

# Inspector General

United States  
Department of Defense



## Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines

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## Acronyms and Abbreviations

DCIS	Defense Criminal Investigative Service
DEERS	Defense Enrollment Eligibility Reporting System
DFAS	Defense Finance and Accounting Service
EFT	Electronic Funds Transfer
PhilHealth	Philippine Health Insurance Corporation
TAO	TRICARE Area Office
TGRO	TRICARE Global Remote Overseas
TMA	TRICARE Management Activity
TOP	TRICARE Overseas Program
WPS	Wisconsin Physicians Service



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SEP 9 2011

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE  
(HEALTH AFFAIRS)

SUBJECT: Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines  
(Report No. D-2011-107)

We are providing this report for review and comment. This report discusses opportunities to improve controls over procedures for certifying medical providers treating military retirees and their dependents in the Philippines and procedures for processing and paying Philippine medical claims. We identified these internal control weaknesses while providing audit assistance to the Defense Criminal Investigative Service. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The Assistant Secretary of Defense (Health Affairs) was responsive to Recommendations A.1, A.2, B.3 and B.4. The Assistant Secretary of Defense (Health Affairs) was not responsive to Recommendations B.1 and B.2. We request additional comments on Recommendations B.1 and B.2 by October 11, 2011.

If possible, send a .pdf file containing your comments to [audyorktown@dodig.mil](mailto:audyorktown@dodig.mil). Copies of the management comments must have the actual signature of the authorizing official. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8866 (DSN 664-8866).

A handwritten signature in blue ink, reading "Alice F. Carey", is positioned above the printed name.

Alice F. Carey  
Assistant Inspector General  
Readiness, Operations, and Support







# Results in Brief: Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines

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## What We Did

Our objectives were to evaluate management controls over procedures for certifying medical providers and for processing and paying Philippine medical claims. While TRICARE Management Activity (TMA) has implemented numerous initiatives to control costs and enhance anti-fraud controls in the overseas arena, we identified additional opportunities to improve the certification and claims payment process in the Philippines.

## What We Found

TMA needs to improve procedures for certifying medical providers in the Philippines and for processing and paying medical claims. During our review, we found the following:

- the contractor responsible for certifying medical providers did not provide adequate documentation to support 28 of 63 certifications of medical providers; and
- claims processing personnel did not verify beneficiaries' addresses before issuing payment.

These weaknesses occurred because TMA personnel did not adequately oversee the contractor performing the certifications and did not require the claims processing contractor to verify beneficiaries' addresses. As a result, TMA paid for inadequate certification packages, and they do not have adequate assurance that "certified" medical providers actually exist or that beneficiaries always receive medical care from licensed medical professionals at accredited facilities. Further, by not verifying

beneficiaries' addresses before paying medical claims, TMA personnel cannot be sure that payments reach the intended beneficiaries and may unintentionally facilitate attempts to defraud TRICARE through erroneous claims.

## What We Recommend

We recommend that the Deputy Director, TMA, improve oversight of contractor requirements for certification of medical professionals and medical facilities treating military retirees and their dependents in the Philippines. We also recommend improvements over procedures for processing medical claims.

## Management Comments and our Response

The Assistant Secretary of Defense (Health Affairs) was responsive to our recommendations to improve oversight of contractor requirements for Philippine provider certification. However, the Assistant Secretary of Defense (Health Affairs) was not fully responsive to our recommendations for improvements over procedures for processing and paying medical claims and disagreed with our recommendations to verify beneficiaries' addresses and to give beneficiaries the option of receiving claims payment by Electronic Funds Transfer. Because of the history of prevalent mail fraud in the Philippines, these controls are necessary to help ensure that the payments reach beneficiaries. Therefore, we request that the Assistant Secretary of Defense (Health Affairs) reconsider his position and provide additional comments by October 11, 2011. Please see the recommendations table on page ii.

## Recommendations Table

<b>Management</b>	<b>Recommendations Requiring Comment</b>	<b>No Additional Comments Required</b>
Assistant Secretary of Defense (Health Affairs)	B.1 and B.2	A.1, A.2, B.3, and B.4

Please provide comments by October 11, 2011.

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# Introduction

## Objectives

We conducted this audit as a result of internal control deficiencies identified while supporting the Defense Criminal Investigative Service (DCIS) and the U.S. Attorney's Office, Western District of Wisconsin. The objectives were to evaluate management controls over procedures for certifying medical providers treating military retirees and their dependents in the Philippines and to review selected procedures for processing and paying Philippine medical claims.

## TMA Initiatives to Improve Overseas Claims Payment

TRICARE Management Activity (TMA) initiated numerous controls to resolve deficiencies identified internally and by Department of Defense Office of Inspector General investigators and auditors. TMA's Program Integrity Office and the leadership of the TRICARE Overseas Program Office routinely met to discuss and advance procedures designed to control costs and enhance anti-fraud controls in the overseas arena. TMA personnel implemented several controls for processing and paying overseas claims including: proof of payment requirements for overseas beneficiaries submitting claims, establishing country-specific fee schedules for the Philippines and Panama, requiring beneficiaries to obtain their medications from TRICARE certified retail pharmacies, and eliminating the TRICARE imposed Philippine Provider Electronic Fund Transfer restrictions. TMA personnel should be commended for the above initiatives. This report identifies additional opportunities to improve the provider certification and claims payment processes.

## Background

The TRICARE Overseas Program (TOP) is the Department of Defense's program for the delivery of medical services overseas (all locations outside of the 50 United States and the District of Columbia). TOP provides medical coverage for all overseas beneficiaries, including active duty Service members, eligible reserve Component personnel, active duty family members, retired military and their family members, and transitional survivors.<sup>1</sup> TOP also provides medical coverage for stateside beneficiaries residing in the United States who receive medical care at an overseas location. All beneficiaries must be eligible for TRICARE as verified through the Defense Enrollment Eligibility Reporting System (DEERS). TOP consists of three overseas areas: TRICARE Europe, Pacific, and Latin America/Canada. A TRICARE Area Office (TAO) manages each of these areas. TAO-Pacific has responsibility for the Philippines. As of April 2010, there were 10,612 military retirees and their dependents residing in the Philippines. This accounted for approximately 9 percent of the total overseas population of military retirees and their dependents.

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<sup>1</sup> Transitional survivors are eligible surviving family members whose sponsor died while on active duty.

## ***TRICARE Area Office Responsibilities***

TRICARE Policy Manual, Chapter 12, Section 1.1, paragraph II.A, “TOP Overseas TAO Directors,” August 2002, states that the TAO directors are responsible for planning and delivering services to meet the health needs in their area of responsibility to include oversight and administration of contracted tasks for the TRICARE Global Remote Overseas (TGRO) contracts and for ensuring the certification of the host nation’s medical providers.

## ***TRICARE Global Remote Overseas Philippines Certification Program Contractor***

TRICARE contracted with International SOS, the TGRO contractor, to provide a managed health care system to deliver benefits to eligible beneficiaries in remote overseas areas under the TOP. As part of this contract, International SOS is responsible for establishing a network of certified medical providers for active duty Service members and their dependents. The certifications of the network providers should be performed in accordance with section 199.6, title 32, United States Code (32 U.S.C. § 199.6 [2005]) and the guidelines established in TRICARE Policy and Operations Manuals.

## ***Non-Network Medical Provider Certifications***

For the Philippines, International SOS personnel have the additional task of certifying non-network providers (non-TGRO) when requested by Wisconsin Physicians Service (WPS), TRICARE’s overseas claims processing sub-contractor (under Humana and later International SOS). In 2002, TRICARE implemented the Philippines Certification Program to verify that non-TGRO medical professionals and medical facilities in the Philippines existed and to certify them as authorized providers for TRICARE retirees and their family members. The non-network medical provider certification process begins when WPS receives a claim from a Philippine provider who has not undergone the certification process. WPS personnel assign a provider number to the provider and then send a certification request to International SOS through Microsoft SharePoint, a real-time system for updating and viewing the certification listing. According to the contract, the non-network provider certifications include confirming the existence of a physical building through onsite reviews, verifying the credentials of the facility or provider, assessing the adequacy and capability of the facility or provider for providing patient care, and ensuring that the credentials conform to the requirements of the Philippine government and its licensing boards. Based on the results of the certification, International SOS updates the provider’s name and address, whether the provider is a network or non-network provider, the provider’s specialty, reason for denial (if applicable), and date of certification or denial. WPS personnel use this data to make or deny payments to the applicable provider. International SOS personnel upload only the results, not the actual certification packages, into SharePoint.

## ***Philippine Government Licensing Boards***

The Philippine government has two agencies for the licensing of medical providers and a quasi-governmental agency to administer the medical care provided to the Philippine public. The Philippine Department of Health, Bureau of Health Facilities and Services,

regulates and licenses hospitals, laboratories, pharmacies, and other medical facilities. The Philippine Professional Regulation Commission regulates physicians, nurses, medical technologists, physical therapists, occupational therapists, and other medical professionals. The local governments regulate medical facilities with fewer than six beds and require them to have a mayor's permit or local business permit to operate. The Philippine Health Insurance Corporation (PhilHealth) is the Philippines' government corporation that is intended to ensure sustainable, affordable, and progressive social health insurance for all Filipinos. According to the PhilHealth Web site, PhilHealth accredits medical professionals and medical facilities participating in the National Health Insurance Program to ensure that medical services rendered to Filipinos are of expected quality.

## **Review of Internal Controls**

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures (MICP)," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness at TMA concerning the review of the Philippine onsite verification and documentation supporting the certification of medical providers treating military retirees and their dependents in the Philippines. We also identified an internal control weakness with regard to processing and paying medical claims. We discuss these issues in detail in the Finding sections of the report. We will provide a copy of this report to the senior TMA official responsible for internal controls.

## Finding A. Documentation Did Not Support the Certification of Medical Providers Treating Military Retirees and Their Dependents in the Philippines

In support of a DCIS investigation, we obtained certification packages for physicians and medical facilities treating military retirees and their dependents in the Philippines. Based on a limited review, we found that 28 of 63 certification packages prepared by International SOS lacked key documents, such as current medical licenses or completed inspection forms. This occurred because TMA personnel did not provide adequate contract oversight. As a result, TMA paid for inadequate provider certifications and had no assurance that the providers granted certification were properly qualified and had the resources needed to treat U.S. retired military and their dependents in the Philippines.

### Documentation Supporting the Qualifications of Medical Providers Needs Improvement

The contractor responsible for certifying medical providers treating military retirees and their dependents did not provide adequate documentation to support that the providers were properly licensed and had the resources necessary to treat TRICARE beneficiaries in the Philippines. We obtained 72 certification packages from the contracting officer responsible for monitoring the International SOS contract. These packages consisted of 63 approved certifications, 7 denied certifications, and 2 that were previously certified

*Twenty-eight of the sixty-three certified inspection packages lacked current medical licenses or completed inspection forms.*

with no need for additional certification. We reviewed the 63 certified packages to determine their adequacy and completeness. To determine if the inspection packages were adequate, we looked at whether they included inspection forms confirming the provider's existence, copies of Philippine Department of Health licenses for larger medical facilities, copies of local permits for smaller clinics, and copies of Philippine Professional Regulation Commission credentials for physicians. Twenty-eight of the sixty-three certified inspection packages lacked current medical licenses or completed inspection forms. Ten of the twenty-eight inadequate inspection packages lacked both a completed inspection form and a valid license or permit.

To document on-site visits confirming the existence of medical professionals and medical facilities in the Philippines, the TRICARE Global Remote Oversight Plan required International SOS's inspectors to complete an inspection form. Inspectors use the form to record provider's location, licensing information, and various items to be observed in medical facilities such as medical equipment, number of staff, and patient volume. Of the 63 certified packages that we reviewed, 16 either did not have the inspection form or the inspection form was incomplete. Confirming the physical existence of a medical facility ensures that the facility exists and has the capability to perform the billed

services; however, these inspection documents alone do not verify that the medical professional or medical facilities are legitimate and accredited. To verify that medical providers and medical facilities are qualified, licenses or permits must be verified.

According to the contract, International SOS personnel should perform onsite credentialing reviews for all medical professionals and medical facilities. The credentials

*International SOS personnel certified 18 packages without the required license or permit (10 packages), or with an expired license or permit (8 packages).*

are required to conform to the requirements of the Philippine government. Of the 63 packages that we reviewed, International SOS personnel certified 18 packages without the required license or permit (10 packages), or with an expired license or permit (8 packages).

## **TMA Personnel Should Improve Contract Oversight**

TMA personnel did not adequately monitor the contractor's performance. No one in TMA, including TAO-Pacific, monitored the adequacy of the non-TGRO certification packages. According to the contract Statement of Work, International SOS should have provided WPS the results from the onsite verifications, including copies of the current licenses/credentials and the medical providers' name and business addresses. However, neither WPS nor the contracting officer responsible for monitoring the contract received the certification packages.

In November 2008, after we raised the issue with TMA and WPS personnel, TMA completed a Contracting Officer's Determination concerning Philippine provider certification documents. The contracting officer agreed that International SOS did not send the certification packages to WPS. However, the contracting officer determined that it was not necessary for International SOS to provide WPS with the certification documents and that doing so would increase the cost. The contracting officer also stated that TAO-Pacific performed, as part of regularly scheduled Technical Reviews, a review of certification packages. We asked TAO-Pacific what they did to ensure that the certification packages International SOS developed were complete and performed in accordance with the contract. TAO-Pacific personnel stated that they concentrated their reviews on Philippine TGRO Network providers. After our inquiry, TAO-Pacific personnel performed a review of 16 non-TGRO certification packages and visited 7 providers in September of 2009. TAO-Pacific personnel believed that the International SOS certification effort was compliant with the contract requirements for the certification packages that they reviewed. While TAO-Pacific personnel did perform a review after our initial inquiry, they could not provide any documentation showing that they conducted previous reviews. Considering TMA determined that International SOS should not be required to send completed certification packages to WPS, it is essential that TMA perform quality assurance testing of the non-TGRO certification process.

## Payment for Non-Performance and Lack of Assurance That Medical Providers Are Qualified

According to TMA records, DoD paid \$1.2 million for onsite verification and credential reviews from September 2003 to February 2009. During this time frame, TRICARE paid International SOS for Philippine certifications based on hourly rates for doctors,

*If TMA personnel do not ensure the adequacy of certification packages, they have no assurance that “certified” medical providers actually exist or that military retirees and their dependents are receiving medical care from licensed medical professionals at accredited facilities.*

supervisors, and field coordinators. TMA implemented the onsite verification reviews to confirm the existence of health care facilities and providers with the added benefit of determining the qualifications of medical providers treating military retirees and their dependents in the Philippines. Failure to monitor contract performance and ensure that the certification packages were

complete and accurate can result in improper payment to International SOS for non-performance of contract requirements. If TMA personnel do not ensure the adequacy of certification packages, they have no assurance that “certified” medical providers actually exist or that military retirees and their dependents are receiving medical care from licensed medical professionals at accredited facilities.

## TMA’s Initiative to Establish a Network of TRICARE-Approved Providers

TMA personnel implemented many internal controls over the past decade and continue to make process improvements to curtail medical fraud. However, regardless of initiatives to improve controls, Philippine claims continue to rebound, and prosecuting overseas fraud has become increasingly challenging. TMA officials are currently working on an initiative to implement a Philippine network demonstration project for non-TGRO medical providers. TMA submitted a decision paper to the Assistant Secretary of Defense (Health Affairs) for approval. If approved, it will be followed by coordination and publication of a demo notice before implementation. Key elements of the proposed demonstration include the following.

- The overseas contractor will establish an approved list of network providers and inpatient facilities.
- The overseas contractor will select providers based on quality/accurate claims submission/cost.
- Waivers will be provided for emergency situations.
- TRICARE will reimburse providers who agree to join the authorized list at the lower of the billed charges or the established fee schedule.
- Beneficiaries accessing providers on this authorized list will continue to be responsible only for their cost shares/deductibles.
- TRICARE will not reimburse beneficiaries accessing non-authorized providers and the beneficiaries will be responsible for the billed charges.
- TRICARE may terminate providers from network without cause or appeal.



Establishing a network appears to be an effective measure to address many of the medical issues concerning military retirees and their dependents in the Philippines.

## **Recommendations, Management Comments, and Our Response**

### **A. We recommend that the Deputy Director, TRICARE Management Activity:**

#### **1. Establish oversight procedures to ensure that the TRICARE Global Remote Overseas contractor performs certifications consistent with the contract and Philippine law and at a minimum:**

a. Verifies that all certified providers have the necessary equipment, supplies, and staff;

b. Identifies the services that medical facilities are licensed to provide; and

c. Obtains current copies of Department of Health licenses, mayor's permits, local permits, or Professional Regulation Commission licenses.

### ***Assistant Secretary of Defense (Health Affairs) Comments***

The Assistant Secretary of Defense (Health Affairs) recognized the importance of improving the certification process in the Philippines. He stated that TMA issued a contract modification to the TOP contract to improve the certification process in the Philippines. The Assistant Secretary of Defense (Health Affairs) further stated that changes were made in how providers are educated, the requirement for additional provider information, and making certification records available electronically. See page 18 for full text of the management comments.

### ***Our Response***

The comments of the Assistant Secretary of Defense (Health Affairs) are responsive, and no further comments are required.

#### **2. Require the TRICARE Area Office Pacific to perform quality assurance testing on the Philippine provider certification packages on a regularly scheduled basis.**

### ***Assistant Secretary of Defense (Health Affairs) Comments***

According to the Assistant Secretary of Defense (Health Affairs), TMA has initiated regular site visits to review certification files at the contractor's office in the Philippines. The Assistant Secretary of Defense (Health Affairs) stated that, according to a May 2011 review of certified individual and institutional provider files, TMA found the contractor's Philippines certification process to be compliant with contract requirements. See page 18 for full text of the management comments.

### ***Our Response***

The comments of the Assistant Secretary of Defense (Health Affairs) are responsive, and no further comments are required.

## Finding B. Policy and Procedures for Processing and Paying Medical Claims Need Improvement

WPS personnel mailed checks for medical claims to the addresses on the claims, which may not have been the beneficiaries' correct addresses. This occurred because TMA did not require the claims processor to verify beneficiaries' addresses. By not requiring that beneficiaries' addresses be verified before payment, TMA cannot ensure that payments reach the legitimate beneficiaries. Further, TMA may unintentionally facilitate attempts to defraud TRICARE through erroneous claims. Verifying beneficiaries' addresses will provide a partial solution to this issue; however, TMA personnel should also pursue the use of Electronic Funds Transfer (EFT) to pay for beneficiaries' claims. In addition to requiring beneficiary address verification, educating medical providers on the proper procedures for filing claims and establishing a TMA presence in the Philippines would improve the medical claims payment process.

### Claims Processor Did Not Verify Addresses Before Issuing Payment

WPS personnel did not verify beneficiaries' addresses before sending checks for claims reimbursement. WPS maintained beneficiaries' addresses in their Sponsor Patient Information Update System. WPS personnel updated the addresses in the system based on incoming claims. According to WPS officials and the contracting officer, when a

*WPS personnel did not verify beneficiaries' addresses before sending checks for claims reimbursement.*

beneficiary claim came in, processing staff did not verify the address on the claim to the address in DEERS. Further, if a beneficiary submitted a claim with an address that was different from the address in the Sponsor Patient Information System, WPS did not verify the address, but updated the address in the system with the new address. If the claim is approved, the check is mailed to the new address on the claim rather than the previous address in their system or the address in DEERS.

To illustrate the potential problem with the current process, we found a claim record that included a letter from a beneficiary stating that a postal worker had given her a letter from WPS with an address that was not her address and had never been her address. The WPS letter stated she must repay four claims, valued at approximately \$17,000. Because the four incoming claims had three different addresses, WPS sent checks for these claims to three locations. None of the addresses matched the one the beneficiary used on her letter to WPS. WPS personnel never compared the addresses on the claims with the address in DEERS.

In addition, DoD OIG Report No. D-2008-045, "Controls Over the TRICARE Overseas Healthcare Program," February 7, 2008, discussed a scheme where suspects acting as eligible beneficiaries submitted false claims and requested that the checks be mailed to a

new address. The procedure of updating the Sponsor Patient Information System when a claim is submitted with an address that is different from the address in the system, without verifying the validity of the new address, allows potentially fraudulent claims with fictitious addresses to be paid.

## **TMA Allows WPS to Send Payments to Unverified Addresses**

Neither TRICARE policy nor the contract requires WPS to verify the address on a beneficiary submitted medical claim with the address in the Sponsor Patient Information Update System or DEERS. The TRICARE Operations Manual 6010-56-M, February 1, 2008, Chapter 24, Section 9, paragraph 6.1, addresses missing or discrepant information, but is unclear on the requirement to verify a beneficiary's address in DEERS or to resolve discrepancies between an address on a claim and the address in the Sponsor Patient Information Update System. The contract requires WPS to interface with DEERS only to determine beneficiary eligibility and enrollment and does not require verification of the beneficiary's address through DEERS. Also, the current policy does not require that variations between the address on the claim and the address in the Sponsor Patient Information Update System be resolved before payment. TMA policy does not require WPS to obtain verification from the beneficiary that the "new" address is valid when an address on a claim differs from the address in the Sponsor Patient Information Update System.

## **TMA Did Not Verify Addresses, Which May Facilitate Efforts to Defraud TRICARE**

TMA cannot ensure that payments reach the legitimate beneficiaries if they do not require WPS to verify addresses before payment. In addition, sending a payment to the wrong address may unintentionally facilitate efforts to defraud TRICARE. At a minimum, failure to verify a discrepant address is a missed opportunity to identify a potentially fraudulent billing scheme.

Verifying beneficiaries' addresses before payment is a control that will help ensure that checks for legitimate claims reach beneficiaries at the proper addresses. Address verification would also provide beneficiaries the opportunity to identify potentially fraudulent claims. However, TMA personnel should also pursue the use of EFT to pay for beneficiaries' claims, rather than checks through the Philippine postal service. To determine if paying claims through EFT is feasible for retirees in the Philippines, we asked the Defense Finance and Accounting Service (DFAS) how retirees and annuitants<sup>2</sup> in the Philippines receive their retirement payments. According to DFAS records, 95 percent of all Philippine retirees and annuitants voluntarily receive their retirement payments through EFT. DFAS makes these payments to U.S. banks with offices in the Philippines and to Philippine banks with offices in the United States.

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<sup>2</sup> Annuitants are surviving military dependents who receive annuity benefits through DFAS.

While TRICARE policy does not currently allow EFT payments to the Philippines, TMA personnel are in the process of eliminating the EFT restriction for medical providers requesting payment by EFT. This is an important step towards eliminating mail fraud involving TRICARE's claims payment checks in the Philippines. Since 95 percent of the Philippine beneficiaries receiving a retirement annuity voluntarily receive their payments through EFT, TMA personnel should consider coordinating with DFAS and providing the retirees receiving their retirement pay through EFT the option to receive their TRICARE claims payments through EFT.

In addition to helping solve beneficiary address issues, the use of EFT would also help prevent another mail fraud scheme in the Philippines identified by DCIS and postal inspectors. DCIS and the U.S. Postal Inspection Service initiated investigations involving the theft of legitimate TRICARE checks and the submission of false claims in

*Paying beneficiaries' claims through EFT will help eliminate the potential for checks to be lost, stolen, or sent to fraudulent addresses.*

the name of legitimate TRICARE beneficiaries. In this scheme, suspects used fictitious addresses as flags to the postal workers to steal checks. Individuals recruited beneficiaries to sign false claims with fictitious addresses. Philippine postal

workers involved in the fraud then intercepted the reimbursement checks. Paying beneficiaries' claims through EFT will help eliminate the potential for checks to be lost, stolen, or sent to fraudulent addresses.

## **TMA Should Establish Procedures to Educate Medical Providers on Proper Procedures for Filing Claims**

In addition to requiring beneficiary address verification, educating medical providers on the proper procedures for filing claims would also improve the medical claims payment process by improving the quality of the claims. Medical providers should be given an outline of claims processing procedures, along with resources for obtaining additional information, and should be required to provide signature confirmation that they have been educated on proper procedures for filing medical claims.

During a January 2010 trip to the Philippines, DCIS investigators and DoD IG auditors interviewed several providers who claimed to be confused or unaware of TRICARE's administrative requirements for filing medical claims. Some providers reported they sought guidance through the TRICARE Web site and the TRICARE customer service telephone line. Those providers reported that the Web site was often confusing to understand and to navigate. Additionally, they stated that the WPS customer service staff would often refer them to the TRICARE Web site. These providers and others inquired about the possibility of TMA providing training in the Philippines on submitting claims addressing what is required, what is and is not reimbursable, and other matters.

Obtaining signature confirmation that providers have been educated would provide investigators with another tool to help prove criminal intent. Without signature confirmation that providers have been educated, it is more difficult for law enforcement personnel and U.S. Attorney's Office personnel to prove criminal intent when potentially

fraudulent claims are submitted for payment. Providers can assert that they did not know proper procedures for submitting claims, and it is difficult to prove otherwise without

*Without signature confirmation . . . it is more difficult for law enforcement personnel and U.S. Attorney's Office personnel to prove criminal intent when potentially fraudulent claims are submitted for payment.*

documenting provider education. As an example, several outpatient providers located in buildings adjacent to large medical facilities used the beds, equipment, and services of the larger facilities and paid them directly. The outpatient providers then improperly submitted the claims to TRICARE for reimbursement. As DCIS

personnel pointed out, law enforcement cannot levy criminal charges because there is no proof of intent to commit fraud. Proving criminal intent to defraud TRICARE has become increasingly challenging in recent years, particularly in the Philippines. For nine investigative case reports that we reviewed that DCIS closed, six of the cases were closed because DCIS personnel felt that the issues lacked strong fraud indicators. Signature confirmation that providers were educated on proper procedures for submitting medical claims would give investigators evidence that potentially fraudulent claims were knowingly submitted.

## **TMA Presence in the Philippines Would Be Beneficial**

While the U.S. Military retiree and dependent population in the Philippines is one of the largest overseas, there is no TMA presence to support the Philippine beneficiary population. Due to the absence of TMA resources in the Philippines, TRICARE beneficiaries must rely on phone calls and internet searches for information. Establishing a small TMA presence in the Philippines would provide an opportunity for TMA to educate both providers and beneficiaries. Beneficiaries would have a better outlet for resolving medical claim discrepancies and a direct means for reporting suspected fraudulent claims. In addition, having a TMA presence would also allow for more frequent oversight of the certification process as discussed in Finding A of this report.

## **Recommendations, Management Comments, and Our Response**

### ***Revised Recommendation***

As a result of management comments, we revised Recommendation B.1 to clarify that we are only referring to the first claim from each beneficiary and any additional claims for which the address on the claim is different from the address in the Sponsor Patient Information Update System.

### **B. We recommend that the Deputy Director, TRICARE Management Activity:**

**1. Establish procedures in the TRICARE Overseas Program contract that require the claims processing contractor to:**



**a. Verify beneficiary address on the initial claim for each beneficiary to the address in Defense Enrollment Eligibility Reporting System before establishing an address in the Sponsor Patient Information Update System**

**b. Once an address has been established in the Sponsor Patient Information Update System, match beneficiary addresses on claims with the address in the system. If the address on the claim is different from the address in the Sponsor Patient Information Update System, and the new address cannot be confirmed in Defense Enrollment Eligibility Reporting System, require the beneficiary to confirm the change in address and update Defense Enrollment Eligibility Reporting System before paying the claim.**

### ***Assistant Secretary of Defense (Health Affairs) Comments***

The Assistant Secretary of Defense (Health Affairs) stated that our recommendation to verify beneficiaries' addresses prior to claims payment would result in less timely claims reimbursement, would increase the cost of the TOP contract, and would negatively affect beneficiary satisfaction because of the increased time it would take to pay claims. The Assistant Secretary of Defense (Health Affairs) stated that, because beneficiary claims are usually filed soon after services were provided, the address on the claim would most likely be the beneficiary's most recent address. See page 18 for full text of the management comments.

### ***Our Response***

The Assistant Secretary of Defense (Health Affairs) comments are not responsive. We agree that the addresses on legitimate beneficiary claims are likely correct. However, these comments do not address the issue of fraudulent claims. In addition to the examples provided in this report, DCIS and U.S. Postal Service investigations maintain the prevalence of mail fraud in the Philippines dating back to 2005. In one case alone involving individuals using false addresses and stealing checks, the loss to the U.S. Government exceeded \$1.4 million. We have revised the recommendation to clearly state that we are only recommending address verification when the first claim is received from a beneficiary and the address is set up in the Sponsor Patient Information Update System, and later only if there is a discrepancy. The contractor could perform the initial address verification while checking DEERS for TRICARE eligibility. At that time, if there is a discrepancy, it can be corrected. After the initial verification, addresses only need to be verified with DEERS when there is a discrepancy between the address on the claim and the address in the Sponsor Patient Information Update System. A verification of changed addresses is a control designed to prevent the mailing of claim checks to fraudulent addresses and to ensure that the intended beneficiaries receive their payments. We request that the Assistant Secretary of Defense (Health Affairs) reconsider his position on the recommendation and provide comments on the final report.

**2. Revise TRICARE Policy to require the overseas claims processing contractor to provide the option for beneficiaries to receive their claims payment through Electronic Fund Transfer.**

### ***Assistant Secretary of Defense (Health Affairs) Comments***

The Assistant Secretary of Defense (Health Affairs) expressed concern that the EFT transaction fees could be higher than the reimbursement amount, and these fees are not reimbursable by TMA. He stated that utilization would, therefore, most likely be very low. The Assistant Secretary of Defense (Health Affairs) further stated that, because the TOP contract does not allow for beneficiary EFT payments, the contract would have to be modified, resulting in additional costs to TMA. See page 18 for full text of the management comments.

### ***Our Response***

The Assistant Secretary of Defense (Health Affairs) comments are not responsive. As stated in our response to B.1, mail fraud in the Philippines is widespread. According to DFAS records, 95 percent of the retirees in the Philippines have voluntarily chosen to receive their retirement annuities through EFT. Their retirement annuities are deposited into U.S. banks, and the retirees incur whatever fees are imposed to transfer money to the Philippines. If beneficiaries have chosen to receive retirement payments through EFT, despite the fee, they may choose the same for claims reimbursements. Also, in a prior meeting, TRICARE Area Office Pacific personnel told us that Philippine beneficiaries were asking for the option to receive their claim payments through EFT. Our recommendation is designed to give the beneficiary the option of receiving their claim payments through EFT, rather than requiring them to do so. In addition, if EFTs are allowed and used, it will reduce the number of address verifications conducted as recommended in Recommendation B.1. We request that the Assistant Secretary of Defense (Health Affairs) reconsider his position on the recommendation and provide comments on the final report.

**3. Establish procedures to ensure that medical providers in the Philippines are educated on the proper procedures for filing medical claims and obtain signature confirmation from the providers of the training received.**

### ***Assistant Secretary of Defense (Health Affairs) Comments***

The Assistant Secretary of Defense (Health Affairs) stated that, when the contractor performs provider education as noted in the Assistant Secretary of Defense (Health Affairs) comments to Recommendation A.1, the contractor will require the providers to certify that they fully understand the requirements in Title 32, Code of Federal Regulations, Section 199.9 and the TRICARE Operations Manual. See page 18 for full text of the management comments.

### ***Our Response***

The comments of the Assistant Secretary of Defense (Health Affairs) are responsive, and no further comments are required.

**4. Consider establishing a TRICARE presence in the Philippines to service military retirees and their dependents.**

### ***Assistant Secretary of Defense (Health Affairs) Comments***

The Assistant Secretary of Defense (Health Affairs) stated that TMA is in the process of finding a location for an office in Manila, Philippines, to assist beneficiaries living there. He further stated that TMA will staff the office with a government employee and is in the process of advertising the position. See page 18 for full text of the management comments.

### ***Our Response***

The comments of the Assistant Secretary of Defense (Health Affairs) are responsive, and no further comments are required.

## **Appendix. Scope and Methodology**

We conducted this audit from July 2009 through June 2011 as a result of internal control weaknesses identified while providing audit support for the DCIS and the U.S. Attorney's Office, Western District of Wisconsin. We began collecting the data used for the report in March 2008 while we were assisting with the investigation. We conducted this 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. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed 72 non-TGRO Network provider certification packages received from the contracting officer, which we judgmentally selected for use in support of the DCIS investigation. These packages represented all the available certifications for 37 unique providers, as of our requests in May 2008 and July 2008. We met with TMA personnel in Falls Church, Virginia, and Aurora, Colorado, to gather information regarding TMA controls over the Philippine "Onsite Verification and Provider Credentialing" process. We contacted TAO-Pacific personnel to determine whether they performed reviews of the certification packages generated by the Philippine "Onsite Verification and Provider Credentialing" process to ensure certifications are complete and performed in accordance with the TGRO Contract. We visited International SOS, Manila, the contractor responsible for certifying non-TGRO medical providers in the Philippines.

We met with representatives from the Philippine Department of Health, Philippine Professional Regulation Commission, PhilHealth, and the Philippine Securities and Exchange Commission to determine procedures for licensing and sanctioning medical providers. We also met with the Department of Veterans Affairs officials in the Philippines to discuss their procedures for obtaining and certifying qualified medical providers for veterans in the Philippines.

We reviewed public laws, DoD policies, TRICARE regulations and procedure manuals. Specifically we reviewed 32 U.S.C. § 199.6 [2005]; the August 2002 versions of the TRICARE Operations Manual 6010.51-M, Policy Manual 6010.54-M, and Systems Manual 7950.1-M, and the respective February 2008 revisions. We also reviewed the TRICARE Global Remote Oversight Plan, August 2004. We reviewed Philippine laws governing the licensure of Philippine Medical providers and the implementation of the Philippine National Health Insurance Program. We reviewed case summaries provided by DCIS dealing with fraud issues in the Philippines. We also reviewed supporting documentation provided by TMA and WPS personnel to include contract DASW01-03-D-0007/H94002-04-D-0004, valued at \$24.5 million.

### **Use of Computer-Processed Data**

We used computer generated data files provided by the Defense Finance and Accounting Service extracted from the DFAS Retired and Casualty Pay System to determine whether

retirees in the Philippines receive their payments by check or EFT. We used DEERS to roughly estimate the number of TRICARE beneficiaries located overseas. Because this information was not significant to the overall audit objective and report findings, we did not formally assess the reliability of the data.

## **Prior Coverage**

No prior coverage has been conducted on the Philippine Onsite Verification and Provider Credentialing process during the last 5 years. DoD IG has issued reports addressing overseas controls for third-party billing agencies and controls over the TRICARE overseas health care program. Unrestricted DoD IG reports can be accessed at <http://www.DoD IG.mil/audit/reports>.

### ***DoD IG***

DoD IG Report No. D-2008-045, “Controls Over the TRICARE Overseas Healthcare Program,” February 7, 2008

DoD IG Report No. D-2006-051, “TRICARE Overseas Controls Over Third Party Billing Agencies and Supplemental Insurance Plans Report,” February 10, 2006

# Assistant Secretary of Defense (Health Affairs) Comments



HEALTH AFFAIRS

## THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1200

JUL 13 2011

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

SUBJECT: Department of Defense Inspector General Draft Report, "Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines," Project No. D2009-D000LF-0261.000

This is the Department's response to the Department of Defense Inspector General Draft Report on Project No. D2009-D000LF-0261, "Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines."

Thank you for the opportunity to review and comment on the Draft Report. Comments to the recommendations are attached. We have already taken action on several of the recommendations cited in the report. We do have concerns regarding your recommendations for the processing and paying of claims, and our comments in this regard are noted in the attachment.

Thank you again for the opportunity to review and comment. The points of contact on this subject are [REDACTED] (Functional) and [REDACTED] (Audit Liason). [REDACTED]

A handwritten signature in black ink, appearing to read "Jonathan Woodson".  
Jonathan Woodson, M.D.

Attachments:  
As stated



**DEPARTMENT OF DEFENSE INSPECTOR GENERAL  
DRAFT REPORT  
PROJECT NO. D2009-D000LF-0261**

**“Improvements Needed in Procedures for Certifying Medical Providers and Processing  
and Paying Medical Claims in the Philippines”**

**RESPONSE TO THE RECOMMENDATIONS**

**RECOMMENDATION #A:** We recommend that the Deputy Director of TRICARE Management Activity (TMA):

1. Establish oversight procedures to ensure that the TRICARE Global Remote Overseas contractor performs certifications consistent with the contract, Philippine law, and at a minimum:
  - a. Verifies that providers have the necessary equipment, supplies, and staff;
  - b. Identifies the services that a medical facility is licensed to provide; and
  - c. Obtains current copies of Department of Health licenses, Mayor’s permits, local permits, or Professional Regulation Commission licenses.
2. Require the TRICARE Area Office-Pacific to perform quality assurance testing on the Philippine provider certification packages on a regularly scheduled basis.

**RESPONSE:**

1. TMA recognizes the importance of improving the certification process in the Philippines. On January 31, 2011, TMA issued a modification to the TRICARE Overseas Program (TOP) contract to improve the certification process in the Philippines. The three areas of changes are: provider education, obtaining additional provider information, and certification records automation.

Specifically, the certification of Philippine providers shall include licensing issues or sanctions imposed by PhilHealth, all current or former TRICARE facilities the provider is associated with, identification of ownership of the medical facility being certified, identification of providers who have provided health care services under a different name, the capability of the provider/facility, and the provider’s specialty and license to operate a pharmacy. The TOP contractor shall provide authorized Government personnel unlimited off-site electronic access to the certification documents. Also, the contractor shall perform provider education as part of the certification process.

2. TMA has established regular site visits to the contractor’s office in Manila, Philippines, to conduct performance reviews of the certification files. The TMA staff completed a review in May 2011. The staff reviewed a random sample of files for nearly 100 individual and institutional providers certified or recertified from September 2010 thru April 2011. The staff’s review of the contractor’s Philippines certification effort was found to be compliant with contract requirements. The file contents were sound, with documentation evidencing

that the requirements of the certification process are being met.

**RECOMMENDATION #B:** We recommend that the Deputy Director of TMA:

- I. Establish procedures in the TOP contract that require the claims processing contractor to:
  - a. Verify beneficiaries' addresses on each claim to the address in the Defense Enrollment Eligibility Reporting System (DEERS) before establishing an address in the Sponsor Patient Information Update System.
  - b. Once an address has been established in the Sponsor Patient Information Update System, match beneficiaries' addresses on claims with the address in the system. If the address on the claim is different from the address in the Sponsor Patient Information Update System, and the new address cannot be confirmed in DEERS, require the beneficiary to confirm the change in address and update DEERS before paying the claim.
2. Revise TRICARE policy to require the overseas claims processing contractor to provide the option for beneficiaries to receive their claims payment through Electronic Fund Transfer (EFT).
3. Establish procedures to ensure that medical providers in the Philippines are educated on the proper procedures for filing medical claims and obtain signature confirmation from the providers of the training received.
4. Consider establishing a TRICARE presence in the Philippines to service military retirees and their dependents.

**RESPONSE:**

1. The Inspector General's recommendation to verify beneficiaries' addresses before paying claims would adversely impact timeliness of claims reimbursement, increase the cost to the TOP contract, and have a negative impact on beneficiary satisfaction because of induced claims payment delays. Claims received from beneficiaries are typically filed with the claims processor very soon after the services were provided, and will most likely contain the most recent address of the beneficiary.
2. The concern is that the cost of the EFT transaction fee may be higher than the reimbursement to the beneficiary. The TOP contract does not allow for beneficiary EFT payments. The contract would require modification, with associated costs to implement such a change, and

Revised  
Recommendation  
B.1

utilization would most likely be very low due to the transaction fees. The transaction fees are not reimbursable by TMA.

3. As part of the contractor performing provider education as noted in Finding A 1, the contractor shall require the providers to certify that they fully understand the requirements in Title 32, Code of Federal Regulations, Section 199.9 and the TRICARE Operations Manual.
4. TMA is in the process of selecting a location for a TRICARE Satellite Office in Manila, Philippines, to provide assistance to military retirees and their dependents residing there. The office will be staffed by a TMA Government employee, and TMA is currently in the process of advertising that position.





# Inspector General Department of Defense

