



THE ASSISTANT SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

JAN 18 2007

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

SUBJECT: Third-Party Collection Program (TPCP) Goals for Fiscal Year (FY) 2007

GAO Report Number GAO-04-322R, *Military Treatment Facilities: Improvements Needed to Increase DOD Third-Party Collections*, recommended that the Assistant Secretary of Defense for Health Affairs establish realistic collection goals for the Third-Party Collections Program (TPCP). In Fiscal Year 2005, I issued Service TPCP collection goals and asked that they be allocated to individual Service military treatment facilities (MTF).

For FY 2007, I am issuing Service TPCP collection goals as shown below. There are separate goals for outpatient and inpatient collections.

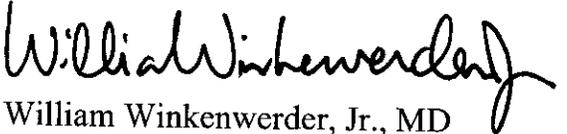
	FY 2007 Goal (\$Million)	Outpatient Goal	Inpatient Goal
Army	\$50.2	\$27.5	\$22.7
Navy	\$29.0	\$19.4	\$ 9.6
Air Force	<u>\$40.9</u>	<u>\$29.2</u>	<u>\$11.7</u>
Total	\$120.1	\$76.1	\$44.0

Achievement of both outpatient and inpatient goals is heavily dependent upon MTFs effectively identifying patients with Other Health Insurance (OHI). The Services are once again asked to allocate their Service collection goals to their individual MTFs using their own Service-developed methodology.

Outpatient collection goals are based on FY 2006 outpatient collections and the reported percentage of individuals queried regarding OHI. Inpatient collection goals are based on FY 2006 inpatient collections and the percentage of non-active duty dispositions billed. Attachments 1 and 2 provide details regarding the methodology used to calculate the aggregated Service goals.

An important tenet of the Uniform Business Office (UBO) TPCP is the federal statute directing that MTF budgets not be decremented by the amount of their TPCP collections. Title 10, United States Code, Section 1095(g), directs that collections received from third party payers are "credited to the appropriation supporting the maintenance and operation of the facility and shall not be taken into consideration in establishing the operating budget of the facility."

My point of contact on this issue is Mr. David Fisher, TRICARE Management Activity, Office of the Chief Financial Officer (Management Control and Financial Studies). He can be reached at 703-681-3492, ext. 4078.


William Winkenwerder, Jr., MD

Attachments:
As stated

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

Calculation of Fiscal Year 2007 Outpatient Third Party Collection Goals

Outpatient collections goals are based on Fiscal Year (FY) 2006 outpatient collections were reported by the Military Treatment Facilities (MTFs) to the TRICARE Management Activity (TMA) Uniformed Business Office (UBO) using the UBO metrics reporting tool. The FY 2006 outpatient collections were adjusted based on the reported percent of non-active duty patients with completed current Other Health Insurance (OHI) questionnaires. The percentage was based on the monthly Data Quality Statement question 6e "Percent of Completed and Current DD Form 2569s maintained in the record (Non-Active Duty)."

MTFs which reported an average of 75% or greater (based on a twelve month reporting period) of non-active duty patients with completed current OHI questionnaires, were assigned a FY 2007 outpatient collections goal equal to the MTF's FY 2006 outpatient collection amount. The more thorough an MTF is in querying its patients and identifying patients with OHI, the greater its potential for billing and collections.

MTFs reporting less than a 75% response to question 6e had their FY 2006 outpatient collection amount adjusted upwards for FY 2007. This was done by multiplying their FY 2006 outpatient collection amount by a ratio factor. The ratio factor was derived by dividing 75% by the MTF's average percentage response to question 6e.

For example, an MTF reporting a 40% response would have a ratio factor of 1.875 (75% goal divided by 40%). If the MTF's FY 2006 outpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.875) to arrive at its FY 2007 outpatient collection goal of \$750,000 ($\$400,000 \times 1.875$).

No MTF had their FY 2006 outpatient collection amount increased by more than 100% when calculating their FY 2007 outpatient collection goal as part of the process of developing the overall Service goal.

Calculation of Fiscal Year 2007 Inpatient Third Party Collection Goals

Inpatient collections goals are based on Fiscal Year (FY) 2006 inpatient collections reported by the Military Treatment Facilities (MTFs) to the TRICARE Management Activity (TMA) Uniformed Business Office (UBO) using the UBO metrics reporting tool as well as the Service FY 2006 average for percent of billed non-active duty dispositions. Service averages were as follows:

Army – 3.03%
Navy – 2.65%
Air Force – 4.28%

MTFs having an MTF percentage equal to or greater than their Service average for non-active duty dispositions billed in FY 2006 (e.g., Wright Patterson Medical Center billed 7.86% of its non-active duty disposition) were assigned FY 2007 inpatient collection goals equal to their FY 2006 inpatient collections.

MTFs having an MTF percentage less than their Service average had their FY 2006 inpatient collections adjusted upwards for FY 2007. This was done by multiplying their FY 2006 inpatient collection amount by a ratio factor. The ratio factor was derived by dividing the applicable Service average by the MTF's percent of billed non-active duty patients.

For example, an MTF with a percentage of 1.71% with a Service average of 2.28% would have a ratio factor of 1.33 (Service average of 2.28% divided by the MTF percentage of 1.71%). If the MTF's FY 2006 inpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.33) to arrive at its FY 2007 inpatient collection goal of \$533,333 ($\$400,000 \times 1.33$).

No MTF had their FY 2006 inpatient collection amount increased by more than 100% when calculating their FY 2007 inpatient collection goal as part of the process of developing the overall Service goal.



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THE ASSISTANT SECRETARY OF DEFENSE

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OCT 01 2004

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

SUBJECT: Support of Uniform Business Office Improvement Goals

A recent Government Accountability Office (GAO) audit reviewed the Military Health System (MHS) support of Uniform Business Office (UBO) operations and identified several weaknesses and corrective measures to improve the Department's Third Party Collection Program (TPCP). The Fiscal Year (FY) 2005 Defense Appropriations Act Conference Report, H.R. 108-622, page 368, has TPCP reporting requirements.

GAO audit #192093, "Military Treatment Facilities (MTFs): Improvements Needed to Increase Department of Defense (DoD) Third Party Collections," dated February 20, 2004 (attached), specified two recommendations to correct implementation problems with Outpatient Itemized Billing (OIB) and establish realistic TPCP goals.

To implement the GAO's recommendations and support Congressional reporting requirements, I request your assistance in accomplishing the following:

- Ensure 100% of all non-active duty medical records contain a completed current DD Form 2569 (Other Health Insurance) and that information has been entered into the Composite Health Care System/TPCP database.
- Implement performance goals for FY 2005. These Military Department (Mil Dept) goals have been developed from Mil Dept performance reports for FY 2003. Performance will be monitored through the Data Quality Management Control Program (DoDI 6040.40 of November 26, 2002) and the UBO Manual (6010.15-M of April 1997) reports. Military Department performance goals are:

Inpatient: Claims per disposition-Current Fiscal Year (CFY): 10%

Inpatient: Collected to billed ratio-CFY: 45%

Inpatient: Closed to billed ratio-CFY: 60%

Outpatient: Collected to billed ratio-CFY: 50%

Outpatient: Closed to billed ratio-CFY: 45%

- Military Department TPCP collection goals for FY 2005 are specific below. Military Departments are expected to translate their aggregate goal to MTFs. The goals are based on FY 2002 performance and the FY 2005 DoD Appropriations Act Conference report language.

	FY 2005 Goal (\$Million)
Army	\$71.9
Navy	\$39.6
Air Force	<u>\$57.2</u>
Total	\$168.7

I request a report summarizing your efforts to implement these TPCP improvement goals by October 31, 2004. Also, I am requesting the Department of Defense Inspector General initiate an audit to review efforts to implement these TPCP improvements. I anticipate their review to commence in early January 2005.

An important tenet of the UBO program governed by federal statute is each MTF's budget is not to be decremented by the amount of TPCP collections obtained. Rather, MTFs are to utilize the collected funding for use in supporting MTFs' requirements (not subsidize MTF funding shortfalls). Title 10, United States Code, Section 1095 (g), directs collections received from third party payers are "credited to the appropriation supporting the maintenance and operation of the facility and shall not be taken into consideration in establishing the operating budget of the facility."

My point of contact on this issue is Mr. David Fisher, TRICARE Management Activity, Office of the Chief Financial Officer (Management Control and Financial Studies). He can be reached at (703) 681-3492, ext. 4078.



William Winkenwerder, Jr., MD

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As stated

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