THE ASSISTANT SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

MAR 2 3 2007

The Honorable Carl Levin
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20515-6050

Dear Mr Chairman

This report responds to the requirement in section 731(c) of the John Warner National Defense Authorization Act of 2007

The primary directive that provides guidance for billing and collections in the Direct Care System (i e , military treatment facilities) is DoD 6010 15-M, Military Treatment Facility Uniform Business Office (UBO) Manual A copy of the UBO Manual can be found at *http //www dtic mil/whs/directives/corres/html/601015m htm* Additional guidance is provided by the UBO User Guide which can be found at *http //www tricare mil/ocfo/mcfs/ubo/policy_guidance/userguide cfm*

Contractors providing managed care support under the TRICARE program (Purchased Care System) do not collect any funds directly from other insurers This is because other insurers are considered the primary payers when care is provided to TRICARE eligible beneficiaries By law, TRICARE is secondary payers to other insurance, medical service or health plans except Medicaid Any payments from TRICARE are reduced to reflect the payments made by the primary payer No payments from other insurers are made directly to TRICARE's Purchased Care System Therefore, no collections or outstanding amounts are included in this report from the Purchased Care System of the TRICARE program

Military treatment facilities (MTFs) collected the following amounts from third party payers by fiscal year for care provided to eligible beneficiaries under the Third Party Collection Program (TPCP)

MTF TPCP Collections (Millions of Dollars)		
FY 2002	**FY 2003**	**FY 2004**
$124 4	$91 8	$113 8

Accounts receivable (A/R) owed by third party payers for care provided to eligible beneficiaries by MTFs under the TPCP totaled the following amounts by fiscal year

MTF TPCP Accounts Receivable (Millions of Dollars)		
FY 2002	**FY 2003**	**FY 2004**
$179 0	$140 1	$155 1

Improvements in streamlining business practices continue within Defense Health Program funded MTFs A new UBO Manual was issued in November 2006 to replace the one issued in April 1997 The new manual addresses required changes in TPCP billing and collections The TRICARE Management Activity (TMA) UBO continues to expand training and educational opportunities for UBO staff at the MTF level TMA conducts a conference for both billing and coding personnel annually The number of educational audio-teleconferences offered by TMA UBO continues to increase as well as offering several UBO web-based training courses for UBO staff at the MTF level In Fiscal Year 2005, the Air Force outsourced their TPCP to two outside contractors who specialized in medical billing and collections Air Force TPCP collections increased for Fiscal Year 2006

Recent actions taken to accelerate and increase TPCP collections include the selection of a new commercial off-the-shelf (COTS) medical billing system that will replace existing government-built billing systems The COTS medical billing system incorporates commercial best practices for medical billing and collections Additionally, on January 18, 2007, the Department issued a new policy that established TPCP Military Department Goals for FY 2007 I first established TPCP Goals in FY 2005 based on recommendations by the Government Accountability Office

Improvement in the billing and collection performance by MTFs continues to be one of my priorities

Thank you for your continued support of the Military Health System

Sincerely,

William Winkenwerder, Jr , MD

cc
The Honorable John McCain
Ranking Member