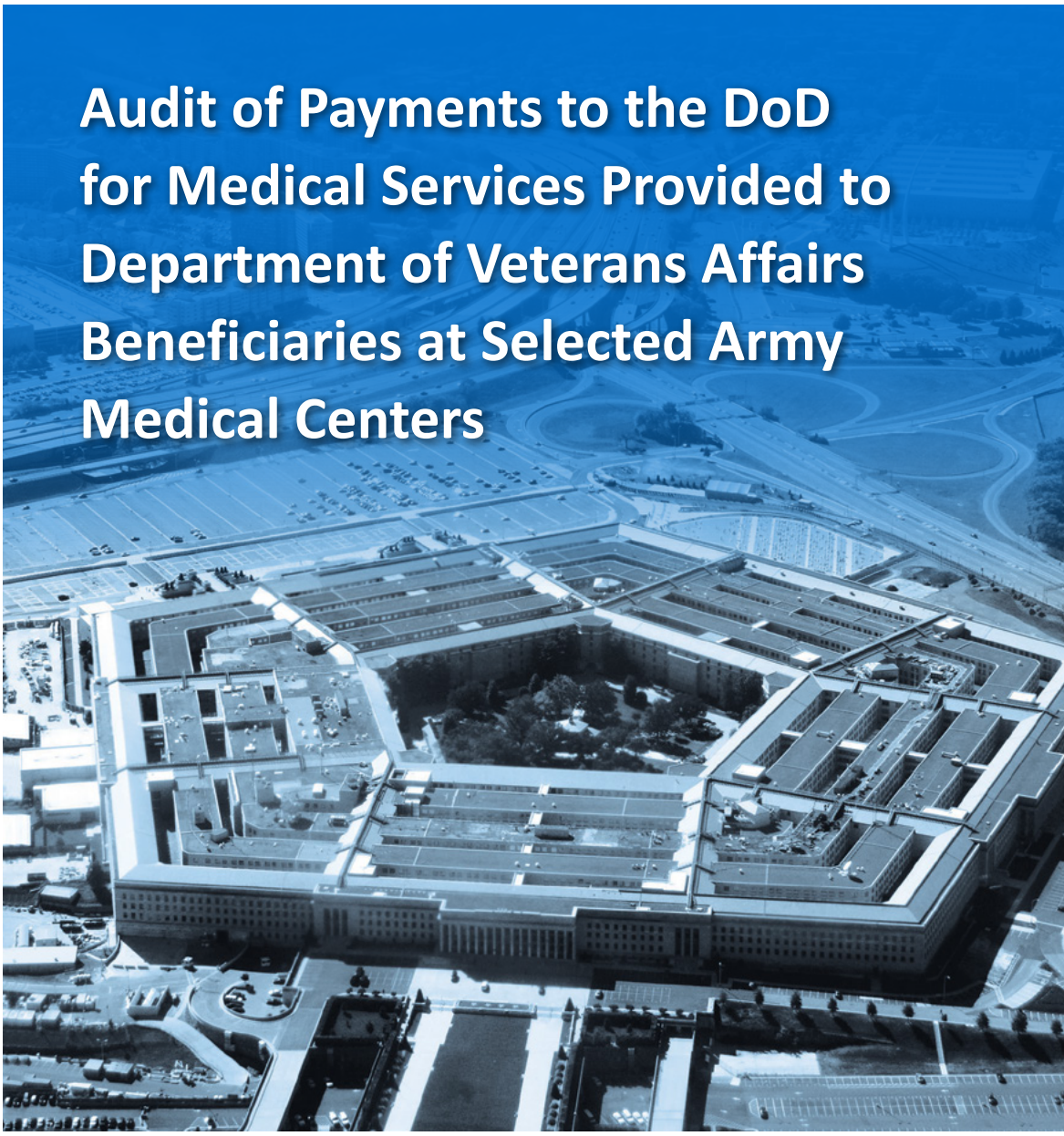
Report No. DODIG-2019-073

INSPECTOR GENERAL

U.S. Department of Defense

APRIL 8, 2019

Audit of Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers



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INSPECTOR GENERAL
INTEGRITY
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Results in Brief

Audit of Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers

April 8, 2019

Objective

We determined whether the Army billed and received payment for services provided to Department of Veterans Affairs (VA) beneficiaries under Health Care Sharing Agreements at selected Army medical centers. We conducted this audit in response to allegations that were made to the DoD Hotline. We performed the audit at Tripler Army Medical Center (Tripler) in Honolulu, Hawaii, and William Beaumont Army Medical Center (Beaumont) in El Paso, Texas.

Background

The DoD and VA coordinate, use, or exchange their health care resources through Health Care Resource Sharing Agreements. Public law states that the goal of resource sharing is to improve the access, quality, and cost effectiveness of the health care provided by the Veterans Health Administration and the Military Health System to the beneficiaries of both Departments. The DoD provides health care to VA beneficiaries when the beneficiaries are referred to the DoD by the VA. The VA is then supposed to reimburse the providing military treatment facilities based on reimbursement rates established in the resource sharing agreements.

Finding

We determined that Tripler and Beaumont personnel did not always bill the VA for authorized care and did not receive payment from the VA for all medical care provided to VA beneficiaries under resource sharing agreements established between the DoD and the VA.

Finding (cont'd)

Tripler and Beaumont personnel did not bill, or could not determine whether they billed, the VA for all eligible services because encounter data did not transfer from the scheduling system to the billing system and the scheduling system did not record laboratory, radiology, and pharmacy services provided to VA beneficiaries in the patient encounter summaries.[1] Based on our review of sampled encounters, we found that, in 20 of 137 FY 2017 VA encounters sampled at Tripler and 17 of 93 FY 2017 VA encounters sampled at Beaumont, some elements of care did not properly cross from the scheduling system to the billing system. In addition, in 69 outpatient encounters included in the 137 Tripler encounters we reviewed, Tripler personnel did not bill the VA for doctors' rounds in 11 encounters and clinic visits in 16 encounters. This occurred, in part, because of known errors in the scheduling system that prevented claims from transferring to the billing system.

Additionally, Tripler personnel provided VA beneficiaries care that was unauthorized and ineligible for reimbursement from the VA because Tripler personnel did not always check for a valid authorization before providing care to the VA beneficiaries. In addition, Beaumont billing personnel could not verify whether the VA authorized all of the care they provided to VA beneficiaries and billed to the VA because Beaumont personnel did not enter authorization data into the scheduling system. Although a VA referral is required for all VA outpatient appointments, Beaumont personnel believed it was unnecessary to verify authorization because the VA historically paid all claims. Beaumont personnel did not verify VA authorization in any of the 93 encounters in the Beaumont sample. Although we determined that the VA authorized all of the 93 encounters, Beaumont personnel could not provide evidence that the VA provided authorization before Beaumont providers administered the care, which could result in the VA denying payment for the care.

[1] An encounter is a single emergency room visit, a single outpatient visit, or a single inpatient stay. Each encounter could result in multiple claims; for example, an outpatient encounter could result in individual claims for laboratory, radiology, and pharmacy services.

Results in Brief

Audit of Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers

Finding (cont'd)

Additionally, according to Tripler personnel, as of May 2018, the VA Pacific Islands Health Care System had not paid $23.8 million for FY 2017 health care because VA Pacific Islands Health Care System personnel had not yet reviewed and processed the claims.

Finally, Tripler did not receive payment for some care provided to VA beneficiaries in FYs 2016 and 2017 because the Deputy Assistant Secretary of Defense (Health Resources Management and Policy) approved a settlement proposed by the VA to cover FY 2016 claims. The settlement was intended to provide payment for all of Tripler's FY 2016 open and unpaid VA claims, and included a provision for a reconciliation to determine whether the settlement amount was determined correctly. However, after reconciliation of the settlement amount, Tripler did not receive $9.4 million of FY 2016 claims for which the settlement did not cover. VA payments become part of Tripler's operating revenue; therefore, the settlement resulted in a loss of $9.4 million in FY 2016. The settlement also resulted in the VA improperly denying up to 9,700 FY 2017 claims for care the DoD provided to VA beneficiaries in FY 2016 because VA personnel believed that the FY 2017 claims were included in the FY 2016 settlement. These 9,700 claims represent 87 percent of all FY 2017 denials, which, according to Tripler personnel, totaled over $5.3 million as of May 2018. These FY 2017 denials reduced Tripler's FY 2017 operating revenue.

As a result, Tripler experienced revenue shortfalls that prevented execution of planned projects and acquisitions. Furthermore, the control weaknesses we identified may exist at other sharing sites where the DoD provides medical services to VA beneficiaries, increasing the risk that the DoD will provide unauthorized and unreimbursed care to VA beneficiaries in the future.

Recommendations

Among other recommendations, we recommend that the:

- Assistant Secretary of Defense (Health Affairs) coordinate with VA counterparts on the Health Executive Committee to develop a joint solution to improve timeliness of VA payments to Tripler;
- Defense Health Agency Director identify sources of billing errors and modify the system to prevent future errors;
- Tripler Army Medical Center Commander review and resubmit all FY 2016 and FY 2017 claims that the VA denied due to the settlement; and
- William Beaumont Army Medical Center Commander update standard operating procedures to require a valid authorization for VA beneficiaries.

Management Comments and Our Response

The Principal Deputy Assistant Secretary of Defense (Health Affairs) (PDASD[HA]), responding for the Assistant Secretary of Defense (Health Affairs), agreed with the recommendation to coordinate with the Health Executive Committee to determine the source of payment delays at Tripler and develop a joint solution to improve timeliness of payments. The PDASD(HA) stated that the Health Executive Committee Financial Management Work Group has been investigating claim-by-claim billing processes since 2014, and that its current effort is to streamline billing through the pilot Advance Payment Program. Comments from the PDASD(HA) partially addressed the recommendation. While the working group's examination of the financial problems at this sharing site meets the intent of the recommendation, the PDASD(HA) did not explain how

Management Comments (cont'd)

the Advance Payment Program, which was implemented at one pilot site as of March 2019, would improve the timeliness of payments to Tripler for care provided to VA beneficiaries. Therefore, this recommendation is unresolved. We request that the Assistant Secretary of Defense (Health Affairs) provide us with documentation that demonstrates how the Advance Payment Program will improve the timeliness of VAPIHCS payments to Tripler, and that outlines an implementation timeline for Tripler.

The PDASD(HA), responding for the DHA Director, agreed with the recommendation to identify the source of billing errors, stating that DHA personnel believe the source of the errors is in the scheduling system. The DHA Uniform Business Office will coordinate with scheduling system representatives to identify the source of errors that prevented information from transferring to the billing system. The recommendation is resolved but will remain open. We will close the recommendation once the DHA provides documentation that demonstrates that the DHA identified the system errors.

The PDASD(HA), responding for the DHA Director, disagreed with the recommendation to modify the billing system to prevent future errors, stating that the errors did not occur in the billing system and therefore it is not the billing system that needs modification. However, the PDASD(HA) stated that DHA personnel will coordinate with clinical system representatives to address scheduling system data quality. Although the PDASD(HA) disagreed, his comments meet the intent of the recommendation, which is to identify and resolve system errors that prevent billing regardless of where in the billing process the errors occurred. The recommendation is resolved but will remain open. We will close this recommendation once the DHA provides documentation that demonstrates DHA personnel corrected the system errors that prevented billing and payment of inpatient professional fees.

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Commander, agreed with the recommendations to resubmit FYs 2016 and 2017 claims denied by the VA and stated that they completed these actions on October 31, 2018. We reviewed supporting documents that showed that Tripler personnel sent the claims to the VA. The recommendations are resolved but will remain open. We will close the recommendations when Tripler personnel provide us with a report that indicates whether the resubmitted claims were paid, rejected, or denied.

The U.S. Army Medical Command Chief of Staff, responding for the Beaumont Commander, disagreed with our recommendation to update standard operating procedures to require a valid authorization for VA beneficiaries. However, Beaumont took other corrective actions, including updating the Medical Support Assistant Handbook, updating two standard operating procedures, and providing training for providers and staff. These actions, which were completed on February 15, 2019, meet the intent of the recommendation. We verified that Beaumont personnel updated the handbook and standard operating procedures as described in the Chief of Staff's response. Therefore, the recommendation is closed.

Please see the recommendations table on the next page.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Assistant Secretary of Defense (Health Affairs)	1	None	None
Director, Defense Health Agency	2.b, 2.c	2.a, 2.a.1, 2.a.2, 2.a.3	None
Commander, U.S. Army Medical Command	None	3	None
Commander, Tripler Army Medical Center	4.b	4.a, 4.c, 4.d, 4.e, 4.f	None
Commander, William Beaumont Army Medical Center	None	None	5

Please provide Management Comments by May 8, 2019.

Note: The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.

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

April 8, 2019

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DIRECTOR, DEFENSE HEALTH AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers (Report No. DODIG-2019-073)

We are providing this report for review and comment. We conducted this audit in accordance with generally accepted government auditing standards.

We considered comments on a draft of this report. DoD Instruction 7650.03 requires that all recommendations be resolved promptly. Comments from the Principal Deputy Assistant Secretary of Defense (Health Affairs), responding for the Assistant Secretary of Defense (Health Affairs), partially addressed the recommendation. We request additional comments from the Assistant Secretary of Defense (Health Affairs) on Recommendation 1. Comments from the Principal Deputy Assistant Secretary of Defense (Health Affairs), responding for the Defense Health Agency Director, partially addressed the recommendations. We request additional comments from the Defense Health Agency Director on Recommendations 2.b and 2.c. Comments from the U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, partially addressed the recommendations. We request additional comments from the Tripler Army Medical Center Commander on Recommendation 4b. Comments on the remaining recommendations addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

Please send a PDF file containing your comments to audyorktown@dodig.mil by May 8, 2019. 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).

Please direct questions to Mr. James Degaraff at (757) 989-1233. We appreciate the cooperation and assistance received during the audit.

Theresa S. Hull
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

Contents

Introduction

Objective

We determined whether the Army billed and received payment for services provided to Department of Veterans Affairs (VA) beneficiaries under Health Care Sharing Agreements at selected Army medical centers. This audit was conducted in response to allegations that were made to the DoD Hotline. We considered the allegations in developing our objective. See Appendix A for a discussion of the scope and methodology and prior audit coverage.

DoD Hotline Complaint

The DoD Office of Inspector General received a DoD Hotline complaint alleging that the VA did not pay the Army for medical care provided to VA beneficiaries in a timely manner, resulting in budget shortfalls. The complainant stated that these problems occurred at Army medical centers, including Tripler Army Medical Center (Tripler) in Honolulu, Hawaii, and William Beaumont Army Medical Center (Beaumont) in El Paso, Texas. We performed the audit at Tripler and Beaumont.

We confirmed the allegation that the VA did not pay for medical care provided to VA beneficiaries in a timely manner at Tripler; however, we did not identify any significant payment delays at Beaumont. In addition, we confirmed that the untimely payments resulted in reduced revenue at Tripler. We identified additional problems at the sites we visited regarding authorizations, billing, and payments.

Background

The DoD and VA coordinate, use, or exchange their health care resources through Health Care Resource Sharing Agreements (RSAs). Public law states that the goal of resource sharing is to improve the access, quality, and cost-effectiveness of the health care provided by the Veterans Health Administration and the Military Health System to the beneficiaries of both Departments.[2] Public law also states health care resources of the DoD shall be shared with health care resources of the Department of Veterans Affairs.[3]

The DoD and VA coordinate, use, or exchange their health care resources through Health Care Resource Sharing Agreements.

[2] Section 8111, title 38, United States Code (38 U.S.C. § 8111 [2012]), "Sharing of Department of Veterans Affairs and Department of Defense Health Care Resources."

[3] Section 1104, title 10, United States Code (10 U.S.C § 1104 [2012]), "Sharing of health-care resources with the Department of Veterans Affairs."

Criteria

Public law requires the Secretaries of the VA and the DoD to enter into agreements for the mutually beneficial coordination, use, or exchange of health care resources of the two Departments. Such sharing agreements must be designed to provide health care to individuals who are not primary beneficiaries of the providing Department on a referral and reimbursable basis from the other Department. The public law authorizes the heads of individual DoD and VA medical facilities and service regions to enter into regional sharing agreements.[4]

The "Memorandum of Understanding Between the Department of Veterans Affairs and the Department of Defense Health Care Resources Sharing Guidelines," referred to in this report as the Master Sharing Agreement, is the Federally mandated agreement between the Secretaries of the VA and the DoD.[5] Under the agreement, local sharing agreements must be reviewed annually and may be valid for up to 5 years. The Master Sharing Agreement requires all local sharing agreements to include a:

- statement that the provision of care is on a referral basis;
- statement that the provision of care will not adversely affect the range of services, the quality of care, or the established priorities for the care provided to the primary beneficiaries of the providing Department;
- statement of the specific health care resources to be shared under the agreement; and
- reimbursement rate for the cost of the health care resources provided under the agreement.

The DoD does not fund military treatment facilities (MTFs) to provide care to VA beneficiaries. The VA reimburses MTFs that provide care under RSAs. Public law allows the Secretaries to waive elements of the payment schedule on a case-by-case basis if they jointly agree that such a waiver is in the best interests of both Departments.[6]

Hawaii Region RSA

The RSA between Tripler and the VA Pacific Islands Health Care System (VAPIHCS) was signed on January 1, 2008, and expired on December 31, 2013; however, Tripler and VAPIHCS representatives signed an extension of the former agreement on April 27, 2017, that does not expire until the effective date of a new RSA. As of December 2018, Tripler and VAPIHCS representatives were developing a new RSA.

[4] 38 U.S.C. § 8111 (2012).
[5] 38 U.S.C. § 8111 (2012).
[6] 38 U.S.C. § 8111 (2012).

The RSA provides a method for sharing all health care resources between the VAPIHCS and Tripler where demand and capacity exist, provided such sharing does not delay or deny care to each agency's primary population. With the exception of urgent or emergency outpatient care, all eligible VA beneficiaries require preauthorization from the VAPIHCS to receive health care services at Tripler. Services under the Tripler/VAPIHCS RSA include inpatient, ambulatory, emergency, and ancillary services.

El Paso Region RSA

The RSA between Beaumont and the El Paso VA Health Care System (EPVAHCS) was signed January 1, 2013, and expired December 31, 2018. As of March 2019, a renewal agreement was undergoing staffing at U.S. Army Medical Command; the existing agreement was extended for 180 days. The RSA states that Beaumont will provide health care services to eligible VA beneficiaries on a "resources available" basis and upon referral by the EPVAHCS. Provision of care to VA beneficiaries will not adversely affect the range of services, the quality of care, or the established priorities of care provided to Beaumont primary beneficiaries. The RSA requires the EPVAHCS to provide reimbursement for health care resources used at Beaumont to provide patient care to eligible VA beneficiaries. Patient care includes, but is not limited to, emergency, inpatient, ambulatory, ancillary, and ambulatory surgery services. The EPVAHCS will reimburse Beaumont for all authorized care.

Health Care Scheduling and Billing Systems

The Composite Health Care System (referred to as the scheduling system) is the foundation for the DoD's electronic health record. The scheduling system allows clinicians to electronically schedule appointments, order laboratory tests, authorize radiology procedures, and prescribe medications. The scheduling system also supports multiple health care administrative activities, including patient administration, scheduling, medical service accounting, medical billing, and workload assignments. The scheduling system supports 150,000 health care providers and more than 9.4 million DoD beneficiaries with secure online access to health records worldwide at any time.

The DoD uses the Armed Forces Billing And Collections Utilization Solution (referred to as the billing system) to track claims and payments made against the claims. The scheduling system interfaces with the billing system to record and monitor patient billing. According to VA personnel, Tripler uses the billing system to transmit claims directly to the VAPIHCS, where VA personnel review and adjudicate claims as they are received. Beaumont uses the billing system to track claims and payments but does not use it to transmit claims directly to the EPVAHCS; instead, Beaumont provides the EPVAHCS with a periodic summary bill generated by the billing system.

Oversight

The DoD and VA share oversight of resource sharing activities through two committees. The Joint Executive Committee, co-chaired by the Under Secretary of Defense (Personnel and Readiness) and the Deputy Secretary of Veterans Affairs, develops and oversees the VA/DoD Joint Strategic Plan and identifies opportunities to enhance mutually beneficial services and resources. The Health Executive Committee, co-chaired by the Assistant Secretary of Defense (Health Affairs) and the VA Under Secretary for Health, works to institutionalize VA and DoD sharing and collaboration efforts to ensure the effective and efficient use of health services and resources. The Health Executive Committee reports directly to the Joint Executive Committee.

Sampling of VA Medical Encounters

We selected a random sample of FY 2017 VA beneficiary inpatient, outpatient, and emergency room encounters at Tripler and Beaumont. We evaluated the sampled encounters to determine whether the VA authorized the sampled encounters and whether services provided to VA beneficiaries flowed from the scheduling system to the billing system. The DoD Office of Inspector General designed a stratified random sample based on the number of encounters in each strata.[7] The Table shows the number of VA encounters and sampled encounters by location visited and category of care.

Table. FY 2017 VA Beneficiary Encounters and Sample Sizes

	Tripler Encounters	Tripler Sample Size	Beaumont Encounters	Beaumont Sample Size
Inpatient	1,938	37	2,039	21
Outpatient	25,242	69	19,615	52
Emergency Room	4,913	31	8,451	20
Totals	**32,093**	**137**	**30,105**	**93**

Source: The DoD OIG.

Review of Internal Controls

DoD Instruction 5010.40 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.[8] We identified internal control weaknesses associated with scheduling systems, billing systems, and local administrative processes at Tripler and Beaumont.

[7] The Quantitative Methods Division designed the stratified random sample based on the total number of FY 2017 encounters provided by U.S. Army Medical Command. However, the audit team later learned that those totals were incorrect; therefore, we cannot statistically project the results of our sample testing to all FY 2017 Tripler and Beaumont VA encounters. See Appendix A for additional information.

[8] DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Because of the control weaknesses in systems and processes, Tripler and Beaumont personnel did not bill, or could not determine whether they billed, the VA for care they provided to VA beneficiaries. The control weaknesses identified may exist at other DoD/VA sharing sites, increasing the risk that the DoD will provide unauthorized and unreimbursed care in the future. We will provide a copy of the report to the senior official responsible for internal controls in the DHA, Tripler, and Beaumont.

Finding

Army Medical Centers Did Not Bill or Receive Payment for Care Provided to VA Beneficiaries

We determined that Tripler and Beaumont personnel did not always bill the VA for authorized care and did not receive payment from the VA for all medical care provided to VA beneficiaries under RSAs that were established between the DoD and the VA. We identified the following deficiencies.

- Tripler and Beaumont personnel did not bill, or could not determine whether they billed, the VA for all eligible services because encounter data did not transfer from the scheduling system to the billing system and the scheduling system did not record laboratory, radiology, and pharmacy services provided to VA beneficiaries in the patient encounter summaries.
- Tripler personnel provided VA beneficiaries with care that was unauthorized and ineligible for reimbursement from the VA because Tripler personnel did not always check for a valid authorization before providing care. Beaumont billing personnel could not verify whether the VA authorized all of the care they provided to VA beneficiaries and billed to the VA because Beaumont personnel did not enter referral data into the scheduling system. Beaumont personnel stated that, because the EPVAHCS has historically paid all claims, they believed it was unnecessary to verify authorization prior to treatment.

Additionally, according to Tripler personnel, as of May 2018—8 months after the end of FY 2017—the VAPIHCS had not paid $23.8 million for FY 2017 health care because the VAPIHCS had not yet reviewed and processed the claims. The Hawaii region RSA states that Tripler must bill the VA within 30 days of providing care, and that VAPIHCS must pay the claim within 30 days of receipt.

Finally, Tripler did not receive payment for some care provided to VA beneficiaries in FYs 2016 and 2017 because the Deputy Assistant Secretary of Defense (Health Resources Management and Policy) approved a settlement for FY 2016 claims. The settlement was intended to provide payment for all of Tripler's FY 2016 open and unpaid VA claims, and included a provision for a reconciliation to determine whether the settlement amount was determined correctly. However, after reconciliation of the settlement amount, Tripler did not receive $9.4 million of FY 2016 claims for which the settlement did not cover. VA payments become part of Tripler's operating revenue; therefore, the settlement resulted in a loss of $9.4 million in FY 2016. The settlement also resulted in the VA improperly denying

up to 9,700 FY 2017 claims for care because VAPIHCS personnel improperly considered claims for care that the VA referred in FY 2016 to be part of the FY 2016 settlement even though the care was not provided until FY 2017. These 9,700 claims represent 87 percent of all FY 2017 denials, which according to Tripler personnel, totaled over $5.3 million as of May 2018.

As a result, Tripler experienced revenue shortfalls that prevented the execution of planned projects and acquisitions. Furthermore, the control weaknesses we identified may exist at other sharing sites where the DoD provides medical services to VA beneficiaries, increasing the risk that the DoD will provide unauthorized and unreimbursed care in the future.

Tripler and Beaumont Personnel Did Not Bill the VA for All Care Provided to VA Beneficiaries

Tripler and Beaumont personnel did not always bill, or could not determine whether they billed, for eligible services provided to VA beneficiaries because encounter data did not transfer from the scheduling system to the billing system and the scheduling system did not record laboratory, radiology, and pharmacy services provided to VA beneficiaries in the patient encounter summaries. We selected a sample of FY 2017 emergency room, inpatient, and outpatient VA beneficiary encounters at Tripler and Beaumont. For each encounter, we determined whether Tripler and Beaumont personnel submitted claims to the VA for all of the care provided during the encounter.[9]

Encounter Data Did Not Transfer to the Billing System

Tripler and Beaumont personnel did not bill the VA for some elements of care provided to VA beneficiaries because portions of the encounter data did not transfer from the scheduling system to the billing system. This occurred in 20 of 137 FY 2017 VA encounters we sampled at Tripler and 17 of 93 FY 2017 VA encounters we sampled at Beaumont. Therefore, Tripler and Beaumont did not receive payment for the care that did not transfer from the scheduling system to the billing system.

Tripler and Beaumont personnel did not bill the VA for some elements of inpatient care provided to VA beneficiaries, such as professional fees and doctors' rounds.

Tripler and Beaumont personnel did not bill the VA for some elements of inpatient care provided to VA beneficiaries, such as professional fees and doctors' rounds. The local RSAs allow Tripler and Beaumont to bill the VA for these fees separately

[9] An encounter is a single emergency room visit, a single outpatient visit, or a single inpatient stay. Each encounter could result in multiple claims; for example, an outpatient encounter could result in individual claims for laboratory, radiology, and pharmacy services.

from the inpatient encounter. Specifically, of the Tripler encounters we reviewed, Tripler personnel did not bill the VA an estimated $2,104 for doctors' rounds in 11 encounters and clinic visits in 16 encounters. According to Tripler personnel, this occurred because of a known system error that resulted in missing data in the scheduling system and prevented the encounters from transferring to the billing system.

In the 93 Beaumont encounters we reviewed, Beaumont personnel did not bill the VA for 7 inpatient and 5 outpatient encounters because of known system errors that prevented the encounter data from transferring from the scheduling system to the billing system. Beaumont personnel did not provide a reason why the encounter data for five additional encounters did not cross and did not provide a value for the unbilled care. Beaumont personnel submitted a trouble ticket to the DHA Global Service Center in October 2017, and DHA personnel stated that they were aware of the system error and that it was resolved in December 2017.[10] However, in March 2018 we identified 12 FY 2017 claims that still contained the error. The DHA Director should identify the source of the billing system errors and modify the system accordingly, determine whether the billing system errors impacted other DoD/VA health care sharing sites, and ensure that sites impacted by the errors identify and bill the VA for the previously unbilled care.

Tripler and Beaumont Personnel Could Not Determine Whether They Billed for All Care Provided to VA Beneficiaries

Tripler and Beaumont personnel could not determine whether they billed the VA for all laboratory, radiology, and pharmacy services because Tripler and Beaumont did not have internal procedures to verify that these services were billed. Tripler personnel could not determine whether they billed for all of the services provided during the 31 emergency room encounters included in the 137 encounters in our sample. We examined the encounter summaries for care received during the emergency room visits and compared them to bills generated by the billing system. The encounter summary is a record in the scheduling system of the medical codes used to report procedures and services. We determined that, although the billing system generated bills to the VA for laboratory, radiology, and pharmacy services for some of the encounters in our sample, none of the 31 encounter summaries in our sample included laboratory, radiology, and pharmacy services, which could result in those services not being billed to the VA.

During our site visits, Beaumont personnel were unable to determine whether they billed for all laboratory, radiology, and pharmacy services for 33 of the 93 encounters in our sample because the encounter summaries did not contain

[10] The DHA Global Service Center provides a single point of contact to meet the communication and incident management needs of military health system users.

those services. Similar to Tripler, the 19 emergency room and 14 outpatient encounter summaries at Beaumont did not contain laboratory, radiology, or pharmacy services.

Although the Tripler and Beaumont billing systems generated bills to the VA for laboratory, radiology, and pharmacy services, personnel could not match the services billed to a VA beneficiary encounter summary in the scheduling system. This occurred because the DoD scheduling system did not record laboratory, radiology, and pharmacy services provided to VA beneficiaries in the patient encounter summaries. Beaumont personnel stated that it is possible to generate a report that details all of the services ordered during an encounter and trace that data through to the billing system, but they did not use this process to verify billing and payment. During our site visits, we requested evidence of billing and payment for all VA beneficiary care in our sample. However, neither Beaumont nor Tripler personnel provided such a report to the audit team during sample testing to validate payment of laboratory, radiology, and pharmacy services. Without reviewing an accurate summary of services provided to VA beneficiaries, Tripler and Beaumont personnel cannot be sure that they billed the VA for all care provided as required by the sharing agreements. The DHA Director should review and update the scheduling system to ensure that all care can be properly recorded, tracked, and billed.

Tripler Personnel Provided Unauthorized Care

Tripler personnel provided unauthorized care to VA beneficiaries; therefore, Tripler was not entitled to reimbursement for the unauthorized care. Tripler was not entitled to reimbursement for 25 services included in 7 of the 137 sampled encounters reviewed because the services were not authorized by the VA. The local RSA states that Tripler may only provide care to VA beneficiaries when the VAPIHCS authorizes the care. By providing care without obtaining VA authorization, Tripler personnel increased the risk that claims would be denied. The services in our sample were not authorized for the following reasons.

- Tripler did not have procedures for obtaining authorization for outpatient services provided to VA patients in the VAPIHCS inpatient psychiatric unit. The VAPIHCS operates an inpatient psychiatric unit for VA patients within Tripler. However, VA beneficiaries admitted to the VAPIHCS psychiatric unit require authorization for outpatient services provided by Tripler personnel outside of the psychiatric unit. Tripler personnel acknowledged that they did not have a procedure requiring personnel to obtain authorization before providing outpatient services. Tripler personnel also acknowledged that they did not have a procedure requiring personnel to obtain an authorization when a Tripler physician performed a specific

service in support of a hospital that lacked the capability. For example, Tripler personnel provided services in support of a VA patient at Naval Hospital Guam without VA authorization. The Tripler Commander should develop and implement procedures to obtain authorization for medical care provided to VA beneficiaries admitted to the VA inpatient psychiatric ward and for medical care provided in support of another hospital.

- Urgent and emergency care provided to VA beneficiaries did not always transfer from the DoD billing system to the VA system and VAPIHCS personnel were therefore unable to retroactively authorize some care. Urgent and emergency care provided to VA beneficiaries does not require prior authorization by the VA; however, Tripler personnel are required to obtain a retroactive authorization from the VA after providing the care. Tripler personnel stated that, when the DHA replaced the previous DoD billing system, the replacement system never fully integrated with the VA system. Tripler personnel stated that they implemented a workaround to monitor the list of eligible VA beneficiaries and the authorization process to ensure that they receive authorizations for all eligible encounters. The DHA Director should coordinate with the Health Executive Committee to develop a standardized process that allows the VA to review and retroactively authorize all emergency and inpatient care.

Additionally, Beaumont billing personnel could not determine whether the VA authorized outpatient care provided to VA beneficiaries because Beaumont personnel did not enter referral information into the scheduling system. A referral from the VA is required for all VA outpatient appointments. Beaumont personnel stated that, because EPVAHCS has historically paid all claims, they believed it was unnecessary to verify authorization prior to treatment. Although we determined that the VA authorized all of the outpatient encounters in our FY 2017 sample of Beaumont VA care, Beaumont personnel could not provide evidence that the VA provided authorization before Beaumont providers administered the care. At our request, Beaumont personnel obtained the authorization numbers from the EPVAHCS and validated that the EPVAHCS authorized all of the care for the outpatient encounters in our sample. Without authorization numbers in the scheduling system, the VA may deny claims for outpatient care provided to VA beneficiaries. The Beaumont Commander should update Beaumont standard operating procedures to require appointment schedulers and health care providers to ensure that all VA patients have a valid referral and that appointment schedulers properly record the authorization number in the scheduling system.

As a result, Beaumont personnel did not have assurance that all of the care provided to VA beneficiaries was authorized, increasing the risk that claims would be denied.

Tripler Did Not Receive Payment for All FY 2017 VA Medical Claims

Tripler billed but did not receive payment for care provided to VA beneficiaries. According to Tripler personnel, in May 2018—8 months after the end of FY 2017—$23.8 million remained unpaid for FY 2017 claims. In January 2018, VA personnel provided the audit team a report that showed that the unpaid claims included $9.7 million of FY 2017 claims VAPIHCS personnel adjudicated but rejected. VA personnel stated that rejected claims may contain an error or require an adjustment but that Tripler staff can make the adjustment and resubmit these claims for payment. Tripler personnel stated that they could not determine whether the VA rejected a claim based on errors or necessary adjustments and that they did not have the resources to review every unpaid claim to determine whether it contained an error. Therefore, Tripler personnel did not review, correct, and resubmit the $9.7 million of rejected claims for payment.

According to Tripler personnel, in May 2018—8 months after the end of FY 2017—$23.8 million remained unpaid for FY 2017 claims.

The local RSA states that Tripler must bill the VA within 30 days of providing care, and the VAPIHCS must pay the claim within 30 days of receipt. However, we identified multiple examples of failures by both Tripler and VAPIHCS to meet that standard. For example, Tripler personnel stated that they discharged 100 VA social admission patients in FY 2017.[11] According to Tripler personnel, they met the 30-day billing standard in only five FY 2017 social admission discharges, with some claims taking more than 300 days to bill. Tripler personnel stated that the delays occurred because changes to their billing methodology caused the claims to lack authorization numbers. As a result of the changes to the billing methodology, Tripler personnel had to resubmit new bills to the VA under the new billing methodology. As of July 2018, Tripler was awaiting VA payment for 65 of the 100 FY 2017 social admission claims. The Tripler Commander should review procedures for coding and billing and adjust procedures or allocate additional resources to enable billing within the 30-day standard.

Despite a 30-day payment standard, Tripler personnel stated that, 8 months after the end of FY 2017, they were still awaiting VAPIHCS adjudication on $23.8 million of unpaid FY 2017 claims. As a result, according to the Tripler personnel, Tripler did not receive at least $23.8 million in reimbursements that it could have used to fund FY 2017 operations. In contrast, Beaumont reported that the EPVAHCS

[11] A social admission is an inpatient stay for a patient who does not require inpatient care but Tripler providers determine that releasing the patient is inappropriate, such as a patient waiting for space in a long-term care facility.

approved and paid the entire $19.6 million that Beaumont billed for VA care in FY 2017. The Commander of the U.S. Army Medical Command should coordinate with the Health Executive Committee to develop a requirement to allow Tripler to see rejected claims. The Tripler Commander should review and resubmit all FY 2017 rejected claims to the VA for payment. The Assistant Secretary of Defense (Health Affairs) should coordinate with VA counterparts on the Health Executive Committee to determine the source of the VA payment delays at Tripler and develop a joint solution to improve the timeliness of payments.

Tripler Provided Unreimbursed Care in FYs 2016 and 2017 Due to a Settlement Between the VA and Health Affairs

Tripler did not receive payment for some care provided to VA beneficiaries in FYs 2016 and 2017 because the Deputy Assistant Secretary of Defense (Health Resources Management and Policy) approved a settlement proposed by the VA to cover FY 2016 claims. This one-time settlement, which was approved in September 2016, was to provide payment for all of Tripler's open and unpaid FY 2016 VA claims. The settlement included a provision for a reconciliation to determine whether the settlement amount was determined correctly.

The settlement effectively reduced Tripler's FY 2016 operating revenue by $9.5 million.

According to Tripler personnel, the settlement reduced Tripler's FY 2016 accounts receivable balance from the VA by $9.5 million. Accounts receivable become part of Tripler's operating revenue; therefore, the settlement effectively reduced Tripler's FY 2016 operating revenue by $9.5 million. Tripler personnel also stated that they stopped billing for further FY 2016 claims after the settlement because VAPIHCS personnel stated that the settlement included all FY 2016 care. In May 2018, VA personnel stated that the VA was in the process of reconciling the FY 2016 claims and that the VA would pay for all unreimbursed authorized care not already included in the FY 2016 settlement. However, the proposed reconciliation was an additional payment of $113,471 to Tripler, resulting in a net $9.4 million of unreimbursed care provided to VA beneficiaries that the settlement did not cover. This represents up to $9.4 million in additional FY 2016 funds that Tripler personnel could have used to provide other health care services. See Appendix B for potential monetary benefits. The Tripler Commander should review all claims for FY 2016 care provided to VA beneficiaries and bill the VAPIHCS for all care not previously billed, and for all claims improperly rejected or denied as a result of the FY 2016 settlement.

In addition, VAPIHCS personnel incorrectly considered claims for FY 2017 care that the VA referred in FY 2016 to be part of the FY 2016 settlement. VA personnel stated that it was VA policy to pay a claim based on the authorization date and not the date of the encounter. Therefore, VAPIHCS personnel denied FY 2017 claims for care provided to VA beneficiaries when VAPIHCS authorized the care in FY 2016. In May 2018, the VA provided the audit team with the settlement recommendation, which stated that the FY 2016 settlement did not include FY 2017 claims. We followed up with an official at the VA Central Office who confirmed that the date of service, not the date of referral, determines which claims were included in the settlement. According to the VAPIHCS, VA personnel denied 9,700 of Tripler's FY 2017 claims because they thought they were included in the FY 2016 settlement. Since the dates of service for the 9,700 claims were in FY 2017, the VA personnel should not have denied the claims based on the settlement. These 9,700 claims represent 87 percent of all FY 2017 denials, which, according to Tripler personnel, totaled over $5.3 million as of May 2018. These FY 2017 denials reduced Tripler's FY 2017 operating revenue and represent funds that Tripler personnel could have used to provide other health care services if Tripler received the funds from the VA. The Tripler Commander should review all FY 2017 Tripler claims denied by the VAPIHCS and resubmit those claims that were improperly denied due to the FY 2016 settlement.

Conclusion

Tripler and Beaumont personnel did not always bill the VA for care provided to VA beneficiaries under RSAs because of system and process control weaknesses. In our samples of FY 2017 VA encounters, we found that some elements of the care provided did not cross from the scheduling system to the billing system in 20 of 137 sampled encounters at Tripler and 17 of 93 sampled encounters at Beaumont. Additionally, Tripler and Beaumont personnel could not determine whether they billed the VA for all care provided to VA beneficiaries because the scheduling system did not record all care in encounter summaries. Beaumont personnel did not verify that the VA authorized the outpatient care provided to VA beneficiaries before providing the care. Furthermore, Tripler had not received payment for $23.8 million in FY 2017 claims 8 months after the end of FY 2017, including $9.7 million of rejected claims that Tripler personnel did not correct and resubmit. Finally, the VA did not reimburse Tripler for at least $9.4 million for FY 2016 care due to a settlement between the VA and Deputy Assistant Secretary of Defense (Health Resources Management and Policy). The settlement also resulted in the denial of up to 9,700 FY 2017 claims because VAPIHCS incorrectly determined that they were part of the FY 2016 settlement. Additionally, Tripler

experienced revenue shortfalls that prevented execution of planned projects and acquisitions. Furthermore, these system and process control weaknesses may exist at other DoD/VA sharing sites, increasing the risk that the DoD will provide unauthorized and unreimbursed care in the future.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Assistant Secretary of Defense (Health Affairs) coordinate with Department of Veterans Affairs counterparts on the Health Executive Committee to determine the source of Veterans Affairs Pacific Island Health Care System payment delays to Tripler Army Medical Center and develop a joint solution to improve the timeliness of payments.

Assistant Secretary of Defense (Health Affairs) Comments

The Principal Deputy Assistant Secretary of Defense (Health Affairs) (PDASD[HA]), responding for the Assistant Secretary of Defense (Health Affairs), agreed, stating that the Health Executive Committee Financial Management Work Group has been investigating claim-by-claim billing processes since 2014. The PDASD(HA) stated that the current effort is to streamline billing through the pilot Advance Payment Program. The PDASD(HA) recommended maturing the Advance Payment Program methodology and assessing its viability at the Tripler Army Medical Center sharing site, while the Health Executive Committee Financial Management Work Group continues to discuss and examine financial issues at Tripler.

Our Response

The PDASD(HA)'s comments partially addressed the recommendation. While the Health Executive Committee Financial Management Work Group's examination of the financial issues at this sharing site meets the intent of the recommendation, the PDASD(HA) did not explain how the Advance Payment Program will improve the timeliness of payments to Tripler for care provided to VA beneficiaries. The DoD and the VA agreed in December 2016 to use advance payments for care provided under Health Care Resource Sharing Agreements. Under the Advance Payment Program, the VA would provide a quarterly advance payment to the DoD based on historical data; however, Tripler would be unable to spend any of the funds until the completion of a 100-percent monthly reconciliation to ensure that the advanced funds are traceable to authorized episodes of care. The PDASD(HA) did not provide any documentation that shows how the 100-percent reconciliation would improve timeliness compared to the current 100 percent VAPIHCS adjudication. Further,

as of March 2019, the DoD was participating in the pilot program at only one location. The PDASD(HA) comments do not include a timeline for implementation of the Advance Payment Program at Tripler. Therefore, the recommendation is unresolved. We request that the Assistant Secretary of Defense (Health Affairs) provide documentation that demonstrates how the Advance Payment Program will improve timeliness of VAPIHCS payments to Tripler, and that outlines an implementation timeline for Tripler.

Recommendation 2

We recommend that the Defense Health Agency Director:

a. Identify the source of billing system errors that prevented payment of inpatient professional fees.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, agreed with the recommendation, stating that DHA personnel believe the source of the error was in the Composite Health Care System, referred to in this report as the scheduling system. The PDASD(HA) stated that the scheduling system sends encounter data to the billing system to facilitate billing. The DHA Uniform Business Office will coordinate with scheduling system representatives to identify the source of system errors that prevented complete billable information from flowing to the billing system, which prevented payment of inpatient professional fees.

Our Response

The PDASD(HA)'s proposed action to coordinate with scheduling system representatives to identify the source of system errors meets the intent of the recommendation. The recommendation is resolved but will remain open. We will close this recommendation once the DHA provides documentation that demonstrates the DHA identified the system errors that prevented the billing and payment of inpatient professional fees.

1. Modify the billing system to prevent future errors.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, disagreed with the recommendation, stating that the error did not occur in the billing system and therefore it is not the billing system that needs modification. However, the PDASD(HA) stated that DHA personnel will coordinate with clinical system representatives to address scheduling system data quality.

Our Response

Although the PDASD(HA) disagreed, his comments meet the intent of the recommendation, which is to identify and resolve system errors that prevent billing regardless of where in the billing process the errors occurred. The recommendation is resolved but will remain open. We will close this recommendation once the DHA provides documentation that demonstrates DHA personnel corrected the system errors that prevented billing and payment of inpatient professional fees.

2. Determine whether the billing system errors affected other sharing sites.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, agreed with the recommendation, stating that the error occurred in the scheduling system and has been corrected. The PDASD(HA) stated that DHA personnel will coordinate with other sharing sites to determine if they were affected by the error prior to correction and implement corrective action.

Our Response

The PDASD(HA)'s comments addressed the recommendation. The recommendation is resolved but will remain open. We will close this recommendation when the DHA provides documentation that demonstrates it coordinated with other sharing sites to determine if those sites were affected by the error and that personnel at those sites implemented corrective action.

3. Provide guidance to impacted sharing sites to bill for any previously unbilled care.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, agreed with the recommendation, stating that if the error repeated itself at other sharing sites, DHA personnel would develop guidance for the impacted sites to bill for any previously unbilled care.

Our Response

The PDASD(HA)'s comments addressed the recommendation. The recommendation is resolved but will remain open. We will close this recommendation once the DHA provides documentation that DHA personnel developed and issued guidance to other impacted sites.

b. Update the scheduling system to ensure that all care provided to Department of Veterans Affairs beneficiaries can be properly recorded, tracked, and billed.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, partially agreed with the recommendation, stating that the care provided to VA beneficiaries can be recorded and tracked in the scheduling system, and subsequently billed by the billing system, if the patient is registered correctly and has the proper authorization from VA. The PDASD(HA) stated that the DHA will provide guidance and training to the field regarding patient registration and capture of VA authorization. However, the PDASD(HA) stated that the scheduling system will not undergo any updates because its functionality will be replaced by the DoD's new electronic health record and the DHA will not spend funds to enhance or develop legacy systems.

Our Response

The PDASD(HA)'s comments did not address the recommendation. Providing guidance and training will not resolve the system weaknesses that resulted in the inability to record and track care provided to VA beneficiaries. Although the new electronic health record may resolve the weaknesses we identified, the implementation of the new electronic health record will not be complete until 2023. The PDASD(HA)'s comments do not address how the DHA will correct errors in the current scheduling system until full implementation of the electronic health record. The recommendation is unresolved. We request that the DHA Director provide a plan for resolving the scheduling system weaknesses identified in this report until the new electronic health record is operational.

c. Coordinate with the Health Executive Committee to develop a standardized process that allows the Department of Veterans Affairs to review and retroactively authorize all emergency and inpatient care.

Defense Health Agency Comments

The PDASD(HA), responding for the DHA Director, partially agreed with the recommendation, stating that the Health Executive Committee Financial Management Work Group has been investigating claim-by-claim billing processes since 2014. The PDASD(HA) stated that the current effort is to streamline billing through the pilot Advance Payment Program. The PDASD(HA) recommended maturing the Advance Payment Program methodology and assessing its viability with continued discussion and examination of the financial issues, led by the Health Executive Committee Financial Management Work Group.

Our Response

The PDASD(HA) comments did not address the recommendation. As stated in the report, the DoD is required to obtain authorization for all care provided to VA beneficiaries under health care sharing agreements. However, the Master Sharing Agreement does not include a standardized process or requirement to obtain a retroactive authorization for emergency or inpatient care. A standardized policy for retroactive authorizations developed by the Health Executive Committee and incorporated into the national sharing agreement would become a requirement for both the DoD and VA. Further, the PDASD(HA)'s comments did not explain how the Advance Payment Program methodology will resolve failures to obtain retroactive authorizations for emergency and inpatient care. The recommendation is unresolved. We request that the DHA Director provide additional comments that describe actions that will be taken to resolve failures to obtain retroactive authorizations.

Recommendation 3

We recommend that the Commander of the U.S. Army Medical Command coordinate with the Health Executive Committee to develop a requirement for the clear identification of Veterans Affairs Pacific Island Health Care System rejected claims.

U.S. Army Medical Command Comments

The U.S. Army Medical Command Chief of Staff, responding for the Commander of the U.S. Army Medical Command, disagreed with the recommendation but agreed with the intent of the recommendation. The Chief of Staff stated that the ability to generate a report that identifies rejected claims already exists in the billing system. The Chief of Staff stated that the U.S. Army Medical Command Uniform Business Office notified Tripler personnel of the rejected claims report. The Chief of Staff included a copy of the notification with his comments.

Our Response

Although the Chief of Staff disagreed with the recommendation, the corrective actions taken meet the intent of the recommendation. The recommendation is resolved but will remain open. We will close the recommendation once Tripler personnel provide documentation demonstrating that they are generating the billing system report to identify rejected claims, and resubmitting the claims identified in the billing system report.

Recommendation 4

We recommend that the Tripler Army Medical Center Commander:

a. Develop and implement procedures for staff to obtain authorization for medical care provided to Department of Veterans Affairs beneficiaries admitted to the Veterans Affairs Pacific Island Health Care System inpatient psychiatric ward.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that Tripler has implemented procedures to request authorization for the VA inpatient psychiatric ward and circulated guidance to all departments. In addition, Tripler implemented a new program that identifies VA beneficiary appointments missing an authorization number and corrects the appointments prior to care. The Chief of Staff stated that Tripler will train its staff and implement these processes to capture and correct all appointments with missing authorizations by May 31, 2019.

Our Response

The Chief of Staff's response addressed the recommendation. The recommendation is resolved but will remain open. We will close this recommendation once we verify that the actions taken result in VA authorizations for VA beneficiaries admitted to the Tripler inpatient psychiatric ward.

b. Develop and implement procedures to obtain authorization for medical care provided to Department of Veterans Affairs beneficiaries in support of another hospital.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that the Joint Referral Group discussed two options to obtain authorization for medical care to VA beneficiaries in support of another hospital. The Chief of Staff stated that one option would be the VAPIHCS initiating an authorization for an echocardiogram reading in addition to the authorization to Guam Naval Hospital for the reading; while a second option would be Tripler cardiology requesting an authorization from the VA Recovery Center when Guam Naval Hospital receives a referral. Tripler plans to implement these actions by May 31, 2019.

Our Response

The Chief of Staff's comments partially addressed the recommendation. The comments are specific to cardiology and Naval Hospital Guam and do not explain how the actions described would ensure that Tripler personnel obtained authorization in other circumstances in which Tripler provides care to VA beneficiaries in support of another hospital. Therefore, the recommendation is unresolved. We request that the Tripler Army Medical Center Commander provide additional comments that describe actions that will be taken to resolve failures to obtain authorizations for care provided in support of another hospital.

c. Review all FY 2017 unpaid claims for care to Department of Veterans Affairs beneficiaries and resubmit those claims that were incorrectly denied to the Veterans Affairs Pacific Island Health Care System for payment.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that Tripler personnel resubmitted FY 2017 claims totaling over $5 million that were previously denied by VAPIHCS. The Chief of Staff stated that these actions were completed October 31, 2018. The Chief of Staff included spreadsheets that listed the resubmitted claims with his comments.

Our Response

The Chief of Staff's comments and the actions taken meet the intent of the recommendation. We reviewed the spreadsheets provided by the Chief of Staff and verified that each claim included an identifier indicating that Tripler transmitted the claim to the VA for payment. The recommendation is resolved but will remain open. We will close the recommendation when Tripler personnel provide us with a report that indicates whether the resubmitted claims were paid, rejected, or denied.

d. Review procedures for coding and billing for care to Department of Veterans Affairs beneficiaries and adjust procedures or allocate additional resources to enable billing within the 30-day timeliness standard.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that Tripler personnel will use a monthly report to track completeness, timeliness, and

accuracy of coding and incomplete records. Exceptions that do not meet the 30-day standard will be briefed to the military treatment facility commander. The Chief of Staff stated that Tripler personnel completed these actions on February 1, 2019.

Our Response

The Chief of Staff's comments addressed the recommendation. The recommendation is resolved but will remain open. We will close this recommendation once we verify that the actions resulted in timely billing to the VA in accordance with the 30-day timeliness standard.

e. Review all unreimbursed claims for FY 2016 care provided to Department of Veterans Affairs beneficiaries and bill the Veterans Affairs Pacific Island Health Care System for all care not previously billed, and for all claims improperly rejected or denied due to the FY 2016 settlement.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that Tripler reviewed unreimbursed FY 2016 claims and resubmitted the claims that were improperly rejected or denied by VAPICHS totaling $4.4 million. Tripler completed this action October 31, 2018. The Chief of Staff included spreadsheets that listed the resubmitted claims with his comments.

Our Response

The Chief of Staff's comments and the actions taken meet the intent of the recommendation. We reviewed the spreadsheets provided by the Chief of Staff, and verified that each claim included an identifier indicating that Tripler transmitted the claim to the VA for payment. The recommendation is resolved but will remain open. We will close the recommendation when Tripler personnel provide us with a report that indicates whether the resubmitted claims were paid, rejected, or denied.

f. Review all FY 2017 claims denied by the Veterans Affairs Pacific Island Health Care System because of the FY 2016 settlement and resubmit those claims denied due to the settlement.

Tripler Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the Tripler Army Medical Center Commander, agreed with the recommendation and stated that Tripler personnel reviewed FY 2017 claims denied by VAPIHCS due to the FY 2016

settlement and resubmitted claims totaling approximately $5 million. Tripler completed this action October 31, 2018. The Chief of Staff included spreadsheets that listed the resubmitted claims with his comments.

Our Response

The Chief of Staff's comments and the actions taken meet the intent of the recommendation. We reviewed the spreadsheets provided by the Chief of Staff, and verified that each claim included an identifier indicating that Tripler transmitted the claim to the VA for payment. The recommendation is resolved but will remain open. We will close the recommendation when Tripler personnel provide us with a report that indicates whether the resubmitted claims were paid, rejected, or denied.

Recommendation 5

We recommend that the William Beaumont Army Medical Center Commander update standard operating procedures to require appointment schedulers and health care providers to ensure that all Department of Veterans Affairs patients have a valid authorization and that appointment schedulers properly record the authorization number in the scheduling system.

William Beaumont Army Medical Center Comments

The U.S. Army Medical Command Chief of Staff, responding for the William Beaumont Army Medical Center Commander, disagreed, but stated that U.S. Army Medical Command agrees with the intent of the recommendation and has taken alternative action to correct the conditions discussed in the report. The Chief of Staff stated that the EPVAHCS issued a memorandum stating that beginning February 1, 2019, it will include the authorization number prior to sending a referral to Beaumont, and that all VA staff have been trained in the referral process. The Chief of Staff further stated that Beaumont personnel will review all VA referrals to ensure the referral includes the authorization number, and that Beaumont updated the Medical Support Assistant Handbook to include the authorization requirement. Further, Beaumont updated the Uniform Business Office standard operating procedures to require staff to review authorizations for rejected or denied claims, and to include the authorization number when submitting appeals. Finally, the Chief of Staff stated that to increase awareness of the authorization requirement additional training was held for providers and staff; implementation was completed February 15, 2019. The Chief of Staff included copies of the EPVAHCS memorandum, the Medical Support Assistant Handbook, and Uniform Business Office standard operating procedures with his response.

Our Response

The Chief of Staff's comments and the actions taken meet the intent of the recommendation. We reviewed the documents provided by the Chief of Staff and verified that Beaumont updated the Medical Support Assistant Handbook and Uniform Business Office standard operating procedures as described in the response. Therefore, the recommendation is closed.

Appendix A

Scope and Methodology

We conducted this performance audit from September 2017 through January 2019 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.

Our objective was to determine whether the Army billed and received payment for services provided to VA beneficiaries under Health Care Sharing Agreements at selected Army medical centers. We conducted this audit in response to allegations to the DoD Hotline and we considered the allegations in developing our objective.

Review of Documentation and Interviews

We interviewed officials from the DHA in Falls Church, Virginia; the Office of the Surgeon General of the Army in Falls Church, Virginia; the U.S. Army Medical Command in San Antonio, Texas; Tripler Army Medical Center in Honolulu, Hawaii; and William Beaumont Army Medical Center in El Paso, Texas. Additionally, we interviewed and received information from officials representing the Assistant Secretary of Defense (Health Affairs) and the Department of Veterans Affairs.

We reviewed the following documents.

- Section 8111, title 38, United States Code
- Section 1341, title 31, United States Code
- Section 1535, title 31, United States Code
- Chapter 55, title 10, United States Code

We also reviewed the national and regional Health Care RSAs between the DoD and the VA at Tripler and Beaumont. We reviewed the billing and reimbursement policies at Tripler and Beaumont. We tested a sample of FY 2017 VA beneficiary encounters at Tripler and Beaumont to determine whether the VA authorized all VA encounters and whether services provided to VA beneficiaries flowed from the scheduling system to the billing system.

Use of Computer-Processed Data

We used computer-processed data to reach the conclusions in this report. We obtained encounter data from the U.S. Army Medical Command to develop a stratified random sample of VA encounters at Tripler and Beaumont. We obtained VA encounter data from U.S. Army Medical Command, and used that data to pull the samples at Tripler and Beaumont; we verified that the data provided by U.S. Army Medical Command matched the data provided by the MTFs in the sampled encounters. Therefore, we determined that the data were sufficiently reliable.

Use of Technical Assistance

The DoD OIG Quantitative Methods Division assisted in the design of a stratified random sample of FY 2017 VA beneficiary inpatient, outpatient, and emergency room encounters from the universe U.S. Army Medical Command provided to the audit team. The team later discovered that this was a subset of the actual universe for Tripler and Beaumont encounters and, because U.S. Army Medical Command could not explain or recreate their selection criteria, we cannot accurately or reliably make statements about the sample frame or the universe of encounters at Tripler and Beaumont.

Prior Coverage

During the last 6 years, the DoD Office of Inspector General (DoD OIG) issued one report discussing timely reimbursement for health care service provided to VA beneficiaries.

Unrestricted DoD OIG reports can be accessed at http://www.dodig.mil/reports.html/.

DoD OIG

Report No. DODIG-2013-135, "The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight," September 18, 2013

> The DoD OIG found that the Master Sharing Agreement and Joint Policies were ineffective in obtaining timely reimbursement for health care services provided to VA beneficiaries. All of the DoD OIG's 11 recommendations were closed in July 2017.

Appendix B

Summary of Potential Monetary Benefits

Recommendation	Type of Benefit	Amount of Benefit	Account
4.e	Economy and Efficiency. Provides additional funds to execute FY 2016 budget or meet FY 2016 obligations.	Undeterminable. Amount is subject to Tripler's review and resubmission of FY 2016 claims that were previously not submitted or improperly included in the settlement.	FY 2016 Defense Health Program-97X0130
4.f	Economy and Efficiency. Provides additional funds to execute FY 2017 budget or meet FY 2017 obligations.	Undeterminable. Amount is subject to Tripler's review and resubmission of FY 2017 claims improperly included in the settlement.	FY 2017 Defense Health Program-97X0130

Management Comments

Office of the Assistant Secretary of Defense (Health Affairs)

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

MAR 1 5 2019

[redacted]
Program Director
Acquisition, Contracting, and Sustainment
Inspector General, Department of Defense
4800 Mark Center Drive
Alexandria, VA 22350-1500

Dear [redacted]

This is the Department of Defense (DoD) response to the recommendations contained in the DoD Inspector General (IG) Draft Report titled, "Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers", dated January 22, 2019. Enclosed is the DoD's response to the recommendations.

We sincerely thank the DoD IG team members for developing this report and for the opportunity to review and provide comments for inclusion in the final report. Should you have any questions, please contact Mr. [redacted] Defense Health Agency Audit Liaison Officer. Mr. [redacted] can be reached at [redacted] or via email at [redacted]

Sincerely,

Tom McCaffery
Principal Deputy Assistant Secretary of
Defense (Health Affairs)

Enclosure:
As stated

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

Subject: "Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers, January 22, 2019, (Project No. D2017-D000CJ-0183.000).

Recommendation 1:

We recommend that the Assistant Secretary of Defense (Health Affairs) coordinate with the Department of Veterans Affairs counterparts on the Health Executive Committee to determine the source of Veterans Affairs Pacific Island Health Care System payment delays to Tripler Army Medical Center and develop a joint solution to improve the timeliness of payments.

DoD Position: Concur

Since 2014, claim-by-claim billing processes have been investigated across the Department of Defense (DoD) and the Department of Veterans Affairs (VA) by the Health Executive Committee (HEC) Financial Management Work Group (FMWG). The HEC FMWG is the key working group of the HEC that reports through the Veterans Health Administration (VHA) Chief Financial Officer (CFO) and the Deputy Assistant Secretary of Defense (DASD), Health Resources Management and Policy (HRM&P), ensuring high visibility of the Tripler Army Medical Center (TAMC) and VA Pacific Island Healthcare System (VAPIHCS) financial issues.

As a result of this research, the key current effort to streamline billing mechanics between the DoD and the VA is through the Advanced Payment (AP) pilot program. It is recommended to continue to mature the AP methodology and assess its viability at TAMC/VAPIHCS, with continued discussion and further examination of the financial issues at this sharing site led by the HEC FMWG.

Recommendation 2a:

Identify the source of billing system errors that prevented payment of inpatient professional fees.

DoD Position: Concur

The Defense Health Agency (DHA) will confirm the source of the errors, which we believe occurred in the clinical system, the Composite Health Care System (CHCS). CHCS has not been used as a billing system for the Military Health System (MHS) since September 2015 when all Military Treatment Facilities (MTFs) converted to the Armed Forces Billing and Collection Utilization Solution (ABACUS). CHCS sends encounter extract files to the billing system to facilitate billing, which is the source. The DHA Uniform Business Office (UBO) will coordinate with CHCS representatives to identify the source of the clinical system errors that prevented complete billable information from flowing to ABACUS, which subsequently prevented payment of inpatient professional fees from Veterans Affairs (VA).

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

Recommendation 2a.1:

Modify the billing system to prevent future errors.

DoD Position: Non-concur

Since the error did not occur in the billing system, it is not the system that needs modification. The DHA will however, coordinate with the clinical system points of contacts to address the CHCS data quality to prevent future errors.

Recommendation 2a.2:

Determine whether the billing system errors affected other sharing sites.

DoD Position: Concur

The error occurred in the clinical system and was corrected, however, the DHA UBO will coordinate with other sharing sites to determine if they were affected by the error prior to correction and implement corrective action.

Recommendation 2a.3:

Provide guidance to impacted sharing sites to bill for any previously unbilled care.

DoD Position: Concur

If the error repeated itself at other sharing sites, the DHA UBO will develop guidance for the impacted sites to bill for any previously unbilled care.

Recommendation 2b:

Update the scheduling system to ensure that all care provided to Department of Veterans Affairs beneficiaries can be properly recorded, tracked, and billed.

DoD Position: Partial Concur

Currently, the care provided to VA beneficiaries can be recorded and tracked in CHCS and subsequently billed in ABACUS if the patient is registered correctly and has the proper authorization from the VA. The DHA will ensure appropriate guidance/training is provided to the field regarding patient registration and capture of VA authorization. However, CHCS will not undergo any system updates. CHCS provides functionality that will be replaced by the Department's new electronic health record, MHS GENESIS. When fully deployed, MHS GENESIS will provide a single health record for service members, veterans and their families. Systems being replaced by MHS GENESIS, such as CHCS, are in moratorium with regard to updates. No funds will be spent on any new development or enhancements to this legacy system other than for security upgrades or patches, replacements for deprecated modules, and "break fix" changes.

2

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

Recommendation 2c:

Coordinate with the Health Executive Committee to develop a standardized process that allows the Department of Veterans Affairs to review and retroactively authorize all emergency and inpatient care.

DoD Position: Partial Concur

Since 2014, claim-by-claim billing processes have been investigated across DoD and VA by the HEC FMWG. The HEC FMWG is the key working group of the HEC that reports through the VHA CFO and DASD, HRM&P, ensuring high visibility of the financial issues between the DoD and the VA.

As a result of this research, the key current effort to streamline billing mechanics between the DoD and the VA is through the AP pilot program. It is recommended to continue to mature the AP methodology and assess its viability with continued discussion and further examination of the financial issues among sharing sites, led the HEC FMWG. As part of this work we will examine the standardized process that allows the Department of Veterans Affairs to review and retroactively authorize appropriate/approved emergency and inpatient care.

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U.S. Army Medical Command

DEPARTMENT OF THE ARMY
OFFICE OF THE SURGEON GENERAL
7700 ARLINGTON BOULEVARD
FALLS CHURCH, VA 22042-5140

MCIR

26 FEB 2019

MEMORANDUM FOR Department of Defense Inspector General, Contract Management and Payments, ATTN: [redacted] 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Reply to DODIG Draft Report, Payments to the DOD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers (Project No. D2017-D000CJ-0183.000)

1. Thank for you the opportunity to review this report. Our comments are enclosed for your consideration.

2. Our point of contact is Ms. [redacted] Internal Review and Audit Compliance Office, [redacted], or email: [redacted].

FOR THE SURGEON GENERAL:

Richard R Beauchemin

Encl

RICHARD R. BEAUCHEMIN
Chief of Staff

Enclosures omitted because of length. Copies provided upon request.

U.S. Army Medical Command (cont'd)

U.S. Army Medical Command (MEDCOM) and
Office of The Surgeon General (OTSG)

Comments on DODIG Draft Report
Payments to the DoD for Medical Services Provided to Department of Veterans Affairs Beneficiaries at Selected Army Medical Centers
(Project No. D2017-D000CJ-0183.000)

COMMENTS ON CLARITY/ACCURACY:

RECOMMENDATION 3: Commander, U.S. Army Medical Command coordinate with the Health Executive Committee to develop a requirement for the clear identification of Veterans Affairs Pacific Island Health Care System rejected claims.

RESPONSE: Non-concur. While MEDCOM agrees with the intent of the recommendation, resolution does not require involvement from the Health Executive Committee. The MEDCOM Uniform Business Office notified Tripler Army Medical Center of an existing report in the Armed Forces Billing and Collection Utilization Solution (ABACUS) that provides visibility of rejected claims (enclosure 1). The report is accessible through ABACUS Custom Tools, VA CBO 835 Check Adjust Details Report; it lists all claims submitted to the Veterans Affairs Pacific Island Health Care System that were not paid and includes a control number, amount rejected, rejection reason, and batch number. The report is filterable and can be exported into Microsoft Excel for ease of use. Actions to implement this recommendation are complete as of 7 February 2019.

RECOMMENDATION 4: Commander, Tripler Army Medical Center:

a. Develop and implement procedures for staff to obtain authorization for medical care provided to Department of Veterans Affairs beneficiaries admitted to the Veterans Affairs Pacific Island Health Care System inpatient psychiatric ward.

b. Develop and implement procedures to obtain authorization for medical care provided to Department of Veterans Affairs beneficiaries in support of another hospital.

c. Review all FY 2017 unpaid claims for care to Department of Veterans Affairs beneficiaries and resubmit those claims that were incorrectly denied to the Veterans Affairs Pacific Island Health Care System for payment.

Encl

Enclosures omitted because of length. Copies provided upon request.

U.S. Army Medical Command (cont'd)

d. Review procedures for coding and billing for care to Department of Veterans Affairs beneficiaries and adjust procedures or allocate additional resources to enable billing within the 30-day timeliness standard.

e. Review all unreimbursed claims for FY 2016 care provided to Department of Veterans Affairs beneficiaries and bill the Veterans Affairs Pacific Island Health Care System for all care not previously billed, and for all claims improperly rejected or denied due to the FY 2016 settlement.

f. Review all FY 2017 claims denied by the Veterans Affairs Pacific Island Health Care System because of the FY 2016 settlement and resubmit those claims denied due to the settlement.

RESPONSE: Concur.

4a. Procedures have been implemented for Tripler Army Medical Center (TAMC) Medical Management Utilization Manager (UM) nurses to review orders entered by Veterans Affairs Pacific Island Health Care System (VAPIHCS) inpatient psychiatric ward staff and request authorization. Guidance for obtaining authorization has been circulated to all departments (enclosure 2). In addition, TAMC Clinical Operations and Information Management personnel rolled out a new Composite Health Care System ad hoc program that identifies future appointments for VA patients referred to TAMC that are missing an authorization number. This tool provides booking agents and administrators the ability to identify and correct these appointments prior to the execution of care. TAMC will train staff on using the tool and implement processes to capture and correct all appointments with missing authorizations. Target date for completion is 31 May 2019.

4b. The Joint Referral Group met and discussed the following options to obtain authorization for medical care to VA beneficiaries in support of another hospital: (i) VAPIHCS generating separate authorization to TAMC for echocardiogram reading in conjunction with the authorization to Guam Naval Hospital for the procedure; and (ii) TAMC cardiology clinic notifying the VA Recover Center to request an authorization when the referral is received from Guam Naval Hospital. TAMC anticipates completing implementation by 31 May 2019.

4c. TAMC re-submitted the claims issued in FY 17 previously denied by VAPIHCS; these were included in the FY 17 resubmitted claims totaling $5,040,761.92 (enclosures 3 and 4). Additional FY 17 claim submissions are detailed in enclosures 5 and 6. Implementation was completed 31 October 2018.

4d. TAMC completed a review of procedures related to coding and billing for VA beneficiaries; coding and billing is generally completed within the 30-day standard. There are exceptions, such as when new code changes require updates to clinical systems, or when technical issues involving data transmission occur. To ensure the 30-day standard is met under typical conditions, TAMC will use the monthly Data

Enclosures omitted because of length. Copies provided upon request.

U.S. Army Medical Command (cont'd)

Quality Forum to track and discuss completeness, timeliness, and accuracy of coding and incomplete records, along with other data quality touchpoints (attachment 7). Issues will be monitored until corrections are complete. Exceptions that do not meet the 30-day standard will be briefed to the MTF Commander (enclosures 8 and 9). Implementation of the recommended review and procedure adjustment was completed 1 February 2019.

4e. TAMC reviewed unreimbursed claims for FY 16, and re-submitted the claims that were improperly rejected or denied by VAPIHCS. Resubmitted claims totaled $4,404,782.63 (attachment 3 and 4). Additional FY 16 claim submissions are detailed in attachment 5. Implementation was completed 31 October 2018.

4f. TAMC reviewed FY 17 claims denied by VAPIHCS because of the FY 2016 settlement and re-submitted those denied due to the settlement. These are included in the FY 17 resubmitted claims totaling $5,040,761.92 (enclosures 3 and 4). Additional FY 17 claim submissions are detailed in enclosures 5 and 6. Implementation was completed 31 October 2018.

RECOMMENDATION 5: Commander, William Beaumont Army Medical Center update standard operating procedures to require appointment schedulers and health care providers to ensure that all Department of Veterans Affairs patients have a valid authorization and that appointment schedulers properly record the authorization number in the scheduling system.

RESPONSE: Non-concur. MEDCOM agrees with the intent of this recommendation and has taken alternative action to correct the conditions discussed in the report.

On 5 February 2019, El Paso VA Health Care System (EPVAHCS) issued a memorandum stating that, beginning 1 February 2019, it will include the authorization number in CHCS prior to sending a referral to WBAMC. All VA staff have been trained in the process (enclosure 10).

For new appointments, when WBAMC receives the referral request, Medical Support Assistants (MSA) in the Referral Management Office will review it to ensure an authorization number is included in the Reason for Consult field (enclosure 11, page 3 of 3). The MSA Handbook was updated to include this requirement (enclosure 12, page 16). For follow up appointments, staff must ensure the referral has a valid number of follow up visits, and may not add additional visits (enclosure 12, page 19) to the authorization. Additional visits must be requested from EPVAHCS by the provider or MSA and would be treated as a new appointment with a new request and authorization number. Patients are authorized one visit after an ER visit. The initial referral from the VA for the ER visit will be placed by a VA MSA embedded in WBAMC's Patient Administration Division, and the VA Liaison will ensure authorization numbers are entered as required.

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Enclosures omitted because of length. Copies provided upon request.

U.S. Army Medical Command (cont'd)

In addition, the WBAMC UBO office updated their Standard Operating Procedures to require staff to review authorizations for rejected or denied claims in CHCS, and include the authorization number when submitting appeals (enclosures 13 and 14).

To increase awareness of the requirement for VA authorization and approval for VA beneficiaries, additional training has been held for providers and staff.

Implementation was completed 15 February 2019.

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Enclosures omitted because of length. Copies provided upon request.

Acronyms and Abbreviations

DHA	Defense Health Agency
EPVAHCS	El Paso Department of Veterans Affairs Health Care System
PDASD(HA)	Principal Deputy Assistant Secretary of Defense (Health Affairs)
RSA	Resource Sharing Agreement
VA	Department of Veterans Affairs
VAPIHCS	Department of Veterans Affairs Pacific Islands Health Care System

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