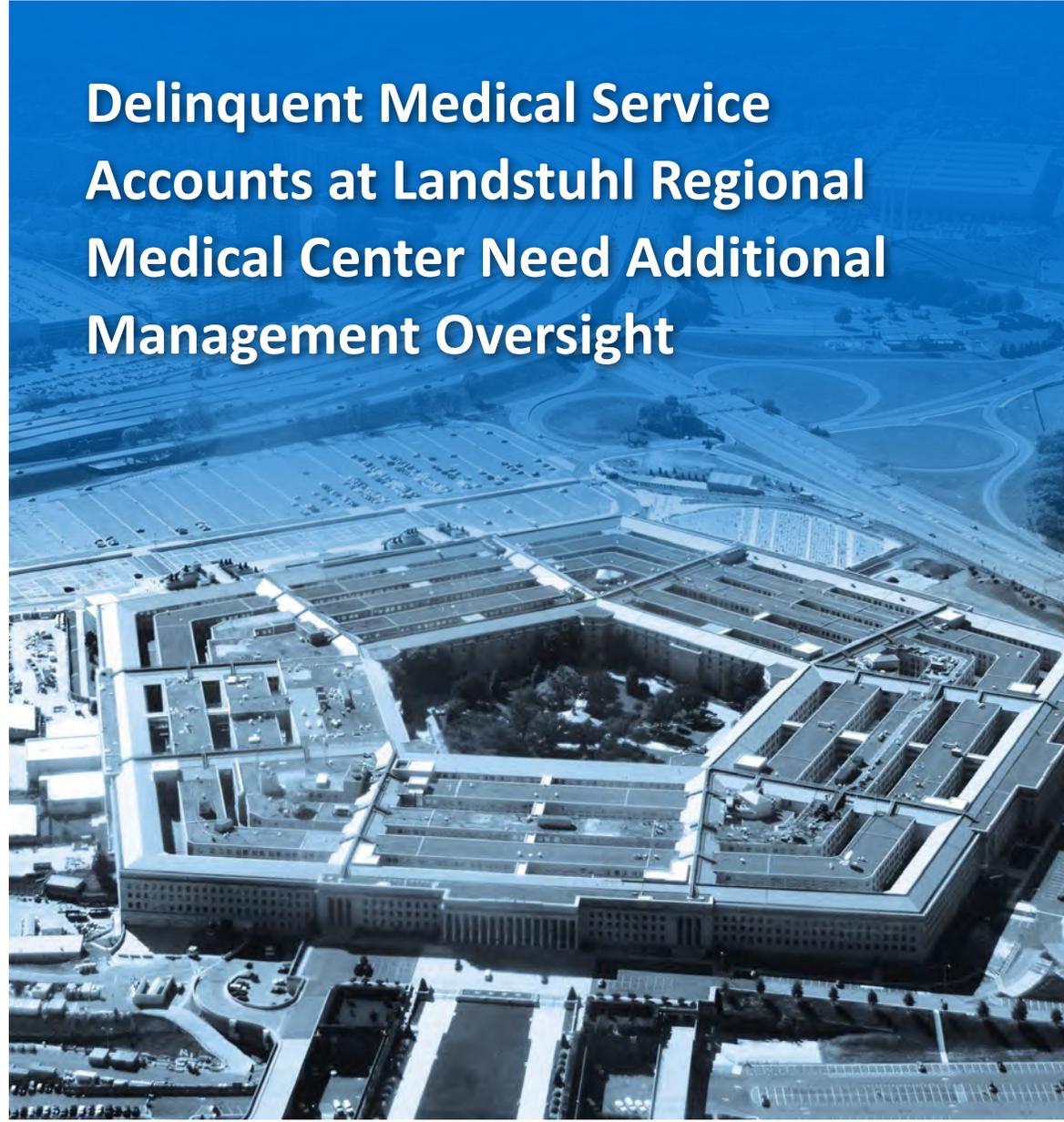




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 28, 2016



Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight

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Results in Brief

Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight

April 28, 2016

Objective

Our objective was to determine whether Landstuhl Regional Medical Center (LRMC) effectively managed accounts delinquent over 120 days by properly transferring the debt to the appropriate debt collection agency or by actively pursuing collection. This report is the fifth in a series on delinquent medical service accounts (MSAs). We nonstatistically selected and reviewed the 25 highest-dollar delinquent MSAs valued at \$1.9 million.

Finding

U.S. Army Medical Command (MEDCOM) and Regional Health Command Europe (RHCE) Uniform Business Office (UBO) officials did not effectively manage delinquent MSAs for LRMC. As of May 26, 2015, LRMC had 12,043 outstanding MSAs, valued at \$4.6 million. Of the 25 MSAs reviewed, RHCE UBO officials did not transfer 23 MSAs, valued at \$1.8 million, to the appropriate debt collection agency after the accounts were delinquent for 120 days. In addition, RHCE UBO officials did not actively pursue collection for 18 delinquent MSAs, valued at \$1.3 million.

This occurred because:

- RHCE UBO officials did not develop adequate procedures to properly process delinquent debt;
- RHCE UBO and LRMC personnel did not comply with DoD guidance requiring the collection of complete and accurate patient information;

Finding (cont'd)

- MEDCOM UBO officials did not provide clear guidance for implementing adjustments to billing weights, which are used to calculate patient charges using diagnosis, risk factors, staff, and equipment; and
- MEDCOM UBO officials did not take timely action and provide guidance for MSAs elevated by RHCE UBO officials.

As a result, RHCE UBO officials missed opportunities to collect \$1.7 million on the 25 MSAs we reviewed. Unless RHCE UBO officials improve collection efforts and take prompt and aggressive action to collect on these 25 MSAs, and on the \$2.7 million in additional delinquent debt, LRMC will continue to incur delinquent balances for future MSAs.

Recommendations

We recommend that the Commander, RHCE, review, research, and pursue collection on the delinquent MSAs that remain open; review and modify procedures for patient followup so MSAs delinquent for 120 days can be transferred; and coordinate with MEDCOM to review, research, and take action as needed on accounts affected by changes in billing weights.

We also recommend that the Commander, MEDCOM, request a modification to the Armed Forces Billing and Collection Utilization System to ensure that MSAs delinquent for 120 days are transferred and take action to collect or provide guidance on uncollectible debt and updates to billing weights.

Management Comments and Our Response

Comments from the Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, addressed all specifics of the recommendations and no further comments are required. Comments from the Chief of Staff, MEDCOM, responding for the Commander, RHCE, partially addressed the recommendations; therefore, we request the Commander, RHCE, provide additional comments to this report by May 27, 2016. See the Recommendations Table on the next page.

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Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Medical Command		2.a, 2.b, 2.c
Commander, Regional Health Command Europe	1.b	1.a, 1.c

Please provide Management Comments by May 27, 2016.



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

April 28, 2016

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need
Additional Management Oversight (Report No. DODIG-2016-079)

We are providing this draft report for review and comment. U.S. Army Medical Command and Regional Health Command Europe Uniform Business Office officials did not effectively manage delinquent medical service accounts for Landstuhl Regional Medical Center. Unless U.S. Army Medical Command and Regional Health Command Europe management acts to collect \$4.3 million in delinquent debt and improves its collection process, Landstuhl's medical service accounts will continue to incur delinquent balances. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Comments from the Chief of Staff, U.S. Army Medical Command, responding for the Commander U.S. Army Medical Command, addressed all the specifics of the recommendations and no additional comments are required. Comments from the Chief of Staff, U.S. Army Medical Command, responding for the Commander, Regional Health Command Europe, addressed Recommendations 1.a and 1.c; however, the Chief of Staff partially addressed Recommendation 1.b. Therefore, we request the Commander, Regional Health Command Europe provide additional comments in response to the report by May 27, 2016.

Please provide comments that conform to the requirements of DoD Instruction 7650.03. Please send a PDF file containing your comments to cmp@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187.

A handwritten signature in black ink, reading "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

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Acronyms and Abbreviations

Introduction

Objective

Our objective was to determine whether Landstuhl Regional Medical Center (LRMC) properly managed accounts delinquent over 120 days by effectively transferring the debt to the appropriate debt collection agency or by actively pursuing collection.

This report is the fifth in a series on delinquent medical service accounts (MSAs). The four previous reports¹ provide the results from our reviews of MSAs at Brooke Army Medical Center, William Beaumont Army Medical Center, Naval Medical Center Portsmouth, and David Grant Air Force Medical Center. See Appendix A for the scope and methodology and prior coverage related to the audit objective.

Background

U.S. Army Landstuhl Regional Medical Center

LRMC, located in Landstuhl, Germany, is the largest American hospital outside the United States and the only American tertiary² hospital in Europe. It provides primary care, tertiary care, hospitalization, and treatment for more than 217,000 U.S. military personnel and their families in the U.S. European Command. LRMC is also the evacuation and treatment center for all injured U.S. service members and civilians, as well as members of 54 Coalition forces serving in Afghanistan, Iraq, U.S. Africa Command, and U.S. Central Command.

Regional Health Command Europe

Regional Health Command Europe (RHCE) provides U.S. European Command, U.S. Africa Command, and U.S. Central Command increased access to and continuity of care, responding to individual beneficiary and community medical needs. The RHCE Uniform Business Office (UBO) is responsible for all billing and debt collection for the 14 Army Military Treatment Facilities (MTFs) in Europe, including LRMC.

¹ DoDIG Report No. DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014; DoDIG Report No. DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014; DoDIG Report No. DODIG-2015-087, "Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight," March 4, 2015; and DoDIG Report No. DODIG-2015-179, "Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight," September 24, 2015.

² Tertiary care is specialized consultative care by specialists in a center with personnel and facilities for special investigation and treatment.

U.S. Army Medical Command

U.S. Army Medical Command (MEDCOM) oversees all Army fixed hospitals inside and outside the United States. According to its website, MEDCOM currently manages a \$13 billion budget and cares for more than 3.95 million beneficiaries, including active-duty members of all Services, retirees, and their family members.

Assistant Secretary of Defense for Health Affairs

The Assistant Secretary of Defense for Health Affairs (ASD[HA]) is the principal adviser to the Secretary of Defense for all DoD health and force health protection policies, programs, and activities. ASD(HA) ensures the effective execution of the DoD medical mission to support the members of the Military Services and others entitled to or eligible for DoD medical care and benefits.

U.S. Treasury FedDebt

FedDebt is an online comprehensive debt management system that allows the RHCE UBO staff to directly upload delinquent claims for debts as low as \$25 and to collect debts using payment agreements, administrative wage garnishment, and U.S. Treasury offset.

Review of Internal Controls

DoD Instruction 5010.40³ 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. RHCE UBO officials did not effectively manage delinquent MSAs for LRMC. We also identified weaknesses associated with MSA followup procedures and oversight. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

³ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Delinquent Medical Service Accounts Were Not Effectively Managed

MEDCOM and RHCE UBO officials did not effectively manage delinquent MSAs for LRMC. Specifically, as of May 26, 2015, LRMC had 12,043 MSAs, valued at \$4.6 million, that were delinquent more than 120 days. We reviewed the 25 highest-dollar delinquent MSAs, valued at \$1.9 million, and found that RHCE UBO officials:

- did not properly transfer 23 MSAs,⁴ valued at \$1.8 million, to the appropriate debt collection agency after the accounts were delinquent over 120 days; and
- did not actively pursue collection for 18 MSAs, valued at \$1.3 million.

The large number of delinquent MSAs, including the 25 MSAs reviewed, existed because:

- RHCE UBO did not have adequate procedures to properly process delinquent debt;
- RHCE UBO and LRMC personnel did not comply with DoD guidance requiring the collection of complete and accurate patient information before the patients were discharged;
- MEDCOM UBO officials did not provide clear guidance for implementing adjustments to billing weights, which are used to calculate patient charges using diagnosis, risk factors, staff and equipment; and
- MEDCOM UBO officials did not take timely action and provide guidance for accounts elevated by RHCE UBO officials.

As a result, MEDCOM and RHCE UBO officials missed opportunities to collect \$4.3⁵ million in delinquent payments due. Unless RHCE UBO officials improve collection efforts and take prompt and aggressive actions to collect the delinquent debt among the MSAs reviewed and the delinquent MSAs, LRMC will continue to incur delinquent balances for future MSAs.

⁴ Two of the 25 MSAs were paid prior to our review on August 5, 2015.

⁵ RHCE UBO did not miss opportunities to collect on 11 MSAs reviewed, valued at \$217,417, because the accounts were paid in full or the patient was not responsible for the charges.

RHCE UBO Officials Did Not Properly Transfer or Follow Up on Delinquent MSAs

MEDCOM and RHCE UBO officials did not aggressively pursue follow up on accounts that could have been transferred to a debt collection agency.⁶ As of May 26, 2015, RHCE UBO personnel managed 12,043 LRMC MSAs—valued at \$4.6 million—which were delinquent over 120 days. For the 25 highest-dollar delinquent MSAs reviewed, RHCE UBO officials did not transfer 23 of the 25 accounts to the appropriate debt collection agency when the accounts became delinquent and did not take aggressive action to perform timely followup for 18 of 25 delinquent accounts. Two of the 25 accounts were paid prior to our review. The Table illustrates the 18 MSAs with no followup efforts to collect on the account for more than 180 days.⁷ See Appendix B for details on the 25 accounts reviewed.

Public law⁸ requires agencies to transfer debts to the U.S. Treasury for collection when the debts are delinquent more than 120 days.⁹ Further, UBOs can transfer debt to the Defense Finance and Accounting Service (DFAS) for collection from DoD employees or to MEDCOM for collection from foreign governments. The DoD Financial Management Regulation (FMR)¹⁰ requires agencies to establish and maintain a debt management program to identify, recover, and collect debts that individuals owe to the United States. In addition, DoD Components must take prompt and aggressive action to recover and collect debts owed to DoD, and must follow up as necessary to ensure that debts are collected.

Table 1. LRMC Medical Service Accounts Reviewed Without Collection Efforts for 180 Days or More

Number	Account	Days With No Followup Efforts	Total Charges (\$)
1	678962	269	\$337,845
2	670843	273	152,012
3	632540	206	100,218
4	661221	632 ¹	89,529
5	672294	383	87,604

⁶ Based on patient benefits and nationality, RHCE UBO can transfer delinquent debt to the U.S. Treasury, DFAS, or MEDCOM.

⁷ We used 180 days as the cutoff for timely collection efforts to account for time for mailing, insurance reviews, and other correspondence.

⁸ Public Law 104-134, chapter 10, section 31001, “The Debt Collection Improvement Act of 1996.”

⁹ On May 9, 2014, Public Law 113-101 “Digital Accountability and Transparency Act of 2014,” amended sub-section 3716(c)(6) of section 37 title 31, United States Code, by reducing the time period for transferring debt from 180 days to 120 days. In addition, DoD FMR 7000.14-R, volume 4, chapter 3, “Receivables,” currently in draft, will update the DoD FMR to require transfer of delinquent debts to the U.S. Treasury at 120 days.

¹⁰ DoD FMR 7000.14-R, volume 5, chapter 28 “Management and Collection of Individual Debt.”

Table 1. LPMC Medical Service Accounts Reviewed Without Collection Efforts for 180 Days or More (cont'd)

Number	Account	Days With No Followup Efforts	Total Charges (\$)
6	674919	211 ¹	61,767
7	676335	258	53,462
8	670682	455	40,594
9	668938	228 ¹	40,137
10	673104	368	40,044
11	604409	822 ¹	37,878
12	665265	623 ¹	37,528
13	680162	233	36,417
14	673316	340	35,715
15	646485	1,064 ¹	34,487
16	667368	356	32,808
17	678677	196	31,327
18	669935	466	31,041
Total			\$1,280,412²

¹ Multiple collection efforts with gaps of 180 days or more between efforts. The number of days with no followup effort identifies the longest period of no collection.

² Totals may not equal the actual sum because of rounding.

For the 18 accounts listed in the table, gaps as short as 196 days and as long as 1,064 days occurred between followup efforts to collect. For example, for account 670682, the patient was discharged on February 15, 2013, with services totaling \$40,594. RHCE UBO sent the patient a final delinquent debt notice on March 10, 2014. No further action was taken on the patient's delinquent debt until 455 days later, on June 8, 2015, when RHCE UBO transferred the delinquent debt to the U.S. Treasury as a result of our audit.

Gaps as long as 1,064 days occurred between followup efforts to collect.

MEDCOM and RHCE UBO Officials Lacked Adequate Procedures and Guidance to Process Delinquent MSAs

The large number of delinquent MSAs at LPMC, including the 25 MSAs reviewed, existed because RHCE UBO did not have adequate procedures in place to properly process delinquent debt. Further, RHCE and LPMC did not collect patient information necessary for billing. MEDCOM also lacked clear guidance on implementing the updated billing weights and did not take timely action or provide guidance for uncollectible accounts.

RHCE UBO Did Not Develop Adequate Procedures

RHCE UBO did not develop adequate procedures to properly process delinquent debt. Specifically, RHCE UBO's procedures for following up and transferring delinquent debt do not allow the MSA clerks time to transfer an account in 120 days. If existing procedures were followed, MSA clerks would deem accounts eligible to transfer for debt collection after 150 days. RHCE UBO officials stated that because LRMC is located in Germany, patients may not receive bills or followup notices until a month after the UBO mails them.

UBO staff did not transfer the account to DFAS until July 20, 2015, indicating a gap of 1,022 days between first notifying the patient of the debt and transferring the account.

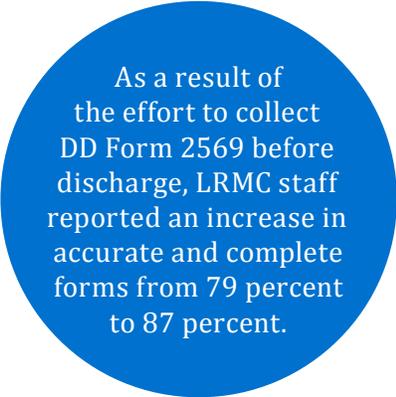
RHCE UBO officials further stated that because of limited resources and logistical challenges, UBO staff was unable to meet the requirements in their followup procedures. For example, RHCE UBO deemed account 667368 eligible to transfer on November 24, 2014, 784 days after notifying the patient of the debt. UBO staff did not transfer the account to DFAS until July 20, 2015, indicating a gap of 1,022 days—more than 2½ years—between first notifying the patient of the debt and transferring the account for collection. The RHCE UBO manager stated that it can take 2 to 3 weeks to mail notices to patients in the United States and the office did not have sufficient resources to process and transfer the account within the 120-day requirement. The manager further stated that the limited resources and consolidation of Army UBOs throughout Europe created a backlog of delinquent debt awaiting transfer to debt collection agencies. RHCE UBO personnel should review, research, and pursue collection on the open delinquent MSAs. In addition, RHCE UBO personnel should review and modify procedures to ensure delinquent debt is being transferred after 120 days.

MEDCOM officials stated that RHCE UBO began using Armed Forces Billing and Collection Utilization System (ABACUS) for MSA billing and collections on September 21, 2015. The MEDCOM UBO manager further stated that ABACUS should assist with both public law and FMR compliance, as ABACUS will provide more automation in the MSA billing and collection process. However, because ABACUS was programmed when the public law required debt to be transferred after being delinquent 180 days, the current ABACUS followup procedures are not in compliance. MEDCOM personnel should request an ABACUS system modification to ensure the followup notices and notification to transfer can be performed after accounts are 120 days delinquent.

Patient Information Not Collected or Verified Before Discharge

RHCE and LRMC personnel did not obtain and verify information on patient registration, patient demographics, or payment before discharge. Of the 25 MSAs reviewed, 5 MSAs, valued at \$539,434, were transferred to MEDCOM because of incomplete addresses. For one account, valued at \$337,845, the patient address was listed as “Fiji Civilian Emergency” and a social security number was not listed because the patient was a foreign civilian. RHCE UBO transferred the account to MEDCOM UBO as uncollectible because of an incomplete address, stopping collection of the \$337,845 owed on the account.

LRMC took action to improve the collection of patient information. Specifically, LRMC personnel stated that management requires staff to obtain a DD Form 2569¹¹ before patient discharge. Further, LRMC officials began tracking the collection and accuracy of the forms. As a result of the effort to collect DD Form 2569 before discharge, LRMC staff reported an increase in accurate and complete forms from 79 percent in May 2014 to 87 percent in July 2015. This increased oversight of patient data verification should improve the debt collection process. There is no recommendation related to collection of patient registration, demographic, or payment information because of the increased oversight and improvement in collecting DD Form 2569.



As a result of the effort to collect DD Form 2569 before discharge, LRMC staff reported an increase in accurate and complete forms from 79 percent to 87 percent.

MEDCOM UBO Did Not Provide Clear Guidance on Implementing Updated Billing Weights

MEDCOM UBO did not issue clear guidance to UBOs when billing weights were updated.¹² In July 2014, MEDCOM notified MTF UBOs that the 2014 billing weights needed to be updated in the billing system. Once the billing weights were updated and charges recalculated, the MEDCOM UBO manager did not provide clear guidance to MTF UBOs on how to manage affected accounts. Our sample contained one account, with charges of \$99,338, whose change in billing weights resulted in recalculated charges, increasing the patient’s responsibility. The original charges on the account totaled \$46,576 on February 20, 2014. On April 10, 2014, the patient’s insurance company paid \$45,876 on the original charges, reducing the patient’s responsibility on the original debt to \$700. However, on July 23, 2014, the change in billing weights increased the patient’s responsibility by \$52,762. On July 8, 2015, RHCE UBO rebilled the patient for \$53,462.

¹¹ DD Form 2569, “Record of Other Health Insurance,” contains the patient insurance and billing information.

¹² The Under Secretary of Defense (Comptroller) provides DoD MTFs annual base rates for calculating patient charges using billing weights. Billing weights are calculated based on a combination of the primary diagnosis, risk factors present in the patient at time of admission, and the specialty of the staff and equipment that may be used. The billing weights are then multiplied by the base rate of the diagnosis. For example, if a patient’s billing weight is 0.5 and the base rate is \$10,000; the patient’s charges are \$5,000.

The MEDCOM UBO manager stated that she provided the following guidance to the UBO managers who requested guidance on the updated billing weights:

- If the insurance company processed the MSA and the UBO received payment, UBOs should not require payment from patients for the additional charges.
- If the UBO did not submit the MSA to the insurance company or if the UBO did not receive a payment for accounts submitted to insurance, the UBO should resubmit the account to the insurance company with the updated charges.

A MEDCOM UBO staff member provided guidance that was not clear and RHCE rebilled the patient for \$53,462, which was \$52,762 more than the patient actually owed.

The MEDCOM UBO manager never sent the guidance out to all MTF UBO managers and RHCE UBO personnel were never informed. Instead, a MEDCOM UBO staff member provided guidance that was not clear and RHCE rebilled the patient for \$53,462, which was \$52,762 more than the patient actually owed. MEDCOM and RHCE UBO should review, research, and take action as needed on all accounts affected by the implementation of the 2014 billing weights.

Management Did Not Take Action or Provide Guidance to UBO on Uncollectible Debt

MEDCOM UBO did not take timely action to collect delinquent MSAs or provide guidance to RHCE UBO on accounts RHCE UBO deemed uncollectible. In November 2008, RHCE UBO provided MEDCOM a list of accounts deemed uncollectible, requesting a decision to write off the accounts or pursue collection; however, MEDCOM never provided guidance. One MSA reviewed, valued at \$37,878, was part of 619 MSAs, valued at \$612,280, that RHCE UBO deemed uncollectible and provided to MEDCOM. MEDCOM UBO personnel stated the accounts were a compilation of MSAs from multiple MTFs deemed uncollectible because of questionable documentation. The account valued at \$37,878 was for a patient seen at LRMC in July 2005, and RHCE UBO stated it was not actively pursuing collection because it was waiting on a MEDCOM decision.

MEDCOM UBO never provided guidance to RHCE UBO on the accounts deemed uncollectible. In May 2010, MEDCOM Staff Judge Advocate personnel determined their office did not have the authority to approve the write-off of MSA claims, and determined the MEDCOM Resource Management office was the proper authority.

However, since the Staff Judge Advocate's decision in 2010, the MEDCOM Resource Management office never directed RHCE UBO to pursue collection and never sought further guidance on the issue from the Assistant Secretary of Defense (Health Affairs). MEDCOM officials should require RHCE UBO to pursue collection of the uncollectible debt or elevate the concerns to the ASD(HA) UBO for guidance on writing off the debt.

Since the Staff Judge Advocate's decision in 2010, the MEDCOM Resource Management office never directed RHCE UBO to pursue collection and never sought further guidance on the issue from the Assistant Secretary of Defense (Health Affairs).

Management Actions Taken

During the audit, RHCE UBO took the following actions related to the 25 MSAs reviewed to collect on existing debt:

- transferred three accounts totaling \$280,209 to FedDebt,
- transferred three accounts totaling \$118,858 to DFAS,
- transferred seven accounts totaling \$644,948 to MEDCOM, and
- collected \$60,203 on two accounts.

In addition, LRMC improved its collection of accurate and complete DD Form 2569 from 79 percent in May 2014 to 87 percent in July 2015.

RHCE Missed Opportunities to Collect Delinquent Accounts

RHCE UBO missed opportunities to maximize collections for \$1.7 million of delinquent debt due on the 25 highest-dollar MSAs at LRMC. These funds could have been applied to administrative, operating, and equipment costs; readiness training; or trauma consortium activities. Unless RHCE improves collection procedures and takes prompt and aggressive action to attempt collection of the delinquent debt among the MSAs reviewed and the \$2.7 million in other delinquent MSAs, LRMC will continue to incur rising delinquent balances for future MSAs.¹³ See Appendix C for details on potential monetary benefits.

¹³ Due to rounding, the missed opportunities of \$1.7 million for accounts reviewed and \$2.7 million of other delinquent MSAs do not total the reported missed opportunities to collect \$4.3 million.

Management Comments on Internal Controls and Our Response

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, stated that MEDCOM and RHCE acknowledge the internal control weaknesses identified by the Department of Defense Office of Inspector General. RHCE UBO will adhere to ABACUS grouping code reports and the message logs under the legacy process to ensure tracking of delinquent accounts and appropriate follow up in accordance with due-process and public law. The Chief of Staff stated that these actions, with the actions taken in the response to the recommendations, should correct the weakness.

Our Response

The Comments from the Chief of Staff addressed the specifics of the internal control weaknesses and no further comments are required.

Management Comments on Potential Monetary Benefits and Our Response

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, stated that RHCE partially concurs with the calculation of potential monetary benefits. RHCE maintains that the calculated amount is overstated at best and that a better method of calculating monetary benefits would be to apply historical rates of realized collections resulting from debts actually transferred to either the DFAS or the U.S. Treasury.

Our Response

Comments from the Chief of Staff addressed the potential monetary benefits and no additional comments are needed. The audit team acknowledges that using historical collection rates is one method to estimate monetary benefits. However, LRMC had 12,033 accounts, valued at \$4.3 million, that were not transferred to DFAS or the U.S. Treasury for collection. Until RHCE UBO transfers the debts, and the debt is compromised or terminated by either DFAS or the U.S. Treasury, it is considered potentially collectible.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend the Commander, Regional Health Command Europe:

- a. **Review, research, and pursue collection on the delinquent medical service accounts that remain open.**

Regional Health Command Europe Comments

The Chief of Staff, MEDCOM, responding for the Commander, RHCE, agreed with the recommendation. The Chief of Staff stated that RHCE currently has six employees working to resolve delinquent open MSAs and anticipates hiring three more employees in the next 2 to 4 months. It will take approximately 250 days for the six employees to clear the current backlog of debt; however, nine employees could clear the debt in 170 days. He also stated that RHCE has implemented an overtime schedule for incumbent employees and is exploring a night shift option to expedite resolution. The Chief of Staff anticipates resolving the open MSAs by October 1, 2016.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

- b. **Review and modify procedures for patient followup so debt can be transferred to the appropriate debt collection agency when accounts become 120 days delinquent.**

Regional Health Command Europe Comments

The Chief of Staff, MEDCOM, responding for the Commander, RHCE, agreed with the recommendation. Specifically, RHCE UBO worked with MEDCOM UBO to reduce timelines for deeming accounts eligible to transfer from 360 days to 225 days for accounts filed with insurance companies. He also stated that using ABACUS billing functions with electronic claims filing and electronic payment functions will further reduce timelines. This should address approximately 80 percent of the MSA workload and allow RHCE to focus manual efforts, such as postal services and paper documentation management, on the remaining 20 percent of the MSAs. The Chief of Staff stated the actions were completed on March 21, 2016.

Our Response

Comments from the Chief of Staff did not address all the specifics of the recommendation. We commend RHCE UBO for shortening the timeline for deeming accounts eligible to transfer for MSAs billed to insurance. Accordingly,

RHCE UBO needs to clarify how it will reduce the timelines for deeming accounts eligible to transfer so all MSA debt, to include accounts not billed to insurance companies, can be transferred to the appropriate debt collection agency when accounts become 120 days delinquent.

- c. **Coordinate with U.S. Army Medical Command, Uniform Business Office, to review, research, and take action as needed on all accounts affected by the implementation of the 2014 billing weights.**

Regional Health Command Europe Comments

The Chief of Staff, MEDCOM, responding for the Commander, RHCE, agreed with the recommendation. The Chief of Staff stated that RHCE UBO completed the review of the 2014 accounts on March 24, 2016. Claims were amended to reflect the revised rates and rebilled to the insurance company. If the insurance company does not pay the claim, the patient will be responsible only for the initial unpaid balance in accordance with MEDCOM UBO guidance. The remaining balance will be deemed uncollectible and transferred to MEDCOM.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

Recommendation 2

We recommend the Commander, U.S. Army Medical Command:

- a. **Request a system modification in Armed Forces Billing and Collection Utilization System for all Army Medical Treatment Facilities to ensure the medical service accounts are processed and can be transferred when accounts become 120 days delinquent.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, agreed with the recommendation. The Chief of Staff stated the functionality to transfer accounts after becoming 120 days delinquent already exists and is active within ABACUS. The ABACUS Training Manual provides guidance on the steps required to process and transfer accounts that become delinquent.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

- b. Take action to collect the 619 medical service accounts elevated by Regional Health Command Europe to the U.S. Army Medical Command in 2008 or coordinate with the Assistant Secretary of Defense (Health Affairs) to determine what action is needed to write off the debt.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, agreed with the recommendation. The Chief of Staff stated that MEDCOM UBO requested that RHCE provide details on the 619 MSAs. MEDCOM UBO will research and analyze the claims to determine the appropriate disposition. MEDCOM UBO will also work with RHCE and the MEDCOM Staff Judge Advocate as necessary to pursue collection or write off the MSAs. The Chief of Staff anticipates completing the review of 619 MSAs by September 30, 2016.

The Chief of Staff stated the MEDCOM Staff Judge Advocate requested that U.S. Army Claims Services be granted the authority to compromise, suspend, and terminate debt, authorized under DoD FMR volume 16, chapter 2. If approved, this authority would enhance MEDCOM's ability to promptly achieve final disposition of MSAs.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

- c. Issue guidance to U.S. Army Medical Command Military Treatment Facilities Uniform Business Offices on the implementation of the 2014 billing weights, to include research, review, and action as needed on affected accounts.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, agreed with the recommendation. The Chief of Staff stated MEDCOM UBO will formulate guidance highlighting procedures to address the 2014 billing weight adjustments. The Chief of Staff anticipates issuing guidance by June 30, 2016, categorizing accounts as follows:

- accounts that have been filed or paid and have a positive balance,
- accounts that have been filed or paid and have a negative balance,
- accounts that have been filed but not paid, and
- accounts that have not been filed.

Our Response

Comments from the Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2015 through April 2016 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Review of Documentation and Interviews

To obtain information and source documentation on delinquent MSA debt and collection efforts for LRMC, we interviewed personnel from:

- U.S. Treasury Financial Management Services;
- Assistant Secretary of Defense for Health Affairs;
- Office of the Under Secretary of Defense (Comptroller);
- Defense Finance and Accounting Service;
- MEDCOM;
- RHCE; and
- LRMC.

During the site visits to LRMC and MEDCOM, we observed daily procedures performed by personnel and examined key documents related to the audit objective.

We obtained, reviewed, and analyzed Federal, DoD, and Army guidance related to delinquent MSA debt and collection efforts for LRMC. We focused our review on:

- Public Law 104-134, chapter 10, section 31001, “Debt Collection Improvement Act of 1996”;
- Public Law 113-101, “Digital Accountability and Transparency Act of 2014”;
- DoD Financial Management Regulation volume 5, chapter 28, “Management and Collection of Individual Debt,” November 2012;
- DoD 6010.15-M, “Military Treatment Facility Uniform Business Office Manual,” November 2006; and
- MEDCOM Finance and Accounting Division Standard Operating Procedures Medical Services Account Receivable, May 2013.

We requested and received all delinquent MSAs over 120 days old at LRMC from MEDCOM. Our review included LRMC MSAs that were open for more than 120 days from April 29, 2000, through May 26, 2015. Those MSAs represented a universe of 12,043 accounts, valued at \$4,564,704, that were delinquent for more than 120 days. According to Department of Army Form 3154, "Hospital Invoice and Receipt," bill payment is due upon receipt. If payment is not received within 30 days of receipt of bill or invoice, the account is subject to referral to a higher authority for collection action.

We nonstatistically selected the top 25 MSAs based on highest outstanding balances, valued at \$1,889,749. For the 25 MSAs reviewed, we identified the current state of the delinquent MSA debt at LRMC during our site visit in August 2015. Throughout our review, we monitored the status of collection efforts and error correction for the MSAs. We compared the MSAs to applicable Federal and DoD guidance to determine compliance related to collection efforts.

Use of Computer-Processed Data

We relied on computer-processed data to support our findings and conclusion. Specifically, we relied on LRMC's summary-level MSA data from the Composite Health Care System (CHCS) to select 25 delinquent MSAs with the highest outstanding balances. To assess the reliability of the outstanding balances, we compared the amount owed for the 25 MSAs to the:

- medical procedure documentation;
- patient information;
- hospital generated bills;
- staff notes and documentation on attempted collections; and
- delinquent letters and other types of patient contact for collection.

Of the 25 accounts reviewed, one account balance was incorrect and should have been for zero dollars. A technical error in CHCS reapplied charges to the account after insurance paid in full. We obtained a list of seven additional accounts with incorrect balances because of CHCS errors and excluded these accounts from our conclusions. We did not rely solely on CHCS data to determine compliance with public law or the DoD FMR. Based on this information, we determined that the data were sufficiently reliable for purposes of this report.

Use of Technical Assistance

We did not use technical assistance in conducting this audit.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG), Army Audit Agency, and Air Force Audit Agency issued eight reports discussing difficulty in obtaining payment for medical services. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>. Unrestricted Air Force Audit Agency reports can be accessed from <https://www.foia.af.mil/palMain.aspx> by clicking on Freedom of Information Act Reading Room and selecting audit reports.

DoD IG

DODIG-2015-179, "Delinquent Medical Service Accounts at David Grant Air Force Medical Center Need Additional Management Oversight," September 24, 2015

DODIG-2015-151, "Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims," July 24, 2015

DODIG-2015-087, "Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight," March 4, 2015

DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014

DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014

Army

A-2012-0032-IEM, "Followup Audit of Trauma Services Cooperative Agreement Brooke Army Medical Center," December 20, 2011

Air Force

F2012-0001-FB3000, "Services Medical Activity – Air Force: Out-of-Service Debt," October 3, 2011

F2011-0039-FCW000, "Services Medical Activity – Air Force: Accounts Receivable Out-of-Service Debt 88th Air Base Wing Wright-Patterson AFB OH," July 19, 2011

Appendix B

Results of the 25 Medical Service Accounts Reviewed

The table represents the results of our review of the nonstatistically selected 25 highest-dollar delinquent MSAs at LRMC. Specifically, it details which accounts were in compliance with the DoD FMR and with requirements for transferring debt after being delinquent 120 days. The table details which accounts were transferred by RHCE UBO, the agency the accounts were transferred to, and the balance of the accounts at the time of our site visit.

Table 2.

Account	RHCE UBO Balance (5/26/15)	Effectively Transferred Debt	Compliance with FMR V5 C28	Transferred for Collection (Yes / No)	Transfer Agency	RHCE UBO Balance (8/5/2015) ²
678962	\$337,845	No	No	Yes	MEDCOM	\$0
678704	\$305,959	No	Yes	No	N/A	\$305,959
670843	\$152,012	No	No	Yes	Treasury	\$0
632540	\$100,218	N/A ¹	No	No	N/A	\$0
661221	\$89,529	No	No	Yes	MEDCOM	\$0
672294	\$87,604	No	No	Yes	Treasury	\$0
678522	\$82,163	No	Yes	No	N/A	\$82,163
680672	\$71,300	No	Yes	Yes	MEDCOM	\$0
674919	\$61,767	No	No	No	N/A	\$61,767
677117	\$55,009	No	Yes	Yes	DFAS	\$0
676335	\$53,462	No	No	No	N/A	\$53,462
670682	\$40,594	No	No	Yes	Treasury	\$0
668938	\$40,137	No	No	No	N/A	\$40,137
673104	\$40,044	No	No	Yes	MEDCOM	\$0
604409	\$37,878	No	No	No	N/A	\$37,878
665265	\$37,528	No	No	Yes	MEDCOM	\$0
680162	\$36,417	No	No	No	N/A	\$36,417
673316	\$35,715	No	No	No	N/A	\$35,715
646485	\$34,487	No	No	Yes	MEDCOM	\$0

Table 2. (cont'd)

Account	RHCE UBO Balance (5/26/15)	Effectively Transferred Debt	Compliance with FMR V5 C28	Transferred for Collection (Yes / No)	Transfer Agency	RHCE UBO Balance (8/5/2015) ²
678660	\$34,214	No	Yes	Yes	MEDCOM	\$0
667368	\$32,808	No	No	Yes	DFAS	\$0
679696	\$32,125	No	Yes	No	N/A	\$32,125
678677	\$31,327	No	No	No	N/A	\$31,327
669935	\$31,041	No	No	Yes	DFAS	\$0
679479	\$28,566	N/A ¹	Yes	No	N/A	\$0

¹ Transferring debt for this account was not applicable because the account was paid in full before our review on August 5, 2015.

² Accounts with a \$0 balance were either transferred or paid in full.

Appendix C

Potential Monetary Benefits

Table 3.

Recommendation	Type of Benefit ¹	Amount of Benefit	Account
1.a	Economy and Efficiency. RHCE collection of delinquent debts for services could be used for administrative, operating, and equipment costs; readiness training; or trauma consortium activities.	Total Benefit, \$4.3 million	97 5 0130 1881

¹ Potential monetary benefits are funds put to better use or questioned costs.

Management Comments

U.S. Army Medical Command and Regional Health Command Europe



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE SURGEON GENERAL
7700 ARLINGTON BOULEVARD
FALLS CHURCH, VA 22042-5140

06 APR 2016

MCIR

MEMORANDUM FOR Department of Defense Inspector General, Contract Management and Payments. ATTN: [REDACTED]

SUBJECT: Reply to DoDIG Draft Report, Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight (Project No. D2015-D000CL-0214.000)

1. Thank for you the opportunity to review this report. Our comments are enclosed for your consideration.

2. Our point of contact is [REDACTED]

FOR THE SURGEON GENERAL:

Encl


ULDRIC L. FIORE, JR.
Chief of Staff

U.S. Army Medical Command and Regional Health Command Europe (cont'd)

U.S. Army Medical Command (MEDCOM) and Office of the Surgeon General (OTSG)

Comments on DODIG Draft Report Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight (Project No. D2015-D000CL-0214.000)

DODIG recommends the Commander, Regional Health Command – Europe (RHC-E) implement the following recommendations:

RECOMMENDATION 1.a.: Review, research, and pursue collection on the delinquent medical service accounts that remain open.

RESPONSE: Concur. Currently, RHC-E has six employees working to resolve delinquent open medical service accounts (MSA) and anticipates hiring three more in the next 2-4 months. However, with six employees working the debt it will take approximately 250 days to clear the current backlog; and with nine employees it will take 170 days to clear. RHC-E has implemented an overtime schedule for incumbent employees and is exploring a night shift option to expedite resolution. Open MSAs are expected to be resolved by 1 October 2016.

RECOMMENDATION 1.b.: Review and modify procedures for patient followup so debt can be transferred to the appropriate debt collection agency when accounts become 120 days delinquent.

RESPONSE: Concur. The RHC-E Uniform Business Office (UBO) worked with MEDCOM UBO representatives to streamline timelines for potential debts to be deemed transferrable from 360 days to 225 days for accounts filed with insurance companies. Using Armed Forces Billing and Collection Utilization System (ABACUS) billing functions with electronic claims filing and electronic payment functions will further streamline the processes for the largest volume insurance carriers. This should address approximately 80 percent of the workload and allow RHC-E to focus manual efforts, such as postal services and paper document management, to the remaining approximately 20 percent balance of the accounts. Actions were completed on 21 March 2016.

RECOMMENDATION 1.c.: Coordinate with U.S. Army Medical Command, Uniform Business Office, to review, research, and take action as needed on all accounts affected by the implementation of the 2014 billing weights.

Encl

U.S. Army Medical Command and Regional Health Command Europe (cont'd)

RESPONSE: Concur. RHCE-E UBO completed review of the 2014 accounts on 24 March 2016. Amended claims were re-billed to the insurance company reflecting revised billing rates. If the insurance company fails to adjudicate the adjusted claim, the sponsor will only be responsible for the initial unpaid balance in accordance with MEDCOM UBO guidance. Remaining balances will be posted to the MEDCOM Uncollectible worksheet.

DODIG recommends the Commander, U.S. Army Medical Command implement the following recommendations:

RECOMMENDATION 2.a.: Request a system modification in Armed Forces Billing and Collection Utilization System for all Army Medical Treatment Facilities to ensure the medical service accounts are processed and can be transferred when accounts become 120 days delinquent.

RESPONSE: Concur. This functionality already exists and is active within ABACUS. The ABACUS Training Manual provides guidance on steps required to process and transfer accounts that become delinquent on Page 8-2 (excerpt attached). ABACUS also improves local and enterprise-side reporting on Debt Management.

RECOMMENDATION 2.b.: Take action to collect the 619 medical service accounts elevated by Regional Health Command Europe to the U.S. Army Medical Command in 2008 or coordinate with the Assistant Secretary of Defense (Health Affairs) to determine what action is needed to write off the debt.

RESPONSE: Concur. MEDCOM UBO requested RHC-E provide details on the 619 medical service accounts. MEDCOM UBO will research and analyze the claims to determine appropriate disposition, and work with RHC-E and SJA as necessary to pursue collection or write off the accounts. Target date for completion is 30 September 2016.

In addition, MEDCOM SJA requested, in an update to AR 27-20, that US Army Claims Service be granted the debt compromise, suspension and termination authority authorized under DOD FMR, Volume 16, Chapter 2, 0214. The updated draft regulation is expected to circulate to Army staff elements for comment within the next 60 days. If approved, this authority would enhance MEDCOM's ability to promptly achieve final disposition of medical service accounts.

RECOMMENDATION 2.c.: Issue guidance to U.S. Army Medical Command Military Treatment Facilities Uniform Business Offices on the implementation of the 2014 billing weights, to include research, review, and action as needed on affected accounts.

U.S. Army Medical Command and Regional Health Command Europe (cont'd)

RESPONSE: Concur. MEDCOM UBO will formulate guidance highlighting procedures to address the 2014 billing weights adjustment. Guidance will include categorizing accounts as follows:

- Accounts that have been filed/paid and have a positive balance.
- Accounts that have been filed/paid and have a negative balance.
- Accounts that have been filed but not paid.
- Accounts that have not been filed.

Target for completion is 30 June 2016.

COMMENTS ON POTENTIAL MONETARY BENEFITS: RHC-E partially concurs with the calculation of potential monetary benefit, but maintains the calculated amount is overstated at best. A better method of calculating monetary benefits would be to apply historical rates of realized collections resulting from actual transferred debts to either DFAS or the Treasury.

COMMENTS ON INTERNAL CONTROL WEAKNESSES: MEDCOM and RHC-E acknowledge DODIG's identification of internal control weaknesses as stated on page 2 of the draft report, and the intent to provide a copy of the report to the senior official responsible for internal controls in the Department of the Army. RHC-E UBO will adhere to ABACUS grouping code reports, and message logs under the legacy process, to ensure tracking of delinquent accounts and appropriate follow up in accordance with due-process and Public Law. These actions, with the actions taken in response to the recommendations, should correct the weaknesses.

Acronyms and Abbreviations

ABACUS	Armed Forces Billing and Collection Utilization System
ASD(HA)	Assistant Secretary of Defense (Health Affairs)
CHCS	Composite Health Care System
DFAS	Defense Finance and Accounting Service
FMR	Financial Management Regulation
LRMC	Landstuhl Regional Medical Center
MEDCOM	U.S. Army Medical Command
MSA	Medical Service Account
MTF	Military Treatment Facility
RHCE	Regional Health Command Europe
UBO	Uniform Business Office

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U.S. DEPARTMENT OF DEFENSE

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