursement of LTCHs currently in effect for the Medicare program as required under Section 123 of Public Law (PL) 106-113 (Balanced Budget Refinement Act (BBRA)), which provides for the establishment of a PPS for LTCHs described in Section 1886(d)(1)(B)(iv) of the Social Security Act (the Act).

4.2 Applicability and Scope of Coverage

All LTCHs that meet the classification criteria for payment under the LTCH PPS under Title 42 CFR Part 412, subpart B, are considered authorized LTCHs under the TRICARE program.

4.3 Payment Method

4.3.1 For admissions prior to October 1, 2018, LTCHs shall be reimbursed based on billed charges or negotiated rates.

4.3.2 Payment in full. The payment made under the LTCH PPS represents payment in full (subject to applicable deductibles, cost shares, and copayments) for inpatient operating and capital costs associated with furnishing TRICARE covered services in an LTCH, but not certain pass-through costs (e.g., bad debts, direct medical education, and blood clotting factors).

4.3.3 For new admissions for LTCHs whose cost reporting period begins on or after October 1, 2018, LTCHs shall be reimbursed:

- The standard LTCH PPS payment rate; or
- The lower site-neutral LTCH PPS payment rate based on the Medicare acute hospital Inpatient Prospective Payment System (IPPS) rates.

4.3.3.1 Standard LTCH PPS Payment Rates

4.3.3.1.1 Contractors shall reimburse LTCHs for inpatient care using Medicare's LTCH PPS which classifies LTCH patients into distinct Diagnosis Related Groups (DRGs). The patient classification system groupings are called Medicare Severity-Long-Term Care-Diagnosis Related Groups (MS-LTC-DRGs), which are the same DRG groupings used under the Medicare acute hospital IPPS, but that have been weighted to reflect the resources required to treat the medically complex patients treated at LTCHs.

4.3.3.1.2 In order to receive the standard LTCH PPS payment rate, the discharge must have been immediately preceded by a Subsection (d) hospital discharge. "Immediately preceded" means that the LTCH admission occurred within one day of the Subsection (d) hospital discharge based on the admission date on the LTCH claim and the discharge date on the Subsection (d) hospital claim.

4.3.3.1.3 Contractors shall treat Military Treatment Facilities (MTFs)/Enhanced Multi-Service Markets (eMSMs) and Department of Veterans Affairs (DVA)/Veterans Health Administration (VHA) hospitals as "Subsection (d)" hospitals for the purposes of the LTCH admission and qualification for the LTCH-PPS payment. Specifically, for patients who may have used their DVA/VHA benefit or received inpatient care at an MTF/eMSM that qualified as an "immediately preceding" stay, applicable criteria for the standard LTCH PPS payment rate are met.

4.3.3.1.4 The contractor shall determine if the LTCH admission was immediately preceded by a qualifying Subsection (d) hospital discharge.

4.3.3.2 Site-Neutral LTCH PPS Payment Rates

4.3.3.2.1 Contractors shall reimburse LTCHs the site-neutral payment rate for patients who do not use prolonged mechanical ventilation (at least 96 hours) during their LTCH stay or who did not spend three or more days in the ICU during their prior acute care hospital stay.

4.3.3.2.2 Contractors shall reimburse LTCHs the site-neutral payment rate for patients with a principal diagnosis in the LTCH of a psychiatric diagnosis or rehabilitation as indicated by the grouping

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of the discharge into one of 15 “psychiatric and rehabilitation” MS-LTC-DRGs (876, 880, 881, 882, 883, 884, 885, 886, 887, 894, 895, 896, 897, 945, and 946).

4.3.3.2.3 Contractors shall determine whether the TRICARE patient’s LTCH stay meets the requirements for a standard or site-neutral payment.

4.3.4 TRICARE is adopting Medicare’s adjustments for short-stay outliers, interrupted stay policy, the method of payment for preadmission services, and high-cost outlier payments.

4.3.5 TRICARE will also incorporate Medicare’s LTCH Quality Reporting (QR) payment adjustments for TRICARE LTCHs that reflect Medicare’s annual payment update for that facility. TRICARE is not establishing a separate reporting requirement for hospitals, but will utilize Medicare’s payment adjustments resulting from their LTCH QR program.

4.3.6 TRICARE is not adopting the 25% threshold payment adjustment for hospitals determined by Medicare to receive the payment adjustment in that year.

4.4 Transition Period

In the Final Rule (FR) published in the **Federal Register** on December 29, 2017, DHA created a multi-year transition period to buffer the impact from any potential decrease in revenue that hospitals may experience during the implementation of a revised LTCH inpatient payment system. This transition period provides LTCHs with sufficient time to adjust and budget for potential revenue reductions. The transition is as follows:

4.4.1 For the first 12 months following implementation, the TRICARE LTCH PPS allowable cost will be 135% of Medicare LTCH PPS amounts.

4.4.2 For the second 12 months following implementation, the TRICARE LTCH PPS allowable cost will be 115% of the Medicare LTCH PPS amounts.

4.4.3 For the third 12 months following implementation, and subsequent years, the TRICARE LTCH PPS allowable cost will be 100% of the Medicare LTCH PPS amounts.

FIGURE 16.1-1 LTCH - ADMISSION EXAMPLES

LTCH TRANSITION		TRICARE PAYS:
Year 1	Effective with discharges occurring in LTCHs’ cost reporting periods beginning on or after October 1, 2018 - September 30, 2019	135% of Medicare Payment
Year 2	October 1, 2019 - September 30, 2020	115% of Medicare Payment
Year 3	October 1, 2020 - September 30, 2021	100% of Medicare Payment
Note: “Medicare payment” is either Full LTCH or Site-Neutral payment rate.		

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CASE 1: PATIENT WITH ACUTE INTENSIVE CARE UNIT (ICU) STAY OF OVER THREE DAYS

Cost Report Period: LTCH with Cost Reporting Period in Fiscal Year (FY) 2018 beginning **January 1, 2019**, following implementation of the TRICARE LTCH Rule.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	Billed Charges*
Admitted on January 2, 2019	135% of the Full LTCH Payment Rate
Admitted on July 2, 2019	135% of the Full LTCH Payment Rate
Admitted on September 2, 2019	135% of the Full LTCH Payment Rate
Admitted on October 2, 2019	115% of the Full LTCH Payment Rate

*The LTCH receives billed charges for this admission because the LTCH's cost reporting period during FY18 begins January 1, 2019.

CASE 2: PATIENT WITH NO ICU OR PROLONGED MECHANICAL VENTILATION

Cost Report Period: LTCH with Cost Reporting Period in FY18 beginning **January 1, 2019**, following implementation of the TRICARE LTCH Rule.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	Billed Charges*
Admitted on January 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on July 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on September 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on October 2, 2019	115% of the Site-Neutral Payment Rate

*The LTCH receives billed charges for this admission because the LTCH's cost reporting period during FY18 begins January 1, 2019.

CASE 3: PATIENT WITH ACUTE ICU STAY OF OVER THREE DAYS

Cost Report Period: LTCH with Cost Reporting Period in FY18 beginning **September 1, 2019**, following implementation of the TRICARE LTCH Rule.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	Billed Charges*
Admitted on January 2, 2019	Billed Charges*
Admitted on July 2, 2019	Billed Charges*
Admitted on September 2, 2019	135% of the Full LTCH Payment Rate
Admitted on October 2, 2019	115% of the Full LTCH Payment Rate

*The LTCH receives billed charges for this admission because the LTCH's cost reporting period during FY18 begins September 1, 2019.

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CASE 4: PATIENT WITH NO ICU OR PROLONGED MECHANICAL VENTILATION

Cost Report Period: LTCH with Cost Reporting Period in FY18 beginning **September 1, 2019**, following implementation of the TRICARE LTCH Rule.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	Billed Charges*
Admitted on January 2, 2019	Billed Charges*
Admitted on July 2, 2019	Billed Charges*
Admitted on September 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on October 2, 2019	115% of the Site-Neutral Payment Rate

* The LTCH receives billed charges for this admission because the LTCH's cost reporting period during FY18 begins September 1, 2019.

CASE 5: PATIENT WITH ACUTE ICU STAY OF OVER THREE DAYS

Cost Reporting Period: LTCH with Cost Reporting Period in FY18 beginning **October 1, 2018**.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	135% of the Full LTCH Payment Rate
Admitted on January 2, 2019	135% of the Full LTCH Payment Rate
Admitted on July 2, 2019	135% of the Full LTCH Payment Rate
Admitted on September 2, 2019	135% of the Full LTCH Payment Rate
Admitted on October 2, 2019	115% of the Full LTCH Payment Rate

CASE 6: PATIENT WITH NO ICU OR PROLONGED MECHANICAL VENTILATION

Cost Reporting Period: LTCH with Cost Reporting Period in FY18 beginning **October 1, 2018**.

Patient:	TRICARE Pays:
Admitted on November 2, 2018	135% of the Site-Neutral Payment Rate
Admitted on January 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on July 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on September 2, 2019	135% of the Site-Neutral Payment Rate
Admitted on October 2, 2019	115% of the Site-Neutral Payment Rate

4.5 Preadmission Services

LTCHs paid under the LTCH PPS are subject to a one-day payment window, where any outpatient services or non-physician services provided one calendar day prior to the LTCH admission are included in the LTCH-DRG payment. This is known as the one-day payment rule. The one-day payment rule only applies to services that are diagnostic and furnished in connection with the principle diagnosis. Any other services not meeting the diagnostic criteria, or services provided outside of the one-day window will be paid separately according to current TRICARE policy.

4.6 LTCH Data

4.6.1 The MS-LTC-DRG rates and weights and the IPPS rates and weights are posted to the CMS website in August of each year. The contractor shall use the most current version of the files (to include any corrections made) for each fiscal year (October 1) update.

4.6.2 The MS-LTC-DRG relative weights, wage index files and other related files are available at: <http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/index.html>.

4.6.3 The IPPS relative weight, wage index files and other related files for processing Site-Neutral LTCH claims are available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/AcuteInpatientPPS/index.html>.

4.6.4 The International Classification of Diseases, 10th Revision, Clinical Modification (ICD-10-CM)/Procedure Coding System (PCS) MS-DRG Definitions Manual for the PPS Grouper is available at https://www.cms.gov/ICD10Manual/version35-fullcode-cms/fullcode_cms/P0001.html.

4.6.5 The LTCH Pricer is available at: <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PCPricer/LTCH.html>.

4.6.6 The LTCH Medicare Provider ID numbers are available at: <https://data.medicare.gov>.

4.6.7 The LTCH cost reporting periods are available at: https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ProspectivePaymentSystem/gen/psf_text.html.

4.7 Billing and Coding Requirements

4.7.1 The contractors shall use type of institution 73 for LTCHs.

4.7.2 The contractors shall use Pricing Rate Code (PRC) **LT** for Standard LTCH claims priced using the MS-LTC-DRG payment rates and PRC **SN** for LTCH claims priced using the site-neutral LTCH PPS payment rates.

4.8 Direct Medical Education

DHA will reimburse LTCHs who file a request for their direct medical education costs in a timely manner, as outlined in [Chapter 6, Section 8](#). Although the procedures listed in [Chapter 6, Section 8](#) pertain to DRGs, those same procedures are to be used to reimburse LTCHs for direct medical education costs.

4.9 Dual Eligible

When the Medicare hospital day limit is exhausted for a TRICARE beneficiary, who is also eligible for Medicare (i.e., TRICARE for Life (TFL) beneficiaries), TRICARE is the primary payer.

5.0 EXCLUSIONS

5.1 The TRICARE LTCH PPS methodology does not apply to hospitals in states that are reimbursed by Medicare and TRICARE under a cost containment waiver that exempts them from Medicare's IPPS or the TRICARE DRG-based payment system.

5.2 Children's hospitals are excluded from the TRICARE LTCH PPS methodology.

5.3 **DVA/VHA** hospitals are excluded from the TRICARE LTCH PPS methodology.

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5.4 The TRICARE LTCH PPS methodology does not apply to any costs of physician services or other professional services provided to LTCH patients.

5.5 Custodial or domiciliary care is not coverable under the TRICARE program, even if rendered in an otherwise authorized LTCH.

6.0 EFFECTIVE DATE

Implementation of the TRICARE LTCH PPS methodology is effective for admissions on or after October 1, 2018.

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