THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

HEALTH AFFAIRS

OCT 21 2005

The Honorable John Warner
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

This report responds to a request in the House Conference Report 108-622 to provide a quarterly report to the defense committees on the status of third-party collections.

Cumulative performance through the 2nd Quarter Fiscal Year 2005 is running slightly below the same period during Fiscal Year 2004 (8% lower). The Department's 1st Quarter report for Fiscal Year 2005, dated July 12, 2005, noted that Fiscal Year 2005 performance for the Third Party Collections Program (TPCP) was running slightly below Fiscal Year 2004 collections (7% lower).

Part of the decrease can be attributed to a reduction in non-active duty workload in military treatment facilities (MTFs) when compared to Fiscal Year 2004. As an example, Air Force non-active duty inpatient dispositions through the 2nd Quarter Fiscal Year 2005 are down 11.2% compared to the same period in Fiscal year 2004. Similarly, Air Force outpatient encounters are down 5.7% through the 2nd Quarter Fiscal Year 2005 compared to the same period in Fiscal Year 2004.

Cumulative 2nd Quarter TPCP Performance
($ Millions)

	Inpatient Collections		Outpatient Collections		Total Collections	
Service	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005
Army	$10.8	$10.7	$10.7	$11.3	$21.5	$22.0
Navy	$3.9	$4.8	$6.4	$6.6	$10.3	$11.4
Air Force	$6.6	$5.1	$14.2	$9.9	$20.8	$15.0
Total	$21.3	$20.6	$31.3	$27.8	$52.6	$48.4

I continue to closely monitor the Military Departments' TPCP collections efforts and remain committed to fostering business process improvements and moving toward increased use of commercial practices in an effort to modernize the way we conduct our TPCP.

Thank you for your continued support of the Military Health System.

Sincerely,

William Winkenwerder, Jr., MD

cc:
Senator Carl Levin