



## THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

March 6, 2012

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 2012

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

For FY 2012, we are issuing MILDEPT TPCP collection goals as shown below. There are separate goals for outpatient and inpatient collections.

	<u>Outpatient Goal (\$Million)</u>	<u>Inpatient Goal (\$Million)</u>	<u>FY 2012 Goal (\$Million)</u>
Army	\$50.4	\$25.4	\$ 75.8
Navy	\$30.9	\$ 6.4	\$ 37.3
Air Force	<u>\$71.5</u>	<u>\$ 6.4</u>	<u>\$ 77.9</u>
Total	\$152.8	\$38.2	\$191.0

Achievement of both outpatient and inpatient goals is heavily dependent upon Military Treatment Facilities (MTFs) effectively identifying patients with Other Health Insurance (OHI). The MILDEPTs are once again asked to allocate their MILDEPT collection goals to their individual MTFs using their own methodologies.

Outpatient collection goals are based on the FY 2011 outpatient collections and the MTF-reported percentage of individuals queried regarding OHI. Inpatient collection goals are based on the FY 2011 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 MILDEPT goals.

An important tenet of the Uniform Business Office 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.”

The point of contact on this issue is Mr. Robert Moss, Acting Director, TRICARE Management Activity/Office of the Chief Financial Officer (Management Control and Financial Studies). Mr. Moss may be reached at (703) 681-4362, or Robert.Moss@tma.osd.mil.



Jonathan Woodson, M.D.

Attachments:

As stated

cc:

Surgeon General of the Army

Surgeon General of the Navy

Surgeon General of the Air Force

### **Calculation of Fiscal Year 2012 Outpatient Third Party Collection Goals**

Outpatient collections goals are based on Fiscal Year (FY) 2011 outpatient collections reported by the Military Treatment Facilities (MTFs) through their respective Surgeons General to the TRICARE Management Activity Uniform Business Office (UBO) using the UBO Metrics Report. The FY 2011 outpatient collections were adjusted based on the reported percent of non-Active Duty patients with completed current Other Health Insurance (OHI) (DD Form 2569). The percentage was based on the monthly Data Quality Statement question C.8.c., "What percentage of completed and current (signed within the past 12 months) DD Form 2569s (TPC Insurance Info) is available for audit (non-active duty encounters only)?"

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 2012 outpatient collections goal equal to the MTF's FY 2011 outpatient collection amount.

The MTFs reporting less than a 75 percent response to question C.8.c had their FY 2011 outpatient collection amount adjusted upward for FY 2012. This was done by multiplying their FY 2011 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 C.8.c.

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 2011 outpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.875) to arrive at its FY 2012 outpatient collection goal of \$750,000 ( $\$400,000 \times 1.875$ ).

## Calculation of Fiscal Year 2012 Inpatient Third-Party Collection Goals

Inpatient collections goals are based on Fiscal Year (FY) 2011 inpatient collections reported by the Military Treatment Facilities (MTFs) to the TRICARE Management Activity Uniform Business Office (UBO) using the UBO Metrics Report, as well as the Service FY 2011 average for percent of billed non-Active Duty dispositions. Military Department (MILDEPT) averages were as follows:

Army	2.42 percent
Navy	1.99 percent
Air Force	4.51 percent

The MTFs having an MTF percentage equal to or greater than their MILDEPT average for non-Active Duty dispositions billed in FY 2011 (e.g., Wright-Patterson Medical Center billed 8.76 percent of its non-Active Duty dispositions) were assigned FY 2012 inpatient collection goals equal to their FY 2011 inpatient collections.

The MTFs having an MTF percentage less than their MILDEPT average had their FY 2011 inpatient collections adjusted upward for FY 2012. This was done by multiplying their FY 2011 inpatient collection amount by a ratio factor. The ratio factor was derived by dividing the applicable MILDEPT average by the MTF's percent of billed non-Active Duty patients.

For example, an Army MTF with a percentage of 1.66 percent with a MILDEPT average of 2.42 percent would have a ratio factor of 1.46 (MILDEPT average of 2.42 percent divided by the MTF percentage of 1.66 percent). If the MTF's FY 2011 inpatient collection amount was \$400,000, it would then be multiplied by the derived ratio factor (1.46) to arrive at its FY 2012 inpatient collection goal of \$584,000 ( $\$400,000 \times 1.46$ ).