THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

FEB 6 2006

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 third quarter Fiscal Year (FY) 2005 is running 5.1 percent below the same period during FY 2004. The Department's second quarter report for FY 2005, dated October 21, 2005, noted that FY 2005 performance for the Third Party Collections Program (TPCP) was running 8.0 percent below FY 2004 collections.

Part of the decrease can be attributed to a reduction in non-active duty workload in military treatment facilities when compared to FY 2004. As an example, Air Force non-active duty inpatient dispositions through the third quarter FY 2005 are down 10.8 percent, compared to the same period in FY 2004. Overall, Military Health System (MHS) non-active duty inpatient dispositions are down 2.6 percent. Similarly, Air Force outpatient encounters are down 4.4 percent through the third quarter FY 2005 compared to the same period in FY 2004, while MHS encounters overall are down 3.0 percent.

Cumulative Third Quarter TPCP Performance
($ Millions)

	Inpatient Collections		Outpatient Collections		Total Collections	
Service	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005
Army	$17.9	$15.9	$14.4	$17.8	$32.3	$33.7
Navy	$7.2	$7.3	$10.1	$9.5	$17.3	$16.8
Air Force	$9.9	$8.0	$21.3	$18.2	$31.2	$26.2
Total	$35.0	$31.2	$45.8	$45.5	$80.8	$76.7

I continue to closely monitor the Military Department's 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