

Prospective Payment Methodology

Issue Date: July 27, 2005

Authority: 10 USC 1079(h) and (j)(2)

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 TRICARE Management Activity (TMA) and specifically included in the network provider agreement.

2.0 ISSUE

To describe the payment methodology for hospital outpatient services.

3.0 POLICY

3.1 Basic Methodology for Determining Prospective Payment Rates for Outpatient Services

3.1.1 Setting of Payment Rates

The prospective payment rate for each Ambulatory Payment Classification (APC) is calculated by multiplying the APC's relative weight by the conversion factor.

3.1.2 Recalibration of Group Weights and Conversion Factor

3.1.2.1 Relative Weights for services furnished on a Calendar Year (CY) basis.

3.1.2.1.1 The most recent Medicare claims and facility cost report data are used in recalibrating the relative APC weights for services furnished on a CY basis.

3.1.2.1.2 Weights are derived based on median hospital costs for services in the hospital outpatient APC groups. Billed charges are converted to costs and aggregated to the procedure or visit level. Calculation of the median hospital cost per APC group include the following steps:

3.1.2.1.2.1 The statewide Cost-to-Charge Ratio (CCR) is identified for each hospital's cost center ("statewide CCRs") and applied based on the from date on the claim.

3.1.2.1.2.2 The statewide CCRs are then crosswalked to revenue centers. The CCRs included operating and capital costs but excluded costs associated with direct graduate medical education and allied health education.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.2.1.2.3 A cost is calculated for every billed line item charged on each claim by multiplying each revenue center charge by the appropriate statewide CCR.

3.1.2.1.2.4 Revenue center changes that contain items integral to performing the procedure or visit are used to calculate the per-procedure or per-visit costs. Following is a list of revenue centers whose charges could be packaged into major Healthcare Common Procedure Coding System (HCPCS) codes when appearing in the same claim.

FIGURE 13.3-1 LIST OF REVENUE CENTERS PACKAGED INTO MAJOR HCPCS CODES WHEN APPEARING IN THE SAME CLAIM

REVENUE CODE	DESCRIPTION
0250	Pharmacy, Drugs Requiring Specific Identification, General Class
0251	Generic
0252	Nongeneric
0253	Take Home Drugs
0254	Pharmacy Incident to Other Diagnostic
0255	Pharmacy Incident to Radiology
0257	Nonprescription Drugs
0258	IV Solutions
0259	Other Pharmacy
0260	IV Therapy, General Class
0262	IV Therapy/Pharmacy Services
0263	Supply/Delivery
0264	IV Therapy/Supplies
0269	Other IV Therapy
0270	M&S Supplies
0271	Nonsterile Supplies
0272	Sterile Supplies
0273	Take Home supplies
0275	Pacemaker Drug
0276	Intraocular Lens Source Drug
0277	Oxygen Take Home
0278	Other Implants
0279	Other M&S Supplies
0280	Oncology
0289	Other Oncology
0370	General Classification
0371	Anesthesia Incident to Radiology
0372	Anesthesia Incident to Other Diagnostic Services
0374	Acupuncture
0379	Other Anesthesia
0390	Blood Storage and Processing

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-1 LIST OF REVENUE CENTERS PACKAGED INTO MAJOR HCPCS CODES WHEN APPEARING IN THE SAME CLAIM (CONTINUED)

REVENUE CODE	DESCRIPTION
0391	Blood Administration (e.g., transfusions)
0399	Other Blood Storage and Processing
0621	Supplies Incident to Radiology
0622	Supplies Incident to Other Diagnostic
0623	Surgical Dressings
0624	Investigational Device (IDE)
0631	Single Source
0632	Multiple
0633	Restrictive Prescription
0637	Self-Administered Drug (Insulin Admin. in Emergency Diabetic COMA)
0700	Cast Room
0709	Other Cast Room
0710	Recovery Room
0719	Other Recovery Room
0720	Labor Room
0721	Labor
0762	Observation Room
0770	General Classification
0771	Vaccine Administration

3.1.2.1.2.4.1 Some instructions have been issued that require that specific revenue codes be billed with certain HCPCS codes, such as specific revenue codes that must be used when billing for devices that qualify for pass-through payments.

Note: If the revenue code is not listed in [Figure 13.3-1](#), refer to the TRICARE Systems Manual (TSM), [Chapter 2, Addendum N](#), for reporting requirements.

3.1.2.1.2.4.2 Where specific instructions have not been issued, contractors should advise hospitals to report charges under the revenue code that would result in the charges being assigned to the same cost center to which the cost of those services were assigned in the cost report.

Example: Operating room, treatment room, recovery, observation, medical and surgical supplies, pharmacy, anesthesia, casts and splints, and donor tissue, bone, and organ charges were used in calculating surgical procedure costs. The charges for items such as medical and surgical supplies, drugs and observation were used in estimating medical visit costs.

3.1.2.1.2.5 Costs are standardized for geographic wage variation by dividing the labor-related portion of the operating and capital costs for each billed item by the current hospital Inpatient Prospective Payment System (IPPS) wage index. Sixty percent (60%) is used to represent the estimated portion of costs attributable, on average, to labor.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.2.1.2.6 Standardized labor related cost and the nonlabor-related cost component for each billed item are summed to derive the total standardized cost for each procedure or medical visit.

3.1.2.1.2.7 Each procedure or visit cost is mapped to its assigned APC.

3.1.2.1.2.8 The median cost is calculated for each APC.

3.1.2.1.2.9 Relative payment weights are calculated for each APC, by dividing the median cost of each APC by the median cost for APC 00601 (mid-level clinic visit), Outpatient Prospective Payment System (OPPS) weights are listed on TMA's OPPS web site at <http://www.tricare.mil/opps>.

3.1.2.1.2.10 These relative payment weights may be further adjusted for budget neutrality based on a comparison of aggregate payments using previous and current CY weights.

3.1.2.2 Conversion Factor Update.

3.1.2.2.1 The conversion factor is updated annually by the hospital inpatient market basket percentage increase applicable to hospital discharges.

3.1.2.2.2 The conversion factor is also subject to adjustments for wage index budget neutrality, differences in estimated pass-through payments, and outlier payments.

3.1.3 Payment Status Indicators (SIs)

A payment SI is provided for every code in the HCPCS to identify how the service or procedure described by the code would be paid under the hospital outpatient prospective payment system (OPPS); i.e., it indicates if a service represented by a HCPCS code is payable under the OPPS or another payment system, and also which particular OPPS payment policies apply. One, and only one, SI is assigned to each APC and to each HCPCS code. Each HCPCS code that is assigned to an APC has the same SI as the APC to which it is assigned. The following are the payment SIs and descriptions of the particular services each indicator identifies:

3.1.3.1 "A" to indicate services that are paid under some payment method other than OPPS, such as the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) fee schedule, or CHAMPUS Maximum Allowable Charge (CMAC) reimbursement methodology for physicians.

3.1.3.2 "B" to indicate more appropriate code required for TRICARE OPPS.

3.1.3.3 "C" to indicate inpatient services that are not paid under the OPPS.

3.1.3.4 "E" to indicate items or services are not covered by TRICARE.

3.1.3.5 "F" to indicate acquisition of corneal tissue, which is paid on an allowable charge basis (i.e., paid based on the CMAC reimbursement system or statewide prevalings) and certain Certified Registered Nurse Anesthetist (CRNA) services and hepatitis B vaccines that are paid on an allowable charge basis.

3.1.3.6 "G" to indicate drug/biological pass-through that are paid in separate APCs under the OPPS.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.3.7 "H" to indicate pass-through device categories, brachytherapy sources, and radiopharmaceutical agents allowed on a cost basis.

3.1.3.8 "K" to indicate non-pass-through drugs and biologicals and blood and blood products that are paid in separate APCs under the OPPS.

3.1.3.9 "N" to indicate services that are incidental, with payment packaged into another service or APC group.

3.1.3.10 "P" to indicate services that are paid only in Partial Hospitalization Programs (PHPs).

3.1.3.11 "Q" to indicate packaged services subject to separate payment under OPPS.

Note: HCPCS codes with SI of "Q" are either separately payable or packaged depending on the specific circumstances of their billing. Outpatient Code Editor (OCE) claims processing logic will be applied to codes assigned SI of "Q" in order to determine if the service will be packaged or separately payable.

3.1.3.12 "S" to indicate significant procedures for which payment is allowed under the hospital OPPS, but to which the multiple procedure reduction does not apply.

3.1.3.13 "T" to indicate surgical services for which payment is allowed under the hospital OPPS. Services with this payment indicator are the only services to which the multiple procedure payment reduction applies.

3.1.3.14 "V" to indicate medical visits (including clinic or Emergency Department (ED) visits) for which payment is allowed under the hospital OPPS.

3.1.3.15 "W" to indicate invalid HCPCS or invalid revenue code with blank HCPCS.

3.1.3.16 "X" to indicate an ancillary service for which payment is allowed under the hospital OPPS.

3.1.3.17 "Z" to indicate valid revenue code with blank HCPCS and no other SI assigned.

Note: The system payment logic looks to the SIs attached to the HCPCS codes and APCs for direction in the processing of the claim. A SI, as well as an APC, must be assigned so that payment can be made for the service identified by the new code. The SIs identified for each HCPCS code and each APC listed on TMA's OPPS web site at <http://www.tricare.mil/opps>.

3.1.4 Calculating TRICARE Payment Amount

3.1.4.1 The national APC payment rate that is calculated for each APC group is the basis for determining the total payment (subject to wage-index adjustment) the hospital will receive from the beneficiary and the TRICARE program. (Refer to TMA's OPPS web site at <http://www.tricare.mil/opps> for national APC payment rates.)

3.1.4.2 The TRICARE payment amount takes into account the wage index adjustment and beneficiary deductible and cost-share/copayment amounts.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.4.3 The TRICARE payment amount calculated for an APC group applies to all the services that are classified within that APC group.

3.1.4.4 The TRICARE payment amount for a specific service classified within an APC group under the OPSS is calculated as follows:

3.1.4.4.1 Apply the appropriate wage index adjustment to the national payment rate that is set annually for each APC group. (Refer to the OPSS Provider File with Wage Indexes on TMA's OPSS home page at <http://www.tricare.mil/opss> for annual Diagnostic Related Group (DRG) wage indexes used in the payment of hospital outpatient claims, effective January 1 of each year.)

3.1.4.4.2 Multiply the wage-adjusted APC payment rate by the OPSS rural adjustment (1.071) if the provider is a Sole Community Hospital (SCH) in a rural area.

3.1.4.4.3 Determine any outlier amounts and add them to the sum of either [paragraph 3.1.4.4.1](#) or [3.1.4.4.2](#).

3.1.4.4.4 Subtract from the adjusted APC payment rate the amount of any applicable deductible and/or cost-sharing/copayment amounts based on the eligibility status of the beneficiary at the time the outpatient services were rendered (i.e., those deductibles and cost-sharing/copayment amounts applicable to Prime, Extra, and Standard beneficiary categories). Refer to [Chapter 2, Addendum A](#) for applicable deductible and/or cost-sharing/copayment amounts for Outpatient Hospital Departments and Ambulatory Surgery Centers (ASCs).

3.1.4.5 Examples of TRICARE payments under OPSS based on eligibility status of beneficiary at the time the services were rendered:

Example 1: Assume that the wage-adjusted rate for an APC is \$400; the beneficiary receiving the services is an active duty family member (ADFM) enrolled under Prime, and as such, is not subject to any deductibles or copayments.

- Adjusted APC payment rate: \$400.
- Subtract any applicable deductible:

$$\$400 - \$0 = \$400$$

- Subtract the Prime ADFM copayment from the adjusted APC payment rate less deductible to calculate the final TRICARE payment amount.

$$\$400 - \$0 = \$400 \text{ TRICARE final payment}$$

- TRICARE would pay 100% of the adjusted APC payment rate for ADFMs enrolled in Prime.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

Example 2: Assume that the wage-adjusted rate for an APC is \$400 and the beneficiary receiving the outpatient services is a Prime retiree family member subject to a \$12 copayment. Deductibles are not applied under the Prime program.

- Adjusted APC payment rate: \$400.
- Subtract any applicable deductible:

$$\$400 - \$0 = \$400$$

- Subtract the Prime retiree family member copayment from the adjusted APC payment rate less deductible to calculate the final TRICARE payment amount.

$$\$400 - \$12 = \$388 \text{ TRICARE final payment}$$

- In this case, the beneficiary pays zero (\$0) deductible and a \$12 copayment, and the program pays \$388 (i.e., the difference between the adjusted APC payment rate and the Prime retiree family member copayment).

Example 3: This example illustrates a case in which both an outpatient deductible and cost-share are applied. Assume that the wage-adjusted payment rate for an APC is \$400 and the beneficiary receiving the outpatient services is a standard ADFM subject to an individual \$50 deductible (active duty sponsor is an E3) and 20% cost-share.

- Adjusted APC payment rate: \$400.
- Subtract any applicable deductible:

$$\$400 - \$50 = \$350$$

- Subtract the standard ADFM cost-share (i.e., 20% of the allowable charge) from the adjusted APC payment rate less deductible to calculate the final TRICARE payment amount.

$$\$350 \times .20 = \$70 \text{ cost-share}$$

$$\$350 - \$70 = \$280 \text{ TRICARE final payment}$$

- In this case, the beneficiary pays a deductible of \$50 and a \$70 cost-share, and the program pays \$280, for total payment to the hospital of \$400.

3.1.5 Adjustments to APC Payment Amounts

3.1.5.1 Adjustment for Area Wage Differences

3.1.5.1.1 A wage adjustment factor will be used to adjust the portion of the payment rate that is attributable to labor-related costs for relative differences in labor and labor-related costs across geographical regions with the exception of APCs with SIs of "K" and "G". The hospital DRG wage index will be used given the inseparable, subordinate status of the outpatient department within the hospital.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.5.1.2 The OPPS will use the same wage index changes as the TRICARE-DRG based payment system, except the effective date for the changes will be January 1 of each year instead of October 1 (refer to the OPPS Provider File with Wage Indexes on TMA's OPPS home page at <http://www.tricare.mil/opps>).

3.1.5.1.3 Sixty percent (60%) of the hospital's outpatient department costs are recognized as labor-related costs that would be standardized for geographic wage differences. This is a reasonable estimate of outpatient costs attributable to labor, as it fell between the hospital DRG operating cost labor factor of 71.1% and the ASC labor factor of 34.45%, and is close to the labor-related costs under the inpatient DRG payment system attributed directly to wages, salaries and employee benefits (61.4%).

3.1.5.1.4 Steps in Applying Wage Adjusts under OPPS.

3.1.5.1.4.1 Calculate 60% (the labor-related portion) of the national unadjusted payment rate that represents the portion of costs attributable, on average, to labor.

3.1.5.1.4.2 Determine the wage index in which the hospital is located and identify the wage index level that applies to the specific hospital.

3.1.5.1.4.3 Multiply the applicable wage index determined under [paragraphs 3.1.5.1.4.2](#) and [3.1.5.1.4.3](#) by the amount under (a) that represents the labor-related portion of the national unadjusted payment rate.

3.1.5.1.4.4 Calculate 40% (the nonlabor-related portion) of the national unadjusted payment rate and add that amount to the resulting product in [paragraph 3.1.5.1.4.4](#). The result is the wage index adjusted payment rate for the relevant wage index area.

3.1.5.1.4.5 If a provider is a SCH in a rural area, or is treated as being in a rural area, multiply the wage-adjusted payment rate by 1.071 to calculate the total payment before applying the deductible and copayment/cost-sharing amounts.

3.1.5.1.4.6 Applicable deductible and copayment/cost-sharing amounts would then be subtracted from the wage-adjusted APC payment rate, and the remainder would be the TRICARE payment amount for the services or procedure.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

Example: A surgical procedure with an APC payment rate of \$300 is performed in the outpatient department of a hospital located in Heartland, USA. The cost-sharing amount for the standard ADFM is \$60.80 (i.e., 20% of the wage-adjusted APC amount for the procedure). The hospital inpatient DRG wage index value for hospitals located in Heartland, USA, is 1.0234. The labor-related portion of the payment rate is \$180 (\$300 x 60%), and the nonlabor-related portion of the payment rate is \$120 (\$300 x 40%). It is assumed that the beneficiary deductible has been met.

Units billed x APC x 60% (labor portion) x wage index (hospital specific)
+ APC x 40% (nonlabor portion) = adjusted payment rate.

- Wage-Adjusted Payment Rate (rounded to nearest cent):
$$= (\$180 \times 1.0234) = \$184.21 + \$120 = \$304.21$$
- Cost-share for standard retiree family member (rounded to nearest cent):
$$= (\$304.21 \times .20) = \$60.84$$
- Subtract the standard retiree family member cost-share from the wage-adjusted rate to get the final TRICARE payment
$$= (\$304.21 - \$60.84) = \$243.37$$

3.1.5.2 Discounting of Surgical and Terminating Procedures

3.1.5.2.1 OPPS payment amounts are discounted when more than one procedure is performed during a single operative session or when a surgical procedure is terminated prior to completion. Refer to [Chapter 1, Section 16](#) for additional guidelines on discounting of surgical procedures.

3.1.5.2.1.1 Line items with a SI of "T" are subject to multiple procedure discounting unless modifiers 76, 77, 78, and/or 79 are present.

3.1.5.2.1.2 When more than one procedure with payment SI of "T" is performed during a single operative session, TRICARE will reimburse the full payment and the beneficiary will pay the cost-share/copayment for the procedure having the highest payment rate.

3.1.5.2.1.3 Fifty percent (50%) of the usual PPS payment amount and beneficiary copayment/cost-share amount would be paid for all other procedures performed during the same operative session to reflect the savings associated with having to prepare the patient only once and the incremental costs associated with anesthesia, operating and recovery room use, and other services required for the second and subsequent procedures.

- The reduced payment would apply only to the surgical procedure with the lower payment rate.
- The reduced payment for multiple procedures would apply to both the beneficiary copayment/cost-share and the TRICARE payment.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.5.2.2 Hospitals are required to use modifiers on bills to indicate procedures that are terminated before completion.

3.1.5.2.2.1 Fifty percent (50%) of the usual OPPS payment amount and beneficiary copayment/cost-share will be paid for a procedure terminated before anesthesia is induced.

- Modifier -73 (Discontinued Outpatient Procedure Prior to Anesthesia Administration) would identify a procedure that is terminated after the patient has been prepared for surgery, including sedation when provided, and taken to the room where the procedure is to be performed, but before anesthesia is induced (for example, local, regional block(s), or general anesthesia).
- Modifier -52 (Reduced Services) would be used to indicate a procedure that did not require anesthesia, but was terminated after the patient had been prepared for the procedure, including sedation when provided, and taken to the room where the procedure is to be performed.

3.1.5.2.2.2 Full payment will be received for a procedure that was started but discontinued after the induction of anesthesia, or after the procedure was started.

- Modifier -74 (Discontinued Procedure) would be used to indicate that a surgical procedure was started but discontinued after the induction of anesthesia (for example, local, regional block, or general anesthesia), or after the procedure was started (incision made, intubation begun, scope inserted) due to extenuating circumstances or circumstances that threatened the well-being of the patient.
- This payment would recognize the costs incurred by the hospital to prepare the patient for surgery and the resources expended in the operating room and recovery room of the hospital.

3.1.5.3 Discounting for Bilateral Procedures

3.1.5.3.1 Following are the different categories/classifications of bilateral procedure:

3.1.5.3.1.1 Conditional bilateral (i.e., procedure is considered bilateral if the modifier 50 is present).

3.1.5.3.1.2 Inherent bilateral (i.e., procedure in and of itself is bilateral).

3.1.5.3.1.3 Independent bilateral (i.e., procedure is considered bilateral if the modifier 50 is present, but full payment should be made for each procedure (e.g., certain radiological procedures)).

3.1.5.3.2 Terminated bilateral procedures or terminated procedures with units greater than one should not occur, and for type "T" procedures, have the discounting factor set so as to result in the equivalent of a single procedure. Line items with terminated bilateral procedures or terminated procedure with units greater than one are denied.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.5.3.3 For non-type "T" procedures there is no multiple procedure discounting and no bilateral procedure discounting with modifier 50 performed. Line items with SI other than "T" are subject to terminated procedure discounting when modifier 52 or 73 is present. Modifier 52 or 73 on a non-type "T" procedure line will result in a 50% discount being applied to that line.

3.1.5.3.4 The discounting factor for bilateral procedures is the same as the discounting factor for multiple type "T" procedures.

3.1.5.3.5 Inherent bilateral procedures will be treated as a non-bilateral procedure since the bilateralism of the procedure is encompassed in the code.

3.1.5.3.6 Following are the different discount formulas that can be applied to a line item:

FIGURE 13.3-2 DISCOUNTING FORMULAS FOR BILATERAL PROCEDURES

DISCOUNTING FORMULA NUMBER	FORMULAS
1	1.0
2	$(1.0 + D (U - 1))/U$
3	T/U
4	$(1 + D)/U$
5	D
6	TD/U
7	$D (1 + D)/U$
8	2.0
Where:	D = discounting fraction (currently 0.5) U = number of units T = terminated procedure discount (currently 0.5)

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.5.3.7 Figure 13.3-3 summarizes the application of above discounting formulas:

FIGURE 13.3-3 APPLICATION OF DISCOUNTING FORMULAS

			DISCOUNTING FORMULA NUMBER			
			TYPE "T" PROCEDURE		NON-TYPE "T" PROCEDURE	
PAYMENT AMOUNT	MODIFIER 52 OR 73	MODIFIER 50	CONDITIONAL OR INDEPENDENT BILATERAL	INHERENT OR NON-BILATERAL	CONDITIONAL OR INDEPENDENT BILATERAL	INHERENT OR NON-BILATERAL
Highest	No	No	2	2	1	1
Highest	Yes	No	3	3	3	3
Highest	No	Yes	4	2	4/8*	1
Highest	Yes	Yes	3	3	3	3
Not Highest	No	No	5	5	1	1
Not Highest	Yes	No	6	6	3	3
Not Highest	No	Yes	7	5	4/8*	1
Not Highest	Yes	Yes	6	6	3	3

For the purpose of determining which APC has the highest payment amount, the terminated procedure discount (T) any applicable offset, will be applied prior to selecting the "T" procedure with the highest payment amount. If both offset and terminated procedure discount apply, the offset will be applied first before the terminated procedure discount. This applies only on claims reimbursed under the OPSS reimbursement methodology.

*If not terminated, non-type "T" Conditional bilateral procedures with modifier 50 will be assigned discount formula #4; non-type "T" Independent bilateral procedures with modifier 50 will be assigned to formula #8.

Note: For the purpose of determining which APC has the highest payment amount, the terminated procedure discount (T) will be applied prior to selecting the type "T" procedure with the highest payment amount.

3.1.5.4 Outlier Payments

An additional payment is provided for outpatient services for which a hospital's charges, adjusted to cost, exceed the sum of the wage-adjusted APC rate plus a fixed dollar threshold and a fixed multiple of the wage-adjusted APC rate. Only line item services with SIs of "P", "S", "T", "V", or "X" will be eligible for outlier payment under OPSS. No outlier payments will be calculated for line item services with SIs of "G", "H", "K", "N", and "K", with the exception of blood and blood products.

3.1.5.4.1 Outlier payments will be calculated on a service-by-service basis. Calculating outliers on a service-by-service basis was found to be the most appropriate way to calculate outliers for outpatient services. Outliers on a bill basis requires both the aggregation of costs and the aggregation of OPSS payments, thereby introducing some degree of offset among services; that is, the aggregation of low cost services and high cost services on a bill may result in no outlier payment being made. While service-based outliers are somewhat more complex to administer, under this method, outlier payments will be more appropriately directed to those specific services for which a hospital incurs significantly increased costs.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.1.5.4.2 Outlier payments are intended to ensure beneficiary access to services by having the TRICARE program share the financial loss incurred by a provider associated with individual, extraordinarily expensive cases.

3.1.5.4.3 Outlier thresholds are established on a CY basis which requires that a hospital's cost for a service exceed the wage-adjusted APC payment rate for that service by a specified multiple of the wage-adjusted APC payment rate and the sum of the wage-adjusted APC rate plus a fixed dollar threshold in order to receive an additional outlier payment. When the cost of a hospital outpatient service exceeds both of these thresholds a predetermined percentage of the amount by which the cost of furnishing the services exceeds the multiple APC threshold will be paid as an outlier.

Example: Following are the steps involved in determining if services on a claim qualify for outlier payments using the appropriate CY multiple and fixed dollar thresholds.

Step 1: Identify all APCs on the claim.

Step 2: Determine the ratio of each wage-adjusted APC payment to the total payment of the claim (assume for this example a wage index of 1.0000).

HCPCS CODE	SI	APC	SERVICE	WAGE-ADJUSTED APC PAYMENT RATE	RATIO OF APC TO TOTAL PAYMENT
99285	V	0616	Level 5 Emergency Visit	\$325.26	0.5425611
70481	S	0283	CT scan with contrast material	\$250.94	0.4185891
93041	S	0099	Electrocardiogram	\$23.29	0.0388496

Step 3: Identify billed charges of packaged items that need to be allocated to an APC.

REVENUE CODE	OPPS SERVICE OR SUPPLY	TOTAL CHARGES
0250	Pharmacy	\$3,435.50
0270	Medical Supplies	\$4,255.80
0350	CT scan	\$3,957.00
0450	Emergency Room	\$2,986.00
0730	Electrocardiogram	\$336.00

Step 4: Allocate the billed charges of the packaged items identified in Step 3 to their respective wage-adjusted APCs based on their percentages to total payment calculated in Step 2.

APC	RATIO ALLOCATION	OPPS SERVICE	250 (PHARMACY)	270 (MEDICAL SUPPLIES)
0616	0.5425611	Level 5 Emergency Visit	\$1,863.97	\$2,309.03
0283	0.4185891	CT scan with contrast material	\$1,438.06	\$1,781.43
0099	0.0388496	Electrocardiogram	\$133.47	\$165.34

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

Step 5: Calculate the total charges for each OPPS service (APC) and reduce them to costs by applying the statewide CCR. Statewide CCRs are based on the geographical Core Based Statistical Area (CBSA) (two digit = rural, five digit = urban). Assume that the outpatient CCR is 31.4%.

APC	OPPS SERVICE	TOTAL CHARGES	TOTAL CHARGES REDUCED TO COSTS (CCR = 0.3140)
0616	Level 5 Emergency Visit	\$7,159.00	\$2,247.93
0283	CT scan with contrast material	\$7,176.49	42,253.42
0099	Electrocardiogram	\$634.81	\$199.33

Step 6: Apply the cost test to each wage-adjusted APC service or procedure to determine if it qualifies for an outlier payment. If the cost of a service (wage-adjusted APC) exceeds both the APC multiplier threshold (1.75 times the wage-adjusted APC payment rate) and the fixed dollar threshold (wage-adjusted APC rate plus \$1,825), multiply the costs in excess of the wage-adjusted APC multiplier by 50% to get the additional outlier payment.

APC	WAGE-ADJUSTED APC RATE	COSTS	FIXED DOLLAR THRESHOLD (WAGE-ADJUSTED APC RATE + \$1,825)	MULTIPLIER THRESHOLD (1.75 X WAGE INDEX APC RATE)	COSTS IN EXCESS OF MULTIPLIER THRESHOLD	OUTLIER PAYMENT COSTS OF WAGE-ADJUSTED APC - (1.75 X WAGE-ADJUSTED APC RATE) X 0.50
0616	\$325.26	\$2,247.93	\$2,150.26	\$569.21	\$1,678.72	\$839.34
0283	\$250.94	\$2,253.42	\$2,075.94	\$439.15	\$1,814.27	\$907.14
0099	\$23.29	\$199.33	\$1,848.29	\$40.76	\$158.56	-0-**

**** Does not qualify for outlier payment since the APC's costs did not exceed the fixed dollar threshold (APC Rate + \$1,825).**

The total outlier payment on the claim was: **\$1,746.50.**

3.1.5.5 Rural SCH payments will be increased by 7.1%. This adjustment will apply to all services and procedures paid under the OPPS (SIs of "P", "S", "T", "V", and "X"), excluding drugs, biologicals and services paid under the pass-through payment policy (SIs of "G", "H", and "K").

3.1.5.5.1 The adjustment amount will not be reestablished on an annual basis, but may be reviewed in the future, and if appropriate, may be revised.

3.1.5.5.2 The adjustment is budget neutral and will be applied before calculating outliers and copayments/cost-sharing.

3.2 Transitional Pass-Through for Innovative Medical Devices, Drugs, and Biologicals

3.2.1 Items Subject to Transitional Pass-Through Payments

3.2.1.1 Current Orphan Drugs

A drug or biological that is used for a rare disease or condition with respect to which the drug or biological has been designated under section 526 of the Federal Food, Drug, and Cosmetic Act if payment for the drug or biological as an outpatient hospital service was being made on the first date that the OPPS was implemented.

Note: Orphan drugs will be paid separately at the Average Sales Price (ASP) + 6%, which represents a combined payment for acquisition and overhead costs associated with furnishing these products. Orphan drugs will no longer be paid based on the use of drugs because all orphan drugs, both single-indication and multi-indication, will be paid under the same methodology. The TRICARE contractors will not be required to calculate orphan drug payments.

3.2.1.2 Current Cancer Therapy Drugs, Biologicals, and Brachytherapy

These items are drugs or biologicals that are used in cancer therapy, including (but not limited to) chemotherapeutic agents, antiemetics, hematopoietic growth factors, colony stimulating factors, biological response modifiers, biphosphonates, and a device of brachytherapy if payment for the drug or biological as an outpatient hospital service was being made on the first date that the OPPS was implemented.

3.2.1.3 Current Radiopharmaceutical Drugs and Biological Products

A radiopharmaceutical drug or biological product used in diagnostic, monitoring, and therapeutic nuclear medicine procedures if payment for the drug or biological as an outpatient hospital service was being made on the first date that the OPPS was implemented.

3.2.1.4 New Medical Devices, Drugs, and Biologicals

New medical devices, drugs, and biologic agents, will be subject to transitional pass-through payment in instances where the item was not being paid for as a hospital outpatient service as of December 31, 1996, and where the cost of the item is "not insignificant" in relation to the hospital OPPS payment amount.

3.2.2 Items eligible for transitional pass-through payments are generally coded under a Level II HCPCS code with an alpha prefix of "C".

- Pass-through device categories are identified by SI of "H"
- Pass-through drugs and biological agents are identified by SI of "G"

3.2.3 Payment of Pass-Through Drugs and Biologicals

3.2.3.1 Pass-through drugs and biologicals, will be paid a rate equivalent to what would be received in a physician's office setting; i.e., the ASP methodology established under the Medicare

physician fee schedule. Following is the applicable payment methodology for transitional pass-through drugs or biologicals:

3.2.3.1.1 Calculation of ASP

3.2.3.1.1.1 The ASP for both multiple and sole source drug products included within the same billing payment code (or HCPCS code) is the volume-weighted average of the manufacturer's ASPs reported across all the National Drug Codes (NDCs) assigned to the HCPCS determined by:

- Computing the sum of the products (for each National Code assigned to those drug products) of the manufacturer's ASP and the total number of units sold; and
- Dividing the sum by the sum of the total number of units sold for all NDCs assigned to those drug products.

3.2.3.1.1.2 The ASP is determined without regard to any special packaging, labeling, or identifiers on the dosage form, product or package.

3.2.3.1.2 Payment Allowances for Single and Multiple Source Drugs

3.2.3.1.2.1 Single Source Drugs

The payment allowance for a single source drug HCPCS code will be equal to the lesser of 106% of the ASP for the HCPCS code or 106% of the Wholesale Acquisition Cost (WAC) of the HCPCS code, subject to applicable deductible and copayment/cost-sharing and limitations related to widely available market prices and average manufacturer prices in the Medicaid drug rebate program. The payment limit may also be adjusted in response to public emergency.

3.2.3.1.2.2 Multiple Source Drugs.

The payment allowance for a multiple source drug included within the same HCPCS code will be equal to 106% of the ASP for the HCPCS code subject to applicable deductible and copayment/cost-sharing, along with the same payment limitations/adjustments as described under the single source drug payment allowance outlined above.

3.2.3.2 Beneficiary copayments/cost-sharing will be based on the entire ASP of the transition pass-through drug or biological.

3.2.4 Transitional Pass-Through Device Categories

3.2.4.1 Excluded Medical Devices

Equipment, instruments, apparatuses, implements or items that are generally used for diagnostic or therapeutic purposes that are not implanted or incorporated into a body part, and that are used on more than one patient (that is, are reusable), are excluded from pass-through payment. This material is generally considered to be a part of hospital overhead costs reflected in the APC payments.

3.2.4.2 Included Medical Devices

3.2.4.2.1 The following implantable items may be considered for the transitional pass-through payments:

- Prosthetic implants (other than dental) that replace all or part of an internal body organ.
- Implantable items used in performing diagnostic x-rays, diagnostic laboratory tests, and other diagnostic tests.

Note: Any Durable Medical Equipment (DME), orthotics, and prosthetic devices for which transitional pass-through payment does not apply will be paid under the DMEPOS fee schedule when the hospital is acting as the supplier (paid outside the PPS).

3.2.4.3 Pass-Through Payment Criteria for Devices

Pass-through payments will be made for new or innovative medical devices that meet the following requirements:

3.2.4.3.1 They were not recognized for payment as a hospital outpatient service prior to 1997 (i.e., payment was not being made as of December 31, 1996). However, the medical device shall be treated as meeting the time constraint (i.e., payment was not being made for the device as of December 31, 1996) if either:

3.2.4.3.1.1 The device is described by one of the initial categories established and in effect, or

3.2.4.3.1.2 The device is described by one of the additional categories established and in effect, and

- An application under the Federal Food, Drug, and Cosmetic Act has been approved; or
- The device has been cleared for market under section 510(k) of the Federal Food, Drug, and Cosmetic Act; or
- The device is exempt from the requirements of section 510(k) of the Federal Food, Drug, and Cosmetic Act under section 510(l) or section 510(m) of the Act.

3.2.4.3.2 They have been approved/cleared for use by the U.S. Food and Drug Administration (FDA).

3.2.4.3.3 They are determined to be reasonable and necessary for the diagnosis or treatment of an illness or injury or to improve the functioning of a malformed body part.

3.2.4.3.4 They are an integral and subordinate part of the procedure performed, are used for one patient only, are surgically implanted or inserted via a natural or surgically created orifice on incision, and remain with that patient after the patient is released from the hospital outpatient department.

3.2.4.3.4.1 Reprocessed single-use devices that are otherwise eligible for pass-through payment will be considered for payment if they meet FDA's most recent regulatory criteria on single-use devices.

3.2.4.3.4.2 It is expected that hospital charges on claims submitted for pass-through payment for reprocessed single-use devices will reflect the lower cost of these devices.

Note: The FDA published guidance for the processing of single-use devices on August 14, 2000 - "Enforcement Priorities for Single-Use Devices Reprocessed by Third Parties and Hospitals".

3.2.4.3.5 They are not equipment, instruments, apparatuses, implements, or such items for which depreciation and financing expenses are recovered as depreciable assets.

3.2.4.3.6 They are not materials and supplies such as sutures, clips, or customized surgical kits furnished incidental to a service or procedure.

3.2.4.3.7 They are not material such as biologicals or synthetics that may be used to replace human skin.

3.2.4.3.8 No existing or previously existing device category is appropriate for the device.

3.2.4.3.9 The associated cost is not insignificant in relation to the APC payment for the service in which the innovative medical equipment is packaged.

3.2.4.3.10 The new device category must demonstrate that utilization of its devices provide substantial clinical improvement for beneficiaries compared with currently available treatments, including procedures utilizing devices in existing or previously existing device categories.

3.2.4.4 Duration of Transitional Pass-Through Payments

3.2.4.4.1 The duration of transitional pass-through payments for devices is for at least two, but not more than three years. This period begins with the first date on which a transitional pass-through payment is made for any medical device that is described by the category.

3.2.4.4.2 The costs of devices no longer eligible for pass-through payments will be packaged into the costs of the procedures with which they are normally billed.

3.2.5 General Coding and Billing Instructions and Explanations

3.2.5.1 Devices implanted, removed, and implanted again, not associated with failure (applies to transitional pass-through devices only):

- In instances where the physician is required to implant another device because the first device fractured, the hospitals may bill for both devices - the device that resulted in fracture and the one that was implanted into the patient.
- It is realized that there may be instances where an implant is tried but later removed due to the device's inability to achieve the necessary surgical result or due to inappropriate size selection of the device by the physician (e.g., physician implants an

anchor to bone and the anchor breaks because the bone is too hard or must be replaced with a larger anchor to achieve a desirable result). In such instances, separate reimbursement will be provided for both devices. This situation does not extend to devices that result in failure or are found to be defective. For failed or defective devices, hospitals are advised to contact the vendor/manufacturer.

Note: This applies to transitional pass-through devices only and not to devices packaged into an APC.

3.2.5.2 Kits. Manufacturers frequently package a number of individual items used in a particular procedure in a kit. Generally, to avoid complicating the category list unnecessarily and to avoid the possibility of double coding, codes for such kits have not been established. However, hospitals are free to purchase and use such kits. If the kits contain individual items that separately qualify for transitional pass-through payment, these items may be separately billed using applicable codes. Hospitals may not bill for transitional pass-through payments for supplies that may be contained in kits.

3.2.5.3 Multiple Units. Hospitals must bill for multiple units of items that qualify for transitional pass-through payments, when such items are used with a single procedure, by entering the number of units used on the bill.

3.2.5.4 Reprocessed Devices. Hospitals may bill for transitional pass-through payments only for those devices that are "single use." Reprocessed devices may be considered "single use" if they are reprocessed in compliance with the enforcement guidance of the FDA relating to the reprocessing of devices applicable at the time the service is delivered.

3.2.6 Calculation of Transitional Pass-Through Payment for a Pass-Through Device

3.2.6.1 Device pass-through payment is calculated by applying the statewide CCR to the hospital's charges on the claim and subtracting any appropriate pass-through offset. Statewide CCRs are based on the geographical CBSA (two digit = rural, five digit = urban).

3.2.6.2 The following are two examples of the device pass-through calculations, one incorporating a device offset amount applicable to CY 2003 and the other only applying the CCR (offsets set to \$0 for CY 2005).

3.2.6.3 The offset adjustment is applied only when a pass-through device is billed in addition to the APC.

Example 1: Transitional Pass-Through Payment Calculation with Offset

Device: (C1884 - Embolization Protective System)

Device cost = Hospital charge converted to cost = \$1,200.00

Associated procedure: HCPCS Level I¹ code 92982 (APC0083)

Payment rate = \$3,289.42

¹ CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

Coinsurance amount = \$657.88 (Standard ADFM who has met his/her yearly deductible)

Total offset amount to be applied for each APC that contains device costs = \$802.06

Note: The total offset from the device amount is wage-index adjusted and the multiple procedure discount factor is adjusted before it is subtracted from the device cost. (Refer to [paragraph 3.2.6.4](#) for detailed application of discounting factors to offset amounts.) This example assumes a wage index of 1.0000.

Device cost adjusted by total offset amount: $\$1,200 - \$802.06 = \$397.94$

TRICARE program payment (before wage index adjustment) for APC 0083:

$\$3,289.42 - \$657.88 = \$2,631.54$

TRICARE payment for pass-through device C1884 = \$397.94

Beneficiary cost-share liability for APC 0083 = \$657.88

Total amount received by provider for APC 0083 and pass-through device C1884:

$\$2,631.54$ TRICARE program payment for HCPCS Level I¹ code 92982 when used with device code C1884

657.88 Beneficiary coinsurance amount for HCPCS Level I¹ code 92982

397.94 Transitional pass-through payment for device

$\$3,687.36$ Total amount received by the provider

Example 2: Transitional Pass-Through Payment Calculation without Offset

Device: (C1884 - Embolization Protective System)

Device cost = Hospital charge converted to cost = \$1,500.00

Associated procedure: HCPCS Level I¹ code 92982 (APC0083)

Payment rate = \$3,289.42

Coinsurance amount = \$657.88 (standard ADFM who has met his/her yearly deductible)

Total offset amount to be applied for each APC that contains device costs = \$0.

Note: The total offset from the device amount is wage-index adjusted and the multiple procedure discount factor is adjusted before it is subtracted from the device cost. (Refer to [paragraph 3.2.6.4](#) for detailed application of discounting factors to offset amounts.) This example assumes a wage index of 1.0000.

Device cost adjusted by total offset amount: $\$1,500 - \$0 = \$1,500$

TRICARE program payment (before wage index adjustment) for APC 0083:

$\$3,289.42 - \$657.88 = \$2,631.54$

TRICARE payment for pass-through device C1884 = \$1,500

Beneficiary cost-share liability for APC 0083 = \$657.88

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

Total amount received by provider for APC 0083 and pass-through device C1884:	
\$2,631.54	TRICARE program payment for HCPCS Level I ¹ code 92982 when used with device code C1884
657.88	Beneficiary coinsurance amount for HCPCS Level I ¹ code 92982
1,500.00	Transitional pass-through payment for device
<u>\$4,789.42</u>	Total amount received by the provider

¹ HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

Note: Transitional payments for devices (SI of "H") are not subject to beneficiary cost-sharing/copayments.

3.2.6.4 Steps involved in applying multiple discounting factors to offset amounts prior to subtracting from the device cost.

Step 1: For each APC with an offset multiply the offset by the discount percent (whether it is 50%, 75%, 100% or 200%) and the units of service.

(Offset x Discount Rate x Units of Service)

Step 2: Sum the products of Step 1.

Step 3: Wage adjust the sum of the products calculated in Step 2.

(Step 2 Amount x Labor % x Wage Index) + Step 2 Amount x Nonlabor %)

Step 4: If the units of service from the procedures with offsets are greater than the device units of service, then Step 3 is adjusted by device units divided by procedure offset units.

[(Step 2 Amount x Labor % x Wage Index) + (Step 2 Amount x Nonlabor %) x (Device Units ÷ Offset Procedure Units)]

otherwise

(Step 2 Amount x Labor % x Wage Index) Step 2 Amount x Non-Labor %)

Example: If there are two procedures with offsets but only one device, then the final offset is reduced by 50%.

Step 5: If there is only one line item with a device, then the amount calculated in Step 4 is subtracted from the line item charge adjusted to cost.

[Step 4 Amount - (Line Item Charge x State CCR)]

Example: If there are multiple devices, then the amount from Step 4 is allocated to the line items with devices based on their charges.

(Line Item Device Charge ÷ Sum of Device Charges)

3.3 Drugs, Biologicals, and Radiopharmaceuticals Without Pass-Through Status

3.3.1 Radiopharmaceuticals, drugs, and biologicals which do not have pass-through status, are paid in one of three ways:

- Packaged payment, or
- Separate payment (individual APCs), or
- Allowable charge.

3.3.2 The cost of drugs and radiopharmaceuticals are generally packaged into the APC payment rate for the procedure or treatment with which the products are usually furnished:

- Hospitals do not receive separate payment for packaged items and supplies; and
- Hospitals may not bill beneficiaries separately for any such packaged items and supplies whose costs are recognized and paid for within the national OPPS payment rate for the associated procedure or services.

3.3.3 Although diagnostic and therapeutic radiopharmaceutical agents are not classified as drugs or biologicals, separate payment has been established for them under the same packaging threshold policy that is applied to drugs and biologicals; i.e., the same adjustments will be applied to the median costs for radiopharmaceuticals that will apply to non-pass-through, separately paid drugs and biologicals.

3.4 Criteria for Packaging Payment for Drugs, Biologicals and Radiopharmaceuticals

3.4.1 Generally, the cost of drugs and radiopharmaceuticals are packaged into the APC payment rate for the procedure or treatment with which the products are usually furnished. However, packaging for certain drugs and radiopharmaceuticals, especially those that are particularly expensive or rarely used, might result in insufficient payments to hospitals, which could adversely affect beneficiary access to medically necessary services.

3.4.2 Payments for drugs and radiopharmaceuticals are packaged into the APCs with which they are billed if the median cost per day for the drug or radiopharmaceutical is less than \$55. Separate APC payment is established for drugs and radiopharmaceuticals for which the median cost per day exceeds \$55.

3.4.3 An exception to the packaging rule is being made for injectable oral forms of antiemetics.

3.4.4 Payment for drugs, biologicals, and radiopharmaceuticals without pass-through status that are not packaged.

3.4.4.1 “Specified Covered Outpatient Drugs” Classification

3.4.4.1.1 Special classification (i.e., “specified covered outpatient drug”) is required for certain separately payable radiopharmaceutical agents and drugs or biologicals for which there are specifically mandated payments.

3.4.4.1.2 A “specified covered outpatient drug” is a covered outpatient drug for which a separate APC exists and that is either a radiopharmaceutical agent or drug or biological for which payment was made on a pass-through basis on or before December 31, 2002.

3.4.4.1.3 The following drugs and biologicals are designated exceptions to the “specified covered outpatient drugs” definition (i.e., not included within the designated category classification):

- A drug or biological for which payment was first made on or after January 1, 2003, under the transitional pass-through payment provision.
- A drug or biological for which a temporary HCPC code has been assigned.
- Orphan drugs.

3.4.4.2 Payment of Specified Outpatient Drugs, Biological, and Radiopharmaceuticals

3.4.4.2.1 Specified outpatient drugs and biologicals will be paid a combined rate of the ASP plus 6% which is reflective of the present hospital acquisition and overhead costs for separately payable drugs and biologicals under the OPSS.

3.4.4.2.2 Since there is no ASP data for separately payable specified radiopharmaceuticals, reimbursement will be based on charges converted to costs. This is the best proxy for the average acquisition cost of a radiopharmaceutical until better alternative information/data sources become available; e.g., basing payments on mean costs derived from hospital claims or creating charge-based payment rates.

3.4.4.2.3 The following payment methods will be employed for separately payable specified outpatient drugs, biologicals and radiopharmaceuticals whose HCPCS codes will be payable for the first time under OPSS but whose codes do not crosswalk to other HCPCS codes previously recognized under the OPSS:

- Payment will be based on ASP plus 6% in accordance with the ASP methodology used in the physician office setting.
- In the absence of ASP data, the WAC will be used for the product to establish the initial payment rate. If the WAC is also unavailable, then payment will be calculated at 95% of the most recent Average Wholesale Prices (AWP).

3.4.4.3 Designated SI

The HCPCS codes for the above three categories of “specified covered outpatient drugs” are designated with the SI of “K” - non-pass-through drugs, biologicals, and radiopharmaceuticals paid under the hospital OPSS (APC Rate). Refer to TMA’s OPSS web site at <http://www.tricare.mil/opps> for APC payment amounts of separately payable drugs, biologicals and radiopharmaceuticals.

3.4.5 Payment for New Drugs and Biologicals With HCPCS Codes and Without Pass-Through Application and Reference AWP or Hospital Claims Data

3.4.5.1 New drugs and biologicals that have assigned HCPCS codes, but that do not have a reference AWP or approval for payment as pass-through drugs or biologicals will be paid a rate that is equivalent to the payment they would receive in the physician office setting (i.e., the ASP plus 6%).

3.4.5.2 These new drugs and biologicals will be treated the same irrespective of whether pass-through status has been determined. SI of "K" will be assigned to HCPCS codes for new drugs and biologicals for which pass-through applications have not been received.

3.4.6 Drugs and Biologicals Not Eligible for Pass-Through Status and Receiving Separate Nonpass-Through Payment

3.4.6.1 Payment will be based on median costs derived from CY claims data for drugs and biologicals that have been:

- Separately paid since implementation of the OPPS under Medicare, but were not eligible for pass-through status; and
- Historically packaged with the procedures with which they were billed, even though their median cost per day was above the \$55 packaging threshold.

3.4.6.2 Payment based on median costs should be adequate for hospitals since these products are generally older or low-cost items.

3.4.7 Payment for New Drugs, Biologicals, and Radiopharmaceuticals Before HCPCS Codes Are Assigned

3.4.7.1 The following payment methodology will enable hospitals to begin billing for drugs and biologicals that are newly approved by the FDA and for which a HCPCS code has not yet been assigned by the National HCPCS Alpha-Numeric Workgroup that could qualify them for pass-through payment under the OPPS:

- Hospitals should be instructed to bill for a drug or biological that is newly approved by the FDA by reporting the NDC for the product along with a new HCPCS code C9399, "Unclassified Drug or Biological."
- When HCPCS code C9399 appears on the claim, the OCE suspends the claim for manual pricing by the contractor.
- The new drug, biological and/or radiopharmaceutical will be priced at 95% of its AWP using the **Drug Topics Red Book** or an equivalent recognized compendium, and process the claim for payment.
- The above approach enables hospitals to bill and receive payment for a new drug, biological or radiopharmaceutical concurrent with its approval by the FDA.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.4.7.2 Hospitals will discontinue billing C9399 and the NDC upon implementation of a HCPCS code, SI, and appropriate payment amount with the next quarterly OPPI update.

3.5 Drug Administration Coding and Payment

3.5.1 The following HCPCS Level I drug administration codes will be assigned to their respective APCs for payment:

FIGURE 13.3-4 CROSSWALK FROM HCPCS LEVEL I¹ CODES FOR DRUG ADMINISTRATION TO DRUG ADMINISTRATION APCS

HCPCS LEVEL I¹ CODE	DESCRIPTION	SI	APC
90772	Therapeutic, prophylactic or diagnostic injection (specify substance or drug); subcutaneous or intramuscular	X	0353
90773	Therapeutic, prophylactic or diagnostic injection (specify substance or drug); intra-arterial	X	0359
90779	Unlisted therapeutic, prophylactic or diagnostic intravenous or intra-arterial injection or infusion	X	0352
96401	Chemotherapy administration, subcutaneous or intramuscular; non-hormonal anti-neoplastic	S	0116
96402	Chemotherapy administration subcutaneous or intramuscular; hormonal anti-neoplastic	S	0116
96405	Chemotherapy administration; intralesional, up to and including 7 lesions	S	0116
96406	Chemotherapy administration; intralesional, more than 7 lesions	S	0116
96416	Chemotherapy administration, intravenous infusion technique; initiation of prolonged chemotherapy infusion (more than 8 hours), requiring use of portable or implantable pump	S	0117
96420	Chemotherapy administration, intra-arterial; push technique	S	0116
96422	Chemotherapy administration, intra-arterial; infusion technique, up to one hour	S	0117
96423	Chemotherapy administration, intra-arterial; infusion technique, each additional hour up to 8 hours (List separately in addition to code for primary procedure)	A	--
96425	Chemotherapy administration, intra-arterial; infusion technique, initiation of prolonged infusion (more than 8 hours), requiring the use of a portable or implantable pump	S	0117
96440	Chemotherapy administration into pleural cavity, requiring and including thoracentesis	S	0116
96445	Chemotherapy administration into peritoneal cavity, requiring and including peritoneocentesis	S	0116
96450	Chemotherapy administration, into CNS (e.g., intrathecal), requiring and including spinal puncture	S	0116
96521	Refilling and maintenance of portable pump	T	0125
96522	Refilling and maintenance of implantable pump or reservoir for drug delivery, systemic (e.g., intravenous, intra-arterial)	T	0125
96523	Irrigation of implanted venous access device for drug delivery systems	N	--
96542	Chemotherapy injection, subarachnoid or intraventricular via subcutaneous reservoir, single or multiple agents	S	0116
96549	Unlisted chemotherapy procedure	S	0116

¹ HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.5.2 Only 20 of the 33 drug administration Current Procedural Terminology (CPT) procedure codes are being adopted for billing and payment purposes under OPPS.

3.5.3 Six new HCPCS "C" codes are being used instead of the remaining 13 CPT codes not recognized under the OPPS. The following "C" codes (see [Figure 13.3-5](#)) are being adopted in an effort to minimize the administrative burden of adopting all 33 drug administrative CPT procedure codes.

3.5.3.1 The "C" codes will permit straightforward billing of types of pushes for the first hour and then each additional hour of infusion or for each intravenous push.

3.5.3.2 The OCE logic will determine the appropriate payments to make for a single drug administration encounter in one day or multiple separate encounters in the same day.

FIGURE 13.3-5 OPSS DRUG ADMINISTRATION CODES

HCPCS LEVEL I ¹ CODE	DESCRIPTION	SI	APC
C8950	Intravenous infusion for therapy/diagnosis; up to one hour	S	0120
C8951	Intravenous infusion for therapy/diagnosis; each additional hour (List separately in addition to C8950)	N	--
C8952	Therapeutic, prophylactic or diagnostic injection; intravenous push	X	0359
C8953	Chemotherapy administration, intravenous; push technique	S	0116
C8954	Chemotherapy administration, intravenous; infusion technique, up to one hour	S	0117
C8955	Chemotherapy administration, intravenous; infusion technique, each additional hour (List separately in addition to C8954)	N	--

¹ HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

3.5.4 The following non-chemotherapy HCPCS codes have also been created that are similar to CPT procedure codes for initiation of prolonged chemotherapy infusion requiring a pump and pump maintenance and refilling codes so hospitals can bill for services when provided to patients who require extended infusions for non-chemotherapy medications including drugs for pain (see [Figure 13.3-6](#)).

FIGURE 13.3-6 NON-CHEMOTHERAPY PROLONGED INFUSION CODES THAT REQUIRE A PUMP

HCPCS LEVEL I ¹ CODE	DESCRIPTION	SI	APC
C8957	Intravenous infusion for therapy/diagnosis; initiation of prolonged infusion (more than 8 hours), requiring use of portable or implantable pump	S	0120

¹ HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

3.5.5 Packaged HCPCS Level I codes for drug administration should continue to be billed to ensure accurate payment in the future. These are bill changes for HCPCS Level I codes with an SI of

"N" that will be used as the basis for setting median costs for each drug administration HCPCS Level I code in the future.

3.5.6 HCPCS Level I² codes 90772-90774 each represent an injection and as such, one unit of the code may be billed each time there is a separate injection that meets the definition of the code.

3.5.7 Drugs for which the median cost per day is greater than \$55 are paid separately and are not packaged into the payment for the drug administration. Separate payment for drugs with a median cost in excess of \$55 will result in more equitable payment for both the drugs and their administration.

3.6 Coding and Payment Policies for Drugs and Supplies

3.6.1 Drug Coding

3.6.1.1 Drugs for which separate payment is allowed are designated by SI of "K" and must be reported using the appropriate HCPCS code.

3.6.1.2 Drugs that are reported without a HCPCS code will be packaged under the revenue center code, under OPPS: 250, 251, 252, 254, 255, 257, 258, 259, 631, 632, or 633.

3.6.1.3 Drugs billed using revenue code 636 ("Drugs requiring detailed coding") require use of the appropriate HCPCS code, or they will be denied.

3.6.1.4 Reporting charges of packaged drugs is critical because packaged drug costs are used for calculating outlier payments and hospital costs for the procedure and service with which the drugs are used in the course of the annual OPPS updates.

3.6.2 Payment for the Unused Portion of a Drug

3.6.2.1 Once a drug is reconstituted in the hospital's pharmacy, it may have a limited shelf life. Since an individual patient may receive less than the fully reconstituted amount, hospitals are encouraged to schedule patients in such a way that the hospital can use the drug most efficiently. However, if the hospital must discard the remainder of a vial after administering part of it to a TRICARE patient, the provider may bill for the amount of the drug discarded, along with the amount administered.

3.6.2.2 In the event that a drug is ordered and reconstituted by the hospital's pharmacy, but not administered to the patient, payment will be made under OPPS.

Example 1: Drug X is available only in a 100-unit size. A hospital schedules three patients to receive drug X on the same day within the designated shelf life of the product. An appropriate hospital staff member administers 30 units to each patient. The remaining 10 units are billed to OPPS on the account of the last patient. Therefore, 30 units are billed on behalf of the first patient seen, and 30 units are billed on behalf of

² HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

the second patient seen. Forty units are billed on behalf of the last patient seen because the hospital had to discard 10 units at that point.

Example 2: An appropriate hospital staff member must administer 30 units of drug X to a patient, and it is not practical to schedule another patient for the same drug. For example, the hospital has only one patient who requires drug X, or the hospital sees the patient for the first time and does not know the patient's condition. The hospital bills for 100 units on behalf of the patient, and OPPS pays for 100 units.

3.6.3 Coding for Supplies

3.6.3.1 Supplies that are an integral component of a procedure or treatment are not reported with a HCPCS code.

3.6.3.2 Charges for such supplies are typically reflected either in the charges on the line for the HCPCS for the procedure, or on another line with a revenue code that will result in the charges being assigned to the same cost center to which the cost of those services are assigned in the cost report.

3.6.3.3 Hospitals should report drugs that are treated as supplies because they are an integral part of a procedure or treatment under the revenue code associated with the cost center under which the hospital accumulates the costs for the drugs.

3.7 Orphan Drugs

3.7.1 Continue to use the following criteria for identifying single indication orphan drugs that are used solely for orphan conditions:

- The drug is designated as an orphan drug by the FDA and approved by the FDA for treatment of only one or more orphan condition(s).
- The current United States Pharmacopoeia Drug Information (USPDI) shows that the drug has neither an approved use nor an off-label use for other than the orphan condition(s).

3.7.2 Twelve single indication orphan drugs have currently been identified as having met these criteria.

3.7.3 Payment Methodology

3.7.3.1 Pay all 12 single indication orphan drugs at the rate of 88% of AWP or 106 of the ASP, whichever is higher.

3.7.3.2 However, for drugs where 106% of ASP would exceed 95% of AWP, payment would be capped at 95% of AWP, which is the upper limit allowed for sole source specified covered outpatient drugs.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.8 Vaccines

3.8.1 Hospitals will be paid for influenza, pneumococcal pneumonia and hepatitis B vaccines based on allowable charge methodology; i.e., will be paid the CMAC rate for these vaccines.

3.8.2 Separately payable vaccines other than influenza, pneumococcal pneumonia and hepatitis B will be paid under their own APC.

3.8.3 See [Figure 13.3-7](#) for vaccine administration codes and SIs.

FIGURE 13.3-7 VACCINE ADMINISTRATION CODES AND STATUS INDICATORS

HCPCS LEVEL 1 ¹ CODE	DESCRIPTION	SI	APC
G0008	Influenza vaccine administration	X	0350
G0009	Pneumococcal vaccine administration	X	0350
G0010	Hepatitis B vaccine administration	N	--
90465	Immunization admin, under 8 yrs old, with counseling; first injection	N	--
90466	Immunization admin, under 8 yrs old, with counseling; each additional injection	N	--
90467	Immunization admin, under 8 yrs old, with counseling; first intranasal or oral	N	--
90468	Immunization admin, under 8 yrs old, with counseling; each additional intranasal or oral	N	--
90471	Immunization admin, one vaccine injection	X	0353
90472	Immunization admin, each additional vaccine injections	X	0353
90473	Immunization admin, one vaccine by intranasal or oral	N	--
90474	Immunization admin, each additional vaccine by intranasal or oral	N	--

¹ HCPCS Level I/CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

3.9 Payment Policy for Radiopharmaceuticals

Separately paid radiopharmaceuticals are classified as "specified covered outpatient drugs" subject to the following packaging and payment provisions:

3.9.1 The threshold for the establishment of separate APCs for radiopharmaceuticals is \$55.

3.9.2 A radiopharmaceutical that is covered and furnished as part of covered outpatient department services for which a HCPCS code has not been assigned will be reimbursed an amount equal to 95% of its AWP.

3.9.3 Radiopharmaceuticals will be excluded from receiving outlier payments.

3.9.4 Applications will be accepted for pass-through status; however, in the event the manufacturer seeking pass-through status for a radiopharmaceutical does not submit data in accordance with the requirements specified for new drugs and biologicals, payment will be set for the new radiopharmaceutical as a "specified covered outpatient drug."

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

3.10 Blood and Blood Products

3.10.1 Since the OPPS was first implemented, separate payment has been made for blood and blood products in APCs rather than packaging them into payment for the procedures with which they were administered. The APCs for these products are intended to recover the costs of the products.

3.10.2 Administrative costs for the processing and storage specific to the transfused blood product are included in the APC payment, which is based on hospitals' charges.

3.10.3 Payment for the collection, processing, and storage of autologous blood, as described by HCPCS Level I code 86890 and used in transfusion, is made through APC 347 (Level III Transfusion Laboratory Procedures).

3.10.4 Payment rates for blood and blood products will be determined based on median costs. Refer to [Figure 13.3-8](#) for APC assignment of blood and blood product codes.

FIGURE 13.3-8 ASSIGNMENT OF BLOOD AND BLOOD PRODUCT CODES

HCPCS	EXPIRED HCPCS	DESCRIPTION	SI	APC
P9010		Whole blood for transfusion	K	0950
P9011		Split unit of blood	K	0967
P9012		Cryoprecipitate each unit	K	0952
P9016		RBC leukocytes reduced	K	0954
P9017		Plasma 1 donor frz w/in 8 hr	K	9508
P9019		Platelets, each unit	K	0957
P9020		Platelet rich plasma unit	K	0958
P9021		Red blood cells unit	K	0959
P9022		Washed red blood cells unit	K	0960
P9023		Frozen plasma, pooled, sd	K	0949
P9031		Platelets leukocytes reduced	K	1013
P9032		Platelets, irradiated	K	9500
P9033		Platelets leukoreduced irradiated	K	0968
P9034		Platelets, pheresis	K	9507
P9035		Platelets pheresis leukoreduced	K	9501
P9036		Platelet pheresis irradiated	K	9502
P9037		Platelet pheresis leukoreduced irradiated	K	1019
P9038		RBC irradiated	K	9505
P9039		RBC deglycerolized	K	9504
P9040		RBC leukoreduced irradiated	K	0969
P9043		Plasma protein fract, 5%, 50 ml	K	0956
P9044		Cryoprecipitate reduced plasma	K	1009
P9048		Granulocytes, pheresis unit	K	9506
P9051	C1010	Blood, L/R, CMV-NEG	K	1010

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-8 ASSIGNMENT OF BLOOD AND BLOOD PRODUCT CODES (CONTINUED)

HCPCS	EXPIRED HCPCS	DESCRIPTION	SI	APC
P9052	C1011	Platelets, HLA-m, L/R, unit	K	1011
P9053	C1015	Plt, pher, L/R, CMV, irradiated	K	1020
P9054	C1016	Blood, L/R, Froz/Degly/Washed	K	1016
P9055	C1017	Plt, Aph/Pher, L/R, CMV-Neg	K	1017
P9056	C1018	Blood, L/R, Irradiated	K	1018
P9057	C1020	RBC, frz/deg/wash, L/R irradiated	K	1021
P9058	C1021	RBC, L/R, CMV-Neg, irradiated	K	1022
P9059	C1022	Plasma, frz within 24 hours	K	0955
P9060	C9503	Fresh frozen plasma, ea unit	K	9503

3.11 Payment When Devices Are Replaced Without Cost or Where Credit for a Replacement Device is Furnished to the Hospital.

3.11.1 Payments will be reduced for selected APCs in cases in which an implanted device is replaced without cost to the hospital or with full credit for the removed device. The amount of the reduction to the APC rate will be calculated in the same manner as the offset amount that would be applied if the implanted device assigned to the APC has pass-through status.

3.11.2 This permits equitable adjustments to the OPPS payments contingent on meeting all of the following criteria:

3.11.2.1 All procedures assigned to the selected APCs must require implantable devices that would be reported if device replacement procedures are performed;

3.11.2.2 The required devices must be surgically inserted or implanted devices that remain in the patient’s body after the conclusion of the procedures, at least temporarily; and

3.11.2.3 The offset percent for the APC (i.e., the median cost of the APC without device costs divided by the median cost of the APC with device costs) must be significant--significant offset percent is defined as exceeding 40%.

3.11.3 The presence of the modifier “FB” [“Item Provided Without Cost to Provider, Supplier, or Practitioner or Credit Received for Replacement (examples include, but are not limited to devices covered under warranty, replaced due to defect, or provided as free samples)”] would trigger the adjustment in payment if the procedure code to which modifier “FB” was amended appeared in [Figure 13.3-9](#) and was also assigned to one of the APCs listed in [Figure 13.3-10](#).

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-9 DEVICES FOR WHICH THE "FB" MODIFIER MUST BE REPORTED WITH THE PROCEDURE WHEN FURNISHED WITHOUT COST OR AT FULL CREDIT FOR A REPLACEMENT DEVICE

DEVICE	DESCRIPTION
C1721	AICD, dual chamber
C1722	AICS, single chamber
C1764	Event recorder, cardiac
C1767	Generator, neurostim, imp
C1771	Rep Dev urinary, w/sling
C1772	Infusion pump, programmable
C1776	Joint device (implantable)
C1777	Lead, AICD, endo single coil
C1778	Lead neurostimulator
C1779	Lead, pmkr, transvenous VDD
C1785	Pmkr, dual rate-resp
C1786	Pmkr, single rate-resp
C1813	Prostheses, penile, inflatab
C1815	Pros, urinary sph, imp
C1820	Generator, neuro, rechg bat sys
C1882	AICD, other than sing/dual
C1891	Infusion pump, non-prog, perm
C1895	Lead, AICD, endo dual coil
C1896	Lead, AICD, non sing/dual
C1897	Lead, neurostim, test kit
C1898	Lead, pmkr, other than trans
C1899	Lead, pmkr/AICD combination
C1900	Lead coronary venous
C2619	Pmkr, dual, non rate-resp
C2620	Pmkr, single, non rate-resp
C2621	Pmkr, other than sing/dual
C2622	Pmkr, other than sing/dual
C2626	Infusion pump, non-prog, temp
C2631	Rep dev, urinary, w/o sling
L8614	Cochlear device/system

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-10 ADJUSTMENTS TO APCS IN CASES OF DEVICES REPORTED WITHOUT COST OR FOR WHICH FULL CREDIT IS RECEIVED

APC	SI	APC GROUP TITLE	CY 2007 OFFSET AMT (PERCENT)
0039	S	Level I Implantation of Neurostimulator	78.85
0040	S	Percutaneous Implantation of Neurostimulator Electrodes, Excluding Cranial Nerve	54.06
0061	S	Laminectomy or Incision for Implantation of Neurostimulator Electrodes, Excluded	60.06
0089	T	Insertion/Replacement of Permanent Pacemaker and Electrodes	77.11
0090	T	Insertion/Replacement of Pacemaker Pulse Generator	74.74
0106	T	Insertion/Replacement/Repair of Pacemaker and/or Electrodes	41.88
0107	T	Insertion of Cardioverter-Defibrillator	90.44
0108	T	Insertion/Replacement/Repair of Cardioverter-Defibrillator Leads	77.75
0222	T	Implantation of Neurological Device	77.65
0225	S	Implantation of Neurostimulator Electrodes, Cranial	79.04
0227	T	Implantation of Drug Infusion Devices	80.27
0229	T	Transcatheter Placement of Intravascular Shunts	46.17
0259	T	Level IV ENT Procedures	84.61
0315	T	Level II Implantation of Neurostimulator	76.03
0385	S	Level I Prosthetic Urological Procedures	83.19
0386	S	Level II Prosthetic Urological Procedures	61.16
0418	T	Insertion of Left Ventricular Pacing Elect	87.32
0654	T	Insertion/Replacement of a Permanent Dual Chamber Pacemaker	77.35
0655	T	Insertion/Replacement/Conversion of a Permanent Dual Chamber Pacemaker	76.59
0680	S	Insertion of Patient Activated Event Recorders	76.40
0681	T	Knee Arthroplasty	73.37

3.11.4 If the APC to which the device code (i.e., one of the codes in [Figure 13.3-9](#)) is assigned is on the APCs listed in [Figure 13.3-10](#), the unadjusted payment rate for the procedure APC will be reduced by an amount equal to the percent in [Figure 13.3-10](#) times the unadjusted payment rate.

3.11.5 In cases in which the device is being replaced without cost, the hospital will report a token device charge. However, if the device is being inserted as an upgrade, the hospital will report the difference between its usual charge for the device being replaced and the credit for the replacement device.

3.11.6 Multiple procedure reductions would also continue to apply even after the APC payment adjustment to remove payment for the device cost, because there would still be the expected efficiencies in performing the procedure if it was provided in the same operative session as another surgical procedure. Similarly, if the procedure was interrupted before administration of anesthesia (i.e., there was modifier 52 or 73 on the same line as the procedure), a 50% reduction would be taken from the adjusted amount.

3.12 Policies Affecting Payment of New Technology Services

3.12.1 A process was developed that recognizes new technologies that do not otherwise meet the definition of current orphan drugs, or current cancer therapy drugs and biologicals and brachytherapy, or current radiopharmaceutical drugs and biologicals products. This process, along with transitional pass-throughs, provides additional payment for a significant share of new technologies.

3.12.2 Special APC groups were created to accommodate payment for new technology services. In contrast to the other APC groups, the new technology APC groups did not take into account clinical aspects of the services they were to contain, but only their costs.

3.12.3 The SI of "K" is used to denote the APCs for drugs, biologicals and pharmaceuticals that are paid separately from, and in addition to, the procedure or treatment with which they are associated, yet are not eligible for transitional pass-through payment.

3.12.4 New items and services will be assigned to these new technology APCs when it is determined that they cannot appropriately be placed into existing APC groups. The new technology APC groups provide a mechanism for initiating payment at an appropriate level within a relatively short time frame.

3.12.5 As in the case of items qualifying for the transitional pass-through payment, placement in a new technology APC will be temporary. After information is gained about actual hospital costs incurred to furnish a new technology service, it will be moved to a clinically-related APC group with comparable resource costs.

3.12.6 If a new technology service cannot be moved to an existing APC because it is dissimilar clinically and with respect to resource costs from all other APCs, a separate APC will be created for such services.

3.12.7 Movement from a new technology APC to a clinically-related APC will occur as part of the annual update of APC groups.

3.12.8 The new technology APC groups have established payment rates for the APC groups based on the midpoint of ranges of possible costs; for example, the payment amount for a new technology group reflecting a range of costs from \$300 to \$500 would be set at \$400. The cost range for the groups reflects current cost distributions, and TRICARE reserves the right to modify the ranges as it gains experience under the OPPTS.

3.12.9 There are two parallel series of technology APCs covering a range of costs from less than \$50 to \$6,000.

3.12.9.1 The two parallel sets of technology APCs are used to distinguish between those new technology services designated with a SI of "S" and those designated as "T". These APCs allow assignment to the same APC group procedures that are appropriately subject to a multiple procedure payment reduction (T) with those that should not be discounted (S).

3.12.9.2 Each set of technology APC groups have identical group titles and payment rates, but a different SI.

3.12.9.3 The new series of APC numbers allow for the narrowing of the cost bands and flexibility in creating additional bands as future needs may dictate. Following are the narrowed incremental cost bands for the two series of new technology APCs:

- From \$0 to \$50 in increments of \$10.
- From \$50 to \$100 in a single \$50 increment.
- From \$100 through \$2,000 in intervals of \$100.
- From \$2,000 through \$6,000 in intervals of \$500.

3.12.10 Beneficiary cost-sharing/copayment amounts for items and services in the new technology APC groups are dependent on the eligibility status of the beneficiary at the time the outpatient services were rendered (i.e., those deductibles and cost-sharing/copayment amounts applicable to Prime, Extra and Standard beneficiary categories). (Refer to [Chapter 2, Addendum A](#) for applicable deductible cost-sharing/copayment amounts for outpatient hospital services.)

3.12.11 Process and Criteria for Assignment to a New Technology APC Group.

3.12.11.1 Services Paid Under New Technology APCs.

3.12.11.1.1 Limit eligibility for placement in new technology APCs to complete services and procedures.

3.12.11.1.2 Items, material, supplies, apparatuses, instruments, implements, or equipment that are used to accomplish a more comprehensive service or procedure would not be eligible for placement in a new technology APC.

3.12.11.1.3 A service that qualifies for a new technology APC may be a complete, stand-alone service (for example, water-induced thermotherapy of the prostate or cryosurgery of the prostate), or it may be a service that would always be billed in combination with other services (for example, coronary artery brachytherapy).

- In the latter case, the new technology procedure, even though billed in combination with other, previously existing procedures, describes a distinct procedure with a beginning, middle, and end.
- Drugs, supplies, devices, and equipment in and of themselves are not distinct procedures with a beginning, middle and end. Rather drugs, supplies, devices, and equipment are used in the performance of a procedure.

3.12.11.1.4 Unbundled components that are integral to a service or procedure (for example, preparing a patient for surgery or preparation and application of a wound dressing for wound care) are not eligible for consideration for a new technology.

3.12.11.2 Criteria for determining whether a service will be assigned to a new technology APC.

3.12.11.2.1 The most important criterion in determining whether a technology is “truly new” and appropriate for a new APC is the inability to appropriately, and without redundancy, describe the new, complete (or comprehensive) service with any combination of existing HCPCS Level I and II codes. In other words, a “truly new” service is one that cannot be appropriately described by

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

existing HCPCS codes, and a new HCPCS code needs to be established in order to describe the new procedure.

3.12.11.2.2 The service is one that could not have been adequately represented in the claims data being used for the most current annual payment update; i.e., the item is one service that could not have been billed to the Medicare program in 1996 or, if it was available in 1996, the costs of the service could not have been adequately represented in 1996 data.

3.12.11.2.3 The service does not qualify for an additional payment under the transitional pass-through provisions.

3.12.11.2.4 The service cannot reasonably be placed in an existing APC group that is appropriate in terms of clinical characteristics and resource costs. It is unnecessary to assign a new service to a new technology APC if it may be appropriately placed in a current APC.

3.12.11.2.5 The service falls within the scope of TRICARE benefits.

3.12.11.2.6 The service is determined to be reasonable and necessary.

Note: The criterion that the service must have a HCPCS code in order to be assigned to a new technology APC has been removed. This is supported by the rationale that in order to be considered for a new technology APC, a truly new service cannot be adequately described by existing codes. Therefore, in the absence of an appropriate HCPCS code, a new HCPCS code will be created that describes the new technology service. The new HCPCS would be solely for hospitals to use when billing under the OPSS.

3.13 Coding And Payment Of Emergency Department (ED) Visits

3.13.1 The five Type B ED "G" codes listed in [Figure 13.3-11](#) have been established for EDs meeting the definition of a dedicated emergency department (DED) under the Emergency Medical Treatment and Labor Act (EMTALA) regulations, but which are not Type A EDs (i.e., they may meet the DED definition but are not available 24 hours a day, seven days a week).

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-11 FINAL HCPCS CODES TO BE USED TO REPORT ED VISITS PROVIDED IN TYPE B EDs

HCPCS CODE	SHORT DESCRIPTOR	LONG DESCRIPTOR
G0380	Level 1 Hosp Type B Visit	Level 1 hospital ED visit provided in a Type B ED. (The ED must meet at least one of the following requirements: (1) It is licensed by the State in which it is located under applicable State law as an emergency room or ED; (2) It is held out to the public (by name, posted signs, advertising, or other means) as a place that provides care for emergency medical conditions on an urgent basis without requiring a previously scheduled appointment; or (3) During the calendar year immediately preceding the calendar year in which a determination under this section is being made, based on a representative sample of patient visits that occurred during that calendar year, it provides at least one-third of all of its outpatient visits for the treatment of emergency medical conditions on an urgent basis without requiring a previously scheduled appointment.)
G0381	Level 2 Hosp Type B Visit	Level 2 hospital ED visit provided in a Type B ED. (The ED must meet at least one of the following requirements: (1) It is licensed by the State in which it is located under applicable State law as an emergency room or ED; (2) It is held out to the public (by name, posted signs, advertising, or other means) as a place that provides care for emergency medical conditions on an urgent basis without requiring a previously scheduled appointment; or (3) During the calendar year immediately preceding the calendar year in which a determination under this section is being made, based on a representative sample of patient visits that occurred during that calendar year, it provides at least one-third of all of its outpatient visits for the treatment of emergency medical conditions on an urgent basis without requiring a previously scheduled appointment.)
G0382	Level 3 Hosp Type B Visit	Level 3 hospital ED visit provided in a Type B ED. (The ED must meet at least one of the following requirements: (1) It is licensed by the State in which it is located under applicable State law as an emergency room or ED; (2) It is held out to the public (by name, posted signs, advertising, or other means) as a place that provides care for emergency medical conditions on an urgent basis without requiring a previously scheduled appointment; or (3) During the calendar year immediately preceding the calendar year in which a determination under this section is being made, based on a representative sample of patient visits that occurred during that calendar year, it provides at least one-third of all of its outpatient visits for the treatment of emergency medical conditions on an urgent basis without requiring a previously scheduled appointment.)
G0384	Level 4 Hosp Type B Visit	Level 4 hospital ED visit provided in a Type B ED. (The ED must meet at least one of the following requirements: (1) It is licensed by the State in which it is located under applicable State law as an emergency room or ED; (2) It is held out to the public (by name, posted signs, advertising, or other means) as a place that provides care for emergency medical conditions on an urgent basis without requiring a previously scheduled appointment; or (3) During the calendar year immediately preceding the calendar year in which a determination under this section is being made, based on a representative sample of patient visits that occurred during that calendar year, it provides at least one-third of all of its outpatient visits for the treatment of emergency medical conditions on an urgent basis without requiring a previously scheduled appointment.)

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-11 FINAL HCPCS CODES TO BE USED TO REPORT ED VISITS PROVIDED IN TYPE B EDs (continued)

HCPCS CODE	SHORT DESCRIPTOR	LONG DESCRIPTOR
G0385	Level 5 Hosp Type B Visit	Level 5 hospital ED visit provided in a Type B ED. (The ED must meet at least one of the following requirements: (1) It is licensed by the State in which it is located under applicable State law as an emergency room or ED; (2) It is held out to the public (by name, posted signs, advertising, or other means) as a place that provides care for emergency medical conditions on an urgent basis without requiring a previously scheduled appointment; or (3) During the calendar year immediately preceding the calendar year in which a determination under this section is being made, based on a representative sample of patient visits that occurred during that calendar year, it provides at least one-third of all of its outpatient visits for the treatment of emergency medical conditions on an urgent basis without requiring a previously scheduled appointment.)

3.13.2 A new "G" code (G0390 - Trauma response team activation associated with hospital critical care services) was also created (effective January 1, 2007) to be used in addition to CPT³ procedure codes 99291 and 99292 to address the meaningful cost difference between critical care when billed with and without trauma activation.

3.13.2.1 If critical care is provided without trauma activation, the hospital will bill with either CPT5 procedure code 99291 or 99292, receiving payment for APC 0617 with a median cost of \$402.67.

3.13.2.2 However if trauma activation occurs, the hospital would be called to bill one unit of "G" code (G0390), report with revenue code 68x on the same date of service, thereby receiving \$491.66 under APC 0618.

3.13.3 Hospitals will continue to bill CPT codes for both clinic and Type A ED visits until national guidelines have been established.

3.13.4 The CPT Evaluation and Management (E/M) codes and other HCPCS codes currently assigned to the clinic visit APCs have been mapped in [Figure 13.3-12](#) to 11 new APCs; five for clinic visits; five for ED visits; and one for critical care services, based on median costs and clinical consideration.

³ CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-12 ASSIGNMENT OF CPT E/M CODES AND OTHER HCPCS CODES TO NEW VISIT APCS FOR CY 2007

APC TITLE	APC	HCPCS	SHORT DESCRIPTOR
Level 1 Hospital Clinic Visits	0604	92012	Eye exam, established pat
		99201	Office/outpatient visit, new (Level 1)
		99211	Office/outpatient visit, est (Level 1)
		G0101	CA screen; pelvic/breast exam
		G0245	Initial foot exam Pt lops
		G0241	Office consultation (Level 1)
		G0271	Confirmatory consultation (Level 1)
		G0264	Assmt otr CHF, CP, asthma
Level 2 Hospital Clinic Visits	0605	92002	Eye exam, new patient
		92014	Eye exam and treatment
		99202	Office/outpatient visit, new (Level 2)
		99212	Office/outpatient visit, est (Level 2)
		99213	Office/outpatient visit, est (Level 3)
		99243	Office consultation (Level 3)
		99242	Office consultation (Level 2)
		99273	Confirmatory consultation (Level 3)
		99272	Confirmatory consultation (Level 2)
		99431	Initial care, normal newborn
		G0246	Follow-up eval of foot pt lop
		G0344	Initial preventive exam
Level 3 Hospital Clinic Visits	0606	92004	Eye exam, new patient
		99203	Office/outpatient visit, new (Level 3)
		99214	Office/outpatient visit, est (Level 4)
		99274	Confirmatory consultation (Level 4)
		99244	Office consultation (Level 4)
Level 4 Hospital Clinic Visits	0607	99204	Confirmatory consultation (Level 1)
		99215	Office/outpatient visit, est (Level 5)
		99245	Office consultation (Level 5)
		99275	Confirmatory consultation (Level 5)
Level 5 Hospital Clinic Visits	0608	99205	Office/outpatient visit, new (Level 5)
		G0175	OPPS service, sched team conf
Level 1 Type A Emergency Visits	0609	99281	Emergency department visit
Level 2 Type A Emergency Visits	0613	99282	Emergency department visit
Level 3 Type A Emergency Visits	0614	99283	Emergency department visit
Level 4 Type A Emergency Visits	0615	99284	Emergency department visit
Level 5 Type A Emergency Visits	0616	99285	Emergency department visit
Critical Care	0617	99291	Critical care, first hour

3.14 OPPS PRICER

3.14.1 Common PRICER software will be provided to the contractor that includes the following data sources:

- National APC amounts
- Payment status by HCPCS code
- Multiple surgical procedure discounts
- Fixed dollar threshold
- Multiplier threshold
- Device offsets
- Other payment systems pricing files (CMAC, DMEPOS, and statewide prevalings)

3.14.2 The following data elements will be extracted and forwarded to the outpatient PRICER for line item pricing.

- Units;
- HCPCS/Modifiers;
- APC;
- Status payment indicator;
- Line item date of service;
- Primary diagnosis code; and
- Other necessary OCE output.

3.14.3 The following data elements will be passed into the PRICER by the contractors:

- Wage indexes (same as DRG wage indexes);
- Statewide CCRs as provided in CMS Final Rule;
- Locality Code: Based on CBSA - two digit = rural and five digit = urban;
- Hospital Type: Rural SCH = 1 and All Others = 0

3.14.4 The outpatient PRICER will return the line item APC and cost outlier pricing information used in final payment calculation. This information will be reflected in the provider remittance notice and beneficiary Explanation Of Benefits (EOB) with exception for an electronic 835 transaction. Paper EOB and remits will reflect APCs at the line level and will also include indication of outlier payments and pricing information for those services reimbursed under other than OPPS methodology's, e.g., CMAC (SI of "A") when applicable.

3.14.5 If a claim has more than one service with a SI of "T" or a SI of "S" within the coding range of 10000 - 69999, and any lines with SI of "T" or a SI within the coding range of 10000 - 69999 have less than \$1.01 as charges, charges for all "T" lines will be summed and the charges will then be divided up proportionately to the payment rates for each "T" line (refer to [Figure 13.3-13](#)). The new charge amount will be used in place of the submitted charge amount in the line item outlier calculator.

TRICARE Reimbursement Manual 6010.58-M, February 1, 2008

Chapter 13, Section 3

Prospective Payment Methodology

FIGURE 13.3-13 PROPORTIONAL PAYMENT FOR "T" LINE ITEMS

SI	CHARGES	PAYMENT RATE	NEW CHARGES AMOUNT
T	\$19,999	\$6,000	\$12,000
T	\$1	\$3,000	\$6,000
T	\$0	\$1,000	\$2,000
Total	\$20,000	\$10,000	\$20,000

Note: Because total charges here are \$20,000 and the first SI "T" gets \$6,000 of the \$10,000 total payment, the new charge for that line is $\$6,000/\$10,000 \times \$20,000 = \$12,000$.

3.15 TRICARE Specific Procedures/Services

3.15.1 TRICARE specific APCs have been assigned for half-day PHPs.

3.15.2 Other procedures that are normally covered under TRICARE but not under Medicare will be assigned SI of "A" (i.e., services that are paid under some payment method other than OPPS) until they can be placed into existing or new APC groups.

3.16 Validation Reviews

OPPS claims are not subject to validation review.

3.17 Hospital-Based Birthing Centers

Hospital-based birthing centers will be reimbursed the same as freestanding birthing centers except the all inclusive rate consisting of the CMAC for CPT⁴ procedure code 59400 and the state specific non-professional component, will lag two months (i.e., April 1 instead of February 1).

- END -

⁴ CPT only © 2006 American Medical Association (or such other date of publication of CPT). All Rights Reserved.

