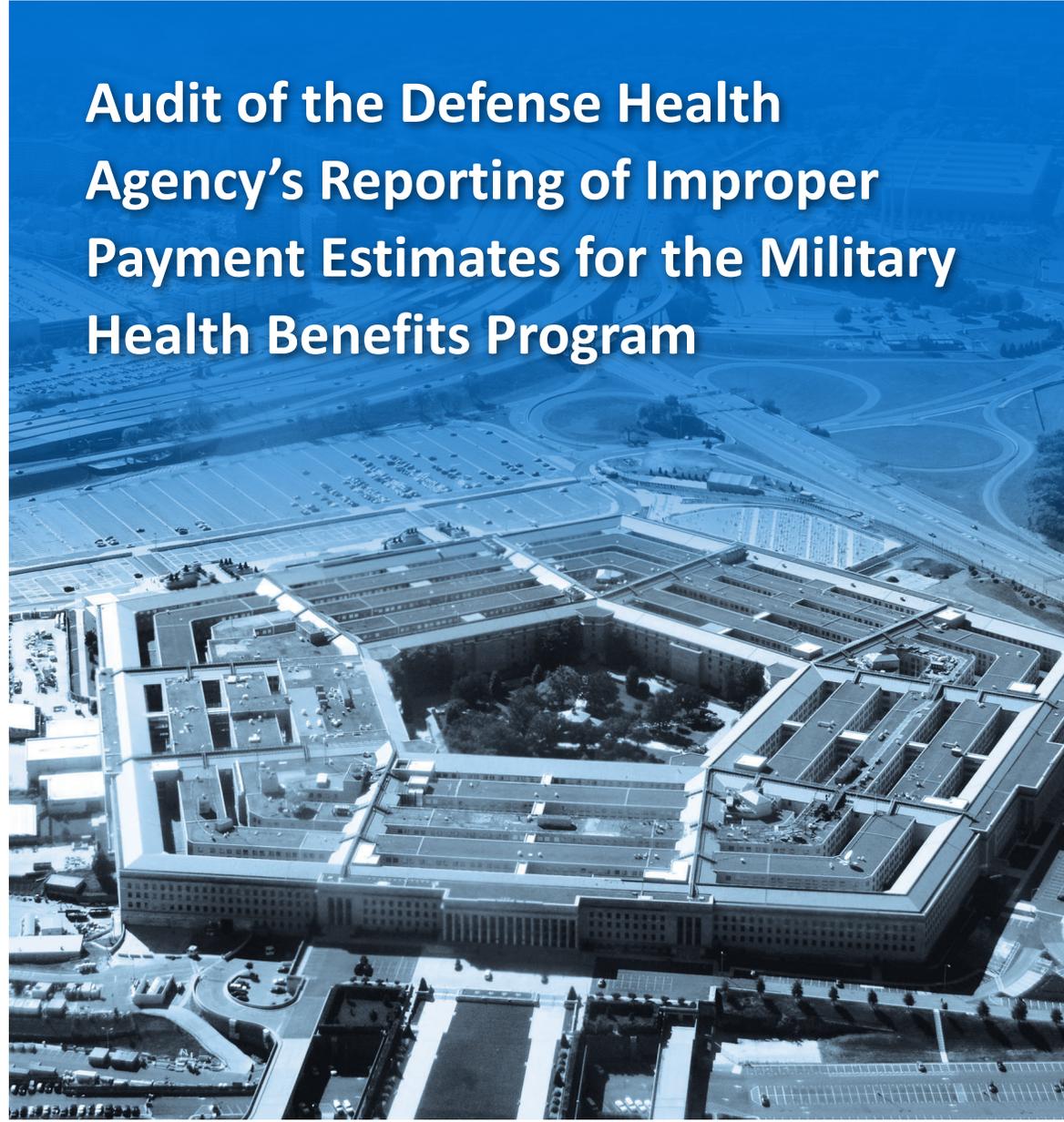


# INSPECTOR GENERAL

*U.S. Department of Defense*

JANUARY 11, 2022



## **Audit of the Defense Health Agency's Reporting of Improper Payment Estimates for the Military Health Benefits Program**

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





# Results in Brief

## *Audit of the Defense Health Agency's Reporting of Improper Payment Estimates for the Military Health Benefits Program*

January 11, 2022

### Objective

The objective of the audit was to determine whether the Defense Health Agency (DHA) accurately identified and reported improper payments as required by the Payment Integrity Information Act of 2019 (PIIA).

### Background

The DHA is the DoD Component responsible for administering the Military Health Benefits (MHB) Program, which provides health care services to approximately 9.4 million eligible TRICARE beneficiaries. The PIIA requires Federal agencies to identify programs susceptible to significant improper payments, to estimate and report the amount of improper payments, and to report actions planned to reduce future improper payments. The PIIA defines an improper payment as any payment that should not have been made, was made in an incorrect amount, was made to ineligible recipients, or was made for ineligible goods or services. The PIIA also considers payments as improper when they did not have the required supporting documentation at the time of disbursement.

### Finding

The DHA did not have adequate processes to identify improper payments and produce a reliable improper payment estimate for the MHB Program for the FY 2021 reporting period. Specifically, the DHA did not:

- implement effective DHA sampling methodology when developing the improper payment rate, and

### Finding (cont'd)

- conduct adequate improper payment reviews of Administrative and Other Costs payments or TRICARE West payments.

The DHA could not provide a reliable improper payment estimate because it did not use payment transactions when applying its sampling methodology to the data population. Also, the DHA did not consider the characteristics of its data population before applying its sampling methodology and did not calculate its sample size in accordance with its sampling and estimation methodology. Additionally, the DHA did not complete improper payment reviews for any of the Administrative and Other Costs sub-populations, base its improper payment reviews of TRICARE West medical claims on a payment definition that was in accordance with the PIIA, and conduct medical record reviews in accordance with its sampling and estimation methodology plan.

As a result, the DHA is unable to effectively identify improper payments and will not produce a reliable improper payment estimate for the MHB Program for FY 2021.

### Recommendations

We recommend that the Director of the DHA develop and implement procedures to use paid amounts in DHA sample populations and update the sampling methodology to consider data characteristics and ensure an appropriate sample size. We also recommend that the Director of the DHA use an improper payment definition that complies with the PIIA. Finally, we recommend that the Director of the DHA evaluate and plan for necessary resources to ensure adequate reviews of payments and timely reporting of improper payment estimates.

### Management Comments and Our Response

The Director of the Defense Health Agency agreed to address all of the recommendations; therefore, the recommendations are considered resolved and open. We will close the recommendations once we verify that the agreed-upon actions are complete. Please see the Recommendations Table on the next page.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director of the Defense Health Agency	None	1.a, 1.b, 1.c, 1.d	None

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

January 11, 2022

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF  
FINANCIAL OFFICER  
DIRECTOR, DEFENSE HEALTH AGENCY

SUBJECT: Audit of the Defense Health Agency's Reporting of Improper Payment Estimates  
for the Military Health Benefits Program (Report No. DODIG-2022-052)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Director of the Defense Health Agency agreed to address all the recommendations presented in the report; therefore, the recommendations are considered resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

If you have any questions, please contact me at [REDACTED].  
We appreciate the cooperation and assistance received during the audit.

A handwritten signature in cursive script that reads "Lorin T. Venable".

Lorin T. Venable, CPA  
Assistant Inspector General for Audit  
Financial Management and Reporting

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# Introduction

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## Objective

The objective of this audit was to determine whether the Defense Health Agency (DHA) accurately identified and reported improper payments as required by the Payment Integrity Information Act of 2019 (PIIA). See Appendix A for the audit scope and methodology and Appendix B for prior audit coverage related to the audit objective.

## Background

The PIIA was enacted so that Federal agencies would make efforts to identify and reduce government-wide improper payments. According to the PIIA, Federal agencies must review and identify programs that may be susceptible to significant improper payments, to estimate and report the dollar amount of improper payments in those programs, and to report on actions planned to reduce improper payments in those programs.<sup>1</sup> The DoD FY 2021 AFR stated that the reduction of improper payments and compliance with the PIIA continue to be top financial management priorities.

The PIIA defines a payment as any transfer or commitment for future transfer of Federal funds to any non-Federal person or entity. It also defines an improper payment as any payment that should not have been made or was made in an incorrect amount, including overpayments or underpayments, under legally applicable requirements. Improper payments also include payments made to ineligible recipients or for ineligible goods or services. The PIIA also categorizes payments that do not have required supporting documentation at the time of disbursement as improper.

Office of Management and Budget (OMB) Circular No. A-123, Appendix C, “Requirement for Payment Integrity Improvement,” (Appendix C) provides guidance for Federal agencies to implement the improper payment reporting requirements established in the PIIA.<sup>2</sup> Appendix C aims to ensure that Federal agencies focus on identifying, assessing, prioritizing, and responding to payment integrity risks to prevent improper payments in the most appropriate manner. Appendix C reiterates the PIIA’s definitions of payment and improper payment, and clarifies that a payment is ‘proper’ if it was made to the right recipient for the right amount; ‘improper’ if it was made in an incorrect amount or to the wrong recipient;

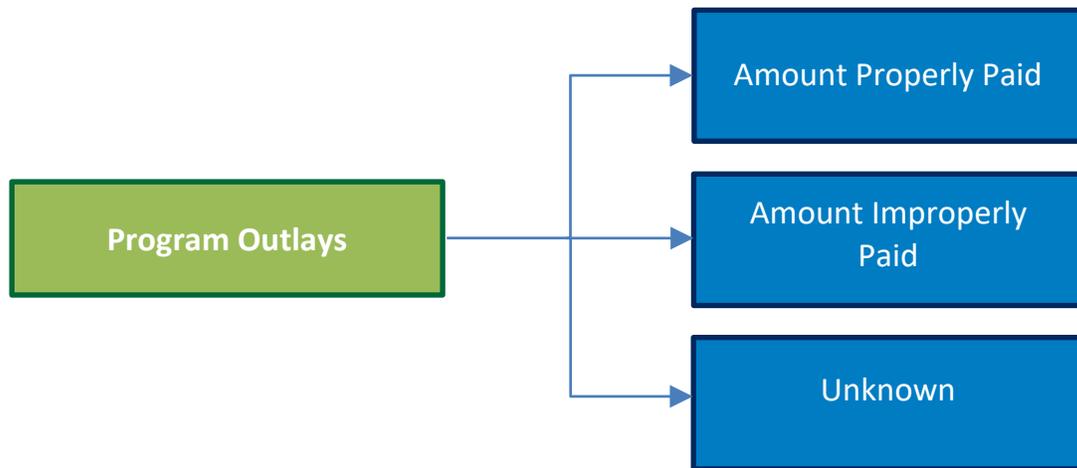
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<sup>1</sup> Public Law No. 116-117, “Payment Integrity Information Act of 2019,” section 3352(c)(2), March 2, 2020.

<sup>2</sup> OMB Circular No. A-123, Appendix C, “Requirement for Payment Integrity Improvement,” March 5, 2021. Throughout this report, we refer to OMB Circular No. A-123, Appendix C, as “Appendix C.”

and 'unknown' in instances where the agency is unable to determine whether a payment was either proper or improper. Appendix C requires Federal agencies to annually report accurate improper payment and unknown payment estimates. Additionally, Appendix C establishes a program's outlays as consisting of all payments made, whether those payments are determined to be proper, improper, or unknown. Figure 1 illustrates the relationship between the program outlays and the three payment type categories.

Figure 1. Payment Type Categories



Source: OMB Circular No. A-123, Appendix C.

### ***Military Health Benefits Program***

The Military Health Benefits (MHB) Program is administered by the DHA through TRICARE, which provides health care services to approximately 9.40 million eligible beneficiaries.<sup>3</sup> The MHB Program was one of 11 DoD programs that reported improper payment estimates in the FY 2020 DoD Agency Financial Report (AFR). For FY 2020, the MHB Program reported \$23 billion in total outlays and estimated \$339 million in improper payments.

During the FY 2020 annual improper payment audit, we identified a concern with the internal controls used in improper payment reviews for the MHB Program's Administrative and Other Costs. We found that the DHA did not fully review the propriety of the calculations made by the claims processors. In response to this concern, DHA personnel stated that they were creating a tool to better review the improper payments and had developed a standard operating procedure to better

<sup>3</sup> TRICARE is the health care program for uniformed Service members, retirees, and their families.

document the requirements of their reviews. Because DHA personnel took actions to correct the concern during the audit, we determined that the MHB Program complied with the annual reporting requirement.

### ***Administrative and Other Costs***

The Administrative and Other Costs payment population represented 16 percent of the outlays for the MHB Program in the FY 2021 reporting period.<sup>4</sup> According to the FY 2021 sampling and estimation plan (S&EMP), the payment population consisted of disbursements to contractors and providers for non-medical services and programs, including the TRICARE Dental Program; Designated Providers and Uniformed Services Family Health Plan (USFHP); Capital and Direct Medical Education; and Special Supplemental Food Program for Women, Infants, and Children Overseas. For the FY 2021 reporting period, the MHB Program sampling plan split the Administrative and Other Costs payment population into the following five sub-populations for sampling and reviewing purposes.

- Set of Books 00 – Other payments
- Set of Books 00 – USFHP payments
- Set of Books 13 – Capital and Direct Medical Education payments
- Set of Books 13 – Other payments
- Claim Rate payments

### ***Medical Claims Transactions***

TRICARE West medical claims transactions, which represented 17 percent of the entire outlays for the MHB Program, consisted of payments to medical providers for services provided to TRICARE beneficiaries, according to the FY 2021 S&EMP. The FY 2021 S&EMP separates the population by the six Managed Care Support Contracts: TRICARE West, TRICARE East, TRICARE Dual Eligible Fiscal Intermediary Contractor, TRICARE Overseas Program, TRICARE Pharmacy Program, and Active Duty Dental Program. According to the FY 2021 S&EMP, the DHA split the medical claims payments for each Managed Care Support Contract into the following three sub-populations.

- *Non-Denied Claims* – Includes all paid claims greater than the low-dollar threshold.<sup>5</sup>
- *Denied Claims* – Includes all billed claims that were denied.
- *Low-Dollar Claims* – Includes all paid claims less than the low-dollar threshold.

<sup>4</sup> According to the DHA, the FY 2021 reporting period improper payment estimate is based on FY 2020 data.

<sup>5</sup> DHA's low-dollar threshold is historically set at \$100.

## ***Roles and Responsibilities***

As stated in the DoD Financial Management Regulation, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD[C]/CFO), Financial Management Policy and Reporting Directorate is the Executive Agent for the DoD Payment Integrity Program and provides oversight to the DoD Components to ensure compliance with the authoritative guidance, including the PIIA and OMB Circular No. A-123, Appendix C.<sup>6</sup> Additionally, the DoD Financial Management Regulation further states the OUSD(C)/CFO is responsible for ensuring that the DHA and other DoD Components comply with additional OMB guidance for financial reporting and implementation of internal controls.

The DoD Financial Management Regulation states that the Director of the DHA is responsible for the financial reporting of the MHB Program, including reporting a statistically valid improper payment estimate in accordance with the PIIA and OMB Circular No. A-123, Appendix C. The MHB Program includes payments for TRICARE services administered.

TRICARE Purchased Care Contractors are responsible for administering health care services, processing claims, and making payments to health care providers. The FY 2021 S&EMP included six TRICARE Purchased Care Contractors; two of which were Managed Care Support Contractors for the TRICARE-East Region and TRICARE-West Region. The DHA also used an independent review contractor to conduct a post-payment review of the medical claims data.

## ***Military Health Benefit Improper Payment Estimation Process***

DHA personnel develop an estimate of the improper payments that occur within the MHB Program for the fiscal reporting period. To develop the estimate, the PIIA requires DHA personnel to:

- develop a statistically valid S&EMP,
- identify a complete and accurate payment population that will be subject to review and select a valid sample of those payments,
- conduct accurate reviews of the sample payments and determine whether an improper payment was made, and
- calculate the improper payment estimate based on the results of the reviews.

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<sup>6</sup> DoD 7000.14-R Financial Management Regulation volume 4, chapter 14.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>7</sup> The DHA did not implement sufficient internal controls over its processes to identify improper payments for the MHB Program for the FY 2021 improper payment reporting period. We identified internal control weaknesses in DHA personnel's implementation of the DHA's FY 2021 sampling methodology and review for improper payments. We will provide a copy of the final report to the senior official responsible for internal controls in the DHA.

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<sup>7</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013 (Incorporating Change 1, June 30, 2020).

## Finding

### **DHA Processes Did Not Produce a Reliable Improper Payment Estimate**

The DHA did not have adequate processes to identify improper payments and produce a reliable improper payment estimate for the MHB Program for the FY 2021 reporting period. Specifically, the DHA did not effectively implement DHA sampling methodology when developing the improper payment rates.

This occurred because DHA personnel:

- used claim amounts instead of paid amounts,
- maintained the same sampling methodology the DHA has used since 2013 without fitting the methodology to the characteristics of the program, and
- limited the number of sample items to meet a pre-determined estimate, rather than using sample sizes calculated from their FY 2021 sampling methodology.

In addition, the DHA did not conduct adequate improper payment reviews of Administrative and Other Costs payments and TRICARE West payments.

This occurred because DHA personnel did not:

- recognize the level of staffing necessary to conduct proper post-payment reviews,
- finish developing post-payment review processes that supported a full review for the propriety of the payments,
- base their improper payment reviews on a payment definition that was in accordance with the PIIA, and
- implement the Government Accountability Office's (GAO) FY 2015 recommendation to incorporate medical record reviews into their improper payment review sampling.

As a result of ineffective sampling methodologies and inadequate improper payment reviews, the DHA produced an unreliable improper payment estimate for the MHB Program for FY 2021. Identifying improper payments is a critical step toward improving payment processes, and because the DHA did not adequately identify improper payments, the DHA was unable to evaluate and address the root causes of these improper payments. Therefore, the DHA missed opportunities to prevent and recover improper payments in accordance with the PIIA and the DoD's top financial management priorities.

## DHA Processes Did Not Identify Improper Payments

DHA personnel did not have adequate processes to identify improper payments and produce a reliable MHB Program improper payment estimate for the FY 2021 reporting period. Specifically, DHA personnel did not:

- implement effective DHA sampling methodology when developing improper payment rates, and
- conduct adequate improper payment reviews of Administrative and Other Costs payments and TRICARE West payments.

*DHA personnel did not have adequate processes to identify improper payments and produce a reliable MHB Program improper payment estimate for the FY 2021 reporting period.*

### ***The DHA Did Not Have an Adequate Sampling Process***

DHA personnel did not effectively implement DHA sampling methodology when developing improper payment rates for both Administrative and Other Costs and TRICARE West payments. Specifically, DHA personnel:

- included \$451 million more in outlays in the TRICARE West sample population than what was actually paid, and
- developed and used ineffective sample sizes, resulting in unreliable improper payment estimates.

### ***Sampling and Estimation Methodology Plan***

According to OMB Circular No. A-123, Appendix C (Appendix C), programs susceptible to significant improper payments and unknown payments should report improper payment estimates using a statistically valid S&EMP. According to Appendix C, a statistically valid S&EMP includes statistical information pertaining to those estimates that consider the program's characteristics, available resources, and whether the estimate is reliable. In addition, Appendix C states that Components must submit their S&EMP to OMB by June 30th of the reporting period, and each S&EMP must be accompanied by a checklist that is signed by a Component official, stating that the S&EMP will produce a statistically valid estimate. In accordance with Appendix C, once a Component submits its S&EMP to OMB, the Component may then execute its S&EMP. Finally, Appendix C requires Components to report a statistically valid improper payment estimate on an annual basis.

### ***The TRICARE West Sample Population Contained More Outlays Than the DHA Actually Paid***

For the FY 2021 reporting period, DHA personnel incorrectly included \$451 million in their TRICARE West sample population. The TRICARE West sample population totaled \$4.38 billion in total outlays; however, the DHA only reported \$3.93 billion

*For the FY 2021 reporting period, DHA personnel incorrectly included \$451 million in their TRICARE West sample population.*

for TRICARE West during the reporting period. This variance occurred because DHA personnel based their outlays for the TRICARE West sample population on the claim amount instead of the paid amount. As a result,

DHA personnel based their improper payment estimate calculation on outlays from the TRICARE West sample that were 11.47 percent higher than the true program outlays.

According to the DHA’s FY 2021 sampling methodology for the MHB Program, the review contractor tested randomly sampled, non-denied medical claims on a quarterly basis to identify improper payments. DHA personnel stated that each claim in the TRICARE West Non-Denied Medical Claims (TRICARE West) payment population has an identifier called a TRICARE Record Indicator (TRI), which DHA personnel use to track a claim and its subsequent adjustments. DHA personnel stated that they include the claim’s initial payment amount plus any adjustments when calculating the net result for each quarterly audit. In doing so, the amount paid associated with each subsequent TRI (claim adjustment) represents the full claim amount at the time the adjustment is processed, even if no amount was paid. During our analysis, we observed multiple TRIs within the TRICARE West sample population appearing over more than one quarter. To illustrate how multiple TRIs would appear in the sample population, DHA personnel provided the following hypothetical example in Table 1.

*Table 1. Hypothetical Example of Audit Amount for One TRICARE West Non-Denied Medical Claim*

Claim Number (TRI)	Transaction Type	Transaction Date	Amount Paid
123456	Initial	10/20/2013	\$100,000
<b>Net result for 9/1/2013 – 12/31/2013 audit</b>			<b>\$100,000</b>
123456	Adjustment	1/4/2014	\$1,500
123456	Adjustment	2/20/2014	\$2,000
<b>Net result for 1/1/2014 – 3/31/2014 audit</b>			<b>\$103,500</b>
123456	Adjustment	5/8/2014	\$515,000
<b>Net result for 4/1/2014 – 6/30/2014 audit</b>			<b>\$618,500</b>
123456	Adjustment	8/1/2014	-\$515,000
<b>Net result for 7/1/2014 – 9/30/2014 audit</b>			<b>\$103,500</b>

Source: The DHA.

This hypothetical example illustrates the claim being initially paid in the first quarter and adjusted in each subsequent quarter. The claim amounts are the amounts that DHA personnel would have used in the sample population for developing the estimate. Therefore, the example claim would have appeared in the sample population four different times with a claim amount totaling \$925,500 (\$100,000 + \$103,500 + \$618,500 + \$103,500), when the actual paid amount was only \$103,500. In reviewing the sample populations, we confirmed that this hypothetical example accurately portrayed how multiple TRIs within the TRICARE West sample population appeared over more than one quarter. Additionally, DHA personnel stated that to calculate the claim amount in the sample population, DHA personnel included TRIs that were refunds and administrative adjustments.<sup>8</sup> While the refunds and administrative adjustments should have had negative and zero dollar amounts assigned to them, respectively, DHA personnel netted these amounts with the initial claim amount and any subsequent adjustments. Consequently, if the refund or administrative adjustment occurred in a subsequent quarter from the initial claim and any monetary adjustments, the TRI would still be in the sample population for the quarter in which the refund or adjustment was made. However, according to OMB guidance, these transactions are not payments; therefore, the DHA should not have assigned amounts to them in the sample population.

DHA personnel stated that they include the full claim amounts instead of the paid amounts in the sample populations to ensure personnel review for the full claim amount (initial payment plus adjusting amounts) to determine propriety. However, DHA personnel used the claim amounts instead of the paid amounts when calculating the error rate, so when DHA personnel included the net results (initial payment plus adjusting amounts) in the sampling process, they caused the sample population's total outlays to be overstated. When the sample population's outlays are overstated, the improper payment estimate is understated. Additionally, because DHA personnel used claims amounts instead of paid amounts in the sample population, the opportunity for claims to be selected for review increased, even though the additional TRIs did not necessarily represent paid amounts. Therefore, to ensure the improper payment estimate is not understated by overstating the outlays, the Director of the DHA should develop and implement procedures to use the actual paid amounts in DHA sample populations.

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<sup>8</sup> We use the term "administrative adjustment" to represent adjustments made to claims where the financial amounts did not change. The DHA refers to these types as "statistical adjustments."

### **The DHA Did Not Consider Data Characteristics**

*DHA personnel developed ineffective sample sizes, resulting in an unreliable improper payment estimate for TRICARE West payments.*

DHA personnel developed ineffective sample sizes, resulting in an unreliable improper payment estimate for TRICARE West payments. The TRICARE West payment population represents payments that DHA Managed

Care Support Contractors make for medical claims in the TRICARE-West Region.<sup>9</sup> When analyzing TRICARE West sample population data, we observed that the data were not normally distributed. Specifically, as the dollar amount of the payments increased, (1) the number of payments existing in the overall population decreased; and (2) the error amount increased. While both trends are common with financial data, DHA personnel stated that they did not consider these trends when applying their sampling methodology.

Over the course of the FY 2021 reporting period, the DHA conducted quarterly reviews of TRICARE West sample populations. Each quarterly sample population was further divided into 13 different sections, based on the payment amount, for a total of 52 sections for the entire year. If the data were normally distributed, then dividing the sample population into these sections would have allowed for the payment population to be accurately represented by the sample, which would have improved the accuracy of the results.

However, the DHA incorrectly assumed that the data were normally distributed, and, furthermore, calculated a sample size that, for 33 of the 52 sections, was below 100 payments. As a result, the DHA had an extremely low probability of finding improper payments. Consequently, the DHA identified zero errors in 9 of the 52 sections when, according to statistical recommendations, the DHA should have identified at least 10 errors in each of the 52 sections.<sup>10</sup> Therefore, we determined that the sample sizes used by the DHA were too small to produce

*DHA personnel applied the same sampling methodology as they used in prior years without considering the characteristics of the current year's data.*

an accurate and reliable improper payment estimate for the TRICARE West payment population. When asked why the DHA used this methodology to calculate sample sizes, DHA personnel responded that they have used this same

<sup>9</sup> Payments of \$100 or greater.

<sup>10</sup> Frank E. Harrell Jr. "Regression Modeling Strategies, With Applications to Linear Models, Logistic and Ordinal Regression, and Survival Analysis" 1st Edition (New York: Springer, 2001). This text recommends 10 or 20 observations for each predictor; however, in the DHA's sampling methodology, there is only one (a constant).

methodology since 2013. As a result, DHA personnel applied the same sampling methodology as they used in prior years without considering the characteristics of the current year's data.

Additionally, the DHA has a contract agreement for post-payment reviews of TRICARE West claims, which stipulates a pre-determined number of sampled claims the review contractor will examine for propriety. The pre-determined sample size was initially established through the award of a contract in June 2017. For the solicitation of the June 2017 review contract, the DHA included historical data representing the number of claims that the DHA selected for review for each year since 2010. The DHA included these pre-determined amounts to establish the amount of work a potential contractor would be expected to complete. When asked, DHA personnel stated that they calculated those historic numbers using the same formula in their sampling methodology. However, for the FY 2021 sample population, DHA personnel used a different variable than prescribed in their sampling methodology in order to keep the resulting sample size amount close to the number of claims the contractor was expected to review. Specifically, DHA personnel incorrectly applied the relative variance to the paid amounts instead of applying the relative variance to the absolute payment error amounts. Had DHA personnel followed their sampling methodology, they would have had to increase their sample sizes to amounts in the hundreds of thousands; an amount far more than the expectations set during solicitation and far more than the amount established by the June 2017 contract.

While reviewing hundreds of thousands of sampled claims would improve the reliability of the MHB Program's improper payment estimate, we agree that the effort in doing so would require an unreasonable amount of personnel, time, and resources. Alternatively, the DHA could more accurately represent the TRICARE West payment population by applying a different methodology. However, because the DHA did not consider the data characteristics when developing its sample population, and because the DHA had already contracted for a pre-determined sample size, it used an ineffective sample size for its TRICARE West improper payment reviews, which then caused the improper payment rate and estimate for FY 2021 to be unreliable. Therefore, the Director of the DHA should update the sampling methodology to consider the data characteristics and ensure that the sampling methodology is appropriate, including a reasonable number of sample items.

In addition, the DHA erroneously excluded \$6 million in credits from the Administrative and Other Costs USFHP sample population. Therefore, there was no opportunity to review these credits, resulting in an inconsistent sampling platform for USFHP sample payments. According to DHA personnel, this occurred because

they applied the same sampling methodology to this population of transactions that they applied to all of the sample populations, despite the differences in the characteristics of the USFHP sub-population. However, this will not impact the overall accuracy of the Administrative and Other Costs estimates because, according to DHA personnel, they did not complete their improper payment reviews for any of the Administrative and Other Costs sample populations, and as a result, did not report an improper payment estimate in the FY 2021 AFR for the Administrative and Other Costs. See the “Administrative and Other Costs Reviews” section of this report for additional details.

### ***The DHA Did Not Conduct Adequate Reviews for Improper Payments***

DHA personnel did not conduct adequate reviews of the Administrative and Other Costs payments and TRICARE West payments to identify improper payments. Specifically, DHA personnel did not:

- complete improper payment reviews for any of the Administrative and Other Costs populations,
- identify payments as improper when the claims processors made payments using inaccurate information for the TRICARE West sample population, and
- conduct medical record reviews to determine whether payments for TRICARE West were appropriately documented, or whether billed and paid-for services were actually received.

### ***Administrative and Other Costs Reviews***

DHA personnel did not conduct improper payment reviews of Administrative and Other Costs. The DoD is required to publish its improper payment estimates in the DoD’s AFR on November 15th of each year.<sup>11</sup> However, DHA personnel stated that they did not complete their improper payment reviews for any of the Administrative and Other Costs sample populations. As a result, DHA

*DHA personnel did not conduct improper payment reviews of Administrative and Other Costs. As a result, DHA personnel did not report an improper payment estimate in the FY 2021 AFR for Administrative and Other Costs.*

personnel did not report an improper payment estimate in the FY 2021 AFR for Administrative and Other Costs. According to DHA personnel, this occurred because the DHA did not recognize the amount of resources necessary to complete these reviews. Additionally, DHA personnel stated that

<sup>11</sup> OMB Circular No. A-123, Appendix C, “Requirement for Payment Integrity Improvement,” March 5, 2021.

they had difficulties obtaining the documentation necessary to determine the propriety of the payments. Therefore, we recommend that the Director of the DHA evaluate and plan for necessary resources to ensure adequate reviews of payments and timely reporting of improper payment estimates.

### ***TRICARE West Medical Claims Reviews***

DHA personnel did not adequately identify improper payments during their post-payment reviews of the TRICARE West sample population. The PIIA defines a ‘payment’ as any transfer of Federal funds to any non-Federal person or entity or a Federal employee that is made by a Federal agency, a Federal contractor, or a governmental or other organization administering a Federal program or activity. The PIIA also defines an improper payment as any payment that should not have been made or was made in an incorrect amount.<sup>12</sup> However, the DHA’s review contractor did not consider a payment to be improper if the claims processor made a payment with inaccurate information.

For instance, the DHA review contractor identified a TRICARE West sampled claim in which the DHA claims processor incorrectly applied an expired discount. As a result of applying the discount, the claims processor paid \$38,619 when they should have paid the full amount of \$42,910. The review contractor should have identified a \$4,291 improper underpayment. However, the review contractor determined that the claim was properly paid because the claims processor had not updated the discount information in their payment system prior to making the payment.

In another instance, the claims processor paid an initial \$12,495 for a claim in April 2020. They then paid an additional \$2,205 to the claim in a June 2020 adjustment. However, in July, the claims processor determined that the two payments combined should not have exceeded \$4,830, and they refunded the provider \$9,870. Even though the initial payment was not the correct amount, the review contractor determined that the initial payment was proper. DHA personnel agreed that the sample contained an overpayment, but because the claims processor corrected the overpayment before DHA personnel selected the quarterly sample, the review contractor considered the payment to be proper.

According to DHA personnel, the review contractor determined these transactions were properly paid because the language in the review contractor’s contract states, “Payment errors are based on the claim information available and those processing actions taken up to the time the compliance review sample is pulled.”

*The DHA’s review process used a payment definition that differed from the PIIA.*

<sup>12</sup> Public Law 116-117, “Payment Integrity Information Act of 2019,” March 2, 2020, section 3351 (4) and (5).

Because the correction was made to the payment before the sample was pulled, the reviewer determined it to be a proper payment. However, according to the PIIA, a payment happens when the transfer of funds occurs, not when the sample is pulled. As a result, the DHA's review process used a payment definition that differed from the PIIA. Therefore, the Director of the DHA should ensure that improper payment reviews use the definition of a payment that complies with the PIIA.

### ***The DHA Did Not Conduct Medical Record Reviews***

DHA personnel did not conduct medical record reviews to determine whether payments for TRICARE West medical claims were appropriately documented, or whether those claims were billed and paid for services that were actually received. According to the PIIA, an improper payment includes any payment for an ineligible good or service, as well as any payment for a good or service not received.<sup>13</sup>

During the observation of contractor reviews of TRICARE West medical claims, DHA personnel stated that the review contractor does not review the claims for medical necessity because the DHA does not require that level of review. According to DHA personnel, a "nurse-level reviewer" at the claims processor level ensures that the provided medical services were justified and documented. DHA personnel also stated that the claims processor reviews this documentation for medical necessity and propriety before making the payment. DHA personnel stated that the review contractor conducts no further reviews of the claim when they see that the claim has been approved by the nurse-level reviewer. However, because the DHA does not require the review contractor to obtain and review documentation supporting medical necessity in post-payment reviews, DHA personnel did not verify that the sample payments were proper, in accordance with the PIIA. The GAO identified this condition and made a recommendation to the Director of the DHA to incorporate medical record reviews in GAO Report No. GAO-15-269.<sup>14</sup>

To address the GAO's recommendation, in FY 2020 the DHA included a new review type within their S&EMP: medical record reviews. Medical record reviews are intended to determine: (1) the sufficiency and completeness of medical record documentation; (2) if services received are a benefit under the TRICARE Program; (3) if services received match the services billed and paid; and (4) to identify improper payments based on the evaluation of medical record documentation. However, at the time of our audit, DHA personnel stated that they had not yet implemented these reviews because they did not receive enough documentation from TRICARE providers in response to an initial request

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<sup>13</sup> PIIA allows exceptions when authorized by law.

<sup>14</sup> GAO Report No. GAO-15-269, "Improper Payments: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews," February 2015.

for medical records. According to the DHA, TRICARE providers cited the coronavirus disease–2019 (COVID-19) pandemic as the cause for not providing sample documentation. Therefore, the DHA has yet to implement the GAO’s FY 2015 recommendation to incorporate medical record reviews into its improper payment review sampling.

Since DHA personnel have not fully implemented medical record reviews and the DHA review contractor is not reviewing to determine whether the services rendered match the services billed and paid, DHA personnel are not determining the full propriety of the payments. Until the DHA fully implements the new methodology and identifies the underlying causes of improper payments, the full extent of improper payments in the TRICARE Program will not be identified and addressed, thus impeding the DHA from creating effective corrective actions to prevent further improper payments. Furthermore, until the DHA implements medical record reviews, the improper payment estimate for the MHB Program may be understated as a result of unidentified improper payments.

With regard to the MHB Program’s medical record reviews, we are not making a recommendation in this report. However, we encourage the Director of the DHA to continue addressing the GAO’s recommendation by implementing medical record reviews.

## Conclusion

DoD leadership and Congress rely on accurate financial information reporting, including the improper payment estimate, when determining the success of DoD programs and when determining how to best allocate resources. However, because the DHA did not utilize an appropriate sampling methodology or conduct appropriate improper payment reviews, the DHA is unable to produce a reliable improper payment estimate for the FY 2021 reporting period.

Furthermore, identifying improper payments is a critical step toward improving payment processes. However, because the DHA did not identify improper payments, the DHA was unable to evaluate and address the root causes of these improper payments. Additionally, because the DHA did not complete the reviews of Administrative and Other Costs, the DHA was unable to include the results with its FY 2021 improper payment estimate. Therefore, the DHA missed opportunities to prevent and recover improper payments in accordance with PIIA and the DoD’s top financial management priorities.

## Recommendations, Management Comments, and Our Responses

### **Recommendation 1**

We recommend that the Director of the Defense Health Agency:

- a. **Develop and implement procedures to use the actual paid amounts in sample populations.**

### ***Director of the Defense Health Agency Comments***

The Director of the DHA agreed with the recommendation, stating that the DHA has begun analyzing the feasibility of ensuring transaction paid amounts are reflected in the universe for calculating improper payment estimates. The Director recognized that including an adjusted claim's initial payment in the sample universe inflates the amount of outlays used in the improper payment rate calculation. The Director of the DHA expects to complete this action by December 2023.

### ***Our Response***

Comments from the Director of the DHA addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DHA has developed and implemented procedures to use the actual paid amounts in developing the sample universe.

- b. **Update sampling methodology to consider data characteristics and ensure the sampling methodology is appropriate, including a reasonable number of sample items.**

### ***Director of the Defense Health Agency Comments***

The Director of the DHA agreed with the recommendation, stating that the DHA is currently re-evaluating the sampling methodology to increase the probability of identifying improper payments. Specifically, the DHA will consider reasonable and cost-effective alternatives and methods to identify monetary loss overpayments, including the possibility of decreasing the number of stratification levels by expanding the stratification boundaries to capture a more representative number of claim errors; periodically reviewing the data characteristics of completed compliance reviews; exploring the feasibility of using variance from absolute error amounts instead of paid amounts; and addressing more effective sample sizes that are reasonable for the personnel, time, system, and resources available. The Director of the DHA expects to complete this action by December 2023.

### ***Our Response***

Comments from the Director of the DHA addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation after we verify that the DHA has updated its sampling methodology to consider data characteristics and ensure that the sampling methodology is appropriate and includes a reasonable number of sample items.

- c. Evaluate and plan for necessary resources to ensure adequate reviews of payments and timely reporting of improper payment estimates.**

### ***Director of the Defense Health Agency Comments***

The Director of the DHA agreed with the recommendation, stating that the DHA has been working to add policies and procedures for conducting post-payment sampling to determine the propriety of its administrative payments. According to the Director of the DHA, the DHA has identified additional internal controls, is in the process of implementing them, and continues to identify and collect additional payment documentation. In addition, the DHA will assess certain administrative payments for risk, and the DHA will consider both qualitative and quantitative factors when analyzing whether the costs outweigh the benefits. According to DHA personnel, through the results of the risk assessments, they will identify program areas where available resources can be reallocated. DHA personnel also explained that they are evaluating and identifying potential resources from within their internal audit function in order to meet current Payment Integrity review needs. The Director of the DHA expects to complete this action by September 2022.

### ***Our Response***

Comments from the Director of the DHA addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation after we verify that the DHA has adequately reviewed payments and reported improper payment estimates in a timely manner.

- d. Ensure that improper payment reviews use the definition of a payment that complies with the Payment Integrity Information Act of 2019.**

***Director of the Defense Health Agency Comments***

The Director of the DHA agreed with the recommendation, stating that the DHA has begun evaluating solutions for reporting payment errors that meet the PIIA definition of a payment. The Director of the DHA expects to complete this action by December 2023.

***Our Response***

Comments from the Director of the DHA addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation after we verify that the DHA has ensured that improper payment reviews used the definition of a payment that complies with the PIIA.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from May 2021 through November 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To obtain information and source documents on whether the DHA is accurately identifying and reporting improper payments for the MHB Program, as well as to understand its roles and processes for reporting improper payments, we interviewed personnel from the DHA, OUSD(C)/CFO, and additional contractors.

During our interviews, we discussed personnel roles and responsibilities for PIIA reporting, S&EMPs, improper payment estimates, accountability, and agency information systems and other infrastructure. We also discussed with DHA personnel the process they used to compile their populations of transactions used for testing and the review processes they used to determine whether a transaction is an improper payment. We tested their processes for creating the population of transactions to determine whether DHA personnel calculated accurate and complete improper payment estimates. We also examined the documentation they provided that related to our audit objective.

### Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the design and implementation of the DHA sampling plan, the development of the TRICARE West and Administrative and Other Costs improper payment estimates, and the completeness of the TRICARE West and Administrative and Other Costs sample populations.

In all four of these assessed areas, we identified deficiencies in internal control that warranted the attention of OUSD(C)/CFO and DHA personnel or were significant in the context of the audit objective. Specifically, we identified deficiencies and lack of internal controls over the:

- design of the DHA sampling plan, contributing to DHA personnel using stratum samples too small to uncover any improper payment errors,

- definition of improper payment used by review contractor post-payment reviewers that did not match the PIIA definition, resulting in unreported improper payments in TRICARE West medical claims reviews,
- development of the TRICARE West sample population that included the adjusted claims running total paid amount, resulting in the sample population using paid amounts that did not match the actual outlay amounts, and
- correction of deficiencies identified in prior audits that required the DHA to implement post-payment reviews for all payment types in Administrative and Other Costs transactions.

However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

## Use of Computer-Processed Data

We relied on computer-processed data used by the audit-client in developing supporting documents during the course of the audit. Specifically, we relied on estimates of improper payments and the computer-processed data that the DHA used to develop its populations and estimates for the MHB Program, due to determining the accuracy of the improper payment estimate as being a part of the audit objective.

While evaluating the accuracy of the S&EMP for the MHB Program, we determined that the methodologies the DHA used to calculate the improper payment estimate were unreliable. We validated this data by using system-generated data and applying the search criteria used to create the population. The computer-processed data that was used by the audit team provided sufficient evidence to support the audit finding and conclusion.

## Use of Technical Assistance

The DoD OIG Data Analytics Team and the audit team collaborated on this audit engagement. DoD OIG Data Analytics Team personnel assisted in the drawing of a random sample of 200 transactions from the DHA's review sample selections. The DoD OIG Data Analytics Team planned to use the DHA's sample and code to verify the correct application of DHA post-payment sampling methodology. DoD OIG Data Analytics Team personnel identified characteristics of the payment data, verified the appropriateness of the sampling methodology, and uncovered mistakes in the implementation of the sample sizes.

Quantitative Methods Division personnel assisted the audit team with creating a statistical sample of Administrative and Other Costs transactions that DHA personnel sampled for post-payment reviews to calculate the MHB Program's improper payment estimate.

## Appendix B

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### Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the DoD Office of Inspector General (DoD OIG) issued 9 reports discussing improper payments relating to the MHB Program. Additionally, we included a GAO report from 2015, which we determined to be relevant to the audit objective.

Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

### GAO

Report No. GAO-20-344, “Federal Agencies’ Estimates of FY 2019 Improper Payments,” March 2020

The GAO determined that for FY 2018, 8 years after the implementation of the Improper Payments Elimination and Recovery Act (IPERA), half of the 24 Chief Financial Officers Act of 1990 agencies, whose estimates account for over 99 percent of the Government’s reported estimated improper payments, complied with IPERA, as reported by their Inspectors General. In addition, the Government’s ability to understand the full scope of its improper payments is hindered by incomplete, unreliable, or understated agency estimates; risk assessments that may not accurately assess the risk of improper payments; and agencies not complying with reporting and other requirements in IPERA.

GAO-19-112, “IMPROPER PAYMENTS: Selected Agencies Need Improvements in Their Assessments to Better Determine and Document Risk Susceptibility,” January 2019

The GAO found that although the Departments of Health and Human Services, the Treasury, and Justice considered, among other factors, the nine risk factors from the Improper Payments Information Act of 2002 and Office of Management and Budget guidance, they did not document or effectively demonstrate how these factors affected their programs’ susceptibility to significant improper payments. Furthermore, the agencies did not have documentation to demonstrate how they determined the weight of each risk factor or the risk level ranges from risk assessment templates as they relate to the programs’ susceptibility to significant improper payments.

GAO-15-269, "IMPROPER PAYMENTS: TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews," February 2015

The GAO found that the DHA uses a methodology for measuring TRICARE improper payments that is less comprehensive than the methodology the Department of Health and Human Services uses to measure improper payments in Medicare. Unlike in reviews of Medicare payments, the DHA does not examine the underlying medical record documentation and does not verify the medical necessity of services provided to discern whether each sampled payment was supported. By not examining medical record documentation to discern if payments are proper, TRICARE's reported improper payment estimates are not comparable to Medicare's estimates, and likely understate the amount of improper payments relative to the estimates produced by Medicare's more comprehensive methodology.

### **DoD OIG**

Report No. DODIG-2021-080, "Audit of the Department of Defense Compliance in FY 2020 With Improper Payment Reporting Requirements," May 7, 2021

The DoD did not comply with all PIIA requirements in its FY 2020 reporting of improper payments. The DoD complied with four of the six PIIA requirements. However, it did not comply with two of the six PIIA requirements because it published unreliable improper payment estimates for 7 of its 11 programs and missed its annual improper payment reduction target for the Military Health Benefits Program. In addition, the DoD did not meet its FY 2020 reduction targets for the Military Health Benefits Program because one of the contractors for the program did not accurately process health benefits claims. As a result of these actions, the DoD did not comply with all improper payment reporting requirements for the 9th consecutive year.

Report No. DODIG-2020-083, "Audit of the Department of Defense's Compliance in Fiscal Year 2019 With the Improper Payments Elimination and Recovery Act Requirements," May 1, 2020

The DoD OIG determined that the DoD complied with four of the six IPERA requirements by publishing all required information in the Payment Integrity section of the AFR; conducting program-specific risk assessments; publishing corrective action plans; and reporting an improper payment rate of less than

10 percent for each of the eight programs that included an improper payment estimate in the FY 2019 AFR. However, the DoD did not fully comply with two of the six IPERA requirements.

Report No. DODIG-2019-087, “Audit of the DoD’s FY 2018 Compliance With the Improper Payments Elimination and Recovery Act Requirements,” May 15, 2019

The DoD OIG determined that the DoD complied with three of the six IPERA requirements by publishing all required information in the Payment Integrity section of the AFR; conducting program-specific risk assessments; and reporting an improper payment rate of less than 10 percent for each of the eight programs that included an improper payment estimate in the FY 2018 AFR. However, the DoD did not fully comply with three of the six IPERA requirements.

Report No. DODIG-2018-115, “DoD FY 2017 Compliance With the Improper Payments Elimination and Recovery Act Requirements,” May 9, 2018

The DoD OIG determined that the DoD complied with two of the six IPERA requirements by conducting program-specific risk assessments and reporting an improper payment rate of less than 10 percent for each of the nine programs that included an improper payment estimate in the FY 2017 AFR. However, the DoD did not fully comply with four of the six IPERA requirements.

Report No. DODIG-2018-084, “TRICARE North Region Payments for Applied Behavior Analysis Services for the Treatment of Autism Spectrum Disorder,” March 14, 2018

The audit found that the DHA made improper payments for applied behavior analysis (ABA) services to companies in the TRICARE North Region. We statistically projected that the DHA, through its contractor, improperly paid \$81.2 million of the total \$120.1 million paid to ABA companies in the TRICARE North Region for ABA services performed in 2015 and 2016. The DHA either lacked documentation or had insufficient documentation to support payment to the ABA companies. The DHA did not detect these improper payments because the DHA did not perform comprehensive medical reviews on a statistically representative sample of ABA claims.

Report No. DODIG-2017-078, “The DoD Did Not Comply With the Improper Payment Elimination and Recovery Act in FY 2016,” May 8, 2017

The DoD OIG determined that the OUSD(C)/CFO published the ‘Improper Payment and Payment Recapture Programs’ section of the DoD FY 2016 AFR but did not comply with IPERA. In addition, the DoD complied with

one of the six requirements of IPERA by reporting improper payment rates of less than 10 percent; however, the DoD did not comply with five of the six IPERA requirements.

Report No. DODIG-2016-086, "DoD Met Most Requirements of the Improper Payments Elimination and Recovery Act in FY 2015, but Improper Payment Estimates Were Unreliable," May 3, 2016

The DoD OIG determined that the OUSD(C)/CFO published the DoD FY 2015 AFR showing that the DoD met five of the six requirements of the IPERA; however, the improper payment estimates were not reliable. In addition, the DoD did not meet the requirement to achieve the reduction target for one of the eight programs with established targets and, therefore, did not comply with IPERA in FY 2015.

# Management Comments

## Director of the Defense Health Agency



DEFENSE HEALTH AGENCY  
7700 ARLINGTON BOULEVARD, SUITE 5101  
FALLS CHURCH, VIRGINIA 22042-5101

December 17, 2021

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Department of Defense Inspector General Draft Report D2021-D000FL-0128.000

This is the Department of Defense response to the Department of Defense Inspector General Draft Report on Project No. D2021-D000FL-0128.000.

The Defense Health Agency's (DHA) response was coordinated with the Office of the Under Secretary of Defense (Comptroller) for the subject audit, dated November 17, 2021. Thank you for the opportunity to review and comment on the Draft Report. Overall, I concur with the reports' four findings and conclusions. Attached are responses to the recommendations.

For your consideration to incorporate into the Final Report, are my specific comments to Recommendation 1. The DHA continues to strive for achieving appropriateness in the identification and reporting of improper payments under the Military Health Benefits Program. The Agency welcomes the findings as a method for identifying areas of potential weakness and a means for improving operation procedures.

Additionally, the DHA conducted a Medical Record Review (MRR) for documentation supporting claims payment in 2020, contrary to the assertion in the report. This initial review was completed in 2020 and those results were provided to the Government Accounting Office (GAO). The DHA continues to work with the GAO to determine the feasibility and cost benefit of MRR documentation reviews for improper payment estimates. The DHA is also collaborating with other divisions within the agency to determine the best utilization strategy for these reviews. The DHA finds the recommendation unsuitable for determining estimates for improper payment reporting but is confident such reviews would be more valuable and cost effective for specific focus studies.

My point of contact for this issue is [REDACTED] (Functional) who may be reached at [REDACTED] or via email at [REDACTED] or [REDACTED] (Audit Liaison) at [REDACTED] or via email at [REDACTED].

PLACE RONALD JOSEPH: [REDACTED]  
[REDACTED]  
[REDACTED]  
Director

Attachment:  
As stated

## Director of the Defense Health Agency (cont'd)

**DOD IG DRAFT REPORT DATED NOVEMBER 17, 2021  
D2021-D000FL-0128.000**

**“AUDIT OF THE DEFENSE HEALTH AGENCY’S REPORTING OF IMPROPER  
PAYMENTS ESTIMATES FOR THE MILITARY HEALTH BENEFITS PROGRAM”**

**DEFENSE HEALTH AGENCY RESPONSE  
TO THE DOD IG RECOMMENDATIONS**

**RECOMMENDATION 1:**

- a) Develop and implement procedures to use the actual paid amounts in sample populations.

**Defense Health Agency (DHA) RESPONSE:** CONCUR. To address this recommendation, the DHA has begun analyzing the feasibility of ensuring that transaction paid amounts are reflected in the universe for calculating improper payment estimates. The DHA recognizes including an adjusted claim’s initial payment results in an inflation of the universe. However, the DHA remains committed to auditing claims that have been adjusted to ensure the adjustment was appropriate. The private sector care contractors are performing these adjustments within the terms of their contract and DHA policies and procedures, including retroactive updates to benefits. Estimated implementation is December 2023.

- b) Update sampling methodology to consider data characteristics and ensure that sampling methodology is appropriate, including a reasonable number of sample items.

**DHA RESPONSE:** CONCUR. The DHA is currently re-evaluating the sampling methodology to increase the probability of identifying improper payments. This includes potentially decreasing the number of stratification levels by expanding the stratification boundaries to capture a more representative number of claim errors; periodically reviewing the data characteristics of completed compliance reviews; exploring the feasibility of using variance from absolute error amounts instead of paid amounts; and addressing more effective sample sizes that are workable. The DHA will address all of these and consider alternatives that are cost effective to identify monetary loss over-payments and are reasonable for the personnel, time, system and resources available. Estimated implementation is December 2023.

- c) Evaluate and plan for necessary resources to ensure adequate reviews of payments and timely reporting of improper payment estimates.

**DHA RESPONSE:** CONCUR. The DHA is working diligently to add processes and procedures for conducting post pay sampling to determine the propriety of its administrative payments. In doing so, additional internal controls have been identified and are in the process of being implemented. The identification and collection of additional payment documentation continues. In addition, certain administrative payments will be assessed for risk and the DHA will consider

## Director of the Defense Health Agency (cont'd)

both qualitative and quantitative factors when analyzing costs against benefits. Estimated implementation is September 2022.

**d)** Ensure that improper payment reviews use the definition of a payment that complies with the Payment Integrity Information Act of 2019.

**DHA RESPONSE:** CONCUR. The DHA will adopt the definition of a payment that complies with the Payment Integrity Information Act (PIIA) of 2019, and will take timely action within available resources, including the award or appropriate modification of necessary audit contracts, to apply the definition in identifying and reporting improper payments as required by PIIA. Estimated implementation is December 2023.

## Acronyms and Abbreviations

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<b>AFR</b>	Agency Financial Report
<b>DHA</b>	Defense Health Agency
<b>GAO</b>	Government Accountability Office
<b>IPERA</b>	Improper Payments Elimination and Recovery Act
<b>MHB</b>	Military Health Benefits
<b>OMB</b>	Office of Management and Budget
<b>OSD(C)/CFO</b>	Office of the Secretary of Defense (Comptroller)/Chief Financial Officer
<b>PIIA</b>	Payment Integrity Information Act of 2019
<b>S&amp;EMP</b>	Sampling and Estimation Methodology Plan
<b>TRI</b>	TRICARE Record Indicator
<b>USFHP</b>	Uniformed Services Family Health Plan



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