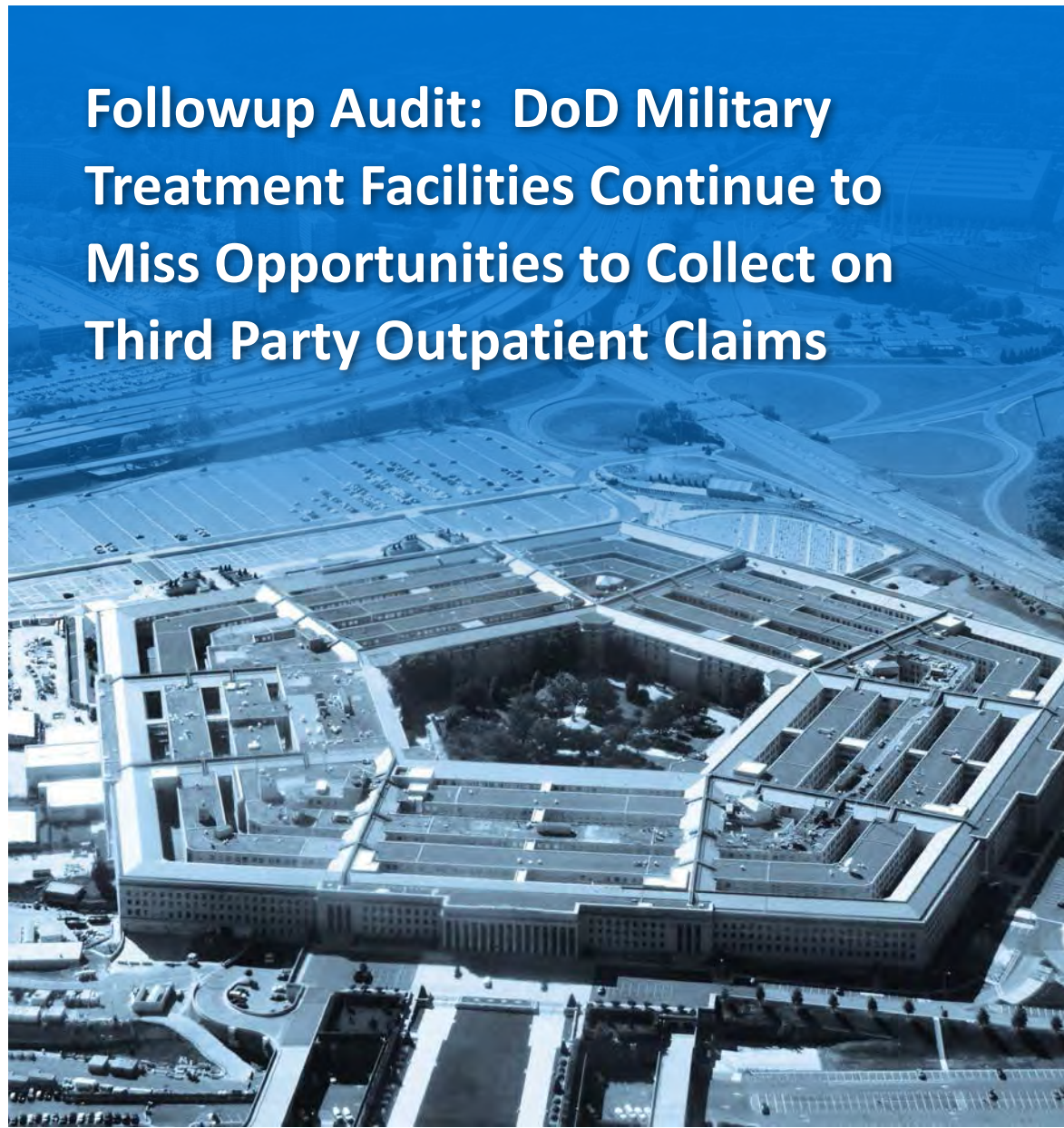




INSPECTOR GENERAL

U.S. Department of Defense

JULY 24, 2015



Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims

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Results in Brief

Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims

July 24, 2015

Objective

Our objective was to determine whether Military Treatment Facility (MTF) officials collected outpatient third party health insurance claims as agreed to in Recommendation 1.b of DoD IG Report No. D-2007-108, "Outpatient Third Party Collection Program," July 18, 2007 and whether these actions corrected the identified deficiencies.

Finding

Assistant Secretary of Defense for Health Affairs (ASD[HA]) officials did not implement Recommendation 1.b as agreed to in DoD IG Report No. D-2007-108. MTF officials generally did not conduct compliance audits as required by the Uniform Business Office Manual at the six MTFs reviewed. Based on the statistical sample, there were 144,930 claims worth \$34.8 million that had at least one discrepancy. Specifically, MTF officials did not:

- conduct initial follow up on 64,345 claims worth \$17.3 million;
- document the claim write-off rationale for 67,047 claims worth \$11.9 million;
- forward 45,812 claims worth \$9.6 million to their legal office for collection; or
- obtain precertification or preauthorization for 19,632 claims worth \$10.3 million.

This occurred because some MTF officials stated that the compliance audits did not add value to improve the program or its collections, while other officials stated that compliance audits were an administrative burden due to limited resources.

Finding (cont'd)

As a result, MTFs continue to miss opportunities to collect additional payments from outstanding outpatient claims worth \$21.7 million that remains uncollected for FY 2012 through FY 2014. This also increased the risk of healthcare billing fraud, waste, abuse, and mismanagement.

Recommendations

Among other recommendations, the ASD(HA) should:

- conduct an analysis to determine the sufficient time needed to conduct adequate follow up;
- ensure that MTF officials complied with the Uniform Business Office Manual;
- develop a standardized quarterly compliance audit checklist and oversee the results of the audits; and
- establish an agreement to accept MTF claims for 90-day prescriptions.

Management Comments and Our Response

Comments from Acting Director for Business Support Directorate, responding on behalf of the ASD(HA) partially addressed the recommendations. We request that he provide comments in response to this report. Please see the Recommendations Table on the back of this page.



Figure 1. Entrance for Fort Belvoir Community Hospital
Source: www.fbch.capmed.mil

Recommendations Table

Management	Recommendations Requiring Comment	Recommendations Not Requiring Comment
Assistant Secretary of Defense for Health Affairs	2.a and 5	1, 2.b, 3, and 4

Please provide Management Comments by August 25, 2015.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

July 24, 2015

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

SUBJECT: Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims (Report No. DODIG-2015-151)

We are providing this report for review and comment. We found that opportunities still exist to increase collections for the Military Treatment Facilities because officials generally did not conduct compliance audits to identify discrepancies. Specifically, MTF officials did not consistently conduct follow up, document claim write offs, timely refer outstanding claims to their legal office, or develop a process to obtain any necessary precertification or preauthorization. This audit was conducted in accordance with government auditing standards.

We considered comments on a draft report of this report when preparing the final. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Comments from the Acting Director for Business Support Directorate, responding on behalf of the ASD(HA), partially addressed the recommendations. We request the Acting Director provide additional comments for Recommendation 2.a. Specifically, he should state whether he agrees with the recommendation and whether he will implement the planned actions. Additionally, we revised recommendation 5 as a result of management comments; and therefore request that the Acting Director provide comments by August 24, 2015.

Please send a PDF file containing your comments to followup@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot 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) 604-8905 (DSN 664-8905).

A handwritten signature in cursive script, reading "Amy J. Frontz".

Amy J. Frontz
Acting Deputy Inspector General
for Auditing

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Acronyms and Abbreviations

Introduction

Objective

Our objective was to determine whether Military Treatment Facility (MTF) officials collected outpatient third party health insurance claims as agreed to in Recommendation 1.b of DoD IG Report No. D-2007-108, “Outpatient Third Party Collection Program,” July 18, 2007 and whether these actions corrected the identified deficiencies. See Appendix A for our scope and methodology.

Background

Defense Health Agency (DHA)¹ reports to the Assistant Secretary of Defense for Health Affairs (ASD[HA]). DHA is a joint, integrated, Combat Support Agency for the Army, Navy, and Air Force that:

- provides medical services to Combatant Commands in both peacetime and wartime;
- manages the execution of policy issued by ASD(HA) such as the Uniform Business Office (UBO) Manual;²
- oversees inpatient and outpatient facilities and their subordinate clinics assigned to the National Capital Region; and
- manages TRICARE.

TRICARE is the DoD health program for active service members, retirees, and families. As part of the Military Health System, TRICARE combines the resources of military hospitals and clinics with civilian health care networks. TRICARE offers health plan options that provide access to health care and comprehensive health coverage, and support military operations and readiness.

If an eligible beneficiary has health insurance other than TRICARE, it is called “other health insurance” (OHI). Beneficiaries should report any OHI³ to MTF officials who then update the Composite Health Care System.⁴ If a beneficiary has OHI, the direct care⁵ provided by an MTF represents potential collections for the Third Party Collection Program (TPCP).

¹ DoDD 5136.13, “Defense Health Agency (DHA),” September 30, 2013. This directive establishes DHA’s mission, organization and management, responsibilities, relationships, functions, and authorities.

² DoD 6010.15-M, “Military Treatment Facility UBO Manual,” November 9, 2006. This manual prescribes uniform procedures for third party collection utilized by DoD services.

³ MTF officials collect OHI information on DD Form 2569, “Third Party Collection Program/Medical Services Account/Other Health Insurance,” July 2013.

⁴ The Composite Health Care System stores OHI information and is the official source of all OHI data.

⁵ The health care provided by an MTF is considered direct care.

TPCP recovers the cost to provide health care services to eligible beneficiaries from third party payers. Under TPCP, MTF officials bill third party payers on behalf of beneficiaries for services by or through an MTF. Services include inpatient and outpatient encounters. Any funds collected from third party payers support the maintenance and operation of the particular MTF and should not be included in the operating budget.

For FY 2012 through FY 2014, the six selected MTFs reported a combined \$112,518,396 billed for outpatient claims with \$21,685,169 remaining uncollected. See Table 1 below for the total claims billed and amounts uncollected of each MTF reviewed.

Table 1. From FY 2012 Through FY 2014 Outpatient Claims

MTF	Amount of Claims Billed	Amount Uncollected
Fort Belvoir Community Hospital (FBCH), Virginia	\$39,490,144	\$4,438,689
Brooke Army Medical Center (BAMC), Texas	\$25,006,662	\$9,490,371
Madigan Army Medical Center (MAMC), Washington	\$17,148,501	\$2,434,834
Naval Hospital Pensacola (NHP), Florida	\$10,644,064	\$637,074
Nellis Air Force Base, Nevada	\$18,687,897	\$4,369,747
Joint Base San Antonio–Lackland, Texas	\$1,541,128	\$314,454
Total	\$112,518,396	\$21,685,169

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, 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 internal control weaknesses related to the implementation of the UBO Manual. Specifically, MTF officials generally did not conduct compliance audits, follow up on outpatient claims, or refer outstanding claims to legal for collection when they were open for more than 270 days after initial billing as required by the UBO Manual. Additionally, MTF officials did not obtain precertification or preauthorization to allow for claim collection. We will provide a copy of the report to the senior officials responsible for internal controls in ASD(HA).

Management Comments on Internal Controls

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for Business Support Directorate, responding on behalf of the ASD(HA) agreed with the internal control weaknesses identified in the report. He stated that DHA needs to improve oversight procedures to verify that officials at DoD MTFs comply with the UBO manual by conducting compliance audits, following up on outpatient claims, or referring outstanding claims to legal for collection when they are open for more than 270 days after initial billing. He also stated that DHA would include the weaknesses in their upcoming FY 2015 Annual Statement of Assurance.

Our Response

The Acting Director agreed with the internal control weaknesses identified, no further comments are required.

Finding

MTFs Did Not Identify and Correct Discrepancies in the Third Party Collection Program

ASD(HA) officials did not implement Recommendation 1.b as agreed to in DoD IG Report No. D-2007-108. MTF officials⁶ generally did not conduct compliance audits as required by the UBO Manual at the six MTFs reviewed. Based on the statistical sample, there were 144,930 claims worth \$34.8 million that had at least one discrepancy. Specifically, MTF officials did not:

- conduct initial follow up on 64,345 claims worth \$17.3 million;
- document the claim write-off rationale for 67,047 claims worth \$11.9 million;
- forward 45,812 claims worth \$9.6 million to their legal office for collection; or
- obtain a precertification or preauthorization for 19,632 claims worth \$10.3 million.

This occurred because some MTF officials stated that the compliance audits did not add value to improve the program or its collections, while others stated that the compliance audits were an administrative burden due to limited resources.

As a result, MTFs continue to miss opportunities to collect additional payments from outstanding outpatient claims worth \$21.7 million.⁷ This also increased the risk of healthcare billing fraud, waste, abuse, and mismanagement.

⁶ Each MTF has a UBO office that includes TPCP. For the purposes of this report, we will refer to MTF, UBO and TPCP officials collectively as "MTF officials."

⁷ Total amount of outpatient claims uncollected for the six MTFs reviewed between FY 2012-FY 2014.

Summary of DoD IG Report No. D-2007-108

DoD IG Report No. D-2007-108 recommended that MTF officials should increase collections for outpatient and pharmacy encounters with additional effort to comply with established procedures in submitting and following up on claims to OHI providers. If MTFs enhanced compliance audits and emphasized importance of TPCP, they would provide additional controls that would assist them to maximize collections and comply with DoD regulations. Specifically, based on selected

eligible encounters, the DoD OIG report determined that MTF officials did not submit or adequately follow up on claims. The MTF officials did not properly follow up with insurance providers on claims by not conducting research and rebilling OHI providers for billable encounters not paid. In addition, the report determined that if MTFs increased their efforts to submit and follow up on claims, they could increase collections.

Further, the report stated that most of the missed opportunities to maximize collections were because of unique or isolated cases of noncompliance with different procedures. The UBO Manual requires MTFs to perform audits at least quarterly to monitor and audit the accuracy of billing. However, the Manual does not require MTFs to test for the errors the audit identified. For example, it does not require audits to include tests that determine whether MTFs always bill OHI providers when the OHI information is already in Composite Health Care System or whether MTFs adequately follow up on amounts billed to insurance companies. The Manual also does not require organizations to correct the deficiencies that they found during a review. The report stated that by adding audit requirements to help identify these types of errors and to correct deficiencies found during the reviews, the Manual would help the MTFs maximize their collections.

Recommendation and Agreed-Upon Action

Recommendation 1.b stated that ASD(HA) should revise the UBO Manual to require MTFs to correct deficiencies that they found in the TPCP during compliance audits. ASD(HA) agreed with the recommendation and issued a revision to the UBO Manual⁸ to require MTFs to correct deficiencies found in the TPCP compliance audits.

Agreed Upon Action Not Demonstrated

Although ASD(HA) officials revised, the UBO Manual to require MTFs to correct deficiencies found in compliance audits, they did not implement the agreed-upon actions for Recommendations 1.b. As a result, MTF officials did not have an effective compliance program and continue to miss opportunities to improve collection of outpatient claims.

⁸ ASD(HA), "Revision of Compliance Audit Requirements in the Department of Defense 6010.15-M, Military Treatment Facility UBO Manual, November 9, 2006," February 27, 2008.

MTF Did Not Effectively Implement Their Compliance Program

MTF officials did not always conduct compliance audits, identify or correct deficiencies, or use an objective, third party individual to perform the audits. According to the UBO Manual, MTFs are required to conduct quarterly compliance audits that included a review of the TPCP. However, two of the six MTFs did not always conduct compliance audits. For example, FBCH did not complete any quarterly compliance audits, and BAMC completed only one audit from April 1, 2013, through March 31, 2014. MTF officials stated that this occurred because they did not always have sufficient personnel available to comply with TPCP.

According to the UBO Manual, ASD (HA) is required to ensure a consistent and standardized TPCP. However, each MTF conducted and documented their quarterly compliance audits differently and did not address the deficiencies that we identified with the TPCP. In fact, most compliance audits reported that there were no discrepancies with TPCP compliance. Specifically, we found that MTFs generally did not conduct adequate follow up on claims and did not have procedures in place to handle claim denials for pre-certification or pre-authorization requirements. Since MTFs officials did not conduct reviews to identify deficiencies or address known deficiencies in the TPCP, they increased the risk of fraud, waste, abuse, and mismanagement of TPCP funds. To improve accountability, DHA officials should standardize and oversee the compliance program for all MTFs.



Since MTFs officials did not conduct reviews... they increased the risk of fraud, waste, abuse, and mismanagement of TPCP funds.

Further, compliance audit evaluators may not have been completely objective with respect to the TPCP since they were in the UBO/TPCP chain of command. The UBO Manual also requires that the MTF commander appoint an individual to audit and evaluate the MTF business office at least each fiscal quarter. This individual should either be an internal review auditor, a disinterested officer, a noncommissioned officer at the grade of E-7 or above, or a civilian of comparable grade. However, two of the six MTFs⁹ did not always have a disinterested officer, or equivalent outside the UBO or TPCP office chain of command, to conduct the quarterly compliance audits.

⁹ This occurred at MAMC and NHP.

The UBO Manual states that MTFs should implement a compliance program that advances the prevention of healthcare billing fraud, waste, abuse, and mismanagement. Reallocating resources within the MTFs could provide an opportunity for officials to effectively implement their compliance program as required by the UBO Manual. DHA officials should coordinate with the Services to review the resources used to implement the UBO manual.

Further Opportunities to Improve Collection of Claims Exist

MTF officials did not always conduct initial follow up on claims, clearly document the reasons for write offs, or forward open claims to legal for collection as required by the UBO Manual. Additionally, third party insurance providers rejected claims because the MTF pharmacies did not obtain preapproval before they disbursed prescriptions to patients. Based on the statistical sample, 144,930 claims worth \$34.8 million had at least one of the discrepancies identified during the audit.¹⁰ See Table 2 for amount of claims for each discrepancy.

Table 2. Statistical Sample of Discrepancies Identified for Total Claims

Discrepancy	Number of Claims	Total Amount of Claims (in millions)
Did Not Have Initial Follow Up	64,345	\$17.3
Did Not Clearly Document Write off	67,047	\$11.9
Did Not Forward Claims to Legal	45,812	\$9.5
Did Not Obtain Precertification or Preauthorization	19,632	\$10.3
At Least one Discrepancy Identified	144,930	\$34.8

NOTE: Totals do not equal the actual sum claim because some claims have more than one discrepancy and instance where estimation was required. Additionally, MTFs may receive additional payments on the above claims that will increase their collections. See Appendix B for more details.

¹⁰ See Appendix B for more details on estimated number of claims.

MTFs Missed Initial Follow Up

MTF officials did not consistently conduct initial follow up on 64,345 outpatient MTF claims worth \$17.3 million. At one MTF, officials averaged 192 elapsed days to conduct the initial follow up. According to the UBO Manual, MTFs are required to conduct a written or telephone follow up if reimbursement is not received within 60 days of the initial billing submission and again at 90 days. Specifically, the Manual requires MTF officials to conduct the first or “initial” follow up between 60 to 90 days and again after 90 days. Followup differed at the MTFs: 61 of the claims reviewed did not have initial follow up.¹¹ Table 3 indicates the variance for the MTFs in our sample results for the initial follow up.

Table 3. Selected Outpatient Claims Without an Initial Follow Up Varied by MTF

MTF	Number of Claims	Amount for Claims Without Followup
Fort Belvoir Community Hospital	1	\$8,178
Brooke Army Medical Center	15	\$21,536
Madigan Army Medical Center	17	\$18,150
Nellis Air Force Base	13	\$13,012
Joint Base San Antonio	9	\$17,384
Naval Hospital Pensacola	6	\$9,961
Total	61	\$88,221

Some MTF officials stated that the lack of timely follow up occurred because they did not have enough staff to follow up on all billed claims. Other MTF officials stated that this occurred because current requirements did not provide adequate time for the initial follow up on outstanding outpatient claims. They indicated that the UBO Manual did not consider the time required for insurance providers to receive and process outpatient claims. As a result, MTFs may have missed the opportunities to collect as much as \$17.3 million. DHA officials should review the current requirements for follow up, update the UBO Manual accordingly, and oversee its implementation to improve collections among the MTFs.

Some MTF officials stated that the lack of timely follow up occurred because they did not have enough staff to follow up on all billed claims.

¹¹ We selected 40 claims for each MTF for a total of 240 claims reviewed worth \$246,491.

MTFs Did Not Clearly Document Claim Write offs

MTF officials did not clearly document the reason for claim write offs for 67,047 outpatient claims worth \$11.9 million. The UBO manual states that records for closed accounts shall be clearly documented and provide the reason for closure or collection for less than the claimed amount.¹² Generally, claims that were written off lacked specific information to support the write-off code. MTF officials stated that merely providing the write-off code was adequate documentation.

If MTF officials do not explain their write offs, they will not be able to identify patterns and adjust their followup strategies accordingly to maximize collections. Therefore, DHA officials should revise the UBO Manual to clearly define what adequate documentation is required for follow up on outstanding third party outpatient claims such as supporting the write-off rationale.

MTF Did Not Make Legal Referrals

We found that MTF officials did not always refer unpaid claims to the appropriate legal office for collection for 45,812 outpatient claims worth \$9.5 million. These claims exceeded 270 days with no clear evidence that the claims would be paid. At one MTF, officials did not refer four claims worth \$4,142 that exceeded 1,000 days from billing date to legal office for further action.

United States Code¹³ requires third party insurance providers to pay any reasonable healthcare charges minus any deductible or copayment amount. Further, the UBO Manual requires outstanding third party claims to be transferred to the appropriate legal office for action when all efforts to collect on a valid claim have been exhausted. This referral shall be within 180 days of initial billing¹⁴ but not more than 270 days, unless there is clear evidence the claim shall be paid or within Service guidelines.

As a result, MTFs did not refer claims worth as much as \$9.5 million. DHA officials should coordinate with the Services to develop a plan to ensure that the MTFs refer outstanding third party claims to the appropriate legal office when all efforts to collect on valid claims have been exhausted.

¹² This does not include deductibles, co-insurance, and applicable copayments.

¹³ Title 10, Section 1095, United States Code (2012), "Health care services incurred on behalf of covered beneficiaries: collection from third-party payers."

¹⁴ Claims should be referred to the U.S. Treasury 120 days from date of service but not more than 270 days. The DHA Memorandum, "Write Off of Aged Amounts Owed to Military Treatment Facilities Clarification of Procedures," July 31, 2014, changed this legal referral requirement.

Lack of Procedures for Precertification or Preauthorization

Insurance providers rejected or denied at least 19,632 claims worth \$10.3 million. This occurred because MTF officials did not obtain third party insurance provider



Figure 2. MAMC Outpatient Pharmacy
Source: www.mamc.amedd.army.mil

precertification or preauthorization of certain outpatient procedures or prescription drugs as required by the individuals' prescription plans. See Figure 2 below for an image of the MAMC main outpatient pharmacy.

MTF officials stated that it was standard protocol for the pharmacies to dispense 90-day prescriptions, when applicable, to reduce wait times and patient volume for Service members

and their dependents. Without prior approval, however, many third party insurance providers automatically deny prescription claims with more than a 30-day disbursement.

As a result, MTFs will continue to miss opportunities to collect payments from insurance providers worth \$10.3 million until they develop a procedure or process to address disbursements of 90-day prescriptions. DHA officials should coordinate with the Services and the third party insurance providers to develop an agreement or arrangement to accept 90-day prescription disbursements at MTF pharmacies and their supporting clinics.

MTFs will continue to miss opportunities to collect payments from insurance providers worth \$10.3 million.

Conclusion

DHA officials did not implement Recommendation 1.b from DoD IG Report No. D-2007-108. We found that MTF officials did not identify and correct deficiencies found during TPCP quarterly compliance audits in an effort to increase outpatient OHI claim collections. Therefore, MTF officials continue to miss opportunities to collect on outstanding claims that could be used to reinvest in the MTF and improve the facilities and treatment of current and retired military Service members and their dependents.

Recommendations, Management Comments, and Our Responses

Revised Recommendation

As a result of management comments, we revised draft Recommendation 5 to recommend that ASD(HA) coordinate with MTFs' leadership to establish new protocols or procedures as appropriate for 90-day prescriptions that are subject to third-party reimbursement. We request that management provide comments to the final report on this revised recommendation.

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

Recommendation 1

Conduct an analysis to determine the sufficient time needed to conduct adequate follow up on billed claims for Third Party Collection Program.

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of ASD(HA) agreed with the recommendation and stated that the Services are actively working to deploy a new medical billing solution, the Armed Forces Billing and Collection Utilization Solution. It will provide the DHA, the Services and National Capital Region Medical Directorate the data needed to formally analyze the sufficient time needed to conduct adequate follow-up on billed claims for TPC. DHA UBO will use this data to conduct ongoing analysis of timeframes to conduct followup on billed claims and identify feasible business process improvements.

Our Response

Comments from the Acting Director addressed all specifics of the recommendation and no additional comments are required.

Recommendation 2.a

Coordinate with the Services to develop a plan to review Uniform Business Office resource issues for the Military Treatment Facilities.

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of the ASD(HA) did not agree with Recommendation 2.a and stated that DHA can review the current MTF staffing levels and make recommendations to the Services and National Capital Region Medical Directorate but ultimately staffing decisions reside with the leadership for each MTF.

Our Response

Although the Acting Director did not agree with Recommendation 2.a, the action described partially meets the intent of the recommendation. We believe that each MTF should be able to utilize available personnel as needed to comply with the UBO Manual. We request that the Acting Director reconsider his position and provide additional comments to the final report stating whether they plan to review the current MTF staffing levels and make recommendations to the Services and National Capital Region Medical Directorate.

Recommendation 2.b

Coordinate with the Services to ensure that the Military Treatment Facilities refer outstanding third party claims to the appropriate legal office as required.

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of the ASD(HA) agreed with Recommendation 2.b and stated that the Services and National Capital Region Medical Directorate is currently required to transfer delinquent claims over 120 days. The Acting Director stated that they are also including the information in the updated manual that is currently routing for approval.

Our Response

Comments from the Acting Director addressed all specifics of the recommendation and no additional comments are required.

Recommendation 3

Update DoD 6010.15-M, "Military Treatment Facility Uniform Business Office (UBO) Manual" to:

- a. Revise and mandate the use of a standardized quarterly compliance checklist for all Services.**
- b. Include results of analysis of timeframes to conduct followup on billed claims for Third Party Collection Program.**
- c. Provide clear and explicit requirements for documenting the follow up on outstanding claims and the rationale for writing-off a claim.**

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of the ASD(HA), agreed with the recommendations and stated that they have updated the UBO Manual to require the use of a standard compliance checklist, minimum

documentation in the billing record to include followup dates, responses on disputes, and dates that claims are transferred to Defense Finance and Accounting Service or the Department of Treasury.

Our Response

Comments from the Acting Director addressed all specifics of the recommendation and no additional comments are required.

Recommendation 4

Establish a quality assurance program that monitors:

- a. Third Party Collection Program compliance audit results and present solutions to the Services as necessary such as the pre-certification or pre-authorization denials.**
- b. Implementation of revised followup requirements.**

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of the ASD(HA) agreed with Recommendation 4. He stated that upon full deployment of Armed Forces Billing and Collection Utilization Solution, they will coordinate with the MTF leadership to develop a program to capture program results, comply with billing and collection timelines, and assess of denials. Additionally, the Acting Director stated that DHA will collaborate with MTF leadership and functional areas to define issues to include root causes and develop solutions. Finally, the UBO Manual will be updated to require semi-annual reports on the results of the standardized requirements for compliance audits and claim followup. He further stated that followup audits will be performed as required and they will make necessary updates to guidance and oversight as solutions and business process improvements are identified.

Our Response

Comments from the Acting Director addressed all specific of the recommendation and no additional comments are required.

Recommendation 5

Coordinate with the Services and the third party insurance providers to establish an agreement to accept their claims for 90-day prescription disbursements due to their unique business process.

Assistant Secretary of Defense (Health Affairs) Comments

The Acting Director for the Business Support Directorate, responding on behalf of the ASD(HA) did not agree with Recommendation 5. He stated that in the past DHA has attempted to establish agreements but was not successful.

Our Response

Since an agreement cannot be made and 90-day prescriptions are automatically denied, we recommend that ASD(HA) coordinate with MTFs' leadership to establish new protocols or procedures as appropriate for 90-day prescriptions that are subject to third-party reimbursement. This will assist MTFs with reducing the number of denials on 90-day prescriptions.

Appendix A

Scope and Methodology

We conducted this performance audit from March 2014 through May 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We selected six MTFs with at least one MTF from each Service that represented two MTFs from each region: North, South, and West. To conduct this audit, we reviewed available compliance audit reports from selected MTFs and compared them to the requirements established in the memorandum¹⁵ issued by ASD(HA). We also reviewed and compared TPCP billing documents to the providers' explanation of benefits reports and payment documentation for third party insurance.

The available supporting documentation consisted of log sheets from third party collection and general ledger comments that indicated evidence of follow up for selected outpatient claims. We reviewed these documents for evidence of referral to the appropriate legal office if applicable and compared these documents to the United States Code and DoD 6010.15-M.

We interviewed representatives from:

- Fort Belvoir Community Hospital, Virginia;
- Brooke Army Medical Center, Texas;
- Madigan Army Medical Center, Washington;
- Joint Base San Antonio–Lackland, Texas;
- Nellis Air Force Base, Nevada;
- Naval Hospital Pensacola, Florida;
- Benefit Recovery, Houston, Texas;
- Signature Performance, Omaha, Nebraska; and
- Defense Health Agency Headquarters, Falls Church, Virginia.

¹⁵ ASD(HA), "Revision of Compliance Audit Requirements in the Department of Defense 6010.15-M, Military Treatment Facility UBO Manual," November 9, 2006.

Use of Computer-Processed Data

We relied on computer-processed data from Third Party Outpatient Collection System, Accounts Receivable Management System–Professional, Accounts Receivable Management System–Recovery and Signature’s Technology Accounts Receivable System. We reviewed applicable source documentation for the outpatient claims to determine the reliability of the information on selected claims. As a result, we determined that the data used were sufficiently reliable for the purpose of this audit and that it did not affect our findings, conclusions, or recommendations.

Use of Technical Assistance

We obtained support from the DoD OIG Quantitative Methods Division (QMD) to develop the statistical sample of outpatient claims for review. In addition, QMD developed a quantitative plan to support our objective. See Appendix B for more details on our universe and how we selected our sample.

Prior Coverage

In addition to Report No. D-2007-108, “Outpatient Third Party Collection Program,” July 18, 2007, nine reports were issued during the last 5 years that discuss TPCP from the Department of Defense Inspector General (DoD IG), Army Audit Agency, and the Air Force Audit Agency issued. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted Army reports can be accessed on the Internet at <https://www.aaa.army.mil/>. Air Force Audit Agency reports can be accessed on the Internet at <https://www.foia.af.mil/palMain.aspx> by those filling out the Freedom of Information Act form.

DoD IG

Report No. DODIG-2014-112, “Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight,” September 16, 2014

Report No. DODIG-2014-101, “Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight,” August 13, 2014

Army Audit Agency

Report No. A-2009-0061-ALE, "Billing Operations, U.S. Army Europe Regional Medical Command," March 31, 2009

Air Force Audit Agency

Report No. F2012-0096-FDM000, "Follow-up Audit Third Party Collections 45th Space Wing Patrick AFB FL," August 22, 2012

Report No. F2012-0077-FBN000, "Third Party Collections 28th Bomb Wing Ellsworth AFB SD," July 5, 2012

Report No. F2012-0011-FBS000, "Third Party Collection Program 27th Special Operations Wing Cannon AFB NM," November 16, 2011

Report No. F2011-0024-FBM000, "Third Party Collection Program 30th Space Wing Vandenberg AFB," January 20, 2011

Report No. F2011-0011-FBS000, "Third Party Collection Program 56th Fighter Wing Luke AFB," October 27, 2010

Report No. F2010-0039-FDM000, "Third Party Collections 45th Space Wing Patrick AFB," May 10, 2010

Appendix B

QMD Sample Design for Outpatient Claims

QMD developed a sample design from the population of claims obtained from the six submitting MTFs. We placed all claims into groups based on whether the value of the claim exceeded \$1,000.¹⁶ We selected a statistical random sample of 20 claims from each group, totaling 240 claims. We used SAS programming tools to obtain simple random samples without replacement. See Table B-1 for descriptions of claims submitted by each MTF.

Table B-1. Third Party Collection MTFs Population Description

MTF	Claim Value	Claims	Records	Total Billed Value (in thousands)
Fort Belvoir Community Hospital	\$1K or less	71,815	251,971	\$9,097
	Over \$1K - \$100K	2,061	17,147	\$4,111
	Over \$100K	3	6	\$1,627
Brooke Army Medical Center	\$1K or less	62,588	156,730	\$8,075
	Over \$1K - \$100K	1,796	7,162	\$4,058
Joint Base San Antonio	\$1K or less	70,391	183,953	\$10,964
	Over \$1K - \$100K	2,363	13,897	\$3,881
Madigan Army Medical Center	\$1K or less	54,500	168,788	\$6,032
	Over \$1K - \$100K	1,276	5,375	\$2,606
Nellis Air Force Base	\$1K or less	54,051	151,027	\$8,286
	Over \$1K - \$100K	1,860	9,018	\$3,252
Naval Hospital Pensacola	\$1K or less	18,942	54,907	\$2,431
	Over \$1K - \$100K	429	2,263	\$864
Total		342,075	1,022,244	\$65,284

¹⁶ One MTF-FBCH, had three claims with reported values over \$100,000. We selected all three in a third stratum. We reduced the number of sample claims in the FBCH high-dollar group to 17, offsetting those 3. As a result, 13 strata were used to calculate any estimates.

Population

The population consisted of 342,075 claims¹⁷ (involving 1,022,244 records) submitted by six MTFs billed to third party insurance providers for a combined billed value of \$65,285,557.

Measures

The planned measures for initial follow up were the estimated rate of occurrence and value of claims submitted to third party insurance carriers without an initial follow up action for claims not received within 60 days but less than 90 days from the initial claim date. The planned measures for the legal referral was the estimated rate of occurrence and value of claims that exceeded 270 days without clear evidence the claim would be paid.

Parameters

We used a 95-percent confidence level for the statistical estimates.

Statistical Projections and Interpretation

The planned analysis included making projections based on the discrepancies identified from the sample results across the MTFs. The discrepancies include claims without timely initial follow up, documented write offs, referral to legal, or precertification approval. Table B-2 below summarizes the sample results from our fieldwork.

Table B-2. Sample Size and Sample Results

MTF	Claim Value	Claims	Sample Claims	Timely Followup Sample Errors	Write-Off Sample Errors	Legal Referral Sample Errors	Lack of Precertification Sample Errors
Fort Belvoir Community Hospital	\$1K or less	71,815	20	0	0	0	1
	Over \$1K - \$100K	2,061	17	0	0	1	3
	Over \$100K	3	3	1	0	1	0

¹⁷ The basic unit of a claim involved an outpatient “encounter” between a patient and a provider, which had one or more billable actions. For example, a beneficiary could have fallen, resulting in a lacerated (cut) and possibly broken elbow. During the visit with the provider (one billable event), there could be an X-ray to check for breaks (second billable event), a tetanus shot for the laceration (third billable event), and a prescription for pain medication (fourth billable event). These would be billed under one claim with four associated records.

MTF	Claim Value	Claims	Sample Claims	Timely Followup Sample Errors	Write-Off Sample Errors	Legal Referral Sample Errors	Lack of Precertification Sample Errors
Brooke Army Medical Center	\$1K or less	62,588	20	6	1	2	1
	Over \$1K - \$100K	1,796	20	9	0	1	0
Joint Base San Antonio	\$1K or less	70,391	20	1	13	4	0
	Over \$1K - \$100K	2,363	20	8	7	2	3
Madigan Army Medical Center	\$1K or less	54,500	20	8	0	6	0
	Over \$1K - \$100K	1,276	20	9	3	6	0
Nellis Air Force Base	\$1K or less	54,051	20	6	6	3	4
	Over \$1K - \$100K	1,860	20	7	10	2	4
Naval Hospital Pensacola	\$1K or less	18,942	20	1	0	0	1
	\$1K - \$100K	429	20	5	0	0	3
Total		342,075	240	61	40	28	20

To project the results of the sample, we used the sample population in Table B-1 of this Appendix and the sample design at the 95 percent confidence level.

We then used the sample results in Table B-2 of this Appendix to calculate these estimates for the number of claims with at least one of the following discrepancies:

- without timely follow up;
- documented write-off rationale;
- not referred to legal, and
- no precertification or preauthorization.

See Tables B-3, B-4, B-5, B-6, and B-7 below for a breakdown of the claim projections.

Table B-3. Estimated Number of Claims With At Least One Discrepancy

	Lower Bound	Point Estimate	Upper Bound
Percent of Claims	32.6%	42.4%	52.1%
Number of Claims	111,515	144,930	178,345
Billed Value of Claims	\$24,747,063	\$34,814,476	\$44,881,888

Table B-4. Estimated Number of Claims Without Timely Initial Follow Up

	Lower Bound	Point Estimate	Upper Bound
Percent of Claims	10.6%	18.8%	27.0%
Number of Claims	36,268	64,345	92,422
Billed Value of Claims	\$10,056,566	\$17,301,967	\$24,547,368

Table B-5. Estimated Number of Claims Without Documented Write-Off Rationale

	Lower Bound	Point Estimate	Upper Bound
Percent of Claims	12.2%	19.6%	27.0%
Number of Claims	41,756	67,047	92,338
Billed Value of Claims	\$6,342,805	\$11,937,139	\$17,531,473

Table B-6. Estimated Number of Claims Not Referred to Legal

	Lower Bound	Point Estimate	Upper Bound
Percent of Claims	5.5%	13.4%	21.3%
Number of Claims	18,845	45,812	72,778
Billed Value of Claims	\$2,707,649	\$9,571,316	\$16,434,983

Table B-7. Estimated Claims Without Precertification or Preauthorization

	Lower Bound	Point Estimate	Upper Bound
Percent of Claims	0.1%	5.7%	11.4%
Number of Claims	228	19,632	39,036
Billed Value of Claims	\$3,173,285	\$10,357,418	\$17,541,551

Management Comments

Assistant Secretary of Defense (Health Affairs)



DEFENSE
HEALTH AGENCY

**OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
HEALTH AFFAIRS**

7700 ARLINGTON BOULEVARD, SUITE 5101
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JUN 15 2015

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
PRINCIPAL ASSISTANT INSPEPCTOR GENERAL FOR
AUDITING

SUBJECT: Department of Defense Inspector General Draft Report, "Follow-up Audit:
Department of Defense Military Treatment Facilities Continue to Miss
Opportunities to Collect on Third Party Outpatient Claims"

Thank you for the opportunity to review and comment on the Department of Defense Draft (DoD) Report, Project No. D2014-D000XD-0123.000, "Follow-up Audit: DoD Military Treatment Facilities (MTF) Continue to Miss Opportunities to Collect on Third Party Outpatient Claims," dated May 14, 2015.

Thank you for the opportunity to review and comment on the Department of Defense Draft Report, Project No. D2014-D000XD-0123.000, "Follow-up Audit: DoD MTFs Continue to Miss Opportunities to Collect on Third Party Outpatient Claims," dated May 14, 2015.

My specific comments to the recommendations are attached for your consideration to incorporate in the final report. Overall, I concur with the Draft Report's findings, opportunities do still exist for MTF to improve collections. However, I have also provided responses for a few recommendations for which I non-concur.


I have reviewed the section of the Draft Report entitled "Review of Internal Controls" in which the DoD Inspector General identifies two internal control Uniform Business Office (UBO) material weaknesses: 1) failure to follow UBO Manual procedures in supporting UBO operations; and 2) procedures at DoD MTFs not followed for obtaining precertification or preauthorization to allow for claim collection. I concur with the DoD IG's assessment of the internal control weakness related to the supporting of UBO operations detailed the UBO Manual. The Defense Health Agency (DHA) needs to improve oversight procedures to verify that officials at DoD MTFs conduct compliance audits, follow up on outpatient claims, or refer outstanding claims to legal for collection when they were open for more than 270 days after initial billing as required by the UBO Manual.

The DHA will identify this material weakness in our upcoming Fiscal Year (FY) 2015 Annual Statement of Assurance (ASA) currently being prepared. The ASA includes sections in which we will identify and discuss this material weakness and detail a Corrective Action Plan (CAP) outlining actions and timelines to correct this material weakness. The DHA FY 2015 ASA is required to be submitted to the Under Secretary of Defense (Personnel and Readiness) by July 1, 2015. The Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) ASA is due to the Under Secretary of Defense (Comptroller) by September 1, 2015. I will provide a copy of the DHA FY 2015 ASA once formally submitted and accepted by USD(P&R).

Assistant Secretary of Defense (Health Affairs) (cont'd)

While every effort should be made to obtain pre-certification and pre-authorization during the Other Health Insurance identification processes, by definition, in the Military Health System (MHS) MTF/MHS appointing environment, systematic process limitations exist that make it difficult to obtain pre-authorization and pre-certification. With the deployment of the Armed Forces Billing and Collection Utilization Solution (ABACUS), the MHS has instituted plans to improve this issue, as well as those others identified in the draft report.

My point of contact for this issue is [REDACTED]


Darrell W. Landreaux
Acting Director, Business Support Directorate

Attachments:
As stated

Assistant Secretary of Defense (Health Affairs) (cont'd)

**DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL
DRAFT REPORT – DATED MAY 14, 2015
PROJECT NO. D2014-D000XD-0123.000
“FOLLOWUP AUDIT: DOD MILITARY TREATMENT FACILITIES CONTINUE TO
MISS OPPORTUNITIES TO COLLECT ON THIRD PARTY OUTPATIENT CLAIMS”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATIONS**

We recommend Assistant Secretary of Defense (Health Affairs) to:

RECOMMENDATION 1: Conduct an analysis to determine the sufficient time needed to conduct adequate follow up on billed claims for Third Party Collection (TPC) Program.

DOD RESPONSE: Concur. The Services and the National Capital Region Medical Directorate (NCR MD) are actively working to deploy a new medical billing solution, the Armed Forces Billing and Collection Utilization Solution (ABACUS). ABACUS will streamline all medical billing and collection functions into one platform enabling medical treatment facilities (MTFs) and TPC contractors to perform billing, collections, follow-up, transfer of debt and financial reporting functions within one system/solution versus the two antiquated legacy systems currently utilized. ABACUS will provide the Defense Health Agency Uniform Business Office (DHA UBO), the Services and NCR MD data needed to formally analyze the sufficient time needed to conduct adequate follow-up on billed claims for TPC. DHA UBO will use this data to conduct ongoing analysis of timeframes to conduct follow up on billed claims and identify feasible business process improvements.

RECOMMENDATION 2: Coordinate with the Services to develop a plan to:

- a. Review Uniform Business Office resource issues for the MTFs.
- b. Ensure that the MTFs refer outstanding third party claims to the appropriate legal office as required.

DOD RESPONSE:

2a: Non-Concur. DHA can review current MTF staffing levels and make recommendation to the Services and NCR MD but ultimately staffing decisions reside with the Services and NCR MD leadership. The Services and NCR MD should manage resource issues with their respective Service/NCR MD leadership.

2b: Concur. The Services and NCR MD MTFs are required by statute to transfer claims delinquent over 120 days to the US Treasury per The Digital Accountability and Transparency Act (DATA) of 2014 (31 USC 3716(c)(6), as amended 5/9/14). Also, the DHA Memorandum, "DHA Write off of Aged Amounts Owed to MTFs Clarification of Procedures" was published July 31, 2014 to provide additional instruction to the MTFs. This information has also been

Assistant Secretary of Defense (Health Affairs) (cont'd)

included in the DHA Manual, MTF UBO Operations, currently routing for approval (per the DoD Office of the General Counsel recommendation the DoD 6010.15-M MTF UBO Manual is being reissued as a DHA publication).

RECOMMENDATION #3: Update the DoD 6010.15-M, “MTF UBO Manual” to:

- a. Revise and mandate the use of a standardized quarterly compliance checklist for all Services.
- b. Include results of analysis of timeframes to conduct follow up on billed claims for TPC Program.
- c. Provide clear and explicit requirements for documenting the follow up on outstanding claims and the rationale for writing –off a claim.

DOD RESPONSE:

3a. Concur. DHA UBO has updated the DHA Manual, MTF UBO Operations. The manual is currently routing for coordination and has been updated to require use of a standard compliance checklist, which at minimum, contains the compliance information required by DHA.

3b. Concur. See response 3c.

3c. Concur. DHA UBO has updated DHA Manual, MTF UBO Operations. The manual currently routing for coordination and has been updated to require minimum documentation in the billing record to include date(s) for: action take on each claim, amounts billed and collected, appeal and responses for amounts in dispute, and final disposition including timeframe to conduct follow up on outstanding claims and date transferred to DFAS or the Department of Treasury. DHA UBO is also updating the DHA UBO Compliance Checklist to include reporting of the above timeline documentation for a sample set of records.

RECOMMENDATION #4: Establish a quality assurance program that monitors:

- a. Third Party Collection Program compliance audit results and present solutions to the Services as necessary such as the precertification or preauthorization denials.
- b. Implementation of revised follow up requirements.

DOD RESPONSE:

4a. Concur. Upon full deployment of ABACUS, DHA UBO, in coordination with the Services and NCR MD, will develop a program to capture compliance data required to be reported up to DHA through the Service HQs and NCR MD semi-annually. Reports will include analysis of program results, compliance with billing and collections timelines, and assessments of denials.

Assistant Secretary of Defense (Health Affairs) (cont'd)

DHA UBO will collaborate with the Services and NCR MD as well as other functional activities of the Military Health System revenue cycle (e.g., DHA Pharmacy Operations, DHA Patient Administrative Branch, DHA Medical Coding, DHA Information Technology) to define issues including root causes and develop solutions.

4b. Concur. DHA UBO has updated the DHA Manual, MTF UBO Operations, Compliance Checklist and User Guide to include standardized requirements for compliance audits and claims follow up. Audit results will be reported up to DHA through Service Headquarters and NCR MD on a semi-annual basis, follow-up audits will be performed (if required), and DHA UBO will continue to make necessary updates to guidance and oversight as solutions and business process improvements are identified.

RECOMMENDATION #5: Coordinate with the Services and the third party insurance providers to establish an agreement to accept their claims for 90-day prescription disbursements due to their unique business process.

DOD RESPONSE:

Non-concur. DHA has attempted in the past to establish agreements but has been unsuccessful. Under available statutory authority DHA rights to reimbursement are the same as those of beneficiaries; if a third-party does not reimburse for 90-day scripts (instead directing beneficiaries to their mail-order plan) they cannot be compelled to do so. In 2013 DHA considered submitting a 2015 legislative proposal to address this issue, but reconsidered after learning that proposal would have some severe unintended consequences that could impair or reduce our collections under both the medical and pharmacy programs.

Acronyms and Abbreviations

ASD(HA)	Assistant Secretary of Defense (Health Affairs)
BAMC	Brooke Army Medical Center
DHA	Defense Health Agency
FBCH	Fort Belvoir Community Hospital
MAMC	Madigan Army Medical Center
MTF	Military Treatment Facility
NCR MD	National Capital Region Medical Directorate
NHP	Naval Hospital Pensacola
OHI	Other Health Insurance
TPCP	Third Party Collection Program
UBO	Uniform Business Office



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