

# TRICARE Outpatient Prospective Payment System (OPPS)

## Legislative Mandate

Under 10 U.S.C. 1079(h) and 1079(j)(2), TRICARE was mandated to adopt Medicare's reimbursement rules when practicable. Based on these statutory provisions, TRICARE will adopt Medicare's prospective payment system for reimbursement of hospital outpatient services.

## Overview

The TRICARE OPPS is scheduled for implementation on May 1, 2009. Under the OPPS, hospital outpatient services are paid on a rate-per-service basis that varies according to the Ambulatory Payment Classification (APC) group to which the services are assigned. Group services identified by Health Care Procedure Coding System (HCPCS) codes and descriptors within APC groups are the basis for setting payment rates under the hospital OPPS. To receive TRICARE reimbursement under the OPPS, providers must follow all Medicare specific coding requirements, except in those instances where TMA develops specific APCs for those services that are unique to the TRICARE beneficiary population.

## Differences between TRICARE and Medicare OPPS

While the TRICARE OPPS is modeled after the Medicare OPPS, there are some differences in the two systems, such as covered benefits and copayments. The TRICARE Outpatient Code Editor will reflect these differences allowing payment for those services that are covered under TRICARE, but not under Medicare and vice versa. In addition TRICARE will retain its current hospital outpatient deductible, cost-sharing/copayment amounts and catastrophic loss protection under its OPPS. Following is a summary of the notable differences between TRICARE and Medicare's OPPS.

### **OPPS deductible and cost-sharing**

Medicare's OPPS coinsurance was initially frozen at 20 percent of the national median charge of the services within each APC or 20 percent of the APC payment rate whichever was greater. This was designed so that as the total payment to the provider increased each year based on market basket updates, the present or frozen coinsurance amount would become a smaller portion of the total payment until the coinsurance represented 20 percent. Since imposition of Medicare's coinsurance amounts would have an adverse financial impact on TRICARE beneficiaries, the TRICARE Management Activity (TMA) has opted to use the deductible and cost-sharing/copayments currently being applied under the TRICARE Prime, Extra and Standard programs.

### **Hold-harmless protection for cancer and children's hospitals**

Under Medicare's OPPS, cancer and children's hospitals continue to be eligible to receive additional transitional outpatient payments (TOPs) if the payments they receive under the OPPS were less than the payments they could have received for the same services under the payment system in effect before OPPS. TMA has opted to exempt cancer and children's hospitals from the OPPS in lieu of imposing the hold-harmless provision given the administrative complexity of capturing the data required for payment of monthly interim TOP amounts.

### **Partial Hospitalization Programs (PHPs)**

TRICARE will adopt Medicare's PHP reimbursement methodology for hospital-based PHPs, i.e., two separate Ambulatory Payment Classification (APC) payment rates: one for days with three services (APC 0172) and one for days with four or more services (APC 0173). In addition, TRICARE will allow physicians, clinical psychologists, clinical nurse specialists, nurse practitioners and physician assistants to bill separately for their professional services delivered in a PHP. The only professional services that will be included in the per diem are those furnished by clinical social workers, occupational therapists and alcohol and addiction counselors.

### **Temporary Transitional Payment Adjustments**

Temporary Transitional Payment Adjustments (TTPAs) will be in place for all hospitals, both network and non-network, in order to buffer the initial decline in payments upon implementation of TRICARE OPPS. For network hospitals, the TTPAs will cover a four-year period. The four-year transition will set higher payment percentages for the 10 APC codes for emergency room (ER) and hospital clinic



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## Temporary Transitional Payment Adjustments *continued*

visits (APC codes 604–609 and 613–616), with reductions in each transition year. For non-network hospitals, the TTPAs will cover a three-year period, with reductions in each transition year.

The following table shows the TTPA percentages for APC codes 604–609 and 613–616 during the four-year network hospital and three-year non-network hospital transition periods.

Transition Period	Network		Non-Network	
	ER	Hospital Clinic	ER	Hospital Clinic
Year 1	200%	175%	140%	140%
Year 2	175%	150%	125%	125%
Year 3	150%	130%	110%	110%
Year 4	130%	115%	100%	100%
Year 5	100%	100%	100%	100%

### Observation Stays

A separate maternity observation APC amount will be paid if an observation stay is for a minimum of 4 hours and accompanied with one of the required maternity diagnosis. The new maternity observation APC is T0002 and is assigned to the Level II HCPCS observation codes G0378 and G0379.

### Preventive Medicine Services

Under Medicare, procedure codes 99381-99387 and 99391-99397 for preventive medicine services are not covered. Services for these codes are covered under the TRICARE OPSS.

## Other TRICARE Notable Changes under OPSS

### Ambulatory Surgery Procedures

Currently, ambulatory surgery procedures provided in both freestanding ambulatory surgery centers (ASCs) and hospital outpatient departments or emergency rooms are paid using prospectively determined rates established on a cost basis and divided into eleven groups. With implementation of OPSS, hospital-based ASCs will no longer be reimbursed under the original eleven tier payment system, but will instead be paid on a rate-per-service basis that varies according to the APC group to which the surgical procedure is assigned.

### Small Rural Hospitals

OPSS implementation in rural areas for small hospitals having 100 or fewer beds and sole community hospitals with 100 or fewer beds will be delayed until January 1, 2010, when the Medicare transitional corridor payments for these hospitals expire.

### Freestanding PHPs, ASCs and Birthing Centers

Freestanding PHPs, ASCs, and Birthing Centers will be exempt from OPSS and will continue to be reimbursed under the current TRICARE reimbursement methodology. Copayments/cost-sharing will remain the same regardless of the setting in which the services are performed (free-standing or hospital-based).

### National Correct Coding Initiative

The Outpatient Code Editor incorporates the National Correct Coding Initiatives (NCCI) edits used by the Centers for Medicare and Medicaid Services. Claims processed under the TRICARE OPSS are exempt from the current Prime Contractors claims-auditing software requirements.

### Participation Requirement

To be an authorized provider under the TRICARE OPSS, an institutional provider must be a participating provider for all claims in accordance with 42 U.S.C. 1395cc(a)(1)(J) as implemented by 32 CFR 199.6(a)(8).

### TRICARE For Life (TFL) and Medicare Dual Eligible Beneficiaries

All TRICARE OPSS requirements apply to Medicare dual eligible claims when TRICARE is the primary payor.

