



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

OCT - 8 2019

Mark Sandy
Deputy Associate Director
National Security Division
Office of Management and Budget
725 17th Street, N.W., Room 10007
Washington, D.C. 20503

Dear Mr. Sandy:

The enclosed announcement establishes the complete and final rates for use in connection with the recovery from tortiously liable third persons for the cost of inpatient medical services furnished by military treatment facilities through the Department of Defense. These inpatient third party liability rates are the same as the Fiscal Year 2020 Adjusted Standardized Amounts (ASAs) inpatient reimbursement rates that are set on October 1, 2019, for billing medical insurers but require a different approval authority for the purpose of billing for tort liability. Reimbursement rates for pharmacy services are updated more frequently. These rates can be found on the Health.mil Website in the Defense Health Agency (DHA) Uniform Business Office (UBO) section (<http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office>).

DHA requests that this announcement be published in the *Federal Register* and that the rates be effective immediately upon publication. These rates shall remain in effect until further notice.

My point of contact for this issue is DeLisa Prater, DHA UBO Program Manager. She can be reached at (703) 275-6380, or by email at Delisa.E.Prater.civ@mail.mil.

A handwritten signature in blue ink, which appears to read "Tom McCaffery", is positioned above the printed name.

Thomas P. McCaffery

Enclosure:
As stated



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HEALTH AFFAIRS

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Fiscal Year 2020 Direct Care Inpatient Adjusted Standardized Amounts
Billing Rates and Guidance

The attached document contains the Department of Defense Uniform Business Office (UBO) Fiscal Year (FY) 2020 Direct Care Inpatient Billing Rates. These rates are effective October 1, 2019. The Defense Health Agency (DHA) requests that this package be posted to the Comptroller's Website¹ as FY2020 Direct Care Inpatient Billing Rates.

These rates are used when billing for medical services furnished to inpatients at military medical treatment facilities. The Adjusted Standardized Amounts (ASAs) are based on an indexing methodology that aligns with changes in TRICARE institutional and professional services reimbursement rates. The Institutional ASA average ratio for FY2020 is 3.54 percent. This increase reflects the average TRICARE increase in reimbursement over a 14-year indexing period (FY 2006- FY 2019).

Due to the TRICARE Diagnosis Related Group (DRG) schedule converting from FY to calendar year (32 CFR 199 Amendment 14), the ASA rates will be applied to the Medicare Severity Relative Weighted Product (MS-RWP) for each inpatient case, determined from the 2019 TRICARE MS-DRG weights, outlier thresholds, and payment rules for discharges between October 1, 2019, and December 31, 2019, to calculate the reimbursement charge. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the 2020 TRICARE MS-DRG weights, outlier thresholds, and payment rules for discharges between January 1, 2020, and September 30, 2020, to calculate the reimbursement charge.

The point of contact for this action is Ms. DeLisa Prater, DHA/UBO, Program Manager. She may be reached at (703) 275-6380, or at DeLisa.e.Prater.civ@mail.mil.

Thomas P. McCaffery

Attachment:
As stated

¹ <https://comptroller.defense.gov/Financial-Management/Reports/rates2020/>

**Department of Defense Uniform Business Office
Fiscal Year 2020 Direct Care Inpatient Adjusted Standardized Amounts
Billing Rates and Guidance**

1.0 Fiscal Year 2020 Direct Care Inpatient Adjusted Standardized Amount Rates and Charges effective 1 October 2019.

Overview

The Fiscal Year (FY) 2020 Direct Care Inpatient Adjusted Standardized Amounts (ASA) rates are computed based on the Military Health System (MHS) direct care standardized cost to provide a single Medicare Severity Relative Weighted Product (MS-RWP). The MS-RWP is a Medicare Severity Diagnosis Related Group (MS-DRG) based measure of the relative costliness of a given discharge. The average standardized cost per MS-RWP for hospitals in locations with area wage rates greater than 1.0, less than or equal to 1.0, and overseas are published annually as inpatient ASAs shown in Table 1. This approach maintains compatibility with both Medicare and TRICARE ASA policies. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the 2019 TRICARE MS-DRG weights, outlier thresholds, and payment rules for discharges between 1 October 2019 and 31 December 2019 to calculate the reimbursement charge. The ASA rates will be applied to the MS-RWP for each inpatient case, determined from the 2020 TRICARE MS-DRG weights, outlier thresholds, and payment rules for discharges between 1 January 2020 and 30 September 2020 to calculate the reimbursement charge. This change resulted from the TRICARE DRG schedule changing from FY to Calendar Year (CY) following 32 CFR 199 Amendment 14. The Department of Defense (DoD) publishes this data annually for hospital reimbursement rates under TRICARE/Civilian Health and Medical Program of the Uniformed Services pursuant to 32 Code of Federal Regulations 199.14(a)(1). Due to data system limitations, for military treatment facilities (MTFs), direct care adjustments are made for length of stay (LOS) outliers rather than high cost outliers.

Table 1 provides the average direct care inpatient ASA rates for third party billing, interagency billing, and International Military Education and Training (IMET) billing for three core-based statistical areas (CBSA) (high area wage index, low area wage index, and overseas).

Table 1. Average FY 2020 Direct Care Inpatient ASA Rates

Wage Index	Average IMET Rates	Average Interagency Rates (IAR)	Average Full/TPC Rates
Area Wage Index > 1.00	\$8,543.29	\$12,926.08	\$13,637.98
Area Wage Index ≤ 1.00	\$9,576.74	\$13,340.43	\$14,122.84
Overseas*	\$8,455.10	\$18,480.55	\$19,404.19

* Hawaii and Alaska are not considered overseas for billing purposes.

The IMET program is a key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations. Authority for the IMET program is found pursuant to Chapter 5, part II, Foreign Assistance Act 1961. Funding is appropriated from the International Affairs budget of the Department of State. Not all foreign national patients participate in the IMET program. The IAR ASA rates are used to bill other federal agencies. The full/Third Party Collection (TPC) ASA rates are used to bill insurance carriers, pay patients, and other payers.

Each MTF providing inpatient care has its own applied ASA rates (shown in Appendix A). The MTF-specific ASA rates are the average ASA rates adjusted for indirect medical education costs, if any, for the discharging hospital. The product of the discharge specific MS-RWP and the MTF-applied ASA rate is the charge submitted on the claim and is the amount payers will use for reimbursement purposes. The individual ASAs are published on the Defense Health Agency (DHA) Uniform Business Office (UBO) Website (<http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office>). Examples of how to calculate the reimbursement charge are shown in Section 2.0.

The ASA per MS-RWP used in the direct care system is comparable to procedures used by the Centers for Medicare and Medicaid Services (CMS) and TRICARE. The expenses represented by the ASAs include all direct care expenses associated with direct inpatient care. The inpatient ASAs includes the cost of both inpatient professional and institutional services. The ASA rates apply to reimbursement from TPC, IMET and IAR payers. Pursuant to the provisions of 10 United States Code (U.S.C.) 1095, the breakdown of total inpatient charges is 93 percent for institutional charges and seven (7) percent for professional charges. When preparing bills for inpatient services, professional fees are based on the privileged provider services. The hospital institutional fees are based on the costs for support staff, facility costs, ancillary services, pharmacy, and supplies.

MTFs without inpatient services, whose providers perform inpatient care in a civilian facility for a DoD beneficiary, may bill payers the percentage of the ASA/MS-RWP based charge that represents professional services. In the absence of a MTF-applied ASA rate for the facility, the ASA rate used will be based on the average for the type of CBSA in which the MTF is located - areas with wage rate indices greater than 1.0, less than or equal to 1.0, or overseas. The MTF UBO must receive documentation of care provided in order to produce an appropriate bill.

1.1 Family Member Rate (FMR)

The FY 2020 FMR is \$19.55 per day. The FMR is established by authority of 10 U.S.C., Section 1078.

2.0 Examples Applying ASAs to Compute Inpatient Stay Charges

The cost to be recovered is the product of the MTF applied ASA rate and the MS-RWPs specific to the inpatient medical services provided. This includes the costs of both

inpatient institutional and professional services. Billing in the examples below is at the full/TPC rate.

For each MS-DRG, TRICARE establishes short stay and long stay thresholds. An inlier is any discharge with a LOS greater than the short stay threshold, equal to or less than the long stay threshold. An outlier is any discharge with a LOS less than or equal to the short stay threshold or greater than the long stay threshold. Example charge computations are provided below for inlier, outlier, and transfer discharges. The full list of TRICARE MS-DRGs with MS-DRG case weights, long stay thresholds, short stay thresholds and other information is provided by accessing the MHS UBO Site located on the MHS Secure Site LaunchPad available to authorized UBO Service representative users with a Government Common Access Card.

Table 2 provides the information used in the billing examples for a non-teaching hospital (DMIS ID 0075 – General Leonard Wood Army Community Hospital, Fort Leonard Wood, Missouri) in an Area Wage Index ≤ 1.00 location for a discharge in MS-DRG 762 – Vaginal Delivery W Sterilization/D&C W MCC. For this example, FY19 weights are used since the FY20 are not yet available.

Table 2. Third Party Billing Examples

MS-DRG Number	MS-DRG Description	MS-DRG Weight	Arithmetic Mean LOS	Geometric Mean LOS	Short Stay Threshold	Long Stay Threshold
762	Vaginal Delivery W Sterilization/D &C W MCC	0.9544	3.4	2.6	1	18

Hospital	Wage Index	Area Wage Rate Index	IME Adjustment	Group ASA	MTF-Applied TPC ASA
General Leonard Wood Army Community Hospital	Area Wage Index ≤ 1.0	0.7821	1.0000	\$14,122.84	\$12,938.99

	Length of Stay (LOS)	Days Above Threshold	Relative Weighted Product (RWP)			TPC Amount
			Inlier	Outlier/Transfer	Total	
#1	7 days	0	0.9544	0	0.9544	\$12,348.97
#2	21 days	3	0.9544	0.3634	1.3178	\$17,051.00

Example #1 provides the example for the inlier LOS discharge in MS-DRG 762. The MS-RWP for an inlier case is the TRICARE MS-DRG weight of 0.9544. The MS-DRG weight used is the FY 2019 Version 36 TRICARE DRG weight.

- a) The FY 2020 MTF-Applied TPC ASA rate is \$12,938.99 (0075 General Leonard Wood Army Community Hospital's TPC rate as shown in Appendix A).
- b) The MTF amount to be recovered is the MS-DRG weight (0.9544) multiplied by the MTF-Applied TPC ASA (\$12,938.99).
- c) The inlier cost to be recovered is \$12,348.97 as computed below. TPC Amount Billed: MTF-Applied TPC ASA rate multiplied by the MS-DRG weight.

$$= \$12,938.99 \times 0.9544 = \$12,348.97$$

Example #2 provides the example for the outlier LOS discharge in MS-DRG 762. The total MS-RWP for an outlier case is a combination of the TRICARE MS-DRG weight plus additional MS-RWP credit for each day that the LOS exceeds the Long Stay Threshold. The charge is determined by multiplying the total MS-RWPs by the ASA amount. The outlier total MS-RWP value to be recovered is shown in the computation below.

- a) For the outlier MS-RWP value calculation, 33 percent of the per diem weight is multiplied by the number of outlier days. The number of outlier days is computed as the actual LOS minus the Long Stay Threshold. Per diem weight is determined by dividing by the MS-DRG weight by the Geometric Mean LOS.
- b) LOS Outlier MS-RWP value calculation

$$= 0.33 (\text{MS-DRG Weight/Geometric Mean LOS}) \times (\text{Patient LOS} - \text{Long Stay Threshold})$$

$$= 0.33 \times (0.9544/2.6) \times (21-18)$$

$$= 0.33 \times 0.36708 \text{ (carry out to five decimal places)} \times (21-18)$$

$$= 0.12114 \text{ (carry out to five decimal places)} \times 3$$

$$= 0.3634 \text{ (carry out to four decimal places)}$$
- c) The total MS RWP is the MS-DRG weight (0.9544) added to the LOS outlier MS-RWP value.

$$\text{Total MS-RWP: } 0.9544 + 0.3634 = 1.3178$$
- d) The MTF amount to be recovered is the MTF-Applied TPC ASA rate (\$12,938.99) multiplied by the total MS-RWP.

$$\text{TPC Amount Billed: MTF-Applied TPC ASA rate} \times \text{Total MS-RWP}$$

$$= \$12,938.99 \times 1.3178$$

$$= \$17,051.00$$

APPENDIX A: FY 2020 Adjusted Standardized Amounts by
Military Treatment Facility
Effective 1 October 2019

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAG ENCY RATE	IMET RATE	TPC RATE
0005	ACH BASSETT- WAINWRIGHT	A	\$14,468.77	\$13,713.50	\$9,063.73	\$14,468.77
0006	AF-H-673rd MEDGRP JBER-ELMNDRF	F	\$13,649.68	\$12,937.17	\$8,550.62	\$13,649.68
0014	AF-MC-60th MEDGRP- TRAVIS	F	\$17,661.51	\$16,739.58	\$11,063.77	\$17,661.51
0024	NH CAMP PENDLETON	N	\$17,734.04	\$16,808.32	\$11,109.20	\$17,734.04
0029	NMC SAN DIEGO	N	\$21,976.97	\$20,829.77	\$13,767.12	\$21,976.97
0030	NH TWENTYNINE PALMS	N	\$13,929.52	\$13,202.40	\$8,725.92	\$13,929.52
0032	ACH EVANS-CARSON	A	\$14,102.90	\$13,321.60	\$9,563.22	\$14,102.90
0038	NH PENSACOLA	N	\$13,836.66	\$13,070.11	\$9,382.68	\$13,836.66
0039	NH JACKSONVILLE	P	\$19,455.87	\$18,378.01	\$13,193.09	\$19,455.87
0042	AF-H-96th MEDGRP-EGLIN	F	\$17,079.79	\$16,133.57	\$11,581.86	\$17,079.79
0047	AMC EISENHOWER- GORDON	A	\$18,160.41	\$17,154.32	\$12,314.63	\$18,160.41
0048	ACH MARTIN-BENNING	A	\$16,593.45	\$15,674.17	\$11,252.07	\$16,593.45
0049	ACH WINN-STEWART	A	\$12,931.81	\$12,215.39	\$8,769.10	\$12,931.81
0052	AMC TRIPLER-SHAFTER	A	\$21,186.69	\$20,080.74	\$13,272.06	\$21,186.69
0057	ACH IRWIN-RILEY	A	\$13,444.34	\$12,699.52	\$9,116.65	\$13,444.34
0060	ACH BLANCHFIELD- CAMPBELL	A	\$13,383.31	\$12,641.87	\$9,075.27	\$13,383.31
0064	ACH BAYNE-JONES-POLK	A	\$13,417.89	\$12,674.54	\$9,098.71	\$13,417.89
0067	WALTER REED NATL MIL MED CNTR	P	\$24,177.13	\$22,837.72	\$16,394.59	\$24,177.13
0073	AF-MC-81st MEDGRP- KEESLER	P	\$18,835.30	\$17,791.82	\$12,772.28	\$18,835.30

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAG ENCY RATE	IMET RATE	TPC RATE
0075	ACH LEONARD WOOD	A	\$12,938.99	\$12,222.17	\$8,773.97	\$12,938.99
0079	AF-MC-99th MEDGRP- NELLIS	F	\$15,800.33	\$14,975.55	\$9,897.86	\$15,800.33
0086	ACH KELLER-WEST POINT	A	\$15,905.71	\$15,075.43	\$9,963.88	\$15,905.71
0089	AMC WOMACK-BRAGG	P	\$16,620.37	\$15,699.60	\$11,270.33	\$16,620.37
0091	NMC CAMP LEJEUNE	N	\$14,262.82	\$13,472.66	\$9,671.66	\$14,262.82
0095	AF-MC-88th MEDGRP- WRIGHT-PAT	F	\$18,970.39	\$17,919.43	\$12,863.88	\$18,970.39
0104	NH BEAUFORT	N	\$13,969.15	\$13,195.26	\$9,472.53	\$13,969.15
0108	AMC WILLIAM BEAUMONT-BLISS	A	\$17,654.90	\$16,676.82	\$11,971.85	\$17,654.90
0109	AMC BAMC-FSH	A	\$21,082.44	\$19,914.47	\$14,296.07	\$21,082.44
0110	AMC DARNALL-HOOD	A	\$15,502.84	\$14,643.98	\$10,512.53	\$15,502.84
0120	AF-H-633rd MEDGRP JBLE-LANGLEY	F	\$13,966.51	\$13,192.77	\$9,470.74	\$13,966.51
0123	FT BELVOIR COMMUNITY HOSP-FBCH	P	\$15,122.35	\$14,332.96	\$9,473.15	\$15,122.35
0124	NMC PORTSMOUTH	N	\$18,189.70	\$17,181.99	\$12,334.49	\$18,189.70
0125	AMC MADIGAN-LEWIS	A	\$20,975.28	\$19,880.37	\$13,139.63	\$20,975.28
0126	NH BREMERTON	N	\$13,997.34	\$13,266.68	\$8,768.41	\$13,997.34
0127	NHC OAK HARBOR BIRTHING CTR	N	\$14,178.93	\$13,438.79	\$8,882.16	\$14,178.93
0131	ACH WEED-IRWIN	A	\$14,069.49	\$13,335.06	\$8,813.61	\$14,069.49
0607	LANDSTUHL REGIONAL MEDCEN	A	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0612	ACH BRIAN ALLGOOD- SEOUL	A	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0615	NH GUANTANAMO BAY	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19

DMISID	MTF NAME	SERV	FULL COST RATE	INTERAG ENCY RATE	IMET RATE	TPC RATE
0617	NH NAPLES	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0618	NH ROTA	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0620	NH GUAM-AGANA	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0621	NH OKINAWA	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0622	NH YOKOSUKA	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0624	NH SIGONELLA	N	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0633	AF-H-48th MEDGRP- LAKENHEATH	F	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0638	AF-H-51st MEDGRP-OSAN	F	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0639	AF-H-35th MEDGRP- MISAWA	F	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19
0640	AF-H-374th MEDGRP- YOKOTA	F	\$19,404.19	\$18,480.55	\$8,455.10	\$19,404.19

APPENDIX B: Acronyms

A	Army
AB	Air Base
ACH	Army Community Hospital
AFB	Air Force Base
AMC	Army Medical Center
ASA	Adjusted Standardized Amount
CBSA	Core-Based Statistical Area
CC/MCC	Complications and Comorbidities/Major Complications and Comorbidities
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
CMS	Centers for Medicare and Medicaid Services
DMIS ID	Defense Medical Information System Identifier
DOD	Department of Defense
F	Air Force
FFA	Foreign Assistance Act
GRP	Group
IAR	Average Interagency Rate
IME	Indirect Medical Education
IMET	International Military Education and Training
LOS	Length of Stay
MS-DRG	Medicare Severity Diagnosis Related Group
MS-RWP	Medicare Severity Relative Weighted Product
MTF	Military Treatment Facilities
N	Navy
NH	Naval Hospital
NMC	Naval Medical Center
NNMC	National Naval Medical Center
P	National Capital Region (NCR)
TPC	Third Party Collection
USAF	United States Air Force

OFFICE OF MANAGEMENT AND BUDGET

Fiscal Year 2020 Cost of Inpatient Hospital and Medical Care Treatment Furnished by the Department of Defense Medical Treatment Facilities; Certain Rates Regarding Recovery from Tortiously Liable Third Persons

AGENCY: Office of Management and Budget, Executive Office of the President.

ACTION: Notice.

SUMMARY:

By virtue of the authority vested in the President by Section 2(a) of Pub. L. 87–693 and delegated to the Director of the Office of Management and Budget by the President through Executive Order No. 11060, as amended by Executive Order 12608 of September 9, 1987, the rates referenced below are hereby established. These rates are for use in connection with the recovery from tortiously liable third persons for the inpatient medical services furnished by military treatment facilities through the Department of Defense. They are the same rates as the inpatient third party reimbursement rates that were set on October 1, 2019, for billing medical insurers, but require a different approval authority for the purpose of billing for tort liability. The rates were established in accordance with the requirements of the Office of Management and Budget Circular A–25, requiring reimbursement of the full cost of all services provided. The fiscal year 2020 inpatient medical rates referenced are effective or billing tort liability upon publication of this notice in the *Federal Register* and will remain in effect until further notice. Previously published outpatient medical and dental, and cosmetic surgery rates remain in effect until further notice. Pharmacy rates are updated periodically. A full disclosure of the rates is posted at [Health.mil](http://health.mil) Website in the Defense Health Agency Uniform Business Office section (<http://health.mil/Military-Health-Topics/Business-Support/Uniform-Business-Office/Billing/Medical-Affirmative-Claims>).

Mick Mulvaney,

Director of Office Management and Budget