

Inspector General

United States
Department of Defense



Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program

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Acronyms and Abbreviations

| | |
|---------|-------------------------------------------------|
| ASD(HA) | Assistant Secretary of Defense (Health Affairs) |
| DFAS | Defense Finance and Accounting Service |
| MTF | Military Treatment Facility |
| SHCP | Supplemental Health Care Program |
| TMA | TRICARE Management Activity |
| U.S.C. | United States Code |
| WPS | Wisconsin Physician Services |



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September 30, 2008

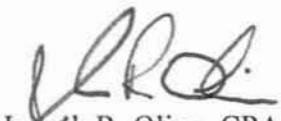
MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
NAVAL INSPECTOR GENERAL

SUBJECT: Payments for Patients Referred to Overseas Providers Under the Supplemental
Health Care Program (Report No. D-2008-136)

We are providing this report for your information and use. We considered comments from the Assistant Secretary of Defense (Health Affairs), the Surgeon General of the Air Force, and the Defense Finance and Accounting Service when preparing the final report.

Comments on the draft report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Michael A. Joseph at (757) 872-4698 or Mr. James F. Degaraff at (757) 872-4815, extension 224. The team members are listed inside the back cover.


Joseph R. Oliva, CPA
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program

What We Did

The objective of the audit was to determine whether controls are adequate over payments for patients referred by military treatment facilities to overseas health care providers under the Supplemental Health Care Program. We compared payments made by overseas military installations and three Defense Finance and Accounting Service centers for referred overseas health care to payments made by a TRICARE contractor that pays for most nonreferred overseas health care.

What We Found

- Multiple organizations using independent processes paid for overseas referred health care claims.
- Using the limited overseas referred care data available, we identified 90 duplicate payments by multiple organizations for overseas health care amounting to approximately \$55,000 for FYs 2004 through 2006, recoupment of which should result in \$50,170 in potential monetary benefits to DoD.
- We identified duplicate payments at three Air Force military treatment facilities that used an interim payment process that violated the Miscellaneous Receipts Act and increased the risk of duplicate payments.
- Significant potential exists for host-nation providers, patients, and military treatment facility employees to abuse the payment processes.

What We Recommend

We recommend that the Assistant Secretary of Defense (Health Affairs):

- Transfer responsibility to a qualified health care claims processor for processing and paying claims for overseas health care referred by military treatment facilities.
- Recoup funds for duplicate payments identified during the audit (details provided to TRICARE Management Activity under separate cover).
- Issue guidance to the Surgeons General of the Army, Navy, and Air Force stating that overseas military treatment facilities should not deposit checks from TRICARE health care claims processors into military treatment facility accounts.

We recommend that the Surgeon General of the Air Force issue guidance to all overseas military treatment facilities to immediately discontinue depositing checks from TRICARE health care claims processors to military treatment facility accounts.

Client Comments and Our Response

The Assistant Secretary of Defense (Health Affairs) concurred and plans to include these payments in the new TRICARE Overseas Program contract to be awarded in FY 2009. The Surgeon General of the Air Force concurred and plans to issue guidance to all overseas military treatment facilities to cease depositing checks from TRICARE health care claims processors into their accounts. The comments by the Assistant Secretary of Defense (Health Affairs) and the Surgeon General of the Air Force were responsive and meet the intent of the recommendations. We also received comments from the Defense Finance and Accounting Service.

Recommendations Table

| Client | Recommendations Requiring Comment | No Additional Comments Required |
|----------------------------------------------------|--------------------------------------|------------------------------------|
| Assistant Secretary of Defense (Health Affairs) | | 1. |
| Surgeon General of the Air Force | | 2. |

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Introduction

Background

The DoD Supplemental Health Care Program (SHCP) was established to pay private sector health care providers who treat active-duty Service members. The SHCP also covers health care services ordered by military treatment facility (MTF) providers for non-active-duty Service members when the MTF provider maintains responsibility for treating the patients. The SHCP in overseas locations covers patients referred by MTFs to host-nation health care providers. A referral takes place when the overseas MTF cannot provide the necessary health care and must rely on host-nation providers.

Officials from the Offices of the Army, Navy, and Air Force Surgeons General told us that three Defense Finance and Accounting Service (DFAS) centers should be paying most of the claims for overseas health care referred by MTFs. However, we could not identify any guidance issued by the TRICARE Management Activity (TMA) that assigns responsibility for making these payments. Additionally, some military installations make payments for overseas referred health care. The patients or the host-nation providers submit claims for the health care to the MTFs, which review the health care claims and authorize payments by DFAS and military installations. DFAS and the military installations are responsible only for paying the claims, not for certifying that the claims are valid. Patients that use host-nation providers without being referred are not covered under the SHCP. Patients or the host-nation providers submit claims for nonreferred health care to claims-processing contractors. Although Surgeons General officials told us that DFAS should be paying for the majority of the overseas referred health care, Wisconsin Physician Services (WPS) also received and paid referred health care claims. WPS, a subcontractor for the TRICARE South Regional contractor, is responsible for paying for most of the nonreferred overseas health care. The Director of TMA manages overseas health care purchased from host-nation providers.

TMA estimated that DFAS paid approximately \$39.3 million in FY 2006 for referred care. However, that estimate may not be accurate because no central database of referred care exists, and referral records requested from overseas MTFs were sometimes missing or incomplete. We determined whether multiple organizations were paying for the same health care services by obtaining databases of referred health care from the overseas MTFs and comparing data in those databases with payments made by TRICARE contractors. According to the Offices of the Surgeons General of the Army, Navy, and Air Force, 60 overseas MTFs referred patients to overseas providers; we received files from 51 of the MTFs. We were able to match data for only 23 of the 51 MTFs from which we received data because the databases from the remaining 28 MTFs were missing dates of service or Social Security numbers. In addition, three of the MTF databases that we were able to use were incomplete, missing records for referred health care for specific fiscal years included in the request. We could not perform a complete review of duplicate payments because of the missing and incomplete referred care data.

Objective

The objective of the audit was to determine whether controls are adequate over payments for patients referred to overseas health care providers under the Supplemental Health Care Program. See Appendix A for a discussion of the scope and methodology and our review of internal controls.

Finding. Payments for Claims Associated With the Supplemental Health Care Program

We identified duplicate payments by multiple organizations for claims associated with the SHCP. Specifically, we identified 90 duplicate payments paid by multiple organizations for referred overseas health care amounting to approximately \$55,000 for FYs 2004 through 2006. Additionally, we identified duplicate payments at three Air Force MTFs that used DFAS to make interim payments using SHCP accounts and used a TRICARE contractor to reimburse those accounts. Substantial risk exists that host-nation providers, patients, and MTF employees could abuse the independent payment processes of multiple payers to receive duplicate payments, significantly increasing unnecessary costs to DoD. Additionally, the three MTFs using DFAS to make interim payments violated section 3302 (b), title 31, United States Code (31 U.S.C. 3302 (b)), “Custodians of Money,” commonly referred to as the “Miscellaneous Receipts Act,” by depositing funds into their accounts without authority. To mitigate the risk of duplicate payments resulting from the independent payment processes, DoD should transfer to a qualified health care claims processor responsibility for processing and paying claims for overseas referred health care. The Surgeon General of the Air Force should also issue guidance to all overseas military treatment facilities to immediately discontinue depositing checks from TRICARE health care claims processors to military treatment facility accounts.

Duplicate Payments

Using the limited overseas referred care data available from 23 overseas MTFs, we identified 90 duplicate payments for referred overseas health care that WPS and DFAS or overseas military installations made amounting to \$55,081 from FYs 2004 through 2006. However, before our review WPS recouped some of the funds for 10 of the 90 duplicate payments, amounting to \$4,910. If TMA recoups the remaining 80 duplicate payments, its action should result in one-time potential monetary benefits of \$50,170 to DoD Account 97X0130 for the year in which the payments are recouped. We reviewed approximately 22,000 records of care referred by MTFs. See the following table for the results of our duplicate payment review.

Results of Duplicate Payment Review, by Military Department

| Reviewed Item | Army | Navy | Air Force | Total |
|------------------------------------------------------------------------------------|----------|----------|-----------|----------|
| MTF referrals matched to database of all overseas payments made by TMA contractors | 4,423 | 7,977 | 10,013 | 22,413 |
| Duplicate payments | 53 | 4 | 33 | 90* |
| Value of duplicate payments | \$21,915 | \$17,014 | \$16,152 | \$55,081 |

*We provided details to TMA on each of the duplicate payments under separate cover to allow DoD to begin recouping them from the host-nation providers and patients.

To perform our duplicate payment reviews, we matched individual MTF referral databases to a TMA contractor database that included payments made by WPS. We then reviewed supporting documentation provided by WPS, DFAS, and installations that made payments. However, we did not receive all of the databases requested from the overseas MTFs, and some of the databases we received were missing critical information. Also we were unable to review documentation for some of the potential duplicate payments we identified because of missing or incomplete documentation. Therefore, we consider the duplicate payments and amounts that we identified conservative.

Additionally, we identified duplicate payments at three Air Force MTFs that used DFAS to make interim payments using SHCP accounts and used a TRICARE contractor to reimburse those accounts. The three Air Force MTFs asked DFAS to pay for services normally paid for by WPS, using the MTFs' SHCP accounts until WPS made the payments. The MTFs usually asked WPS to send them reimbursement checks, made payable to the patient or a designated MTF employee. When the MTFs received checks from WPS, MTF officials asked the patients to endorse the checks and then deposited them in the MTFs' SHCP accounts. Because the duplicate payments by WPS were reimbursements to the MTF accounts, there were only minimal unnecessary costs to DoD related to differences in calculating payments.

However, if the patient or the designated employee at the MTF received the check directly, the patient or employee could have cashed the check and kept the funds instead of turning over the check to the MTF. We reviewed check deposits for 33 of the 35 WPS payments to the patients and MTF employees at two of the three MTFs. We did not find any indications that patients or MTF employees received and retained the checks for their personal use.

According to Air Force personnel, the MTFs are using the interim payments to pay providers more quickly. Many of the personnel we spoke to during the audit expressed concerns that, if timely payments are not made to the host-nation providers, the providers may stop treating DoD beneficiaries. The MTFs rely heavily on these host-nation providers for services to DoD beneficiaries that the MTFs cannot perform. Therefore, timely payments to host-nation providers by the overseas health care claims processor are critical to maintain the good relationships MTFs have established with the providers and ensure continued treatment of DoD beneficiaries.

For most of the payments we reviewed, however, we found that WPS paid more quickly. We were able to determine the amount of time it took for DFAS and WPS to make payments for two of the three MTFs that use this interim payment process. We analyzed 35 payments for health care from four host-nation providers for the two MTFs and found that WPS paid more quickly than DFAS for 24 of 35 payments and paid in the same amount of time as DFAS for 2 of the 35 payments. Additionally, we identified multiple payments made by TRICARE contractors for each of the four host-nation providers for nonreferred care. For those payments, the interim payment process was not used, and the providers continued to treat DoD beneficiaries.

Independent Payment Processes

The duplicate overseas health care payments occurred because DoD used multiple organizations with independent payment processes to pay for overseas health care. The organizations did not access prior payment information from other organizations as part of their payment processes. Also, we found inconsistencies in the way organizations calculated benefits.

Access to Prior Payment Information

Organizations that pay overseas health care claims did not access prior payment information from other paying organizations when making payments. The three DFAS centers that we visited did not make their overseas health care payment information available to TRICARE contractors, other DFAS centers, or military installations making overseas health care payments. The three DFAS centers each use stand-alone systems unique to the Military Departments that the DFAS centers serve. Additionally, the DFAS centers and the installations that make payments do not compile their payment information in a central database. Therefore, TRICARE contractors making overseas health care payments could not access prior overseas health care payments made by DFAS or the installations to determine whether claims submitted had already been paid. Additionally, the individual DFAS centers could not determine whether claims submitted by those centers had already been paid by other DFAS centers. WPS makes information on its overseas health care payments available to patients and Government personnel through a Web-based system. However, the payment procedures used by the three DFAS centers we visited and the three MTFs we visited did not include accessing that system to determine whether prior payments had already been paid. Without access to previous payment information, the organizations processed health care claims without any knowledge of whether those claims had already been paid by other organizations.

Inconsistencies in Benefit Calculations

Overseas MTFs and WPS also calculated benefits inconsistently for 15 of 100 health care claims, resulting in overpayments of \$5,599. We reviewed 100 health care claims sent to both DFAS and WPS for the same health care. WPS denied charges for 13 of the 100 claims because they were for noncovered services. WPS also applied a deductible to 1 of the 100 claims, reducing DoD's portion of the claim. However, MTFs authorized DFAS to make payment in full for each of these health care claims.

Effects of Independent Payment Processes

As a result of the independent payment processes, substantial risk exists that host-nation providers, patients, and MTF employees could exploit the weaknesses of the processes, significantly increasing unnecessary costs to DoD. Also, the independent payment processes allowed the three Air Force MTFs to request interim payments, which resulted in making deposits to their SHCP accounts in violation of the Miscellaneous Receipts Act.

Risk of Unnecessary Costs to DoD

We did not find indications of fraudulent submission of health care claims for the duplicate payments we identified. However, substantial risk exists that host-nation providers, patients, and MTF employees could exploit the weaknesses in the independent payment processes, significantly increasing unnecessary costs to DoD. Under the current, completely separate payment processes, the organizations processing and paying overseas health care claims do not view or track invoices being paid by other organizations. Therefore, those organizations would continue to pay for claims already paid by other organizations.

In a previous audit of TRICARE overseas controls, we found that controls were not adequate to ensure third-party billing agencies were properly submitting overseas claims. One billing agency exploited overseas payment control weaknesses and overcharged DoD by approximately \$100 million. Health care providers and patients could similarly exploit the weaknesses we identified in this report.

Violation of Miscellaneous Receipts Act

The three Air Force MTFs that requested interim payments violated the Miscellaneous Receipts Act by depositing checks received from WPS to their SHCP accounts. The MTFs lacked the authority to retain funds from TRICARE claims processors. The Act states that “an official or agent of the Government receiving money for the Government from any source shall deposit the money in the Treasury as soon as practicable without deduction for any charge or claim.”

Need for Transfer of Processing and Payment Responsibilities

By transferring responsibility for processing and paying overseas referred health care claims to a qualified health care claims processor, DoD could mitigate the risk of multiple organizations with independent payment processes paying for the same overseas health care. We could not determine why DFAS and some installations were responsible for paying overseas referred health care claims while responsibility for paying for most overseas care has shifted to health care claims processors. By allowing the MTFs, DFAS, and installations to authorize or pay for referred overseas health care, DoD has created independent payment processes that allow duplicate payments and create the potential for fraudulent submission and reimbursement of overseas health care claims.

Additionally, TRICARE overseas claims processors that pay overseas claims have more expertise than the overseas MTFs in reviewing overseas health care claims. The overseas claims processors process more than 1 million health care claims per year and can quickly determine whether services are covered and calculate patient cost shares and deductibles.

Solicitation for Overseas Claims Processor

TMA developed a draft contract solicitation to rebid responsibility for payment of overseas health care claims currently being paid by TRICARE health care claims

processors. Objectives of the solicitation include processing health care claims, achieving beneficiary and provider satisfaction, and developing and managing host-nation provider services. The solicitation includes processing health care claims for some categories of active-duty personnel and for the following categories of DoD beneficiaries living outside the continental United States:

- TRICARE Overseas Program Prime,
- TRICARE Overseas Program Prime Remote-enrolled,
- TRICARE Standard,
- TRICARE for Life, and
- TRICARE Reserve Select.

The draft solicitation language allows TMA to add responsibilities in the future for processing and paying for health care referred by MTFs. However, the draft does not currently include those responsibilities. The draft solicitation states that claims for health care referred by MTFs are within the scope of the contract and that the Government may direct that these claims be processed and paid under this contract.

We commend TMA for including the option of adding care referred by MTFs in this solicitation. However, TMA should consider including the responsibility for processing and paying for care referred by MTFs in the contract solicitation before issuing it. Timely transfer of responsibility for payment of overseas referred health care is essential to reducing the risk of additional duplicate payments and potential fraudulent claims submission. If the contract is not awarded, however, TMA should pursue other avenues to transfer responsibility for processing and paying for overseas health care claims for health care referred by military treatment facilities to a qualified health care claims processor as quickly as possible.

Client Actions

TMA has already begun to take actions to mitigate the risk of duplicate payments. TMA personnel are planning to require WPS to submit reports of overseas payments to overseas MTFs. TMA plans to issue guidance to the overseas MTFs to require them to review the WPS reports monthly to determine whether claims they receive have already been paid by WPS. Implementation of these actions should help reduce the potential for duplicate payments until TMA can transfer responsibility for paying for overseas referred health care claims to a qualified health care claims processor.

Client Comments on the Finding and Our Response

Assistant Secretary of Defense (Health Affairs) Comments

The Assistant Secretary of Defense (Health Affairs) ASD(HA) nonconcurred with our assessment that an internal control weakness existed. The Assistant Secretary stated that TMA is in the process of assuming the adjudication and payment of all overseas claims by a qualified health care claims processor under the TRICARE Overseas Program contract. He also stated that TMA is establishing interim reporting procedures that will

incorporate appropriate internal controls to mitigate the risk of potential duplicate payments.

Our Response

We agree that the planned actions by TMA will mitigate the risk of duplicate payments. However, until those actions are implemented, an internal control weakness exists that allows multiple organizations to make duplicate payments for the same health care.

Defense Finance and Accounting Service Comments

The Director, Indianapolis Operations responded to a statement in our draft report that the audit could not find any guidance assigning responsibility for making the payments discussed in the report. The Director stated that the DoD Financial Management Regulation and the DoD Guidebook for Miscellaneous Payments cover the payments reviewed during the audit. The Director also stated that the wording in the draft report may mislead the reader to believe that DFAS was derelict in its duty. He stated that DFAS should not be misconstrued as a health care claims processor or the certifier of the payments discussed in the report.

Our Response

We agree that the DoD Financial Management Regulation and the DoD Guidebook for Miscellaneous Payments cover the payments reviewed during the audit. However, TMA, which manages overseas health care purchased from host-nation providers, had not issued guidance that assigned responsibility to make these payments. We changed the wording of the report to reflect this. We also changed the wording of the report to clarify that DFAS only makes payments on the claims reviewed in this report and that it does not certify that the claims are valid.

Recommendations, Client Comments, and Our Response

- 1. We recommend that the Assistant Secretary of Defense (Health Affairs):**
 - a. Transfer responsibility to a qualified health care claims processor for processing and paying claims for overseas health care referred by military treatment facilities.**
 - b. Recoup funds expended through duplicate payments identified during the audit (we provided details to TRICARE Management Activity on each of the duplicate payments under separate cover).**
 - c. Issue guidance to the Surgeons General of the Army, Navy, and Air Force stating that overseas military treatment facilities should not deposit checks from TRICARE health care claims processors into military treatment facility accounts.**

Assistant Secretary of Defense (Health Affairs) Comments

The ASD(HA) concurred. The Assistant Secretary stated that TMA plans to assume the adjudication and payment for all overseas health care claims under the new TRICARE Overseas Program contract to be awarded in FY 2009, with health care delivery to begin in FY 2010. The Assistant Secretary stated that an interim process will be established whereby reports of claims paid under the current overseas claims processing contract will be distributed to TRICARE Area Offices and MTFs. MTF commanders will be required to validate that their claims have not been paid by another source and certify that this review was completed and no duplicate payments were identified. The Assistant Secretary also recognized the \$50,170 of potential monetary benefits the audit reported as a one-time monetary benefit to the Defense Health Program and stated that recoupment actions will be conducted by the respective Service Medical Departments. Additionally, the Assistant Secretary stated that he sent a memorandum to the Service Assistant Secretaries (Manpower and Reserve Affairs) requesting they discontinue the practice of making interim payments for non-referred health care and depositing reimbursements from TRICARE health care claims processors into MTF accounts. The Assistant Secretary included the memorandum dated July 3, 2008, with his comments on this report.

Our Response

The ASD(HA) comments are responsive. The actions planned and taken by the Assistant Secretary satisfy the intent of the recommendation.

Air Force Comments

Although not required to comment on Recommendation 1.a., the Surgeon General of the Air Force stated that his office will comply with the Assistant Secretary's resolution of the finding when it is published. The Surgeon General stated that, until that time, the MTFs will need to continue paying for overseas referred health care claims using overseas Purchased Health Care funds. The Surgeon General also stated that the MTFs will not seek reimbursement from health care claims processors and will conduct payment reconciliations with those claims processors to mitigate duplicate payments.

Defense Finance and Accounting Service Comments

Although not required to comment on Recommendation 1.b., the Director, Indianapolis Operations stated that any collection efforts for duplicate payments made by a DFAS site must be coordinated with the site responsible for the accounting of the charged entity.

2. We recommend that the Surgeon General of the Air Force issue guidance to all overseas military treatment facilities to immediately discontinue depositing checks from TRICARE health care claims processors to military treatment facility accounts.

Air Force Comments

The Surgeon General of the Air Force concurred. The Surgeon General stated that his office would issue guidance to all overseas MTFs to immediately cease depositing checks from TRICARE health care claims processors to MTF accounts.

Our Response

The Surgeon General of the Air Force comments are responsive. The actions planned by the Surgeon General satisfy the intent of the recommendation.

Appendix A. Scope and Methodology

We conducted this performance audit from September 23, 2007, through July 24, 2008, 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The audited entities included the ASD(HA); TMA; the Offices of the Surgeons General of the Army, Navy, and Air Force; DFAS Limestone; DFAS Rome; DFAS Japan; WPS; and three MTFs in Japan (BG Crawford F. Sims U.S. Army Health Clinic, U.S. Naval Hospital Yokosuka, and the 374th Medical Group Yokota). We did not visit any of the military installations that make payments for overseas referred care.

We interviewed personnel at WPS, DFAS, and the MTFs we visited. We reviewed procedures and controls used in processing and paying overseas health care claims at WPS and the DFAS centers. We reviewed procedures and controls used to make and track referrals to host-nation providers and procedures and controls used to authorize payments for referred care at the three MTFs we visited.

We reviewed public laws, the Code of Federal Regulations, and DoD and TMA regulations to identify procedures and requirements established for the SHCP related to patients referred to host-nation providers. Specifically, we reviewed 31 U.S.C. 3302 (b), “Custodians of Money,” commonly referred to as the “Miscellaneous Receipts Act”; Code of Federal Regulations, Title 32, Chapter 2, Section 199.7, “Claims Review,” and Section 199.16, “Supplemental Health Care Program for Active Duty Members”; and TRICARE Policy Manual 6010.54-M, August 1, 2002, Chapter 12, Section 11.1, “Managed Care Support Contractor Responsibilities for Claims Processing.” The dates of the documents reviewed range from February 21, 1996, through March 21, 2008.

Duplicate Payment Review

We reviewed whether controls were adequate over payments for patients referred to host-nation providers by determining whether duplicate payments were made by DFAS, some military installations, and WPS. We obtained files from different organizations paying overseas health care claims, we reviewed supporting documentation, and we reviewed interim payments made for nonreferred care using SHCP funds.

Health care claims for patients who are not referred by MTFs, such as retirees living overseas and patients treated in remote locations, are paid under six different TRICARE contracts. WPS, a subcontractor for the TRICARE South Regional contractor, is responsible for paying for most of the overseas health care. We limited our review to DFAS, the overseas military installations that make payments, and WPS.

Request for Databases

We attempted to obtain databases for all health care referred by overseas MTFs from FY 2004 through FY 2006. However, no organization maintained a complete database of payments for all overseas referred health care. According to the Offices of the Surgeons General of the Army, Navy, and Air Force, 60 overseas MTFs referred patients to overseas providers; we received files from 51 of these MTFs. We were able to match data for only 23 of 51 MTFs from which we received data because the databases from the remaining 28 MTFs were missing dates of service or Social Security numbers. In addition, three of the MTF databases that we were able to use were incomplete, missing records for referred health care for specific fiscal years included in the request. We could not perform a complete review of duplicate payments because of the missing and incomplete referred care data. We assumed that all of the data included in the databases we received were for referred care. See table for a summary of our MTF referral database request.

| MTF Referral Database Request | | | | |
|---------------------------------------------------------------------------------|-------------|-------------|------------------|--------------|
| MTF Information | Army | Navy | Air Force | Total |
| MTFs generating referrals* | 36 | 11 | 13 | 60 |
| MTFs from which we received databases | 30 | 10 | 11 | 51 |
| MTF databases we were able to match | 10 | 5 | 8 | 23 |
| MTF databases with all requested fiscal years that we were able to match | 10 | 4 | 6 | 20 |

* Data for number of MTFs generating referrals are based on information provided to us that we could not verify.

Additionally, we used data obtained for a previous audit from the Purchased Care Detail Information System. The data included all TRICARE contractor payments for overseas care with dates of service from FY 2004 through July 2006. Because the data were collected in July of 2006 and TRICARE health care claims may be submitted up to 12 months past the date of service, our audit results may not reflect all eligible claims, especially for FY 2006. We determined whether multiple organizations were paying for the same health care services by comparing these databases using dates of service and Social Security numbers.

Review of Supporting Documentation

We identified potential duplicate payments by matching MTF databases to data from the Purchased Care Detail Information System. However, we limited our review to potential duplicate payments made by WPS because it makes the majority of overseas contractor payments. We then attempted to obtain from WPS, DFAS centers, and military installations supporting documentation including host-nation provider invoices, authorizations for payment, and documentation showing payment was made.

We compared the documentation received from the three DFAS sites and some military installations that make payments for overseas referred health care with the documentation received from WPS to determine whether multiple organizations made payments to the host-nation providers or patients. When we found that multiple organizations had made payments for the same claim, we calculated the amounts of those overpayments. We reduced the potential monetary benefits for the amounts that had already been recouped prior to our review. Additionally, we reviewed 100 claims for the same services paid by both DFAS and WPS to determine whether the organizations processed the payments consistently.

Interim Payments

We reviewed an interim payment process at three MTFs for care that was not referred by the MTFs. We identified those payments through our database matches for two MTFs because the MTFs were requesting DFAS to make interim payments using SHCP funds and then seeking reimbursement from WPS. We identified the payments for one MTF by visiting it and reviewing its internal controls for authorizing payments. We reported on those payments because SHCP funds were used to pay for that care.

Review of Internal Controls

We identified an internal control weakness for the Assistant Secretary of Defense (Health Affairs) (ASD[HA]) as defined by DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006. The ASD(HA) did not establish adequate internal controls over payment processes for overseas health care to ensure that duplicate payments were not made by different organizations.

Because of limited data available for our review, we could not determine the magnitude of the weakness. In two previous audit reports, we reported internal control weaknesses in the TRICARE Overseas Program that relate to overseas claims- processing and payment procedures (Report Number D-2008-045 and Report Number D-2006-051). This report further documents control weaknesses in overseas claims processing. Implementing the recommendations in the previous reports and implementing Recommendation 1. in this report will reduce the potential for duplicate payments by the different organizations.

Use of Computer-Processed Data

We used data from the Purchased Care Detail Information System to identify potential duplicate payments. We did not perform a formal reliability assessment of the computer-processed data. However, during the review we established reliability for the specific potential duplicate payments by comparing claims documentation with the information provided from the Purchased Care Detail Information System. The comparisons showed that the data were sufficient to support the conclusions. We limited our results to the potential duplicate payments for which we obtained documentation, and we did not make any statistical projections.

Use of Technical Assistance

We used the Quantitative Methods Directorate of the DoD Office of the Inspector General to generate an extract from the Purchased Care Detail Information System database that we obtained from a previous audit of Controls Over the TRICARE Overseas Health Care Program.

Prior Coverage

No reports on payments for overseas referred health care were issued during the last 5 years.

Assistant Secretary of Defense (Health Affairs) Comments



HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

AUG 27 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL DEPUTY INSPECTOR GENERAL FOR AUDITING PROGRAM DIRECTOR, MILITARY HEALTH SYSTEM DIVISION

SUBJECT: Draft Report on Audit of Payments for Patients Referred to Overseas
Providers Under the Supplemental Health Care Program (Project No.
D2007-D000LF-0227.000)

Thank you for the opportunity to review and provide comments on the draft report, "Audit of Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program," dated July 24, 2008.

We concur with the draft report's recommendations. Our responses to your recommendations and technical comments to this report are attached for your review and consideration.

We non-concur with the Inspector General's findings that an internal control weakness exists. The TRICARE Management Activity is in the process of assuming the adjudication and payment of all overseas claims, under the TRICARE Overseas Program contract, by a qualified health care claims processor. Additionally, until such time as this change can be implemented in fiscal year 2010, we are establishing interim reporting procedures which will place appropriate internal management controls to mitigate the risk of potential duplicate payments.

The duplicate payments amounting to \$50,170, which is to be recouped by the Service Medical Departments, is recognized as a one-time monetary financial benefit to the Defense Health Program and is not significant enough to warrant an independent review.

Please direct questions to my project officer on this effort, Ms. Farah Sarshar (Functional), who may be reached at (703) 681-6779, and Mr. Gunther Zimmerman (Audit Liaison), who may be reached at (703) 681-4360.


S. Ward Casscells, MD

Attachments:
As stated

**DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT
DATED JULY 24, 2008
Project No. D2007-D000LF-0227.000**

**Agency Comments on Draft Report "Payments for Patients Referred to Overseas
Providers Under the Supplemental Health Care Program"**

DEPARTMENT OF DEFENSE RESPONSES TO RECOMMENDATIONS

Recommendation 1a: Transfer responsibility to a qualified health care claims processor for processing and paying claims for overseas health care referred by military treatment facilities

DoD Response: The TRICARE Management Activity (TMA) has initiated the process of assuming the adjudication and payment for all overseas health care claims under the new TRICARE Overseas Program (TOP) contract to be awarded FY 2009, with health care delivery to begin FY 2010. An independent government cost estimate is currently in-process to determine any additional costs associated with this change. However, we believe the assumption of these claims under the TOP contract should be cost neutral to TMA. A workgroup will collaborate on all the language, processes and procedures necessary to transition this work to a qualified contractor/fiscal intermediary without affecting relationships the military treatment facilities (MTFs) have established with host nation providers. As a result of this contract change order, a centralized overseas claims processor and appropriate internal management controls will be established.

Due to the timeframe required to award the TOP contract and initiate the change order, an interim process will be established. Paid claims reports will be included as a contract deliverable under MDA906-03-C-0010 (South Region Managed Care Support Contract which encompasses overseas claims processing). These reports will be distributed to the TRICARE Area Offices (TAOs) and MTFs within those areas of responsibility. As a management control measure, MTF Commanders will be required to utilize these reports to validate their claims have not already been paid by another source. MTF Commanders will then certify that this review was completed and no duplicate payments were identified. This formal internal control process will be established to ensure proper stewardship of federal resources.

Recommendation 1b: Recoup funds expended through duplicate payments identified during the audit (we will provide details to TRICARE Management Activity on each of the duplicate payments under separate cover).

DoD Response: The duplicate payment information was received by TMA and recoupment actions will be conducted by the respective Service Medical Departments. The duplicate payments amounting to \$50.170 is recognized as a one-time monetary financial benefit to the Defense Health Program and is not significant enough to warrant an independent review.

Recommendation 1c: Issue guidance to the Surgeons General of the Army, Navy, and Air Force stating that overseas military treatment facilities should not deposit checks from TRICARE health care claims processors into MTF accounts.

DoD Response: A memorandum was sent to the Service Assistant Secretaries (Manpower and Reserve Affairs) from the Assistant Secretary of Defense (Health Affairs), requesting they direct their Surgeons General to discontinue the practice of making interim payments for non-referred health care, and depositing reimbursements from TRICARE health care claims processors directly back into MTF accounts. Follow-up communication with Service Medical Department Representatives responsible for complying with this action is ongoing. This memorandum, dated July 03, 2008, is attached for your records.

DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT
DATED July 24, 2008
Project No. D2007-D000LF-0227.000

**Agency Comments on Draft Report "Payments for Patients Referred to Overseas
Providers Under the Supplemental Health Care Program"**

DEPARTMENT OF DEFENSE TECHNICAL COMMENTS

Technical Comments:

1. **Page 11, Paragraph 3:** We non-concur with the Inspector General's findings that an internal control weakness exists. The TRICARE Management Activity (TMA) is in the process of assuming the adjudication and payment of all overseas claims, under the TRICARE Overseas Program (TOP) contract, by a qualified health care claims processor. Additionally, until such time as this change can be implemented in fiscal year 2010, we are establishing interim reporting procedures which will incorporate appropriate internal management controls to mitigate the risk of potential duplicate payments.



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

JUL 03 2008

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE AIR FORCE (M&RA)

SUBJECT: Discontinuance of Military Treatment Facility Practice of Depositing
Medical Reimbursements

The Department of Defense Inspector General, during research for their audit D20007-D000LF-0227.000, (Audit of Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program), identified that Military Department military treatment facilities (MTFs) are depositing checks received from TRICARE healthcare claims processors directly back into MTF accounts.

This practice lacks adequate internal controls and should be discontinued immediately. We request that you issue guidance to your respective Surgeon General for issuance to each MTF that mandates the discontinuance of this practice.

My point of contact for this issue is Farah Sarshar, TMA/OCFO (PSCR&I), who may be reached at (703) 681-6779 or at farah.sarshar@tma.osd.mil.



S. Ward Casscells, MD

cc:
Surgeon General of the Army
Surgeon General of the Navy
Surgeon General of the Air Force

Department of the Air Force Comments



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

10 September 2008

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

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


SUBJECT: Payments for Patients Referred to Overseas Providers Under the Supplemental Health Care Program (Project No. D2007-D000LF-0227.000)

We acknowledge your recommendation (#1.a.) to the Assistant Secretary of Defense (Health Affairs) (ASD(HA)) and will comply with his resolution to the finding when it is published. Until that time, it is necessary for military treatment facilities (MTFs) to continue paying healthcare claims for MTF-referred, eligible overseas beneficiaries using overseas Purchased Health Care funds (previously known as Supplemental Health Care Program funds). MTFs will not seek reimbursement from the TRICARE healthcare claims processors and will also ensure beneficiaries are made aware that they may not seek reimbursement from the healthcare claims processors. Also, MTFs will conduct payment reconciliations with the healthcare claims processors in order to mitigate duplicate payments.

As you may be aware, local Japanese healthcare facilities require payment remittance prior to patients departing the premises, unless they are covered by National Health Insurance or other domestic private insurance. In order to avert potentially significant and unexpected out-of-pocket healthcare costs to our patients, MTFs began paying for referred care on behalf of beneficiaries, using Overseas Purchased Health Care funds. In addition, previous payment default by patients had caused a deterioration of MTF/host-nation medical partnerships, which posed significant risk to our armed forces. The assurance of payments by the MTFs significantly aided in rebuilding enduring collaboration between MTFs and host-nation facilities, thereby reinforcing a steady-state continuum of care for our OCONUS forces and their families.

We concur and will comply with your recommendation (#2) on subject report. We will issue guidance to all overseas MTFs to immediately cease depositing checks from TRICARE healthcare claims processors into MTF accounts.

Thank you for the opportunity to comment on this report. Should you have any questions, my point of contact is Major Merlyn Jenkins, AF/SGYC, at (703) 681-6486/DSN 761-6486 or e-mail merlyn.jenkins-02@pentagon.af.mil.


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

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

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INDIANAPOLIS, INDIANA 46249

DFAS-JBI/IN

AUG 21 2008

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Department of Defense, Inspector General Draft Report, "Payments for Patients Referred to Overseas Providers under the Supplemental Health Care Program (Audit Project No. D2007-D000LF-0227.000)

Indianapolis Operations is providing comments to the audit results contained in the draft report as follows:

The payments for medical services provided by civilian non-federal sources noted in DODFMR, Volume 10, Chapter 12, paragraph 120207 are identified as a miscellaneous payment. The process used to effect a miscellaneous payment is detailed out by type to include regulatory references and required supporting documentation in the DOD Guidebook for Miscellaneous Payment, Version 2.0, dated 30 June 2008. The payments for medical services provided by civilian non-federal sources are included in this guidebook. The internet link is noted below.

http://www.acq.osd.mil/dpap/ebusiness/Department_of_Defense_Misc_Pay_Guide.doc

The DFAS sites use these references to determine which payments are authorized payments using miscellaneous pay procedures. The payments reviewed during your audit fall within the guidance. The audit states that guidance could not be found that assigns responsibility for making these payments. The regulations and DOD guidebook is that guidance.

DFAS sites as a rule provide miscellaneous payment support to their unique customer bases. For example, Navy BUMED and Army MEDCOM customers would submit all their miscellaneous payment documents to DFAS-Rome since that particular customer base is assigned to DFAS-Rome. Other DFAS sites that receive miscellaneous payments from customers not assigned to their DFAS site will reject the documents and request resubmission to the supporting DFAS site. In this manner DFAS insures that the risk for duplicate payments is mitigated.

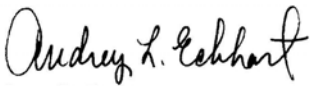
Miscellaneous payments for medical services provided by civilian non-federal sources are submitted to the payment office on a SF 1034 certified by a Certifying Officer external to the payment office. The responsibilities of the Certifying Officer are outlined in the DODFMR Volume 5, Chapter 33. Although DFAS will review the documentation for payment processing, the actual responsibility of certifying these particular payments rests at the MTF. The certifying officer in turn is reliant on those individuals submitting the supporting documentation to perform the duties of the certifying officer. In no way should DFAS in this situation be misconstrued as a

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health claim processor or the certifier of these payments. The wording in the draft report may mislead the reader to believe that DFAS was derelict in their duty which in this scenario is not the case.

The following is provided in response to recommendation 1b in the draft report. Any collection efforts for identified duplicate payments made by a DFAS site needs to be coordinated with the DFAS site responsible for the accounting of the charged activity. The DFAS site will insure that the appropriate receivable is established in the accounting records and that the required debt management will occur to secure the funds paid in error.

My point of contact is Laura Ossont Chief, Reports Branch Accounts Maintenance and Control, 315-709-6944.


for Steve R. Bonta
Director, Indianapolis Operations

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Readiness and Operations Support Directorate prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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Inspector General Department of Defense

