



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

JAN 10 2008

HEALTH AFFAIRS

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND RESERVE AFFAIRS)
ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS)
ASSISTANT SECRETARY OF THE AIR FORCE (MANPOWER AND RESERVE AFFAIRS)

SUBJECT: Third-Party Collection Program Goals for Fiscal Year 2008

Government Accountability Office (GAO) Report Number GAO-04-322R, *Military Treatment Facilities: Improvements Needed to Increase DoD Third-Party Collections*, recommended that the Assistant Secretary of Defense (Health Affairs) establish realistic collection goals for the Third-Party Collection Program (TPCP). Service TPCP collection goals were first issued by Health Affairs in fiscal year (FY) 2005 in response to the GAO report recommendation.

For FY 2008, I am issuing Service TPCP collection goals as shown below. There are separate goals for outpatient and inpatient collections.

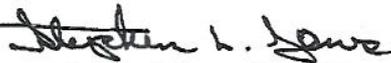
	FY 2008 Goal (\$Million)	Outpatient Goal	Inpatient Goal
Army	\$63.6	\$38.9	\$24.7
Navy	\$34.1	\$23.3	\$10.8
Air Force	\$67.6	\$55.9	\$11.7
Total	\$165.3	\$118.1	\$47.2

Achievement of both outpatient and inpatient goals is heavily dependent upon military treatment facilities (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 the FY 2007 outpatient collections and the reported percentage of individuals queried regarding the OHI. Inpatient collection goals are based on the FY 2007 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 TPCP is the Federal statute directing that the 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), at (703) 681-4365.


For S. Ward Casscells, 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 2008 Outpatient Third Party Collection Goals

Outpatient collections goals are based on fiscal year (FY) 2007 outpatient collections reported by the military treatment facilities (MTFs) to the TRICARE Management Activity Uniform Business Office (UBO) using the UBO metrics reporting tool. The FY 2007 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)."

The MTFs which reported an average of 75 percent or greater (based on a 12-month reporting period) of non-Active Duty patients with completed current OHI questionnaires, were assigned a FY 2008 outpatient collections goal equal to the MTF's FY 2007 outpatient collection amount. The more thorough an MTF is in querying its patients and identifying patients with the OHI, the greater its potential for billing and collections.

The MTFs reporting less than a 75 percent response to question 6e had their FY 2007 outpatient collection amount adjusted upward for FY 2008. This was done by multiplying their FY 2007 outpatient collection amount by a ratio factor. The ratio factor was derived by dividing 75 percent by the MTF's average percentage response to question 6e.

For example, an MTF reporting a 40 percent response would have a ratio factor of 1.875 (75 percent goal divided by 40 percent). If the MTF's FY 2007 outpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.875) to arrive at its FY 2008 outpatient collection goal of \$750,000 ($\$400,000 \times 1.875$).

No MTF had its FY 2007 outpatient collection amount increased by more than 100 percent when calculating its FY 2008 outpatient collection goal as part of the process of developing the overall Service goal.

Calculation of Fiscal Year (FY) 2008 Inpatient Third-Party Collection Goals

Inpatient collections goals are based on fiscal year (FY) 2007 inpatient collections reported by the military treatment facilities (MTFs) to the TRICARE Management Activity Uniform Business Office (UBO) using the UBO metrics reporting tool as well as the Service FY 2007 average for percent of billed non-Active Duty dispositions. Service averages were as follows:

Army – 3.17 percent
Navy – 2.21 percent
Air Force – 4.87 percent

The MTFs having an MTF percentage equal to or greater than their Service average for non-Active Duty dispositions billed in FY 2007 (e.g., Wright Patterson Medical Center billed 10.48 percent of its non-Active Duty disposition) were assigned FY 2008 inpatient collection goals equal to their FY 2007 inpatient collections.

The MTFs having an MTF percentage less than their Service average had their FY 2007 inpatient collections adjusted upward for FY 2008. This was done by multiplying their FY 2007 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 1.66 percent with a Service average of 2.21 percent would have a ratio factor of 1.33 (Service average of 2.21 percent divided by the MTF percentage of 1.66 percent). If the MTF's FY 2007 inpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.33) to arrive at its FY 2008 inpatient collection goal of \$533,333 ($\$400,000 \times 1.33$).

No MTF had its FY 2007 inpatient collection amount increased by more than 100 percent when calculating its FY 2008 inpatient collection goal as part of the process of developing the overall Service goal.