Report No. D-2007-108 July 18, 2007

INSPECTOR GENERAL DEPARTMENT OF DEFENSE AND U.S. ARMY AUDIT AGENCY

Outpatient Third Party Collection Program

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Acronyms

ASD(HA)	Assistant Secretary of Defense (Health Affairs)
CHCS	Composite Health Care System
GAO	Government Accountability Office
MTF	Military Treatment Facility
OHI	Other Health Insurance
TMA	TRICARE Management Activity
TPCP	Third Party Collection Program

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
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July 18, 2007

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Outpatient Third Party Collection Program
(Report No. D-2007-108)

We are providing this report for review and comment. We performed this audit at the request of the Assistant Secretary of Defense (Health Affairs). We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Assistant Secretary of Defense (Health Affairs) and the Surgeon General of the Air Force comments were responsive, and additional comments from those parties are not required. The U.S. Army Medical Command and the Navy Bureau of Medicine and Surgery comments were partially responsive on Recommendation 2 because they did not discuss how they planned to implement the recommendation and did not provide an estimated date of completion. We request the Surgeons General of the Army and Navy provide comments to the final report by August 20, 2007.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to Audyorktown@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Michael A. Joseph within the DoD Office of Inspector General at (757) 872-4698 or to Mr. Martin J. Hagan within the U.S. Army Audit Agency at (210) 221-2151. See Appendix G for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

Wanda A. Scott
Assistant Inspector General
Readiness and Operations Support

Department of Defense Office of Inspector General
U.S. Army Audit Agency

Report No. D-2007-108 **July 18, 2007**
(Project No. D2005-D000LF-0297.000)

Outpatient Third Party Collection Program

Executive Summary

Who Should Read This Report and Why? Personnel who are responsible for identifying patients with other health insurance and inputting, billing, and following up on other health insurance claims for the Third Party Collection Program should read this report. This report discusses the potential for increasing collections from other health insurance providers, which would result in additional funds for the military treatment facilities that provide the associated healthcare.

Background. The DoD Office of the Inspector General performed this audit at the request of the Assistant Secretary of Defense (Health Affairs). The audit was conducted jointly with the U.S. Army Audit Agency. The Third Party Collection Program involves billing third-party payers on behalf of beneficiaries for treatment provided by or through military treatment facilities.

Results. Military treatment facilities can increase collections with additional effort to comply with established procedures to identify patients with other health insurance and to submit and follow up on claims to other health insurance providers.

We recommended that the Assistant Secretary of Defense (Health Affairs) revise DoD 6010.15–M, "Military Treatment Facility Uniform Business Office (UBO) Manual," November 9, 2006, to add audit requirements that test for billing other health insurance providers and following up on collections. We also recommended that the Surgeons General of the Army, Navy, and Air Force emphasize the importance of the Third Party Collection Program to the commanders of military treatment facilities and inform those commanders that collections from insurance providers are credited to appropriations of the military treatment facilities and do not result in reduced budgets. (See the Finding section of the report for the detailed recommendations.) We estimate that the military treatment facilities in the six geographical regions of our sample, representing 41 percent of DoD patient encounters for outpatient visits and pharmacy prescriptions, could have collected an additional $9.4 million for FY 2005 and $56.5 million during the execution of the FYs 2008 through 2013 Future Years Defense Program. See Appendix F for the Summary of Potential Monetary Benefits.

We identified a material management control weakness in the Third Party Collection Program in that controls were not adequate for the military treatment facilities to identify patients with OHI and bill and follow up on potential insurance claims.

We were not able to determine the reasonableness of FY 2005 outpatient collection goals as requested by the Assistant Secretary of Defense (Health Affairs). In addition, we did not find any evidence that the Military Departments decremented or adjusted budgets of the military treatment facilities based on collections from the Third Party Collection Program. See Appendix C for a discussion on collection goals and budget decrements.

Management Comments and Audit Response. The Assistant Secretary of Defense (Health Affairs) nonconcurred with the recommendation addressed to him and with the identification of a material management control weakness. However, the Assistant Secretary agreed to implement our recommendation to add compliance audit requirements to DoD 6010.15–M, "Military Treatment Facility Uniform Business Office (UBO) Manual," November 9, 2006, during the next update to the manual. The Assistant Secretary also proposed to issue a policy memorandum as an attachment to DoD 6010.15-M that immediately implements the recommendation. We consider the Assistant Secretary's comments responsive, and the planned actions meet the intent of the recommendation. The Surgeon General of the Air Force concurred with our recommendations, and we consider those comments fully responsive.

The Chief of Staff, Army Medical Command and the Chief of Staff, Navy Bureau of Medicine and Surgery concurred with our recommendations and fully responded to our recommendation to inform commanders of military treatment facilities that collections from insurance providers are credited to appropriations of the military treatment facility and do not result in reduced budgets. However, they only partially responded to our recommendation to emphasize the importance of the Third Party Collection Program. The Army Medical Command and the Navy Bureau of Medicine and Surgery did not discuss how they planned to implement the recommendation and did not provide an estimated date of completion. See the Finding section for the discussion of management comments and the Management Comments section for the complete text of those comments. We request that the Surgeons General of the Army and Navy provide comments on the final report by August 20, 2007.

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Background

On October 1, 2004, the Assistant Secretary of Defense (Health Affairs) (ASD[HA]) requested the DoD Office of Inspector General to audit the Military Departments' implementation of ASD(HA) Third Party Collection Program (TPCP) guidance. The request suggested that we allow enough time for the guidance to be implemented before we started the audit. The ASD(HA) issued the guidance in response to recommendations in Government Accountability Office (GAO) report, GAO-04-322R, "Military Treatment Facilities: Improvements Needed to Increase DoD Third-Party Collections," February 20, 2004. The GAO report recommended that the ASD(HA) correct implementation problems with outpatient itemized billing and establish realistic TPCP goals. (See Appendix D for a copy of the request.) The TRICARE Management Activity (TMA) later requested that we review whether military treatment facility (MTF) budgets were decremented based on TPCP collections. The DoD Office of Inspector General and the U.S. Army Audit Agency jointly performed this audit.

DoD Third Party Collection Program. The TPCP involves billing third-party payers on behalf of beneficiaries for treatment provided by or through MTFs. Outpatient encounters billed under the TPCP include patient visits to outpatient clinics of an MTF, laboratory services, radiology services, and pharmacy prescriptions. According to the TMA, DoD collected $106 million in FY 2005 for the TPCP. Of that amount, $64 million was for outpatient services. Outpatient collections decreased by approximately $6 million from FY 2001 through FY 2005.

External Factors. Many factors have put pressure on TPCP collections over recent years and those factors most likely will continue to affect collections. Many beneficiaries view TRICARE as cost effective and often decide to forgo other insurance offers from employers because of higher premiums and deductibles. In addition, several private businesses and state governments offered incentives to beneficiaries to entice them to use TRICARE instead of company- or government-provided insurance. Those incentives range from paying patients' copayments and deductibles to cash payouts. However, the John Warner National Defense Authorization Act of FY 2007 made it unlawful for an employer or any other entity to offer any financial or other incentive for employees eligible for TRICARE not to enroll in a TPCP-eligible health plan. Also, fewer retirees may be purchasing other health insurance (OHI) because of the TRICARE for Life benefit for military retirees. According to the Defense Business Board, about 80 percent of the retired military community under 65 will be using TRICARE in FY 2007, and is projected to increase to 87 percent by FY 2011.

Federal Guidance. Section 1095, title 10, United States Code allows DoD to collect reasonable healthcare charges from health insurance plans, less the beneficiary's appropriate deductible or copayment amount. According to the statute, the amounts collected through third-party payers are to be credited to the appropriation supporting the maintenance and operation for the MTF and should not be considered in establishing the operating budget of the MTF.

Title 32, Code of Federal Regulations, Part 220 implements the provisions and establishes the DoD interpretations and requirements for all healthcare services that are subject to section 1095, title 10, United States Code. The Code of Federal Regulations covers a wide variety of provisions and requirements, such as the obligation of the other health insurance to pay, the nonpermissible exclusions in health insurance plans, the permissible terms and conditions of health plans, the availability of medical records, and the exclusion of certain payers. According to the Code of Federal Regulations, beneficiaries must provide information about their other health insurance.

DoD Guidance. DoD Instruction 6015.23, "Delivery of Healthcare at Military Treatment Facilities: Foreign Service Care; Third Party Collection; Beneficiary Counseling and Assistance Coordinators (BCACs)," October 30, 2002, directs the MTF or unit commander to establish and maintain a business office to manage the TPCP. The business office should collect from third-party payers to the full extent allowed by law.

DoD 6010.15–M, "Military Treatment Facility Uniform Business Office (UBO) Manual," November 9, 2006, prescribes uniform procedures for third-party collection organizations. The manual includes detailed guidance for the MTFs on how to identify patients who have OHI as well as how to bill and collect from insurance providers. The manual requires MTFs to identify OHI from patients by obtaining a signed certification form from patients at each outpatient encounter if the certification form was not updated within the past 12 months. As of August 2006, the certification forms were required to be maintained in patients' medical records. The manual requires MTFs to perform compliance audits at least quarterly, including evaluating the accuracy of coding and billing amounts on insurance claims.

DoD Instruction 6040.40, "Military Health System Data Quality Management Control Procedures," November 26, 2002, provides guidance for MTFs to establish and effectively operate the Data Quality Management Control Program, which provides the internal structure to improve data accuracy, completeness, and timeliness and to assure uniformity and standardization of information across the Military Health System. The TMA Management Control Program Office is responsible for assessing the Data Quality Management Control Program and developing the management control program's Annual Statement of Assurance for ASD(HA).

Statistical Sample. We selected a statistical sample of 1,225 outpatient visits and pharmacy encounters in 6 geographical regions. The MTFs in those six regions handle approximately 41 percent of the total outpatient visits and pharmacy prescriptions for all MTFs in the United States. Of the 1,225 encounters, we were able to determine the insurance status of the beneficiaries for 1,000 of the encounters. We developed statistical projections of missed claims and missed billing amounts based on the 1,000 encounters for the 6-month period of our sample, assuming the 1,000 are representative of the 1,225 in our sample. From those projections, we developed nonstatistical estimates of annual collections and missed collections over the 6-year Future Years Defense Program.

In addition to determining the insurance status of patients, we attempted to review the medical records associated with all 1,225 encounters to determine whether the required OHI forms existed in the records. Medical records were available onsite for 868 of the 1,225 encounters. See Appendix A for a discussion of the statistical sample used in the audit.

Objectives

Our overall audit objective was to evaluate implementation of the TPCP. Specifically, the ASD(HA) requested that we determine whether:

- Outpatient itemized billing was effectively implemented (see Finding for results),
- Program collection goals were realistic (see Appendix C for results), and
- MTF budgets were decremented based on third-party collections (see Appendix C for results).

We also reviewed the management control program as it related to the overall objective. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage related to the objectives.

Review of Management Controls

DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We evaluated management controls to determine whether controls were in place to identify patients with OHI, to bill OHI providers, and to follow up on collections from the OHI providers. We tested these controls for all of the sites in our sample by:

- Calling beneficiaries to verify insurance information,
- Verifying that MTFs billed for all encounters where the MTFs already had OHI information for the beneficiaries, and
- Following up on encounters billed by the MTFs to ensure the collection process was complete.

We reviewed additional management controls related to safeguarding TPCP assets at three selected MTFs, including reviewing the separation of the following

duties: preparing claims, receiving and posting payments, depositing payments, and reconciling TPCP accounting and reporting records. At the three MTFs, we also reviewed controls to identify patients with OHI and process claims for laboratory and radiology encounters. We reviewed management's self-evaluation of controls for the TPCP at the TMA and at the Offices of the Army, Navy, and Air Force Surgeons General.

Adequacy of Management Controls. We identified a material management control weakness in the Third Party Collection Program for ASD(HA) and the Surgeons General of the Army, Navy, and Air Force, as defined by DoD Instruction 5010.40. TPCP management controls were not adequate for MTFs to identify patients with OHI, submit claims for OHI already identified, and follow up on whether collections were appropriate. We estimate that the MTFs in the six geographic regions included in our sample did not properly identify patients with OHI for 191,410 encounters per year. In addition, we estimate that the MTFs did not submit or follow up on claims for 350,960 encounters per year.* All recommendations in this report, if implemented, will improve OHI identification, claims submission, and followup procedures. We estimate that implementing the recommendations in this report will result in potential monetary benefits of $9.4 million per year and $56.5 million* during the execution of the FYs 2008 through 2013 Future Years Defense Program (see Appendix F for the Summary of Potential Monetary Benefits). A copy of the report will be provided to the senior officials responsible for management controls in the Office of the ASD(HA) and the Offices of the Army, Navy, and Air Force Surgeons General.

Controls were in place at three judgmentally selected MTFs to safeguard Government assets through separation of the following duties: preparing claims, receiving and posting payments, depositing payments, and reconciling TPCP accounting and reporting records.

Adequacy of Management's Self-Evaluation. ASD(HA) officials identified the TPCP as part of an assessable unit of the broader Uniform Business Office. However, in the self-evaluation they did not identify the specific material management control weaknesses identified in the audit. The Offices of the Army, Navy, and Air Force Surgeons General identified the TPCP as a separate assessable unit or as part of a broader assessable unit, but did not identify the specific management control weaknesses identified in the audit.

* See Statistical Sample section of Appendix A for details on sample estimates and projections.

Implementation of Outpatient Third Party Collection Program

MTFs can increase collections for outpatient and pharmacy encounters with additional effort to comply with established procedures in two areas:

- identifying patients' OHI status, and
- submitting and following up on claims to OHI providers.

Enhancing MTF compliance audits and emphasizing the importance of the TPCP would provide additional controls that would assist MTFs in complying with DoD regulations and maximizing collections. We estimate the MTFs in the six geographical regions sampled, which represent 41 percent of DoD patient encounters for outpatient visits and pharmacy prescriptions, could collect an additional $9.4 million each year and $56.5 million[*] during the execution of the FYs 2008 through 2013 Future Years Defense Program.

Program Implementation

Our review of statistically sampled encounters of outpatient visits and pharmacy prescriptions identified missed opportunities for additional collections as a result of noncompliance with procedures established to identify patients with OHI and submit and follow up on claims to OHI providers.

The Uniform Business Office Manual requires each MTF to implement the TPCP, including program marketing and education, identifying and collecting third-party plan or policy information, filing claims with third-party payers, collecting and depositing funds, and reporting TPCP status. A previous version of the manual dated April 14, 1997, that was in effect during the audit, required pre-admission, admission, outpatient, or TPCP staff to obtain written certification of OHI from beneficiaries at the time of each encounter, if written certification forms were not in the patient medical record or had not been updated within the past 12 months. The MTFs verify patients' insurance information and then enter it into the Composite Health Care System (CHCS). The insurance information then transfers to the Third Party Outpatient Collection System to allow the MTFs to bill the insurance providers. The MTFs are required to prepare and send outpatient claims to insurance providers within 17 business days after information and coding for the outpatient encounter billing is obtained. The MTFs are then required to conduct one written or telephone followup if the MTF does not receive reimbursement within 60 days of submitting the initial claim and an additional followup in 90 days after the initial claim.

[*] See Statistical Sample section of Appendix A for details on sample estimates and projections.

With additional effort to comply with existing procedures, the MTFs within the six sampled regions can increase TPCP outpatient collections by approximately $9.4 million per year and $56.5 million* during the execution of the FYs 2008 through 2013 Future Years Defense Program. Of the $9.4 million, MTFs could increase collections by $3.5 million and $5.9 million with additional effort in identifying patients with OHI, and in submitting and following up on claims, respectively. This estimate covers only 41 percent of DoD patient encounters for outpatient visits and pharmacy prescriptions.

Of the 1,000 sample encounters reviewed, 64 had valid OHI with varying degrees of coverage. Of the 64 encounters, 45 were covered by billable insurance, but the other 19 encounters were not billable to the insurance providers because the specific care the patients received was not covered. For example, some insurance plans cover emergency room visits only, and the sample encounter was an outpatient visit. Of the 45 billable encounters, MTFs missed 29 opportunities for collecting from OHI companies, as shown in Table 1.

Table 1. Sample Healthcare Encounters Involving Patients With Other Health Insurance

	Army	Navy	Air Force	Total
OHI not identified	8	3	0	11
Claim not submitted or followup not adequate	6	6	6	18
Total Missed Opportunities				**29**
Billed and followed up correctly	10	2	4	16
Total Billable Encounters				**45**
Care provided was not a covered benefit	6	9	4	19
Total Encounters With OHI	**30**	**20**	**14**	**64**

Identifying Patients With Other Health Insurance. We estimate that MTFs missed opportunities to collect $3.5 million* from insurance providers because they did not identify valid OHI coverage for all encounters in our sample. We validated OHI by contacting patients in our sample to verify their insurance status at the time of the sample encounters. Because MTFs are required to identify patients with OHI by obtaining signed OHI certification forms from patients, we also reviewed available medical records to determine whether forms were on file.

* See Statistical Sample section of Appendix A for details on sample estimates and projections.

OHI Identified Through Sample. Of the 45 encounters where patients had billable OHI, we identified 11 encounters for which MTFs had not previously identified the OHI coverage. On the basis of the 11 encounters, we estimate that MTFs in the regions sampled did not identify 191,410* billable patient encounters per year that were covered by OHI. As a result, we estimate that collections could increase by $3.5 million per year if MTFs increased their efforts to identify all patients that have OHI.

Of the 11 billable encounters where MTFs did not identify the patients' valid OHI coverage, 7 medical records were available for our review. Of the seven records, only one contained a completed, signed OHI certification form, but the patient did not disclose the OHI information. Of the remaining six records, four did not contain OHI certification forms documenting that the MTFs asked the patients for OHI, one form did not state whether the patient had OHI, and one form was blank.

OHI Certification Forms. As an additional test to determine whether MTFs were properly identifying patients with OHI, we reviewed patient medical records associated with the 1,225 sample patient encounters. We found completed, signed OHI forms for 434 of the 868 medical records available for our review. The primary method of obtaining OHI information at the MTFs is through DD Form 2569, "Other Health Insurance"; however, some MTFs used locally generated forms or modified versions of DD Form 2569. On the basis of the 434 missing or incomplete OHI forms, we project that approximately 2.6 million encounters in the six geographical regions included in our 6-month sample did not have a completed DD Form 2569 in the medical records. The 434 records with missing or incomplete OHI forms fell into the following categories:

- 330 records did not contain OHI forms,
- 82 records contained forms where the patient did not state whether they had OHI,
- 5 records contained unsigned forms, and
- 17 records contained blank forms.

The TMA revised DD Form 2569 in March 2007 to align the form's fields with the OHI fields in CHCS. The TMA goal was to automate the process for notifying MTF clerks when they need to request OHI information from patients. The TMA planned to submit System Change Requests for CHCS to notify clerks to ask patients for OHI information if the patient had never been treated at an MTF. In addition, CHCS will notify clerks to ask patients whether their OHI status had changed if the patients had not updated their information within the last 12 months.

The TMA is modifying the Data Quality Management Control Checklist in Enclosure 1 of DoD Instruction 6040.40, "Military Health System Data Quality

* See Statistical Sample section of Appendix A for details on sample estimates and projections.

Management Control Procedures," November 26, 2002, to include testing procedures used to identify patients with OHI. MTFs use the checklist to determine whether data are accurate, complete, and timely. The revised checklist will include questions that determine whether DD Form 2569s are current and complete and whether MTFs enter correct information from DD Form 2569s into the Patient Insurance Information module of CHCS. The new questions will help ensure that attempts to identify OHI for patients that visit the MTFs are adequate.

Submitting and Following Up on Claims. For the 18 encounters in the sample where the MTFs had the necessary OHI information but did not submit or adequately follow up on claims (see Table 1), we estimate that MTFs in the regions sampled did not effectively submit and follow up on claims for 350,960[*] encounters per year. If MTFs increased their efforts to submit and follow up on claims, they could increase collections by $5.9 million per year. See Table 2 for claims that were not submitted or adequately followed up on.

Table 2. Claims That MTFs Did Not Submit or Adequately Follow Up On

	Army	Navy	Air Force	Total
OHI in CHCS but not billed	4	3	4	11
OHI on DD Form 2569 but not transferred to CHCS	0	2	1	3
Total Claims Not Submitted				**14**
OHI billed but claims inadequately followed up on	2	1	1	4
Total Claims Not Submitted or Adequately Followed Up On	**6**	**6**	**6**	**18**

Submitting Claims. MTFs did not bill for all encounters where the MTFs had the patients' OHI information. We reviewed patient medical records and system records to determine whether the MTFs had patients' OHI information for the encounters in our sample. We then determined whether the MTFs correctly billed the OHI providers. Of the 45 billable encounters, the MTFs did not bill for 14 although patient OHI information was available in CHCS or patient medical records. The MTFs had OHI information in CHCS for 11 of the 14 encounters, but the MTFs did not generate or send a bill to the insurance providers. The 11 encounters fell into the following categories.

- One MTF could not locate supporting documentation for one encounter because the documentation was in a secondary file at a clinic.

[*] See Statistical Sample section of Appendix A for details on sample estimates and projections.

- One MTF did not perform a locally required procedure to reverify insurance coverage of an OHI policy for one encounter.

- One MTF billed an insurance provider for an expired policy for one encounter and did not rebill for another policy that was reflected in CHCS.

- Seven MTFs did not submit or follow up on claims for eight other encounters for unknown reasons.

The MTFs did not bill for the remaining three encounters because the data from the DD Form 2569 were not entered into CHCS. In those cases, the billing office either never received the DD Form 2569 with the OHI information or the billing office did not enter the information into CHCS.

Following Up on Claims. MTFs did not properly follow up with insurance providers on claims for four billable encounters in our sample. The MTFs did not research and rebill OHI providers after not receiving payments for three of the encounters. In addition, one MTF mailed a bill for one encounter to an incorrect address and did not resend the bill to the correct address.

Additional Program Controls

We believe that enhancing MTF compliance audits and increasing command emphasis on the importance of the TPCP would provide additional controls that would result in MTFs complying with DoD regulations. These actions would provide a retroactive and proactive approach to maximizing collections.

MTF Compliance Audits. Our review showed 29 instances where MTFs missed opportunities to maximize collections. However, most of these missed opportunities were because of unique or isolated cases of noncompliance with different procedures. The DoD 6010.15–M, "Military Treatment Facility Uniform Business Office (UBO) Manual," November 9, 2006, requires MTFs to perform audits at least quarterly to monitor and audit the accuracy of billing. The manual lists several requirements that must be included in the MTF compliance audits. However, it does not require MTFs to test for the errors we identified. Specifically, the manual does not require the audits to include tests to determine whether MTFs always bill OHI providers when the OHI information is already in CHCS and whether MTFs adequately follow up on amounts billed to insurance companies. The manual also does not require organizations to correct the deficiencies that they find during a review. Adding audit requirements to help identify these types of errors and to correct deficiencies found during the reviews would help MTFs maximize collections.

Command Emphasis. Noncompliance by MTFs with the requirement to make sure that patients complete DD Form 2569 is a recurring condition that was identified in six of the seven previous audit reports listed in Appendix B. Although the potential dollar value of OHI collection for each outpatient encounter is relatively small compared with inpatient stays, the large number of

outpatient claims results in a substantial portion of the TPCP collections. In FY 2006, outpatient collections accounted for 63 percent of the total TPCP collections. In addition, even though only 64 of 1,000 encounters were covered by other health insurance, our sample estimates show that verifying the insurance status for beneficiaries involved with every encounter can result in a significant increase in collections.

Some MTF staff perceived that their budgets were being decremented based on TPCP collections. Although we did not find any evidence that budgets were being decremented based on the TPCP collections, those perceptions alone may reduce the incentive of MTFs to collect against OHI if the staff believes that additional effort will result in reduced funding. (See Appendix C, Other Matters of Interest, for our review of budget decrementing.) We believe the interest and support of local commanders in the TPCP has a major impact on the success of individual MTF programs. Emphasizing the importance of the TPCP and explaining the true relationship between budgets and the TPCP—that amounts collected are credited to the MTF appropriation—to MTF commanders could improve compliance with procedures to identify patients with OHI and to maximize insurance collections.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Assistant Secretary of Defense (Health Affairs) revise DoD 6010.15–M, "Military Treatment Facility Uniform Business Office (UBO) Manual," November 9, 2006:

a. To add compliance audit requirements that test whether:

(1) Military treatment facilities have billed insurance providers for patient encounters where other health insurance information exists in the Composite Health Care System, and

(2) Military treatment facilities have adequately followed up on collections from insurance providers.

b. To require military treatment facilities to correct deficiencies that they found in the Third Party Collection Program during the compliance audits.

Assistant Secretary of Defense (Health Affairs) Comments. The Assistant Secretary of Defense (Health Affairs) nonconcurred with the recommendation. However, the Assistant Secretary stated that he would add the recommended compliance audit requirements to DoD 6010.15-M during the next update to the manual. The Assistant Secretary also proposed to issue a policy memorandum as an attachment to DoD 6010.15-M that immediately implements the recommendation.

Audit Response. The Assistant Secretary of Defense (Health Affairs) comments are responsive. Although the Assistant Secretary nonconcurred with the recommendation, the planned actions satisfy the intent of the recommendation.

Army Comments. The Chief of Staff, Army Medical Command provided unsolicited comments on the recommendation. The Army Medical Command concurred, stating that the current billing systems are cumbersome and inadequate in testing for missed billable encounters when other health insurance exists in the Composite Health Care System. The Army Medical Command also stated that the Uniform Business Office of the TRICARE Management Activity plans to transition to a new billing system, projected for FY 2009-2010, and indicated that the new system should provide additional efficiencies.

Audit Response. We did not review the plans for the new billing system during the audit and, therefore, cannot address Army Medical Command's comments on the system. However, military treatment facilities can perform limited testing even though the current billing systems may not be ideal for testing of missed billable encounters. Military treatment facilities can test for the encounters by selecting samples of encounters for which other health insurance information exists in the Composite Health Care System and determining if the billing for the encounters occurred.

Navy Comments. The Deputy Assistant Secretary of the Navy (Military Personnel Policy) forwarded detailed comments from the Acting Chief of Staff, Navy Bureau of Medicine and Surgery. The Navy Bureau of Medicine and Surgery provided unsolicited comments, stating that it concurred with the recommendation.

Audit Response. We appreciate the Navy's input on the recommendation.

2. We recommend that the Surgeons General of the Army, Navy, and Air Force emphasize the importance of the Third Party Collection Program to commanders of military treatment facilities. At a minimum, the Surgeons General should emphasize that:

a. Identifying patient insurance status by completing DD Form 2569 directly benefits the military treatment facility, and

b. Identifying and billing for all outpatient encounters, even though individual collections are relatively small compared with inpatient stays, can result in substantial collections because of the high volume of outpatient encounters.

Army Comments. The Army Medical Command concurred with recommendation 2.a., while noting that, effective December 2006, it is no longer mandatory to file DD Forms 2569 in medical records. The Army Medical Command discussed an automated process used at Eisenhower Army Medical Center that captures other health insurance information, allows the patient to sign the form electronically, and stores the data in electronic format. The Army Medical Command recommended that the system be implemented at all DoD

military treatment facilities. The Army Medical Command also concurred on recommendation 2.b.

Audit Response. The Army comments are partially responsive. The Army Medical Command did not specify how it planned to emphasize the importance of the Third Party Collection Program to military treatment facility commanders for recommendations 2.a. or 2.b. and did not provide an estimated date of completion. We request that the Surgeon General of the Army provide additional comments in response to the final report.

The Army Medical Command is correct in that the DD Forms 2569 are no longer required to be maintained in patient medical records. However, at the time of our review, the requirement to maintain the forms in the medical records existed. If the Army Medical Command would like to pursue implementing the Eisenhower Army Medical Center system for use at other military treatment facilities within DoD, the Army Medical Command should contact the Uniform Business Office within the TRICARE Management Activity.

Navy Comments. The Navy Bureau of Medicine and Surgery concurred, stating that the Navy's Surgeon General has repeatedly stated the importance of third-party collections and that Navy Medicine has routinely developed collection goals for the Third Party Collection Program. Additionally, Navy Medicine has begun a Lean Six Sigma review of DD Form 2569 collection processes at military treatment facilities.

Audit Response. The Navy comments are partially responsive. We commend the Navy's efforts to emphasize the program in the past, establish collection goals, and perform a review of other health insurance identification processes. However, the Navy Bureau of Medicine and Surgery did not discuss how it plans to emphasize the importance of the Third Party Collection Program to military treatment facility commanders and did not provide an estimated date of completion. We request that the Surgeon General of the Navy provide additional comments in response to the final report.

Air Force Comments. The Surgeon General of the Air Force concurred, stating that the importance of the program will be communicated in all available forums, including the Medical Group Commanders Course, the Executive Skills Course, the Annual Resource Management Conference, and recurring military treatment facility in-service training.

Audit Response. The Air Force comments are responsive. The proposed action satisfies the intent of the recommendation.

3. **We recommend that the Surgeons General of the Army, Navy, and Air Force inform the commanders of military treatment facilities that collections from insurance providers are credited to appropriations of the military treatment facility and do not result in reduced budgets.**

Army Comments. The Army Medical Command concurred, recommending that military treatment facility commanders be provided copies of an information paper stating that Third Party Collection Program collections should not be

considered in establishing military treatment facility budgets. Additionally, the Army Medical Command stated that it will reinforce this position during the Pre-Command Course, the Executive Skills Course, and the Patient Administration Officer Courses.

Audit Response. The Army comments are responsive. The proposed actions satisfy the intent of the recommendation.

Navy Comments. The Navy Bureau of Medicine and Surgery concurred, stating that the Navy Medicine's Comptroller sent a letter dated May 3, 2007, to all Navy Medicine regional commanders reemphasizing that collections do not result in reduced budgets.

Audit Response. The Navy comments are responsive. The action taken satisfies the intent of the recommendation.

Air Force Comments. The Surgeon General of the Air Force concurred, stating that staff in the Office of the Surgeon General of the Air Force will communicate to commanders the proper credit of insurance collections in the development of the annual financial plan. This communication will occur during the Medical Group Commanders Course, the Executive Skills Course, the Annual Resource Management Conference, and recurring military treatment facility in-service training.

Audit Response. The Air Force comments are responsive. The proposed action satisfies the intent of the recommendation.

Management Comments on Management Controls and Prior Coverage

Assistant Secretary of Defense (Health Affairs) Comments on Management Controls. The Assistant Secretary of Defense (Health Affairs) nonconcurred with the identification of a material management control weakness that management controls were not adequate to identify patients with other health insurance and bill and follow up on potential insurance claims. The Assistant Secretary of Defense (Health Affairs) stated the TRICARE Management Activity provides periodic guidance to the Military Departments and has worked closely with them to improve the identification of patients with other health insurance and the billing and followup on insurance claims. In addition, the management control review of the Defense Health Program Enterprise Management Control Program has not identified any high-risk issues associated with the relevant assessable unit.

Audit Response. We consider the management control weaknesses to identify patients with other health insurance and bill and follow up on insurance claims identified in the finding to be material based on the amount of missed collections relative to the size of the Third Party Collection Program. The amount of missed collections discussed in the finding represents about 29 percent of the total

possible collections for the pharmacy and outpatient visit encounters in the six regions we reviewed.

Navy Comments. The Navy Bureau of Medicine and Surgery stated that Navy Medicine's Managers Internal Control Program already contains an assessable unit for third-party collections. The Navy Bureau of Medicine and Surgery stated that the assessable unit covers identifying patients with other health insurance and submitting claims for other health insurance already identified. The Navy Bureau of Medicine and Surgery stated that it planned to add a third control to the program regarding following up on the appropriateness of collections beginning in May 2007.

Audit Response. We acknowledge that the Navy identified the Third Party Collection Program as a separate assessable unit, and we commend them for adding followup on collections as an additional control to the assessable unit. However, the Navy Medicine's Managers Internal Control Program did not identify the specific management control weaknesses identified in the audit.

Assistant Secretary of Defense (Health Affairs) Comments on Prior Reports. The Assistant Secretary of Defense (Health Affairs) recommended we delete GAO Report No. GAO-04-739, "Further Operational Improvements Could Enhance Third-Party Collections," July 2004, from Appendix B. This report reviewed third-party collections in the Department of Veterans Affairs medical centers, not in the Military Health System Third Party Collection Program. The Assistant Secretary of Defense (Health Affairs) wanted us to include only reports that reviewed the Military Health System Third Party Collection Program performance in prior coverage.

Audit Response. We agree the GAO report reviewed only third-party collections in the Department of Veterans Affairs medical centers. The problems cited in the GAO report, however, are similar to those we found in the Military Health System. We included the report because we reviewed it for best practices applicable to DoD operations.

Appendix A. Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed this audit from August 30, 2005, through April 2007.

The DoD Office of the Inspector General performed this audit at the request of the ASD(HA). The audit was conducted jointly with the U.S. Army Audit Agency. We jointly planned and executed all aspects of the audit. We conducted fieldwork at most of the selected MTFs as a joint team. The U.S. Army Audit Agency plans to issue two separate reports on Army-specific issues. One report will discuss a potential funding violation with the Army's Third Party Collection Claims Single Interface System, and the second report will discuss the Army Audit Agency's overall assessment of the Army's implementation of the TPCP.

The audited entities included the ASD(HA), the TMA, the Army Medical Command, the Navy Bureau of Medicine and Surgery, the Air Force Medical Service Agency, the Air Force Contractor Benefit Recovery, and 65 MTFs associated with our sampled encounters (see Appendix E).

Use of Technical Assistance. The Quantitative Methods Directorate of the DoD Office of the Inspector General assisted the audit team in obtaining a population of encounters from the TMA and developed a stratified random (statistical) sample of outpatient visits and pharmacy prescriptions. The Quantitative Methods Directorate also assisted in projecting the results of missed billings where MTFs did not identify patients with OHI and submit and follow up on claims adequately.

Statistical Sample. The audit team used the statistical sample to test procedures used to identify patients with OHI, bill insurance companies, and collect and follow up on payments from insurance companies.

Scope of Sample. The population used to develop our statistical sample included 7,602,421 encounters. We limited the population of encounters to outpatient visits and pharmacy prescriptions that occurred between January 1 and June 30, 2005. We did not include radiology and laboratory encounters because the DoD databases for them were either unreliable or inaccessible. The radiology and laboratory encounters accounted for 12 percent of the total outpatient encounters.

We also limited the population to encounters in six geographical regions within the continental United States. The six regions included Hampton Roads, Virginia; central North Carolina; Washington, D.C.; Seattle, Washington; San Diego, California; and San Antonio, Texas. We selected these regions because they account for a large percentage of total DoD outpatient encounters while minimizing audit travel costs. MTFs in the six regions handle approximately

41 percent of the total outpatient visits and pharmacy prescriptions for all MTFs in the United States.

Details and Use of Sample within the Audit. The six selected geographical regions included 119 MTFs. We statistically selected 1,225 encounters to review from the 119 MTFs. The selected encounters involve care provided at 65 MTFs. We visited 40 of the 65 MTFs.

Of the 1,225 encounters, we were able to determine the insurance status of the beneficiaries for 1,000. The projections reported below use the results for the 1,000 encounters based on the assumption that they are representative of the 1,225. If the 225 encounters with indeterminate patient OHI status have different characteristics, calculations based on the original sample could result in projections that would be higher or lower than the numbers we report.

If the MTF billed an insurance provider for the encounter, we tracked the claim through its resolution and contacted the insurance provider to validate the beneficiary's plan and the adequacy of the payment. If the episode was not billed, we attempted to contact the beneficiary to determine whether they had OHI. If the beneficiaries informed us that they had OHI, we validated insurance coverage of the encounter by contacting the insurance provider. If a claim had not been developed, we requested the TPCP staff to process the claim and provide us with the billing amount.

The 1,000 encounters we used for our analysis include 31 for patients that we determined were not eligible for billing under the TPCP. We treated the 31 encounters as not having OHI. Examples of those are occupational health cases and civilians treated for emergency room visits. The 1,000 encounters analyzed also include 20 encounters where the patients either were deceased or refused to answer whether they had OHI; they were also treated as having no OHI.

We attempted to review patient medical records for each of the 1,225 sampled outpatient visits and pharmacy prescriptions. Of the 1,225 encounters, we located 868 patient records. We determined whether the records included an OHI form, and then compared the number of OHI forms to the number of records reviewed to determine the percentage of OHI forms in the records. We obtained a copy of the OHI form when available and we obtained supporting documentation for the sample encounter from the records or from other sources if applicable.

Methodology of Projections. The Quantitative Methods Directorate projected the number of encounters and the corresponding amounts where the MTFs missed opportunities to bill insurance providers from January 1, 2005, through June 30, 2005. The projections were based on a 95-percent confidence level. As noted above, the projections are based on the results for the 1,000 encounters for which we could determine insurance status and the assumption that they are representative of the 1,225 total sample encounters. Table 3 summarizes the projections of the number of missed claims, and Table 4 summarizes the projections of the missed billing amounts.

Table 3. Projections of Missed Claims
January 1, 2005, through June 30, 2005[1]

	Lower Bound	Point Estimate	Upper Bound
OHI not identified	9,437	95,705	181,973
Claim not submitted or followup not adequate	62,421	175,480	288,538
Total	**136,903**[2]	**271,185**	**405,466**[2]

Table 4. Projections of Missed Billing Amounts
January 1, 2005, through June 30, 2005[1]

	Lower Bound	Point Estimate	Upper Bound
OHI not identified	$1,113,444	$4,523,127	$7,932,810
Claim not submitted or followup not adequate	$2,279,633	$7,511,213	$12,742,793
Total	**$5,811,015**[2]	**$12,034,340**	**$18,257,665**[2]

We determined the collection rate was 39.1 percent for FY 2005 billings for the MTFs within the six geographical regions. We applied this collection rate to our projection of missed billings to estimate a 6-month missed collection amount (.391 times $12,034,340 equals $4,705,427). We assumed that our results from the 6 months in our sample were representative of annual collections. We arrived at an annual collections figure by multiplying the 6-month missed collection amount by 2. We arrived at the 6-year Future Years Defense Program estimate by multiplying the annual collections estimate by 6.

The Quantitative Methods Division also projected the number of encounters with missing or incomplete OHI forms in their corresponding patient records for the six geographical regions we included in our sample. The projections were based on a 95-percent confidence level and apply to the 6-month population we sampled. Table 5 summarizes the projection of the number of encounters with missing or incomplete OHI forms in their corresponding patient records.

[1] The point estimates based on the full sample of the 6 months care are approximately four-fifths of the numbers calculated based on assuming the 1,000 encounters represent the sample of 1,225 and all those sampled.

[2] Amount was calculated separately, not summed from the amounts above.

Table 5. Projection of Encounters with Missing or Incomplete OHI Forms

Lower Bound	Point Estimate	Upper Bound
2,236,890	2,621,784	2,886,678

Review of Additional Controls. We based our evaluation on a comprehensive review of identification, billing, and followup procedures at selected MTFs within each Military Department. We interviewed MTF personnel to determine how TPCP goals were set and obtained feedback on reasonableness of TMA-set goals. We also interviewed personnel at the Army, Navy, and Air Force Offices of the Surgeon General and 14 MTFs to obtain feedback on whether the MTF budgets were being decremented by TPCP collections. At the three selected MTFs, we obtained and analyzed guidance they were using for TPCP, reviewed the Management Control Program as it relates to the TPCP, and reviewed procedures for billing OHI providers and following up on collections. We also reviewed additional management controls related to safeguarding TPCP assets at the three MTFs, including reviewing the separation of the following duties: preparing claims, receiving and posting payments, depositing payments, and reconciling TPCP accounting and reporting records.

Use of Computer-Processed Data. We used the CHCS and the Pharmacy Data Transaction Service. We did not perform a formal reliability assessment of the computer-processed data. However, during the review, we established reliability by comparing the data with source documentation such as medical records and DD Form 2569, as well as by making phone calls to beneficiaries. The comparisons showed that the data were sufficient to support the conclusions.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the "DoD Support Infrastructure Management" high-risk area.

Appendix B. Prior Coverage

Since April 2001, the Government Accountability Office (GAO), the U.S. Army Audit Agency, and the Air Force Audit Agency have issued seven reports discussing the Third Party Collection Program. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov. U.S. Army Audit Agency reports are restricted to military domains and GAO. They can be accessed at https://www.aaa.army.mil/reports.htm. Unrestricted Air Force Audit Agency reports can be accessed over the Internet at https://www.afaa.hq.af.mil/afck/plansreports/reports.shtml.

GAO

Report No. GAO-04-739, "Further Operational Improvements Could Enhance Third-Party Collections," July 2004

Report No. GAO-04-322R, "Military Treatment Facilities: Improvements Needed to Increase DOD Third-Party Collections," February 20, 2004

Report No. GAO-03-168, "Military Treatment Facilities Internal Control Activities Need Improvement," October 2002

Army

U.S. Army Audit Agency, Report No. A-2003-0185-IMH, "Third Party Collection Program U.S. Army Medical Command," March 10, 2003

Air Force

Air Force Audit Agency, Report No. F2005-005-FD2000, "Third Party Collection Funds Usage," July 6, 2005

Air Force Audit Agency, Report No. 01051015, "Third Party Collection Program – Pharmaceuticals," August 8, 2001

Air Force Audit Agency, Report No. 00051011, "Follow up, Third Party Collection Program," April 26, 2001

Appendix C. Other Matters of Interest

Program Goals. The ASD(HA) requested that we determine whether the TPCP collection goals that the TMA developed were realistic. In February 2004, GAO issued an audit report recommending that DoD implement realistic TPCP collection goals. The ASD(HA) issued a memorandum, "Support of Uniform Business Office Improvement Goals," October 1, 2004, that provided the DoD FY 2005 TPCP collection goal of $168.7 million. TPCP reports show that in FY 2005 the Military Departments collected about $106.3 million, or 63 percent of the collection goal. Because the TMA established the collection goals based on applying broad assumptions to FY 2004 program results and did not separate inpatient and outpatient components of the goals, we could not quantitatively analyze the assumptions or the development of the goals for the outpatient portion.

The TMA did not have a plan to apply the collection goals to TPCP management and did not issue collection goals for FY 2006. This is inconsistent with the ASD(HA) concurrence with the GAO recommendation to establish realistic goals. In addition, the TMA had not defined a methodology to develop the overall collection goals or specific goals for outpatient services or outpatient services components. The TMA issued FY 2007 goals after we completed the audit fieldwork; therefore, we did not include them in our review.

Budget Decrement. We did not find evidence that the Military Departments decremented or adjusted MTF budgets based on collections from the TPCP. Section 1095, title 10, United States Code allows DoD to collect reasonable healthcare charges from health insurance plans, less the appropriate deductible or copayment amount, incurred on behalf of covered beneficiaries. According to the statute, the amounts collected through third-party payers should be credited to the appropriation supporting operation and maintenance for the MTF and should not be considered when establishing the operating budget for the MTF.

Personnel at 10 MTFs did not think their budgets were decremented based on the performance of the TPCP. Personnel at four MTFs did think their budgets were decremented, but we did not find any documentation to support the assertions. We also interviewed budget personnel within Offices of the Surgeon General for the Army, Navy, and Air Force and found no evidence that MTF budgets were decremented or adjusted based on the collections from the TPCP. However, if any MTF personnel involved in identifying OHI information or submitting and following up on claims believe that their budgets may be decremented, they may be less motivated to perform the functions necessary to collect. Therefore, perceptions of budgets being decremented may have the same effect on collections as actual decrements. Additional clarification to MTF commanders would assist in eliminating the perception that budgets are decremented.

Appendix D. Audit Request

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

HEALTH AFFAIRS

OCT 0 1 2004

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
ATTN: PROGRAM DIRECTOR, READINESS AND
LOGISTICS SUPPORT DIVISION

SUBJECT: Support of Uniform Business Office Improvement Goals Request for Audit

This memorandum is to request your assistance in conducting an audit of Military Department implementation of Assistant Secretary of Defense (Health Affairs) Third Party Collections Program (TPCP) guidance relative to Government Accountability Office (GAO) audit recommendations.

GAO audit #192093 – Military Treatment Facilities: Improvements Needed to Increase Department of Defense (DoD) Third Party Collections published on February 20, 2004 (attached), addressed the Department's TPCP and Department efforts to collect Other Health Insurance (OHI) payments. The GAO outlined two specific recommendations including correct implementation problems with Outpatient Itemized Billing (OIB), and the establishment of realistic Third Party Collection goals.

My guidance to the Military Departments on TPCP goals is attached.

In order to allow sufficient time for implementation of the policy guidance, I request your review activities commence no earlier than January 1, 2005.

Please feel free to direct any questions on this matter to my point of contact, Mr. David Fisher, TRICARE Management Activity, Office of the Chief Financial Officer (Management Control and Financial Studies) at (703) 681-3492, ext. 4078.

William Winkenwerder, Jr., MD

Attachment:
As stated

Appendix E. Organizations Included in the Sample

Department of the Army

Andrew Rader Army Health Clinic, Fort Myer, Virginia
Barquist Army Health Clinic, Fort Detrick, Maryland
Bennett Family Care Clinic, Fort Hood, Texas
Brooke Army Medical Center, Fort Sam Houston, Texas*
Charles Moore Health Clinic, Fort Hood, Texas
Clark Clinic, Fort Bragg, North Carolina
Darnall Army Medical Center, Fort Hood, Texas*
DeWitt Army Community Hospital, Fort Belvoir, Virginia*
Dilorenzo TRICARE Health Clinic, Washington, D.C.
Family Health Center Fairfax, Virginia
Family Health Center Woodbridge, Virginia
Joel Clinic, Fort Bragg, North Carolina*
Kenner Army Health Clinic, Fort Lee, Virginia*
Kimbrough Ambulatory Care Center, Fort Meade, Maryland*
Kirk Army Health Clinic, Aberdeen Proving Ground, Maryland*
Madigan Army Medical Clinic, Fort Lewis, Washington*
McDonald Army Health Center, Fort Eustis, Virginia*
Monroe Army Health Clinic, Fort Monroe, Virginia*
Monroe Consolidated, Fort Hood, Texas
Okubo Family Practice Clinic, Fort Lewis, Washington
Robinson Clinic , Fort Bragg, North Carolina
Walter Reed Army Medical Center, Washington, D.C.*
Womack Army Medical Center, Fort Bragg, North Carolina*

Department of the Navy

Branch Medical Clinic Dam Neck, Virginia Beach, Virginia
Branch Medical Clinic Little Creek, Norfolk, Virginia*
Branch Medical Clinic Marine Corps Air Station Miramar, California*
Branch Medical Clinic Marine Corps Air Station New River, North Carolina
Branch Medical Clinic Naval Shipyard Norfolk, Portsmouth, Virginia*
Branch Medical Clinic Oceana, Virginia Beach, Virginia*
Branch Medical Clinic Point Mugu, California
Branch Medical Clinic Yorktown, Virginia
Naval Ambulatory Care Center Port Hueneme, California
Naval Branch Health Clinic Chesapeake, Virginia*
Naval Branch Health Clinic Dahlgren, Virginia
Naval Branch Health Clinic El Centro, California

* Audit team visited this location.

Naval Branch Health Clinic Everett, Washington
Naval Branch Health Clinic Indian Head, Maryland
Naval Branch Health Clinic Naval Air Station North Island, California*
Naval Branch Health Clinic Naval Station San Diego, California*
Naval Branch Health Clinic National Training Center San Diego, California*
Naval Branch Health Clinic Puget Sound, Washington
Naval Branch Health Clinic Bangor, Silverdale, Washington
Naval Hospital Bremerton, Washington*
Naval Hospital Camp Lejeune, North Carolina*
Naval Hospital Camp Pendleton, California*
Naval Hospital Cherry Point, North Carolina*
Naval Hospital Oak Harbor, Washington*
Naval Health Clinic Annapolis, Maryland
Naval Health Clinic Quantico, Virginia*
Naval Medical Center Portsmouth, Virginia*
Naval Medical Center San Diego, California*
National Naval Medical Center Bethesda, Maryland*
TRICARE Clinic Chesapeake, Virginia*
TRICARE Outpatient Clinic Virginia Beach, Virginia*
TRICARE Outpatient-Chula Vista, San Diego, California*
TRICARE Outpatient-Clairmont, San Diego, California*
TRICARE Outpatient-Oceanside, Camp Pendleton, California

Department of the Air Force

1st Medical Group, Langley Air Force Base, Virginia*
4th Medical Group, Seymour Johnson Air Force Base, North Carolina*
12th Medical Group, Randolph Air Force Base, Texas*
43rd Medical Group, Pope Air Force Base, North Carolina*
59th Medical Wing, Lackland Air Force Base, Texas*
62nd Medical Group, McChord Air Force Base, Washington*
79th Medical Wing, Andrews Air Force Base, Maryland*
579th Medical Group, Bolling Air Force Base, Washington, D.C.

* Audit team visited this location.

Appendix F. Summary of Potential Monetary Benefits

Recommendation Reference	Type of Benefit	Amount of Benefit	Account
1., 2., and 3.	Program Results. Proper identification and billing of OHI and followup of billed encounters could result in additional collections.	Recurring benefits from additional MTF collections of $56.5 million* during the execution of the FYs 2008 through 2013 Future Years Defense Program. This amount represents additional funds that would be available to the MTFs to enhance healthcare services. It should not be construed as an opportunity to reduce MTF or Defense Health Program budgets because according to section 1095, title 10, United States Code, TPCP collections should not be considered when establishing the operation budget of MTFs.	97X0130

* See Appendix A for details on the statistical sample estimates and projections.

Appendix G. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
    Deputy Chief Financial Officer
    Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Personnel and Readiness
    Principal Deputy Under Secretary of Defense (Personnel and Readiness)
    Assistant Secretary of Defense (Health Affairs)
Director, Program Analysis and Evaluation

Department of the Army

Surgeon General of the Army
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Surgeon General of the Navy
Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Surgeon General of the Air Force
Auditor General, Department of the Air Force

Combatant Command

Inspector General, U.S. Joint Forces Command

Non-Defense Federal Organization

National Security Agency
Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Oversight and Government Reform
House Subcommittee on Government Management, Organization, and Procurement, Committee on Oversight and Government Reform
House Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform

Assistant Secretary of Defense (Health Affairs) Comments

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

MAY 2 1 2007

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
PROGRAM DIRECTOR, READINESS AND OPERATIONS SUPPORT

SUBJECT: Report on Outpatient Third Party Collection Program (Department of Defense Inspector General (DoD IG) Project No. D2005-D000LF-0297.000) and U.S. Army Audit Agency Project No. A-2006-FFH-0056.000

Thank you for the opportunity to review and provide comments on the Draft Report "Report on Outpatient Third Party Collection Program (DoD IG Project No. D2005-D000LF-0297.000) and U.S. Army Audit Agency Project No. A-2006-FFH-0056.000" dated April 13, 2007.

The DoD IG's efforts to conduct this review based on the Assistant Secretary of Defense Health Affairs (ASD (HA))'s request are appreciated. Overall, I concur with the DoD IG's findings and recommendations. I agree that Department of Defense (DoD) military treatment facilities (MTFs) can increase collections. We have focused efforts over the last several years to foster improved collection by the Military Departments. Among the steps taken include issuance of specific Military Department collection goals, publishing an updated Uniformed Business Office (UBO) Manual in November 2006, implementing the Standard Insurance Tables/Other Health Insurance central database and expanding education programs aimed at improving the collection process.

I non-concur on the DoD IG's identification of a material management control weakness for ASD (HA) as defined by DoD Instruction 5010.40. Specifically I non-concur with the DoD Third Party Collection Program (TPCP) controls not being adequate for the MTFs to identify, bill, and follow-up on potential insurance claims. TRICARE Management Activity (TMA), as part of its managerial responsibility for UBO operations, provides periodic guidance to the Military Departments and has worked closely with them and their Service UBO managers to foster improvement in the identification of TPCP patients, billings and collections. A policy memo will be published to provide immediate update to the current UBO Manual (November 2006); next revision to the manual will include policy memo citations.

As part of our efforts to support Military Health System management control review subjects in the Defense Health Program (DHP) Enterprise Management Control (MIC) Program, we included an Assessable Unit (AU) for the Military Departments to include

in their management control programs, and to be reviewed as part of their Annual Statement of Assurances. The AU, MTF-05-01- Medical Encounter and Coding at MTF's is provided by each Military Department for issuance down to their MTFs for review. Each Military Department provides a compilation Risk Assessment Report in the early fall to TMA, reviewing the results of MTF reviews of this and other AUs. No high risk issues have been identified for this AU.

Thank you for your efforts on determining whether the TPCP goals were realistic. TMA developed a goal determination methodology after the completion of the audit fieldwork. The Fiscal Year (FY) 2007 goals are in place. Based on mid-year collections, it appears that two of the Military Departments will exceed their TMA goals for FY 2007.

The DoD IG's review of TPCP budget decrements by the Military Departments was appreciated. While no evidence was apparently found to prove such decrements were occurring, the perception by MTFs continues that such adjustments are being made. We will continue our efforts to remind Military Departments' leadership that statute 10 U.S.C. Section 1095 prohibits such a practice.

Comments from the Army, Navy, and Air Force Surgeons General will be submitted directly by them. My comments are attached.

Please feel free to direct any questions on this matter to my points of contact, Lt Col Jeanne Yoder (functional) and Mr. Gunther Zimmerman (Audit Liaison), both of whom can be reached at (703) 681-3492.

Respectfully,

S. Ward Casscells, MD

Attachments:
As stated

DEPARTMENT OF DEFENSE INSPECTOR GENERAL
DRAFT REPORT
DoD IG No. D2005-D00LF-0297.000/
U.S. Army Audit Agency No. A-2006-FFH-0056.000

Agency Comments on Draft Report, "Outpatient Third Party Collection Program"

DEPARTMENT OF DEFENSE COMMENTS

Recommendation 1: We recommend that the Assistant Secretary of Defense (Health Affairs) revise DoD 6010.15, "Military Treatment Facility (MTF) Uniform Business Office (UBO) Manual," November 9, 2006:

a. To add compliance audit requirements that test whether:

(1) Military Treatment Facilities have billed insurance providers for patient encounter where other health insurance exists in the Composite Health Care System, and

(2) Military Treatment Facilities have adequately followed up on collections from insurance providers.

b. To require military treatment facilities to correct deficiencies that they found in the Third Party Collection Program during the compliance audits.

DoD Response:

We non-concur with the recommendation. As an immediate solution, a policy memorandum will be developed by TRICARE Management Activity (TMA) UBO for signature of the Assistant Secretary of Defense (Health Affairs) advising the Military Departments to add the recommended compliance audit requirements. The policy memorandum will be added to the current UBO manual as an attachment. The long-term solution will be to include the new recommended requirements as a formal change in the next update to the UBO Manual.

DEPARTMENT OF DEFENSE INSPECTOR GENERAL
DRAFT REPORT
DoD IG No. D2005-D00LF-0297.000/
U.S. Army Audit Agency No. A-2006-FFH-0056.000

Agency Comments on Draft Report, "Outpatient Third Party Collection Program"

Technical Corrections:

- Page 15, Under Appendix B. Prior Coverage section. The GAO Report No. GAO-04-739, "Further Operational Improvements Could Enhance Third-Party Collections," July 2004 is listed. This report reviewed the performance of the Department of Veterans Affairs (DVA) Third-Party Collections and the performance of its VA medical centers. It did not review any aspects of the Military Health System (MHS) Third Party Collection Program. **Recommend** that this report not be listed. **Rationale:** Deleting this audit report limits the list of prior reports referenced to only those which reviewed MHS TPCP performance.

Department of the Army Comments

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MEDICAL COMMAND
2050 WORTH ROAD
FORT SAM HOUSTON, TEXAS 78234-6000

REPLY TO ATTENTION OF

MCIR

22 MAY 2007

MEMORANDUM FOR Lt Col Jeanne Yoder, TRICARE Management Agency, Uniform Business Office, 5111 Leesburg Pike Skyline 5, Suite 810, Falls Church, VA 22041

SUBJECT: Reply to DODIG/USAAA Draft Report, Outpatient Third Party Collections Program (Engagements D2005-D000LF-0297 and A-2006-FFH-0056 respectively)

1. Thank you for the opportunity to review this report. Overall, we concur with the draft recommendations. Our specific comments are enclosed for your considerations when preparing the Department of Defense response to the report.

2. Our point of contact is Ms. Deborah K. Bush, Medical Services Account Manager/ Deputy Uniform Business Office Manager, US Army Medical Command, Fort Sam Houston, TX, commercial 210-221-8339 or DSN 471-8339.

FOR THE COMMANDER:

WILLIAM H. THRESHER
Chief of Staff

Encl
as

US Army Medical Command (MEDCOM) Comments on Draft Report on
Outpatient Third Party Collection Program
DODIG Project No. D2005-D000LF-0297.000
US Army Audit Agency Project No. A-2006-FFH-0056.000

Recommendation 1: We defer to the TRICARE Management Agency (TMA) Uniform Business Office (UBO) for a full response to this recommendation. However, during the UBO Conference held in March 2007, the three service managers and the TMC UBO Manager agreed that the requirements should be included in the UBO Manual and added to the DoD Compliance Audit Checklist. Our specific comments on each subparagraph are as follows:

Rec 1a(1) Concur, with comment. The current billing systems (CHCS / TPOCS) are cumbersome and inadequate in regards to testing for missed billing encounters when Other Health Insurance (OHI) exists in DEERS/CHCS. Consequently, outpatient encounters not fed into the billing systems by the Ambulatory Data Module (ADM) must be manually identified -- and manually billed -- after the presence of OHI is confirmed. The Standard Insurance Table (SIT)/OHI conversion, completed by MTFs in August 2006, has allowed better identification and sharing of OHI information by utilizing DEERS as the central repository for insurance information. However, some encounters may have missed billing because the OHI was not recorded in CHCS at the time of the encounter. A Systems Change Request (SCR) has been approved and funded to identify newly billable encounters and support automated retroactive TPOCS billing – but the SCR has not yet been implemented. Efficient implementation may not occur until the UBO transitions to the new Patient Accounting System/Charge Master Based Billing, projected for FY09-10.

Rec 1a(2) Concur, with comment. Five of the audited Army MTFs were covered by the Army contract for claims follow-up and denials management until that contract ended in March 2006. The MTFs were required to use this service and were not financially liable for the costs; however, the project was only marginally successful.

Rec 1b Concur.

Recommendation 2: Our specific comments are as follows:

Rec 2a Concur, with comment. Effective December 2006, it is no longer mandatory to file DD Forms 2569 in the medical record. The functionally automated process now used at Eisenhower Army Medical Center (EAMC) has been tremendously successful in obtaining new OHI information directly from the patient. The OHI information is captured, the patient signs the form electronically, and the data is stored on a secure, shared drive accessible only to authorized users. The EAMC patients are extremely satisfied because the process eliminates the requirement to complete redundant hard-copy DD Forms 2569 virtually each time they receive medical care at the MTF. The Army UBO strongly recommends that this simple, inexpensive process

be implemented at all DoD MTFs. Since this initiative supports the TPCP, the cost to implement it can/should be borne out of MTF TPCP collections, per 10 USC Section 1095.

Rec 2b Concur.

Recommendation 3: Concur. Recommend MTF Commanders be provided copies of the Quarterly Third Party Collection Program (TPCP) Information Paper that addresses the 10 USC Section 1095 restriction that *"TPCP collections shall not be taken into consideration in establishing the budget of the MTF."* Further, we also reinforce this position during briefings to the Pre-Command Course, the Executive Skills Course, and the Patient Administration Officer Courses.

Point of Contact: Ms Deborah K. Bush, AMEDD MSA Manager/Deputy UBO Manager, Commercial 210-221-8339 or DSN 471-8339. Email: deborah.bush@amedd.army.mil

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: DODIG Draft Report: Outpatient Third Party Collection Program (PJ# 5LF-0297)

Department of the Navy (DON) has reviewed the draft report on the Outpatient Third Party Collection Program. Specific DON comments from the Bureau of Medicine and Surgery are provided at attachment 1.

My point of contact in this matter is LCDR Karen Leahy, MSC, USN, Special Assistant for Health Affairs, Office of the Assistant Secretary of the Navy (Manpower & Reserve Affairs) at 703-693-0238 or Karen.leahy@navy.mil.

for Lynda C. Davis
Deputy Assistant Secretary of the Navy
(Military Personnel Policy)

Attachment:
As stated

DEPARTMENT OF THE NAVY
BUREAU OF MEDICINE AND SURGERY
2300 E STREET NW
WASHINGTON DC 20372-5300

IN REPLY REFER TO

7000
Ser M84/07UGEN-004266h
18 May 2007

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS)

SUBJECT: Official Navy Response to Draft Report "Outpatient Third Party Collection Program" (PJ# 5LF-0297)

1. In response to the attached, Navy Medicine provides the following management comments on the recommendations in the DoDIG Draft Report:

a. Recommendation 1: Concur with adding compliance audit requirements and deficiency tracking/correction to the Third Party Collection Program.

b. Recommendation 2: Concur with emphasizing the importance of the collection program. During his tenure, the Navy's Surgeon General has repeatedly stated the importance of third party collections. Additionally, Navy Medicine routinely establishes collection goals for each region to set management expectations for this program. Moreover, Navy Medicine has begun a Lean Six Sigma effort to standardize and improve the effectiveness of the DD2569 collection processes at Navy Military Treatment Facilities (MTFs). This effort will be complete by September 2007.

c. Recommendation 3: Concur with emphasizing that collections under this program do not result in reduced budgets. While encouraging activities to maximize collections by setting goals, Navy Medicine has not and will not reduce activities' budgets in anticipation of third party collections. Attached Navy Medicine's Comptroller letter of 3 May 2007 reemphasized this policy to all Navy Medicine Regional Commanders .

d. Potential Monetary Benefits: Concur that opportunities exist to improve collections. Navy Medicine is working to improve collection processes for individuals who possess other health insurance (OHI).

2. The following comments are provided on the material management control weaknesses. Navy Medicine's Managers Internal Control Program (MICP) already contains a specific Assessable Unit (AU) for Third Party Collections that is reported on an annual basis. This AU covers two of the three controls noted to be a material weakness: identify OHI and submit claims for OHI already identified. The third control regarding follow up on appropriateness of collections will be added and reported beginning in May 2007.

Attachment (1)

SUBJECT: Official Navy Response To Draft Report "Outpatient Third Party Collection Program (PJ# 5LF-0297)

3. My point of contact is Ms. Beth Coke, at email eacoke@us.med.navy.mil. or (202) 762-3572.

R. F. STOLTZ
Chief of Staff
Acting

Attachment:s:
As stated

Department of the Air Force Comments

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC

17 May 2007

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING OFFICE OF
THE INSPECTOR GENERAL DEPARTMENT OF DEFENSE
THROUGH: SAF/FMPF

FROM: HQ USAF/SG
1780 Air Force Pentagon
Washington DC 20330-1780

SUBJECT: DoDIG Draft Audit Report, Outpatient Third Party Collection Program, (Project No. D2005LF-0297)

This is in reply to the memorandum requesting management comments on subject report.

Recommendation: AF/SG emphasize the importance of the Third Party Collection Program to commanders of Military Treatment Facilities (MTFs). At a minimum, AF/SG should emphasize identifying patient insurance status by completing the DD Form 2569 directly benefits the MTF and identifying/billing for all outpatient encounters, even though individual collections are relatively small compared to inpatient stays, can result in substantial collections because of the high volume of outpatient encounters.
Concur: AF/SG will communicate the importance of the program in all available forums. The forums for communication to leadership will include, at a minimum, the Medical Group Commanders Course, the Executive Skills Course, the Annual Resource Management Conferences, and recurring MTF in-service training.

Recommendation: AF/SG inform the commanders of the MTFs that collections from insurance providers are credited to appropriations of the MTF and do not result in reduced budgets.
Concur: Using forums mentioned above, AF/SG staff will inform commanders of the manner in which insurance collections are credited. AF/SGY staff will communicate the proper credit of the reimbursements to the financial functionals in the annual financial plan development.

The report projections and assumptions for this audit are made on a DOD level so any assessment or comments as to whether a material management control weakness in the program exists would have to come from DOD and not the individual Services. My point of contact is Maj Carrie Cooper, AFMOA/SG3YR, 703-681-6355 or carrie.cooper@pentagon.af.mil.

JAMES G. ROUDEBUSH
Lieutenant General, USAF, MC, CFS
Surgeon General

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The Readiness and Operations Support Directorate, Office of the Assistant Inspector General for Auditing of the Department of Defense and the Forces and Financial Management Directorate of the U.S. Army Audit Agency prepared this report. The personnel who contributed to this report are listed below.

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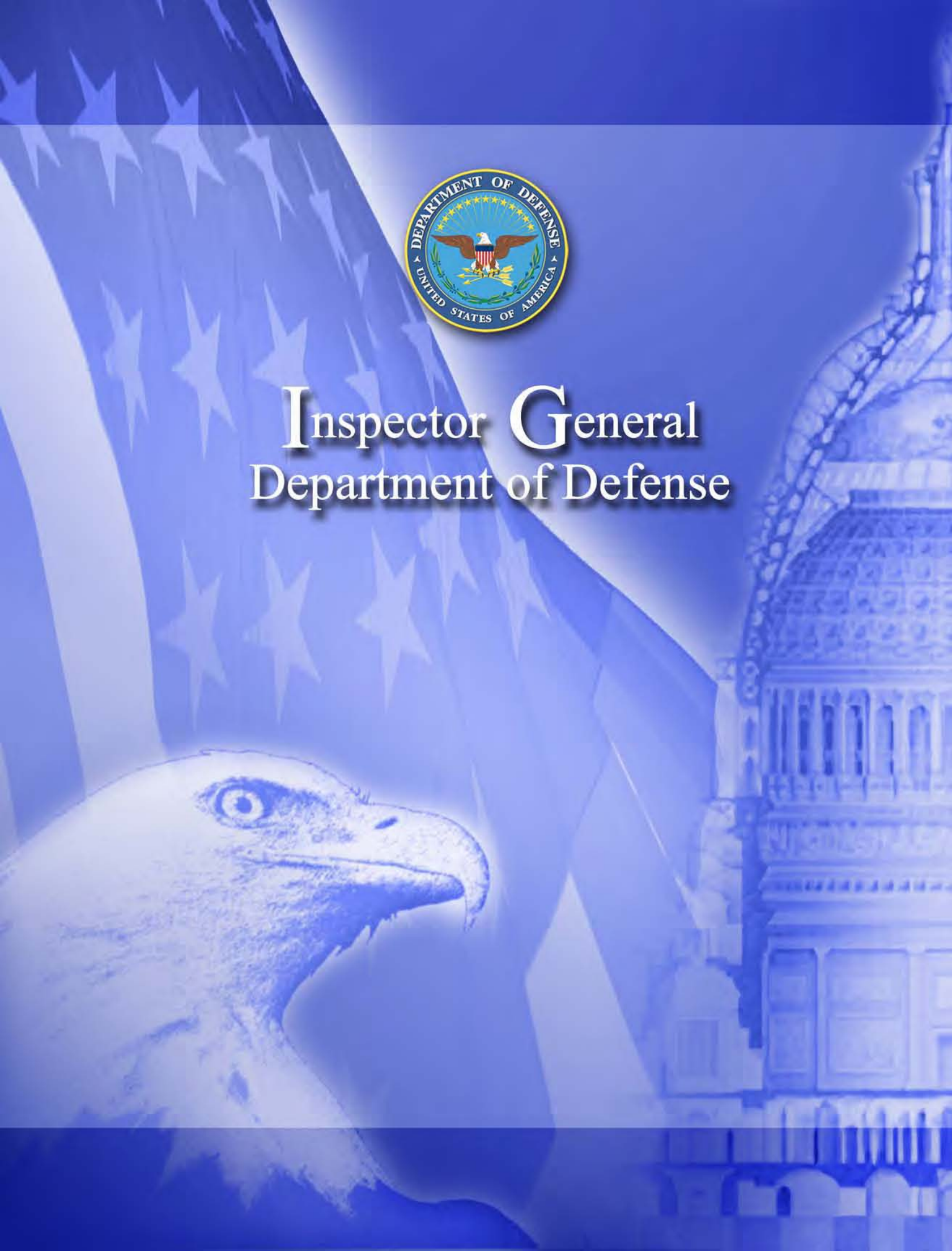

Inspector General
Department of Defense