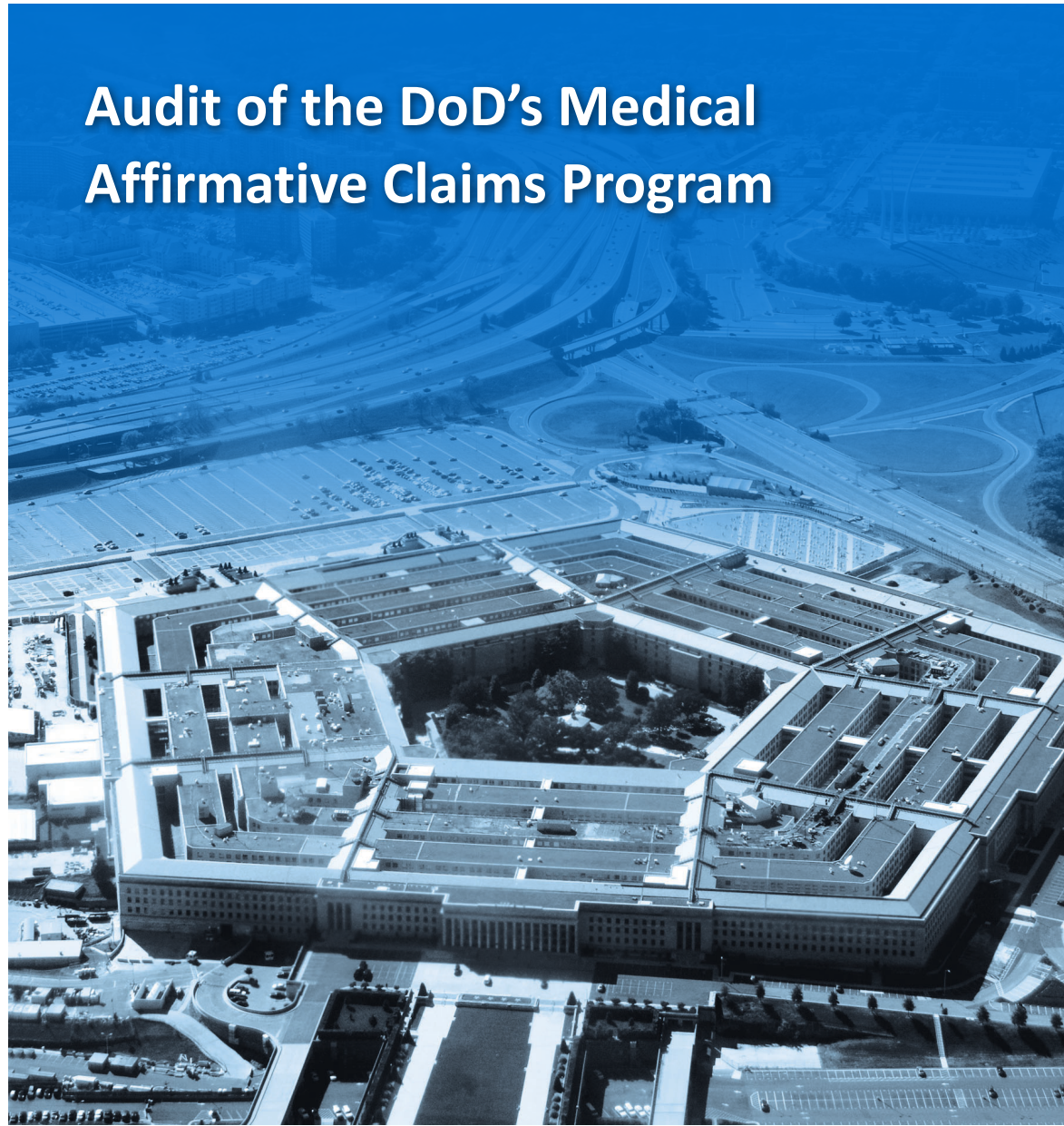




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 22, 2025



Audit of the DoD's Medical Affirmative Claims Program

INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY





Results in Brief

Audit of the DoD's Medical Affirmative Claims Program

September 22, 2025

Objective

The objective of this audit was to assess the effectiveness of the Defense Health Agency's (DHA) efforts to recover costs of health care services for Medical Affirmative Claims (MAC).

Background

The Federal Medical Care Recovery Act authorizes the DoD to recover the costs of health care provided to DoD beneficiaries who are injured or suffer an illness caused by a third party. Between 2018 and 2022, the medical treatment facilities (MTFs) transitioned from the Military Departments to the DHA, and oversight of the MAC program transferred to the DHA Office of the General Counsel, Claims Branch, in partnership with the DHA Uniform Business Office, Cost Accounting Division, Financial Operations J-8.

Finding

The DHA effectively managed efforts to recover costs of health care services for MACs, but challenges with transitioning the MAC programs from the Military Departments hindered the DHA's ability to maximize cost recovery. While the DHA coordinated key offices by creating a working group to address emerging issues, it did not consolidate all MAC program activities. Specifically, the DHA did not:

- complete the transition of the legal support offices from the Military Departments to the DHA;

Findings (cont'd)

- standardize personnel positions in the Uniform Business Offices and legal support offices;
- implement a common software platform for tracking and processing MACs; or
- develop and implement DHA legal policies for the MAC program.

This occurred because the DHA did not develop or implement a comprehensive plan to consolidate program activities. As a result, the DHA did not realize operational efficiencies to maximize cost recovery efforts for the MAC program. However, because of the positive steps the DHA took during the transition, the DHA continued to pursue MACs and recover health care costs while transitioning the MAC program from the Military Departments. From FY 2020 through FY 2024, the DHA pursued more than 35,000 MACs per year, while collecting an average of \$67 million per year.

Recommendation

We recommend that the DHA Director develop and implement a comprehensive plan to consolidate MAC program activities from the Military Departments to the DHA.

Management Comments and Our Response

The DHA Acting Deputy Director agreed with the recommendation, stating that the milestone actions noted in the audit are in progress or have been completed from a comprehensive planning perspective. Therefore, the recommendation is resolved but will remain open until the DHA provides documentation verifying that it developed and implemented a comprehensive plan to consolidate MAC program activities from the Military Departments to the DHA.

Please see the Recommendations Table on the next page for the status of the recommendation.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, 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** – The DoD OIG verified that the agreed upon corrective actions were implemented.



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

September 22, 2025

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS
DIRECTOR, DEFENSE HEALTH AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of the DoD's Medical Affirmative Claims Program (Report No. DODIG-2025-164)

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 recommendation. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Defense Health Agency Acting Deputy Director agreed to address the recommendation presented in the report; therefore, we consider the recommendation resolved and open. We will close the recommendation when the Acting Deputy Director provides us with documentation showing that all agreed-upon actions to implement the recommendation are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendation. Send your response to either [REDACTED] if unclassified or [REDACTED] if classified SECRET.

If you have any questions, please contact me at [REDACTED].

A handwritten signature in black ink, reading "Carmen J. Malone", is positioned above the printed name.

Carmen J. Malone
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

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Introduction

Objective

The objective of this audit was to assess the effectiveness of the Defense Health Agency's (DHA) efforts to recover costs of health care services for Medical Affirmative Claims (MACs). See the Appendix for a discussion on the scope, methodology, and prior coverage related to the audit objective.

Background

The Federal Medical Care Recovery Act authorizes the DoD to recover the costs of health care provided to DoD beneficiaries who are injured or suffer an illness caused by a third party.¹ The DHA recovers these costs through the MAC program. The recovered costs may include direct health care provided by a DoD medical treatment facility (MTF) or private sector care reimbursed by TRICARE.²

The MAC program bills all areas of liability insurance (such as automobile, products, premises and general casualty, and homeowner's and renter's insurance), medical malpractice (by civilian providers), and workers' compensation (other than Federal employees). DHA guidance requires the return of recovered health care costs to the MTF's Operations and Maintenance fund or to TRICARE, as appropriate.³

The MAC program also collects accrued payments for the lost work time of Service members whose injury or illness was caused by a third party. The DHA returns costs recovered for lost work time to the Service member's military unit. The DoD recovered a total of \$336 million for MACs from FY 2020 through FY 2024.

Transition of DoD Medical Treatment Facilities from the Military Departments to the DHA

The National Defense Authorization Act for 2017 established the DHA as the authority for administration of all MTFs beginning on October 1, 2018.⁴ Between 2018 and 2022, the MTFs transitioned from the Military Departments to the DHA. As part of the transition, the Military Departments transferred all MTF resources, including civilian personnel, property, and systems.

¹ Public Law 87-693, "An Act to provide for the recovery from tortiously liable third persons of the cost of hospital and medical care and treatment furnished by the United States," September 25, 1962, codified, as amended at Section 2651, title 42, United States Code.

² TRICARE is a worldwide health care program that provides coverage for Active and Reserve Component Military Department members and their families, survivors, retirees, and certain former spouses.

³ Defense Health Agency Procedures Manual Number 6015.01, "Military Medical Treatment Facility (MTF) Uniform Business Office (UBO) Operations," October 24, 2017.

⁴ Public Law 114-328, "National Defense Authorization Act for Fiscal Year 2017," December 23, 2016.

Responsibility for the Medical Affirmative Claims Program

Before 2018, the Military Departments managed the MTFs, and the Military Department Judge Advocate General (JAG) offices administered the MAC program, supported by the MTF Uniform Business Office (UBO). According to DHA Office of the General Counsel, Claims Branch (OGC) officials, since the transition, oversight of the MAC program transferred to their office in partnership with the DHA UBO, Cost Accounting Division, Financial Operations J-8 (CAD).

OGC personnel stated that they oversee the legal offices supporting the MAC program (legal support offices) while CAD personnel stated that they oversee the UBOs supporting the program. On October 1, 2018, all the UBO personnel transitioned to the DHA. However, OGC personnel stated that not all legal support personnel have transitioned to the DHA.

The UBOs and the legal support offices work together to manage the MAC program. DHA guidance requires the UBOs to prepare and provide medical claim information, including medical bills, to the legal support offices.⁵ Federal regulations require the legal support offices to evaluate potential claims, determine whether a patient's treatment represents a recoverable claim, interface with insurance and legal representatives, and issue the demand for payment.⁶

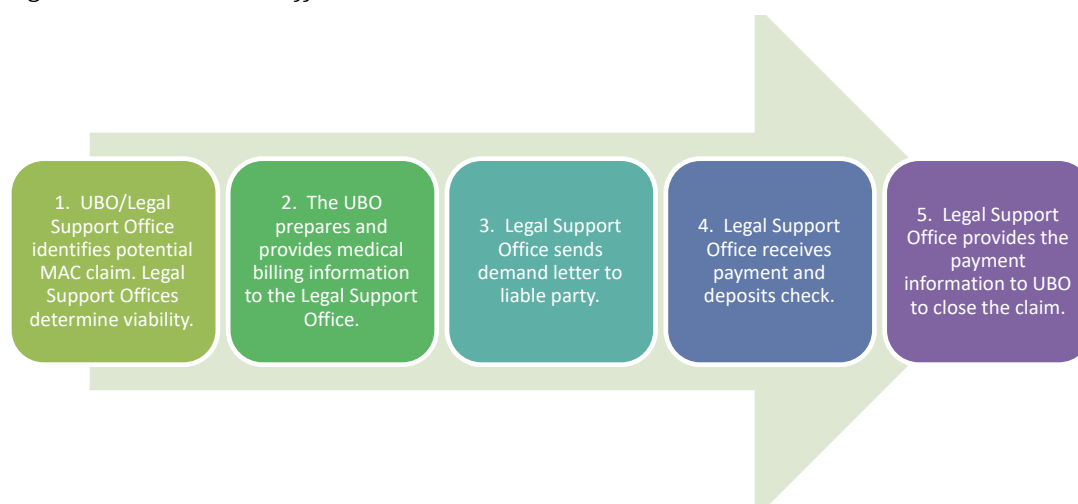
Legal support offices are also responsible for waiving or settling disputed claims.⁷ The legal support offices receive and deposit MAC payments and provide payment information to the UBO to update the patient's account. See Figure 1 for the steps of the MAC process.

⁵ Defense Health Agency, "Uniform Business Office User Guide," April 2023.

⁶ 28 CFR Part 43, "Recovery of Cost of Hospital and Medical Care and Treatment Furnished by the United States"; 32 CFR Part 537, "Claims on Behalf of the United States"; 32 CFR Part 757, "Affirmative Claims Regulations"; 32 CFR Part 842, "Administrative Claims."

⁷ The DoD is authorized to settle a claim for less than the total amount. The DoD may also waive a claim for the entire amount for the convenience of the Government or if collection would result in undue hardship upon the person injured.

Figure 1. The Medical Affirmative Claim Process



Source: The DoD OIG.

Medical Affirmative Claims Universe and Sample Selection

In 2022, the DoD began transitioning from the Armed Forces Billing and Collection Utilization Solution to the RevenueCycle Expansion (RevenueCycle) billing system to identify, track, and bill third-party liability claims. CAD personnel stated that as of January 13, 2024, all MTFs had transitioned to RevenueCycle. Therefore, we selected our sample from a universe of MAC medical encounter data in the RevenueCycle billing system for the period January 1, 2023, through May 31, 2024.⁸ During that period, 91 MTFs recorded 17,462 MAC medical encounters worth \$7.1 million.

We selected for review six MTFs that accounted for \$3.5 million (50 percent) of the total medical encounters. Specifically, we selected:

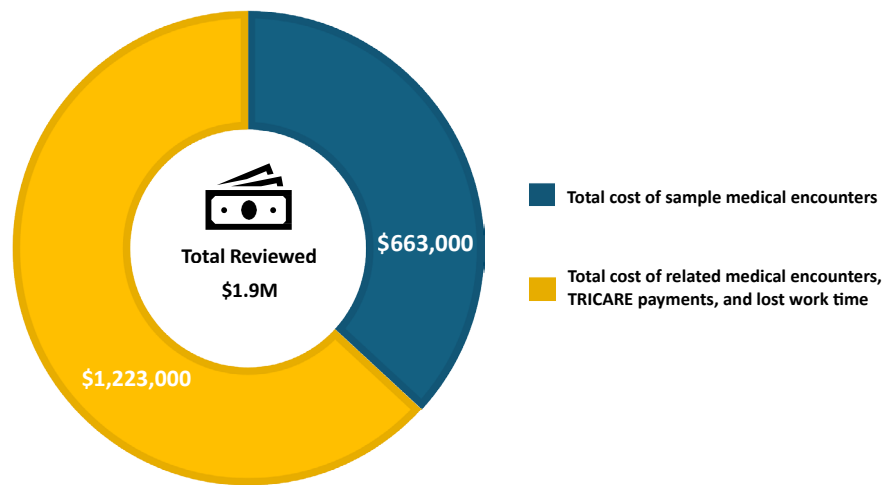
- two MTFs from the Army at Fort Sam Houston, Texas, and Fort Cavazos, Texas;
- two MTFs from the Navy at Portsmouth Naval Hospital, Virginia, and Camp Lejeune, North Carolina; and
- two MTFs from the Air Force at Eglin Air Force Base, Florida, and Keesler Air Force Base, Mississippi.

We selected a nonstatistical sample of 120 medical encounters: 20 from each of the six MTFs, totaling \$663,000 (9 percent) of the total medical encounters. We used each medical encounter to identify and review the entire claim amount that could

⁸ A medical encounter is an interaction between a patient and an authorized health care professional that includes assessment, treatment, or advice provided to the patient during a specific period. MACs may include several medical encounters for the same injury.

include multiple medical encounters, TRICARE payments, and costs for a Service members' lost work time. As a result, the 120 medical encounters in our sample totaled \$1.9 million in MAC costs. See Figure 2 for the total MAC costs reviewed.

Figure 2. Total Medical Affirmative Claim Costs Reviewed



Note: Totals do not equal the actual sum because of rounding.
Source: The DoD OIG.

Finding

The DHA Effectively Managed Efforts to Recover Costs of Health Care Services for Medical Affirmative Claims, but Challenges Hindered Maximizing Cost Recovery

Overall, the DHA effectively managed efforts to recover costs of health care services for MACs, but challenges with transitioning the MAC programs from the Military Departments hindered the DHA's ability to maximize cost recovery. While the DHA coordinated key offices by creating a working group to address emerging issues, it did not consolidate all MAC program activities. Specifically, the DHA did not:

- complete the transition of the legal support offices from the Military Departments to the DHA;
- standardize personnel positions in the UBOs or legal support offices;
- implement a common software platform to track and process MACs; or
- develop and implement DHA legal policies for the MAC program.

This occurred because the DHA did not develop or implement a comprehensive plan to consolidate program activities. Although the DHA began to transition the MAC program from the Military Departments, unforeseen challenges prevented it from completing the successful transition. As a result, the DHA did not realize operational efficiencies to maximize cost recovery efforts for the MAC program. However, because of the positive steps the DHA took during the transition, the DHA continued to pursue MACs and recover health care costs while transitioning the MAC program from the Military Departments. From FY 2020 through FY 2024, the DHA pursued more than 35,000 MACs per year, while collecting an average of \$67 million per year.

The DHA Coordinated Key Offices to Address Emerging Issues

In 2023, the DHA organized a monthly working group composed of representatives from CAD and the OGC. The working group initially formed to discuss various problems with implementing the new Military Health System GENESIS electronic health record system and the RevenueCycle billing system. However, the working group meetings have since evolved to coordinate efforts, identify challenges, and determine solutions for completing the transition of the MAC program from the Military Departments. For example, from June 2024 through December 2024, the

working group met to discuss methods to improve identification of potential MACs, develop processes to track outstanding requests for medical bills, and resolve difficulties with depositing some MAC payments.

Report Developed to Identify Potential Medical Affirmative Claims

CAD developed a custom report, the “Daily Log of Patients Treated for Injuries” (Injury Report), to identify potential MACs. The Injury Report used diagnostic codes that identified the cause of injury to show medical treatments by diagnostic group that were provided at an MTF.⁹ For example, some diagnostic codes identified “person injured in motor-vehicle accident,” “bitten by dog,” or “unspecified fall.” Later, when the working group realized that the Injury Report did not include some medical encounters that may be MAC-related, the group coordinated with the RevenueCycle Program Management Office to correct the logic in the Injury Report. The working group monitored the status of the request, and OGC personnel verified that new Injury Reports contained the expected medical encounters.

MAC program personnel identified potential MAC cases through several methods, including correspondence with attorneys representing injured parties and by reviewing medical encounters in the Injury Report. An accurate Injury Report enables MAC program personnel to identify more potential MACs, which may lead to increased cost recoveries.

Process Developed to Improve Tracking of Medical Bill Requests

The working group discussed the untimely receipt of medical bills during the group’s monthly meetings. Legal support personnel must request medical bills from the UBOs to support the amounts asserted or pursued in a MAC. These bills included all health care costs incurred by the MTF. To address the situation, the working group established a report to track outstanding legal requests for medical bills over 90 days. OGC personnel stated this report identified UBOs that were not providing medical bills in a timely manner so that CAD could determine how to assist the UBO. For example, CAD personnel stated that they may provide additional training to UBO personnel

If legal support personnel receive medical bills in a timely manner, they are more likely to recover all health care costs for MAC-related injuries.

so that the UBO can reduce the time spent processing medical bill requests. If legal support personnel receive medical bills in a timely manner, they are more likely to recover all health care costs for MAC-related injuries.

⁹ International Classification of Diseases, 10th Revision (ICD-10) diagnostic codes describe the principal diagnosis or the chief condition that caused the patient to receive care.

Difficulties Resolved with Depositing Medical Affirmative Claim Payments

OGC and CAD personnel also resolved a difficulty with the non-standardized process for depositing checks received for MAC payments. Shortly after the Air Force legal support offices transitioned to the DHA, OGC personnel learned that they could not deposit MAC payments because the Air Force and the DHA used different accounting systems, which did not interface with each other. As a result, the Air Force temporarily could not deposit approximately \$500,000 worth of checks received for MAC payments.

Because checks typically expire in 180 days, OGC personnel coordinated with the DHA Direct Care Financial Management division to have another Military Department or the Defense Finance Accounting Service temporarily deposit the checks while the working group developed a long-term solution. OGC and CAD personnel resolved the deposit issue by having Air Force personnel use the Over-the-Counter Channel Application, which enabled them to electronically deposit checks using a software application on their mobile phones.¹⁰

The DHA Did Not Consolidate all Medical Affirmative Claim Program Activities

The DHA did not fully transition all Military Department legal support offices to the DHA, did not have standardized personnel positions, did not have a common software platform available for all legal support offices, or did not develop or implement the DHA legal policies for the MAC program. Therefore, the legal support offices continued to operate separately, administering the MAC program under their own Military Department policies and procedures, which hindered them from fully consolidating MAC program activities.

The DHA did not fully use support from the UBOs and legal support offices to realize operational efficiencies and maximize cost recovery efforts.

As a result, the DHA did not fully use support from the UBOs and legal support offices to realize operational efficiencies and maximize cost recovery efforts.

¹⁰ The Over-the-Counter Channel Application is an application that Federal agencies use to integrate check capture and deposit reporting functionalities in one system.

The DHA Did Not Fully Transition Legal Support Offices to the DHA

The DHA has encountered difficulties in transitioning personnel from the Military Departments because it did not have a complete understanding of the transition challenges that were unique to each Military Department. For example, OGC personnel stated that the Army assigned some of the MTF legal support personnel to the Army JAG offices instead of the MTFs. When the MTFs transitioned to the DHA, 31 Army personnel assigned to the MTFs also transitioned to the DHA. However, the 15 to 20 legal positions assigned to the JAG offices did not transition to the DHA.

OGC personnel explained that the Army could not transition the JAG positions directly to the DHA because the DHA paid for the positions through a reimbursement agreement with the JAG offices. OGC personnel stated that transitioning those positions was taking longer than expected to complete because the OGC must reallocate the positions from the Army to the DHA through the formal planning, programming, budgeting, and execution process. The OGC anticipated that the Army would transition the positions to the DHA by 2027. However, as of February 2025, the Army paused the transition of the remaining personnel because it is reassessing legal staffing.

OGC personnel stated that additionally, when the Army MTF positions transferred to the DHA, the DHA lacked a supervisory structure to accept the transitioned personnel. To remedy this, the OGC established a new reporting structure so that the legal support personnel who transitioned from the Military Departments could report through the OGC to the DHA.

OGC personnel also explained that efforts to transition Navy personnel to the DHA have been complicated by the Navy's physical office space requirements. OGC personnel explained that the Navy legal support offices were heavily reliant on paper (hardcopy) files and required a significant amount of space to store those paper files. OGC personnel stated that it had been challenging for them to locate office space that met the Navy's space requirements, especially in locations with a high cost of living. The OGC anticipates that the Navy will transition 39 legal support positions to the DHA in FY 2025.

OGC personnel stated that they also experienced challenges with transitioning Air Force legal support personnel to the DHA. OGC personnel stated that in June 2024, the OGC transitioned 68 Air Force legal positions to the DHA. OGC personnel stated that 42 of the positions transferred directly into the DHA's civilian pay budget. However, because the remaining 26 positions were vacant at the time, they did not transfer into the pay budget, and the OGC did not receive funding for

these positions. OGC personnel are working with DHA Resource Management to obtain funding for the vacant positions transitioned from the Air Force. Until the OGC funds and fills the vacant positions, the Air Force legal support offices will have staffing imbalances.

The DHA did not develop a plan to complete the transition of legal support office personnel to the DHA.

The DHA did not fully transition legal support offices because the DHA did not develop a plan to complete the transition of legal support office personnel to the DHA. Therefore, the DHA Director

should develop and implement a plan, including a schedule with key milestones, to complete the transition of legal support office personnel to the DHA.

The DHA Did Not Have Standardized Personnel Positions

The DHA did not have standardized personnel positions in the UBOs or legal support offices. CAD personnel stated that their main challenge to standardizing personnel positions was their lack of control over staffing UBO positions. While all the UBO personnel transitioned to the DHA, CAD did not have control over the positions. CAD personnel explained that the MTF commanders managed the workforce at their individual MTFs; the MTFs received the positions, and the MTF commanders determined how to allocate the positions across the MTF. OGC personnel stated that MTF commanders were authorized to move positions within the UBO.

The DHA did not have standardized personnel positions in the UBOs or legal support offices.

OGC personnel stated that some MTF commanders reassigned MAC positions based on other MTF priorities. For example, although the DHA recovered an average of \$67 million per year for the MAC program from FY 2020 through FY 2024, most of the recovered costs were for TRICARE payments. The DHA returned only about \$10 million per year to MTFs. OGC personnel stated that for some of the MTFs, the recovered costs may not be sufficient to cover the costs of funding the MAC positions. Accordingly, some MTF commanders were reluctant to assign MTF positions to MAC positions, especially if they had other priorities. Some MTF commanders eliminated MAC positions and replaced them with contractors.

OGC personnel stated that all the Military Departments had legal support personnel who performed similar job duties for the MAC program but had different job titles, job series, grade levels, and pay rates. Once the DHA completes the transition of legal support personnel from the Military Departments, the non-standardized positions will create disparity between performance expectations and compensation rates for the legal support personnel. To address this issue, OGC personnel created a legal working group in late 2024 to propose standard legal position titles, job series, and salaries.

The DHA did not have standardized positions because the DHA did not complete the development of standardized positions in the UBOs and legal support offices. Therefore, the DHA Director should develop and implement a plan, including a schedule with key milestones, to complete the development and implementation of standardized positions in the UBOs and legal support offices.

The DHA Did Not Implement a Common Software Platform

The DHA did not implement a common software platform to track and process MACs and as a result, legal personnel continued to use their own Military Department platforms. Although each system had different capabilities, legal support personnel used them for similar purposes when they pursued MACs. OGC personnel stated that they would like to have all the legal support personnel using a common software platform to improve communication between the legal support offices and allow for easier data sharing between them. OGC personnel stated that a common software platform would improve efficiency by enabling the DHA to use legal support from different locations to support the MAC program.

OGC personnel stated that the Navy and Air Force would soon retire the claims tracking systems they used and therefore those systems were not viable options for the DHA to use in the future. As a result, the OGC selected the Army Claims Management Program (ACMP) database for the common software platform. The OGC acquired the software code from the Army and submitted a \$1.9 million unfunded request to implement the software. However, because of information technology security concerns, none of the current Military Department claims tracking systems permitted the OGC to add new DHA employees to the system. For example, OGC personnel stated that the ACMP database was part of a larger Army JAG platform, and providing access to the ACMP database would allow access to the larger platform. As a result, the Army would not add the DHA users to its version of the ACMP database. Therefore, the Navy and Air Force must continue to use their own tracking systems until the DHA is able to provide them with access to the ACMP database. OGC personnel continue to work with the Army to resolve the access issue.

The DHA did not have a common software platform because the DHA did not complete the implementation of a platform for tracking and processing MACs. Therefore, the DHA Director should develop and implement a plan, including a schedule with key milestones, to complete the implementation of a common software platform for tracking and processing MACs.

The DHA Did Not Develop or Implement Legal Policies for the Medical Affirmative Claims Program

The DHA did not develop and implement DHA legal policies for the MAC program. Instead, the MAC program operated under the Military Department legal policies and procedures. For example, the Army deposits funds in accordance with guidance from an Army Regulation, while the Navy uses guidance from the Defense Finance and Accounting Service, and the Air Force uses guidance from an Air Force Instruction. As a result, each Military Department continues to process MAC payments at each MTF location according to its own legal policies and procedures.

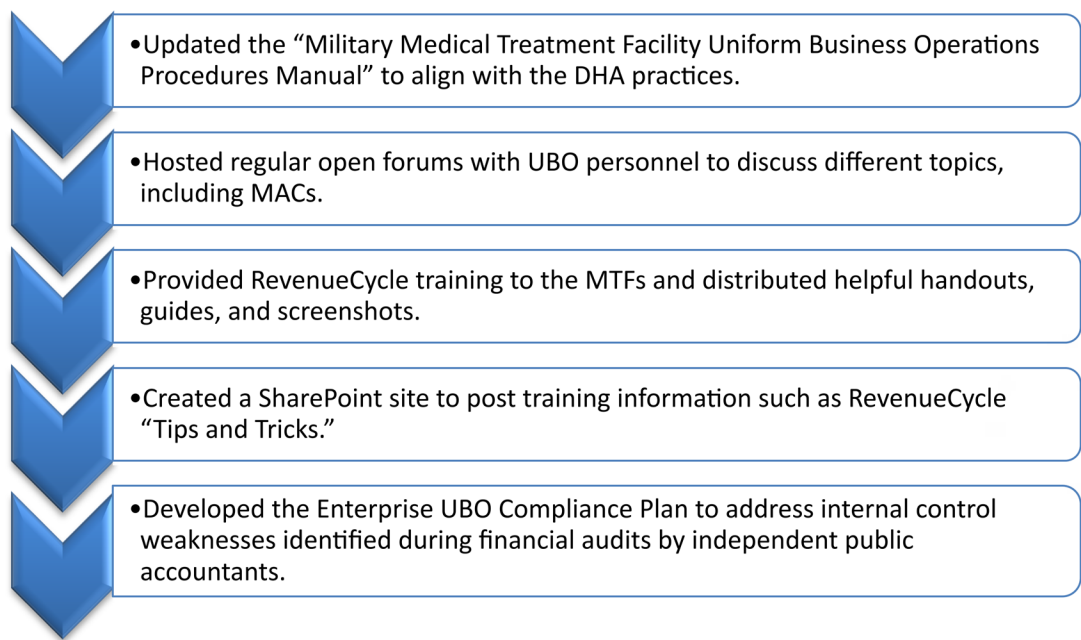
Each Military Department continues to process MAC payments at each MTF location according to its own legal policies and procedures.

OGC personnel stated that they were considering establishing a centralized location for receiving and depositing MAC payments. Having a centralized location to receive MAC payments would reduce the opportunity for errors or misappropriation of funds and would also improve the OGC's oversight of the process. OGC personnel further stated that they were also considering more efficient ways to allocate funds to the MTFs because of the DHA's centralized accounting system. When the legal support offices receive MAC payments, they deposit the funds recovered for MTFs into the operations and maintenance account of the MTF that originally administered the medical care. OGC personnel stated that because accounting for MAC payments and distributing the funds to MTFs was complex, more efficient ways may exist to manage MAC payments under the DHA with centralized accounting and centralized management.

The DHA did not develop and implement legal policies for the MAC program because the DHA did not develop a plan to do so. Therefore, the DHA Director should develop and implement a plan, including a schedule with key milestones, for establishing common legal policies for the MAC program.

In contrast, CAD personnel published and implemented UBO guidance for supporting the MAC program. See Figure 3 on the methods that CAD personnel used to revise policies and training.

Figure 3. Methods CAD Personnel Used to Revise Policies and Training



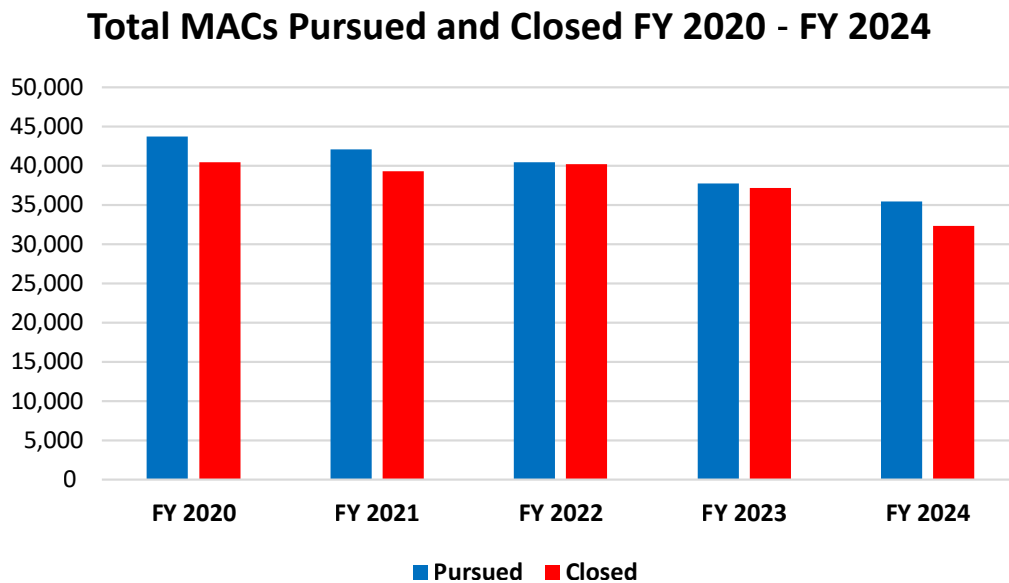
Source: The DoD OIG.

The DHA Continued to Pursue Claims and Recover Health Care Costs for the Medical Affirmative Claims Program

Because of the positive steps it took during the transition of the legal support offices from the Military Departments, the DHA continued to pursue claims and recover health care costs. Before the transition, each Military Department’s legal support office was responsible for managing its own MACs, including pursuing the claim with the liable party, receiving and depositing MAC payments, and closing MAC cases within its internal tracking system.

OGC personnel stated that legal support personnel have not all transitioned to the DHA. However, OGC personnel continued to pursue more than 35,000 claims and closed more than 32,000 claims per year. See Figure 4 for details on the number of pursued and closed MACs for FY 2020 through FY 2024.

Figure 4. Total Medical Affirmative Claims Pursued and Closed for FY 2020 Through FY 2024



Source: The DoD OIG.

Although DHA personnel reported challenges with transitioning the MAC programs from the Military Departments to the DHA, the DoD recovered a total of \$336 million for MACs from FY 2020 through FY 2024, collecting between \$64 million and \$71 million per year. See Table 1 for MAC health care costs recovered for FY 2020 through FY 2024 by Military Department.

The DoD recovered a total of \$336 million for MACs from FY 2020 through FY 2024, collecting between \$64 million and \$71 million per year.

Table 1. Health Care Costs Recovered from Medical Affirmative Claims for FY 2020 Through FY 2024, by Military Department

Military Department	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Army	\$28,329,742	\$25,154,650	\$33,367,051	\$27,386,620	\$30,096,626	\$144,334,689
Navy	20,382,886	19,306,953	18,994,748	17,735,809	19,679,893	96,100,289
Air Force	20,604,534	19,169,746	19,131,276	19,633,573	17,738,022	96,277,151
Total*	\$69,317,162	\$63,631,350	\$71,493,076	\$64,756,002	\$67,514,540	\$336,712,129

* Totals may not equal the actual sum because of rounding.

Source: The DoD OIG.

Approximately 85 percent of the total MAC costs recovered from FY 2020 through FY 2024 were health care costs paid by TRICARE.¹¹ The MAC program enables the DoD to recover health care costs paid by TRICARE, health care costs incurred by the MTF, and lost wages for Service members who could not work due to the injury or illness caused by a third party. The legal support offices return the recovered amounts to TRICARE, the MTF, or the Service member’s military unit, respectively. See Table 2 for MAC health care costs recovered FY 2020 through FY 2024 by type of cost.

Table 2. Health Care Costs Recovered from Medical Affirmative Claims for FY 2020 Through FY 2024 by Type of Cost

Type of Cost Recovered	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
TRICARE	\$58,277,220	\$53,805,110	\$61,007,639	\$55,104,414	\$59,081,524	\$287,275,907
MTF	10,791,140	9,719,172	10,348,269	9,522,547	8,174,390	48,555,518
Lost Wages	248,802	107,068	137,167	129,041	258,626	880,704
Total*	\$69,317,162	\$63,631,350	\$71,493,076	\$64,756,002	\$67,514,540	\$336,712,129

* Totals may not equal the actual sum because of rounding.

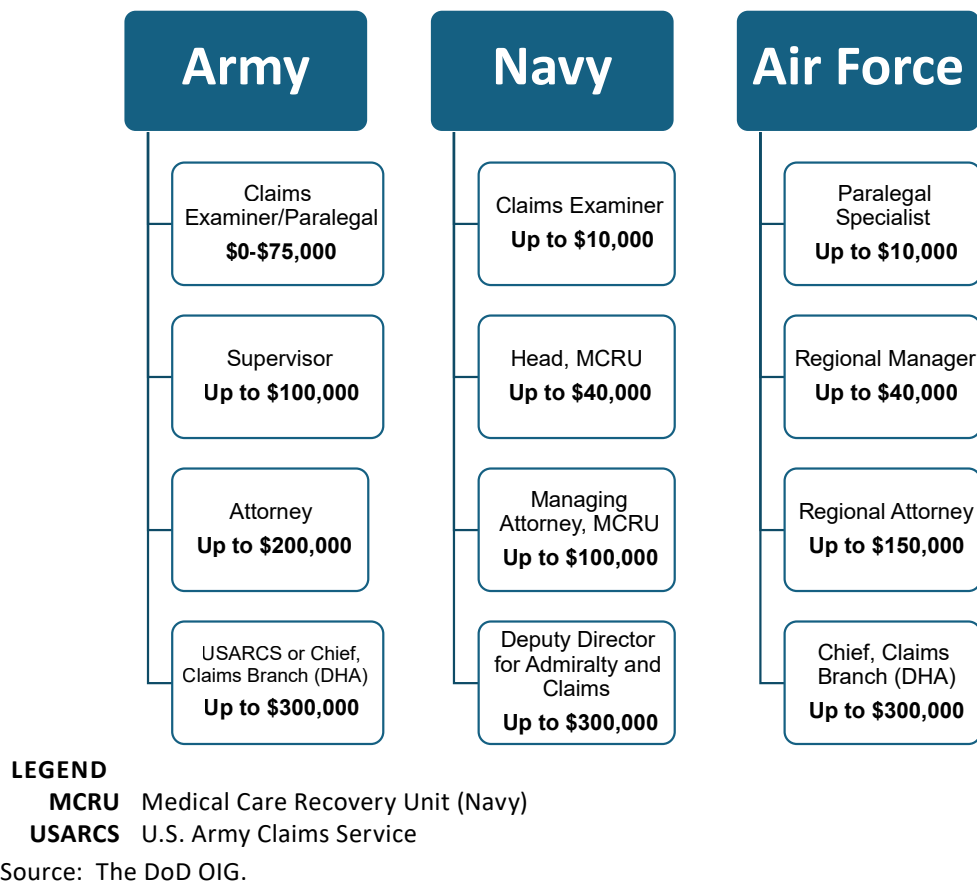
Source: The DoD OIG.

The DHA’s total recovered costs also included costs from waived or settled claims. The Federal Medical Care Recovery Act allows the Government to waive or settle a claim for the convenience of the Government or if the collection would result in undue hardship on the injured person.¹² The Code of Federal Regulations requires legal support personnel to consider several factors when considering a waiver or settlement, including the cost-benefit of pursuing the claim, inability to identify a liable party, and hardship factors such as permanent disability, lost earning capacity, or financial status.¹³

Of the 35 closed claims we reviewed, the legal support offices settled 9 claims to a lower dollar amount and did not waive any claims. We confirmed that the legal support personnel who settled the nine claims did so within their authorized settlement authority limits. See Figure 5 for settlement authority limits by Military Department for the legal support offices in our sample.

¹¹ \$287,275,907 / \$336,712,129 = 85 percent.
¹² The DoD is authorized to settle a claim for less than the total amount. The DoD may also waive a claim for the entire amount for the convenience of the Government or if collection would result in undue hardship upon the person injured.
¹³ 32 CFR sec 537.12; 32 CFR sec 757.19; 32 CFR sec 842.112.

Figure 5. Settlement Authority Limits for Claims by Military Department



Legal support personnel settled a total of nine claims in our sample. The original claims totaled \$504,000, and the legal support personnel agreed to settled amounts, totaling \$161,000, resulting in a total amount of \$343,000 in uncollected claims.

Legal support personnel settled one claim for the convenience of the Government and eight claims because the collection would have resulted in undue hardship for the injured person. For example, one of the claims in our sample involved a Service member injured in a motor vehicle accident caused by a third party. Legal personnel asserted claims against the liable third party and against the injured Service member's personal injury protection insurance.¹⁴ The Service member's attorney requested a settlement because the liable party's insurance policy limits were exhausted and the Service member's personal injury protection benefits were

¹⁴ Personal injury protection, also known as "no-fault insurance," covers the health care costs related to injuries sustained in an automobile accident; it covers both the policy holders and passengers regardless of whether they have health insurance.

also exhausted. After considering these factors, the legal support personnel settled the claim from \$55,581 to \$20,000.¹⁵ See Table 3 for settled claim information by Military Department.

Table 3. Settled Claim Information by Military Department

Military Department	Original Claim Amount	Settled Amount	Uncollected Amount
Army	\$307,691	\$67,041	\$240,649
Navy	130,599	69,149	61,449
Air Force	65,464	25,000	40,464
Total*	\$503,754	\$161,190	\$342,562

* Totals may not equal the actual sum because of rounding.

Source: The DoD OIG.

The DHA Did Not Realize Operational Efficiencies and Did Not Maximize Cost Recovery Efforts

Because the DHA did not have a comprehensive plan to consolidate all MAC activities, it did not realize operational efficiencies to maximize cost recovery efforts. Although the DHA continued to pursue MACs, it did not fully use support

Although the DHA continued to pursue MACs, it did not fully use support from the UBOs and legal support offices to maximize cost recovery efforts.

from the UBOs and legal support offices to maximize cost recovery efforts. For example, OGC personnel stated that DHA has not consolidated all Military Department legal personnel under the DHA and does not have a

common software platform available for all legal support offices. Therefore, the legal support offices must continue to operate separately without standardized personnel positions administering the MAC program under their own Military Department policies and procedures, which hinders them from fully consolidating MAC program activities.

Accordingly, the OGC is unable to use MAC legal support across the Military Departments to increase the number of MACs pursued and, subsequently, the amount of costs recovered. Additionally, because the DHA does not have control over the staffing of UBO positions, it could not redistribute personnel to help understaffed UBOs process MACs. Consequently, UBOs with significant backlogs of MACs did not always provide the legal support offices with medical bills in a timely manner, resulting in missed opportunities to recover some MAC-related health care

¹⁵ Of the \$20,000 recovered, the DHA returned \$10,162 to TRICARE, \$7,084 to the MTF, and \$2,754 to the Service member's military unit for lost work time.

costs. Once the DHA successfully transitions all MAC program activities from the Military Departments, it can use the capabilities of a unified platform to become more efficient over time.

Recovered costs reimburse the DHA for TRICARE insurance payments, which reduces the total amount of costs the U.S. Government expends for health care. Recovered costs also provide a non-appropriated source of funding for MTF operations and maintenance costs, improving the facilities in which Service members and their families receive health care treatment.

Recommendation, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, Defense Health Agency, develop and implement a comprehensive plan to consolidate Medical Affirmative Claims program activities from the Military Departments to the Defense Health Agency. The comprehensive plan should include objectives and goals of the transition; identification of barriers or challenges to the transition and strategies to address them; and a schedule with key milestones to:

- a. Complete the transition of legal support office personnel to the Defense Health Agency.**
- b. Complete the development and implementation of standardized positions in the Uniform Business Office and legal support offices.**
- c. Complete the implementation of a common software platform for tracking and processing Medical Affirmative Claims.**
- d. Develop and implement common legal policies for the Medical Affirmative Claims program.**

Defense Health Agency Acting Deputy Director Comments

The DHA Acting Deputy Director agreed with the recommendation, stating that the DHA took actions consistent with the audit recommendations during the audit. The Acting Deputy Director stated that the milestone actions noted in the audit are in progress or have been completed from a comprehensive planning perspective. Specifically, the Acting Deputy Director stated that:

- a. the DHA transitioned all MAC legal personnel from the Navy and the Air Force, and the Army declined to transition all but two MAC legal personnel; the DHA will not complete the transition of Army personnel before FY 2027 due to budgeting process constraints;**

- b. the DHA intends to pursue position standardization to the maximum extent possible, but it faces challenges due to government-wide personnel reduction targets and budget constraints;
- c. the DHA has been planning the implementation of a common software platform for almost 2 years and expects to reach initial operating capability by June 2026; and
- d. the DHA's development and implementation of common legal policies for the MAC program is in progress, with an expected completion date by December 2026.

Our Response

Comments from the Acting Deputy Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we obtain supporting documentation that the DHA developed and implemented a comprehensive plan to consolidate MAC program activities from the Military Departments to the DHA.

Appendix

Scope and Methodology

We conducted this performance audit from August 2024 through June 2025 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 finding and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

Audit Universe and Sample Selection

We selected a nonstatistical sample of 120 encounters, valued at \$662,968, from a population of 17,462, valued at \$7.1 million, for the period January 1, 2023, through May 31, 2024. We used each medical encounter to identify and review the entire claim amount which could include multiple medical encounters, TRICARE payments, and costs for a Service members' lost work time. As a result, the 120 medical encounters in our sample totaled \$1.9 million in MAC costs.

We used the following rationale and criteria in selecting our sample. We reviewed the medical encounters by MTF and sorted in descending order by net cost (total cost less payments received) to identify MTFs with the highest net cost balances. We reviewed medical encounters from six MTFs based on total amount of MAC costs and locations: two MTFs from the Army (Fort Cavazos and Fort Sam Houston); two MTFs from the Navy (Portsmouth Naval Hospital and Camp Lejeune); and two MTFs from the Air Force (Eglin Air Force Base and Keesler Air Force Base). We conducted site visits at the six MTFs to gain an understanding of the MAC program process and discussed sample claims with UBO and legal personnel. We also met with DHA CAD and OGC personnel to discuss their oversight responsibilities and actions, transition of the MAC program from the Military Departments, and their cost recovery efforts.

Our review determined that out of our sample universe of 7,336 medical encounters, 7,143 had balances of \$5,000 or less. Due to the large number of low-dollar value medical encounters, we selected 5 high-dollar value medical encounters and randomly selected 15 additional medical encounters to review from each MTF.

Our results are based on a nonstatistical sampling methodology and therefore cannot be used to calculate estimates (projections) for the population.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed controls over how the DHA identified, managed, collected, and accounted for MACs across the Military Departments. 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 did not use computer-processed data to perform this audit.

Use of Technical Assistance

We received assistance from the DoD OIG Quantitative Methods Division to develop a nonstatistical sampling plan for medical encounters.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) and the Government Accountability Office (GAO) issued two reports discussing the DoD cost recovery programs.

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

DoD OIG

Report No. DODIG-2019-108, “Audit of the DoD’s Management of the Third Party Collection Program for Medical Claims,” September 16, 2019

The DoD OIG determined that the DoD medical facility UBO and the DHA UBO personnel did not adequately manage the Third Party Collection Program to ensure collection of all available funds from delinquent medical claims for providing health care services. The nine medical facilities did not collect up to \$70.7 million of the \$86.9 million over 120 days old.

GAO

Report No. GAO 22-105131, "Defense Health Care: DoD Expects New IT System Capabilities to Improve Other Health Insurance Processing," March 29, 2022

The GAO found that MTFs may face various challenges in processing third-party claims. MTFs are inconsistent in how their Patient Administration Division staff coordinates with the UBO to share patient registration information and how the UBO coordinates with patient registration officials in collecting other health insurance (OHI) forms. The GAO recommended that the DHA phase out the OHI repository, which the DoD concurred with, stating that the OHI repository will be phased out with the implementation of RevenueCycle.

Management Comments

Defense Health Agency



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FALLS CHURCH, VIRGINIA 22042-5101

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Audit of the Department of Defense’s Medical Affirmative Claims Program
(Project Number: D2024-D000AW-0167.000)

The Defense Health Agency (DHA) response to the Department of Defense Inspector General (DoDIG) project number D2024-D000AW-0167.000 is attached. The DHA concurs with the recommendations provided by the DoDIG that are assigned to DHA pertaining to the audit of the DoD’s Medical Affirmative Claims Program.

My point of contact is [REDACTED] who can be reached at [REDACTED] or [REDACTED].

DIEHL GLENDON B. Digitally signed by
ARTON JR. [REDACTED] DIEHL GLENDON BARTON JR.
[REDACTED]
Glendon B. Diehl, PhD
Acting Deputy Director

Attachment:
As stated

Defense Health Agency (cont'd)

**DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL
DRAFT REPORT DATED JULY 18, 2025
PROJECT NO. D2024-D000AW-0167.000**

**Audit of the DoD's Medical Affirmative Claims Program
(Project Number: D2024-D000AW-0167.000)**

**DEFENSE HEALTH AGENCY RESPONSE
TO THE OFFICE OF THE INSPECTOR GENERAL'S RECOMMENDATIONS**

RECOMMENDATION 1: Develop a comprehensive plan to consolidate Medical Affirmative Claims (MAC) program activities from the Military Departments to the Defense Health Agency (DHA). The comprehensive plan should include objectives and goals of the transition; identification of barriers or challenges to the transition and strategies to address them; and a schedule with key milestones to:

DHA RESPONSE: Concur, with comments. The DHA continued to take actions consistent with the audit recommendations during the course of the audit and the milestone actions noted with the audit are either largely already underway or essentially complete from a comprehensive planning perspective.

RECOMMENATION 1.a: Complete the transition of legal support office personnel to the DHA.

DHA RESPONSE: Concur. This milestone largely happened during the last year with the transfer of former Air Force and Navy MAC personnel to the DHA. The Army declined to transfer all but two of its MAC personnel. Due to constraints in the budgeting process, this will not be executed prior to fiscal year 2027.

RECOMMENDATION 1.b: Complete the development and implementation of standardized positions in the Uniform Business Office and legal support offices.

DHA RESPONSE: Concur. This milestone remains in planning and faces challenges associated with government-wide personnel reduction targets and budget constraints. The DHA will continue to assess, plan, and implement, subject to applicable law and policy. The DHA intends to pursue position standardization to the maximum extent practicable.

RECOMMENDATION 1.c: Complete the implementation of a common software platform for tracking and processing Medical Affirmative Claims.

DHA RESPONSE: Concur. This milestone has been in planning for close to two years and is currently expected to reach initial operating capability by June of 2026.

RECOMMENDATION 1.d: Develop and implement common legal policies for the MAC program.

DHA RESPONSE: Concur. This milestone is in progress and expected to be complete by the end of calendar year 2026.

Acronyms and Abbreviations

- ACMP** Army Claims Management Program
- CAD** DHA Uniform Business Office, Cost Accounting Division, Financial Operations J-8
- DHA** Defense Health Agency
- JAG** Judge Advocate General
- MAC** Medical Affirmative Claim
- MTF** DoD Medical Treatment Facility
- OGC** DHA Office of the General Counsel, Claims Branch
- UBO** Uniform Business Office

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