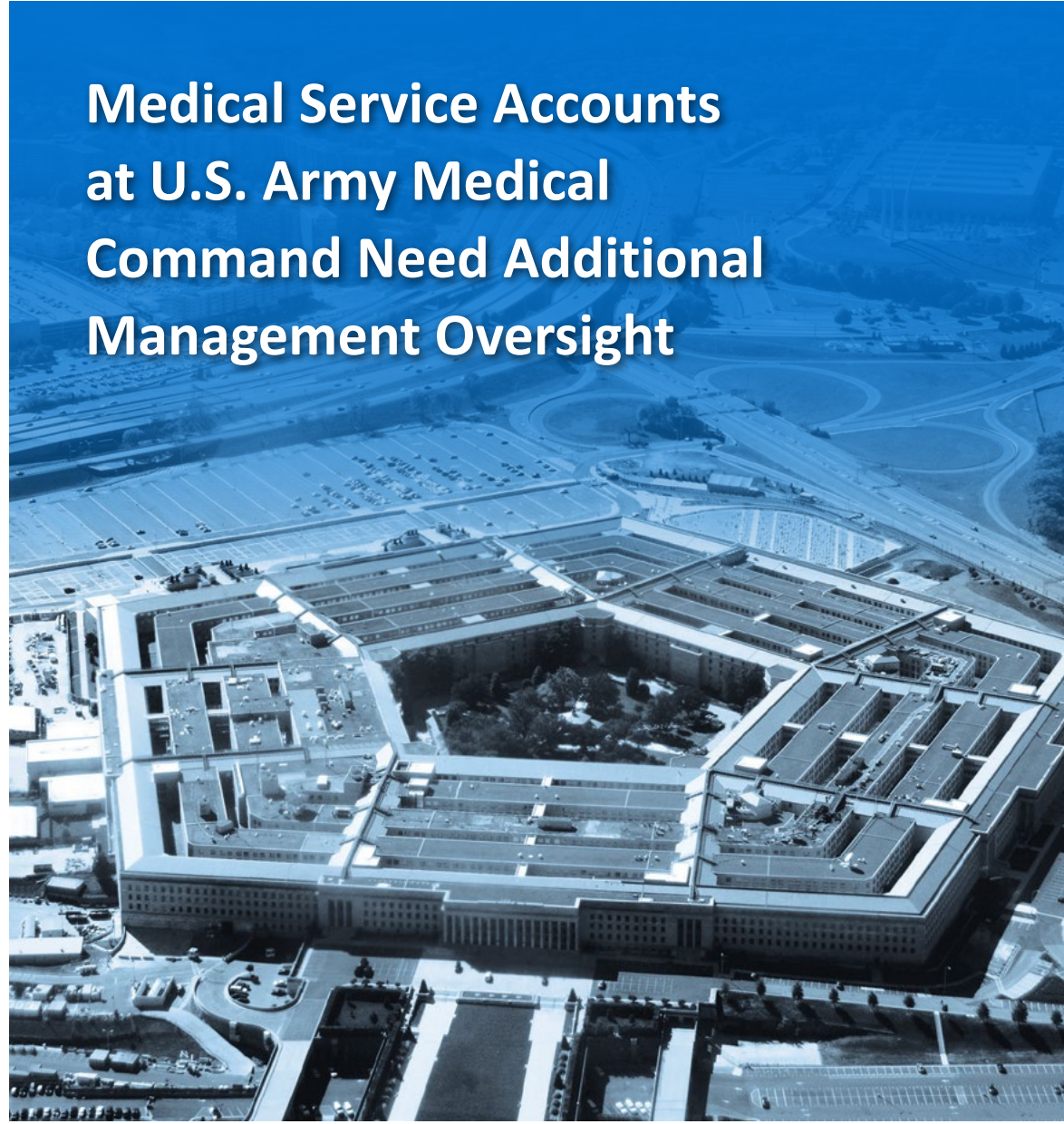




INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 27, 2017



Medical Service Accounts at U.S. Army Medical Command Need Additional Management Oversight

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Results in Brief

Medical Service Accounts at U.S. Army Medical Command Need Additional Management Oversight

January 27, 2017

Objective

Our objective was to determine whether U.S. Army Medical Command (MEDCOM) Uniform Business Office (UBO) effectively managed delinquent medical service accounts. This report is the sixth in a series on the management of medical service accounts. We nonstatistically selected and reviewed 20 high-dollar medical service accounts, valued at \$2.7 million, transferred to MEDCOM by Brooke Army Medical Center UBO.

Findings

MEDCOM officials did not effectively manage delinquent medical service accounts. Between June 12, 2012, and March 3, 2016, Army military treatment facility UBOs determined that 21,742 medical service accounts, valued at \$41.1 million, were uncollectible, and transferred the debt to MEDCOM. Of the 20 medical service accounts reviewed, MEDCOM officials allowed Brooke Army Medical Center UBO to terminate collection actions for 10 accounts that did not comply with the DoD Financial Management Regulation (FMR) conditions for terminating debt. Furthermore, of those 10 accounts, MEDCOM officials did not return 9 potentially collectible accounts to Brooke Army Medical Center to continue aggressive collection efforts.

The 21,742 uncollectible medical service accounts at MEDCOM existed because MEDCOM officials did not have adequate procedures to process the transferred accounts. Specifically, MEDCOM officials did not have procedures in place to review the transferred accounts or to return potentially collectible accounts to the military treatment facility UBOs to continue collection.

Findings (cont'd)

In addition, neither MEDCOM officials nor officials with Army military treatment facility UBOs complied with the DoD FMR and Defense Health Agency requirements for writing off and terminating debt. Specifically, once the accounts were transferred by the military treatment facility UBOs, MEDCOM officials terminated collection actions on 6,599 accounts with uncollectible balances of \$25 or greater without proper authority (only the Defense Finance and Accounting Service, DoD Components, the Department of Justice, and the Department of the Treasury have legal authority to approve the termination of collection actions for debts).¹ Furthermore, Army military treatment facility UBOs did not provide supporting documentation or a history of collection efforts when they wrote off uncollectible accounts, including the 15,076 accounts with balances of less than \$25 that MEDCOM may have been authorized to terminate under the DoD FMR.

This occurred because MEDCOM officials issued guidance on aged accounts receivable that did not include the procedures necessary to comply with the DoD FMR and Defense Health Agency requirements. Furthermore, the Armed Forces Billing and Collection Utilization Solution, the DoD medical billing system implemented in FY 2016, did not include the necessary guidance to comply with the DoD FMR conditions for terminating debt.

Without adequate procedures and guidance, MEDCOM officials missed opportunities to maximize collection on 9 of the 20 accounts reviewed, valued at \$1.8 million. Until MEDCOM personnel review the remaining 21,722 accounts, they risk missing the opportunity to collect up to \$38.4 million for MEDCOM's military treatment facilities to fund administrative, operating, and equipment costs; readiness training; and trauma consortium activities.

Recommendations

We recommend that the Commander, MEDCOM, review the 21,742 medical service accounts transferred by military treatment facility UBOs to ensure all appropriate collection efforts were exhausted, and obtain approval

¹ 67 accounts were not included in the analysis of accounts with balances over or under \$25 because MEDCOM officials did not report an uncollectible balance for these accounts.



Results in Brief

Medical Service Accounts at U.S. Army Medical Command Need Additional Management Oversight

Recommendations (cont'd)

from the appropriate authoritative agency to terminate the debts, including approval by the Department of Justice or Department of the Treasury to terminate debts over \$100,000. The Commander should also implement procedures for uncollectible debt, including reviewing the transferred debt, requiring documentation supporting the write-off and termination of the debt, gaining approval from the appropriate authoritative agency to terminate the debt, and documenting the approval of termination. Furthermore, the Commander should update MEDCOM guidance and establish guidance for the Armed Forces Billing and Collections Utilization Solution to ensure clear guidance is provided for medical service accounts to be terminated in compliance with the DoD FMR.

The Commander, MEDCOM; the Commander, U.S. Army Claims Service; and the Director, Defense Finance and Accounting Service Indianapolis, Accounts Receivable Directorate, should coordinate to determine the appropriate authoritative agency for approving the termination of collection actions for medical service account debts under \$100,000, in compliance with the DoD FMR.

Management Comments and Our Response

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, partially addressed the recommendations. The Chief of Staff met the intent of our recommendations to obtain approval from the Department of the Treasury or the Department of Justice to terminate uncollectible medical service accounts over \$100,000, and to update MEDCOM guidance and establish guidance for the Armed Forces Billing and Collections Utilization Solution. The Chief of Staff stated that MEDCOM issued interim guidance to all UBOs, and that this guidance outlines the requirements for collections, write-offs, and adjustments, including reasons to transfer uncollectible debts and the required supporting documentation.

Both the Commander and the Director, Enterprise Solutions and Standards, responding for the Director, Defense Finance and Accounting Service Indianapolis, agreed with our recommendation to coordinate to determine the appropriate agency to approve debt termination for accounts under \$100,000. The Commander, U.S. Army Claims Service, stated that on November 16, 2016, his office met with MEDCOM personnel and agreed that medical service account claims were outside the purview of his office. MEDCOM personnel agreed to seek the approval to suspend, compromise, and terminate debts from the Assistant Secretary of the Army. No further comments are required.

The Chief of Staff, MEDCOM, did not agree with our recommendation to review the 21,742 medical service accounts and to implement procedures over uncollectible medical service account debt. He stated that the errors found in our sample do not warrant the review of over 21,000 transactions. In addition, the Chief of Staff stated that the DoD FMR authorizes the write-off of certain balances for some medical services accounts, and that regulations permit the adjustments made to other accounts to remove erroneous receivables. We request that the Commander, MEDCOM, provide additional information on how he plans to resolve the recommendations. We plan to follow-up in the future to monitor implementation of the recommendations. Please see the Recommendations Table on the next page.

In addition, the Chief of Staff, MEDCOM, did not agree with the potential monetary benefits, stating that the benefits incorrectly project a limited number of errors to the entire population. We request that the Commander, MEDCOM, provide additional comments describing how he plans to review the 21,742 medical service accounts and how he plans to identify the monetary benefits after completing the review.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Claims Service		2
Commander, U.S. Army Medical Command	1.a, 1.c	1.b, 1.d, 1.e, 1.f, 2
Director, Defense Finance and Accounting Service Indianapolis, Accounts Receivable Directorate		2

Please provide Management Comments by February 27, 2017.





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

January 27, 2017

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Medical Service Accounts at U.S. Army Medical Command Need Additional
Management Oversight (Report No. DODIG-2017-045)

We are providing this report for review and comment. U.S. Army Medical Command officials did not effectively manage 21,742 medical service accounts that Army military treatment facility Uniform Business Offices determined were uncollectible. Unless U.S. Army Medical Command officials act to improve procedures over uncollectible debts, they risk missing out on up to \$40.2 million that can be used to support Army military treatment facilities. We conducted this audit in accordance with generally accepted government auditing standards.

We considered 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 Director, Enterprise Solutions and Standards, fully addressed all specifics of the recommendation, and no further comments are required. Comments from the Commander, U.S. Army Claims Service, did not address all the specifics of the recommendation; however, the actions taken by U.S. Army Claims Service met the intent of the recommendation and no additional comments are required. Comments from the Chief of Staff, U.S. Army Medical Command, did not address the specifics of the recommendations. We request additional comments on Recommendations 1.a and 1.c. Please provide comments that state whether you agree or disagree with the finding and recommendations. If you agree with our recommendations, describe what actions you have taken or plan to take to accomplish the recommendations and include the actual or planned completion dates of your actions. If you disagree with the recommendations or any part of them, please give specific reasons why you disagree and propose alternative action if that is appropriate. We request comments on the recommendations and potential monetary benefits by February 27, 2017.

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, appearing to read "M. Roark", is positioned above the typed name.

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

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Introduction

Objective

We determined whether U.S. Army Medical Command (MEDCOM) Uniform Business Office (UBO) effectively managed delinquent medical service accounts. This report is the sixth in a series on the management of medical service accounts. The five previous reports² provided the results from our review of medical service accounts at Brooke Army Medical Center, William Beaumont Army Medical Center, Naval Medical Center Portsmouth, David Grant United States Air Force Medical Center, and Landstuhl Regional Medical Center. See Appendix A for the scope and methodology and prior coverage related to the audit objective.

Background

U.S. Army Medical Command

MEDCOM provides health services to improve readiness, save lives, and advance wellness in support of the Army, military families, and all those entrusted to MEDCOM's care. The Commanding General of MEDCOM³ is responsible for hospitals and other Army Medical Department commands and agencies. MEDCOM currently manages a budget of more than \$12 billion and cares for more than 3.86 million eligible beneficiaries, including active duty members and retirees of all Military Services, and their family members.

Medical Service Accounts

As part of the Army military treatment facility UBO, the Medical Service Accounts office is responsible for billing and collecting funds for medical and dental services from Uniformed Services beneficiaries, civilian emergency patients, and other patients who are authorized to receive treatment in a military treatment facility. A military treatment facility must charge civilian patients who are not eligible beneficiaries (or the insurers of these patients) reasonable charges, as determined by the Secretary of Defense, for trauma and other medical care. A military treatment facility must retain and use the amounts collected for trauma consortium activities, readiness training, or administrative, operating, and equipment costs.

² Report No. DODIG-2016-079, "Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight," April 28, 2016; Report No. DODIG-2015-087, "Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight," March 4, 2015; Report No. DODIG-2015-179, "Delinquent Medical Service Accounts at David Grant U.S. Air Force Medical Center Needed Additional Management Oversight," September 24, 2015; Report No. DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014; Report No. DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014.

³ The Commander of MEDCOM also serves as the Army Surgeon General.

DoD Financial Management Regulation

DoD Regulation 7000.14-R, “DoD Financial Management Regulation” (DoD FMR), volume 16, “Department of Defense Debt Management,” January 2016, requires DoD Components to establish and maintain a debt management program to identify, recover, and collect debts individuals owe to the United States. The Regulation states that DoD Components must take prompt and aggressive action to recover and collect debts owed to the DoD and must continue to pursue followup actions, as necessary, to ensure that debts are collected. The Regulation also identifies the Department or agency with authority to approve the termination of collection actions for debts based on specific dollar thresholds.

Military Treatment Facility Uniform Business Office Manual

DoD 6010.15-M, “Military Treatment Facility Uniform Business Office Manual,” November 2006, prescribes uniform procedures and accounting systems for the management and followup of accounts, including recovery, depositing, posting, and reconciliation. The Manual states that a military treatment facility must charge civilian patients who are not eligible beneficiaries⁴ reasonable charges for medical care. It further states that civilian patients who receive emergency services must pay for their medical care.

MEDCOM Guidance for Processing Aged Accounts Receivable Due From the Public

The MEDCOM memorandum “MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public,” May 17, 2013, provides policy and guidance to Army UBOs for processing delinquent public debt at Army military treatment facilities. The guidance defines uncollectible debt as debt that cannot be collected, either by the UBO, the Defense Finance and Accounting Service (DFAS), or the U.S. Department of the Treasury (the Treasury) through FedDebt.⁵ Regardless of age and dollar amount, uncollectible debt will be transferred out of the Composite Health Care System (CHCS)⁶ and reported to MEDCOM officials using the uncollectible tracking spreadsheet.⁷ MEDCOM officials stated, once they receive the uncollectible tracking spreadsheet, they compile the data on

⁴ DoD Manual 6010.15-M states that some U.S. Government employees and contractors may be exempt from this provision while deployed during contingency operations. Furthermore, the Manual states that individuals filing workers compensation claims are exempt from the provision.

⁵ FedDebt is an online comprehensive debt management system maintained by the Department of the Treasury that allows UBO staff to directly upload delinquent accounts for debts as low as \$25.

⁶ CHCS is the DoD health record system that allows health care providers worldwide to order laboratory tests, request radiology exams, issue prescriptions, and record diagnosis and treatment codes electronically. Personnel at military treatment facility UBOs use CHCS for medical billing, including billing for medical service accounts.

⁷ The uncollectible tracking spreadsheet is an Excel spreadsheet, developed by MEDCOM officials and used by all Army MTF UBOs, that includes the following information: the military treatment facility, medical service account number, date billed, amount billed, amount paid, uncollectible amount, and the reason the account is uncollectible.

uncollectible debt from all military treatment facilities and take no further action to collect on the debt, thereby terminating collection action for the debt. The MEDCOM guidance specifies that public accounts receivable for out-of-service debt⁸ over 2 years old must be written off⁹ by the military treatment facility UBO within 90 days.

Medical Service Accounts Reviewed

Our review included 21,742 medical service accounts, valued at \$41.1 million, that military treatment facility UBOs determined were uncollectible and transferred to MEDCOM between June 12, 2012, and March 3, 2016. Of the \$41.1 million in uncollectible debt, MEDCOM reported that Brooke Army Medical Center UBO transferred 4,086 accounts valued at \$34.2 million. Because Brooke Army Medical Center had the highest dollar amount of accounts reported as uncollectible, and is co-located with MEDCOM, we chose a sample of medical service accounts from Brooke Army Medical Center UBO for testing. We nonstatistically selected 20 high-dollar uncollectible medical service accounts, valued at \$2.7 million, that were transferred to MEDCOM by Brooke Army Medical Center UBO. See Appendix A for additional details on the methodology used to select medical service accounts for review.

Review of Internal Controls

DoD Instruction 5010.40¹⁰ 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. We identified an internal control weakness in MEDCOM's lack of procedures for oversight of medical service accounts, and in MEDCOM's current procedures, which did not comply with DoD regulations. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

⁸ Out-of-service debt is debt owed to the DoD by individuals, including civilian, emergency, and contractor patients who currently are not paid by the DoD.

⁹ DoD FMR volume 4, chapter 3, defines a write-off as the accounting action that results in the removal of a non-Federal (public) receivable from a DoD Component's financial records.

¹⁰ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Medical Service Accounts Were Not Effectively Managed

MEDCOM officials did not effectively manage delinquent medical service accounts. Army military treatment facility UBOs¹¹ determined that 21,742 accounts, valued at \$41.1 million, were uncollectible and transferred them to MEDCOM between June 12, 2012, and March 3, 2016. We reviewed 20 high-dollar uncollectible accounts, valued at \$2.7 million, that were transferred to MEDCOM by Brooke Army Medical Center UBO personnel. Of the 20 accounts reviewed,¹² MEDCOM officials allowed Brooke Army Medical Center UBO personnel to terminate collection actions for 10 accounts, valued at \$1.9 million, for reasons not listed in the DoD FMR.¹³ Furthermore, of those 10 accounts, Brooke Army Medical Center UBO personnel did not exhaust all collection efforts for 9 accounts, valued at \$1.8 million.

The 21,742 uncollectible accounts, including the 20 accounts reviewed, existed because MEDCOM officials did not have adequate procedures to process the transferred medical service account debt. Specifically, MEDCOM officials did not have procedures in place to review medical service accounts submitted by military treatment facility UBOs or return potentially collectible accounts to the military treatment facility UBO to continue collection efforts.

In addition, neither MEDCOM nor military treatment facility UBO officials complied with the DoD FMR¹⁴ and Defense Health Agency (DHA)¹⁵ requirements for writing off and terminating debt. Specifically, the military treatment facility UBO personnel transferred uncollectible debt to MEDCOM officials, who terminated the collection actions for 6,599 accounts without approval from a proper authority.¹⁶ Furthermore, military treatment facility UBO personnel did not provide MEDCOM

¹¹ For the remainder of the report, Army military treatment facility UBOs will be referred to as military treatment facility UBOs.

¹² Brooke Army Medical Center UBO personnel exhausted all collection efforts and terminated 11 accounts, valued at \$0.9 million, for conditions listed in the DoD FMR.

¹³ DoD FMR volume 16, chapter 2, "General Instructions for Collection of Debt Owed to the Department of Defense (DoD)," January 2016. (The 2016 volume consolidates guidance from DoD FMR volume 5, chapter 28, "Management and Collection of Individual Debt," November 2012. For this audit, we used criteria from the 2016 volume that included the applicable 2012 guidance.)

¹⁴ DoD FMR volume 4, chapter 3, "Receivables," June 2014, and volume 16, chapter 2, "General Instructions for Collections of Debt Owed to the Department of Defense (DoD)," January 2016.

¹⁵ DHA memorandum, "Defense Health Agency Write-Off of Aged Amounts Owed to Military Treatment Facilities Clarification Procedures," July 31, 2014.

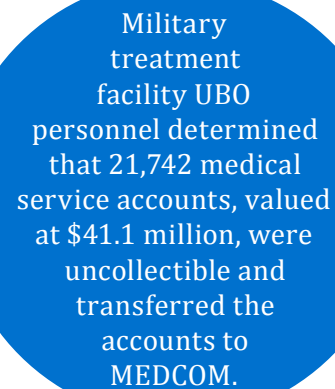
¹⁶ DoD FMR volume 16, chapter 2, states that the Defense Finance and Accounting Service, DoD Component, Department of Justice, and Department of the Treasury have legal authority to approve the termination of debts based on the dollar value of the debt and on which agency is currently holding the debt.

officials with supporting documentation or the history of collection efforts when writing off uncollectible debt. This occurred because MEDCOM guidance¹⁷ on aged accounts receivable did not include procedures necessary to comply with the DoD FMR and DHA requirements. Additionally, the Armed Forces Billing and Collection Utilization Solution (ABACUS),¹⁸ the DoD medical billing system implemented in FY 2016, did not include the necessary guidance to comply with the DoD FMR conditions for terminating debt.

Without adequate procedures and guidance, MEDCOM officials allowed \$41.1 million in medical service account debt to be terminated without verifying if the military treatment facility UBOs had exhausted all efforts to collect the debt. Until MEDCOM officials review the other 21,722 terminated medical service accounts, MEDCOM risks missing the opportunity to collect up to \$38.4 million, in addition to the \$1.8 million for the 9 accounts reviewed,¹⁹ for its military treatment facilities to fund administrative, operating, and equipment costs; readiness training; and trauma consortium activities.

Management of Medical Service Accounts Needs Improvement

MEDCOM officials did not effectively manage medical service accounts transferred to MEDCOM by military treatment facility UBO personnel. From June 12, 2012, to March 3, 2016, military treatment facility UBO personnel determined that 21,742 medical service accounts, valued at \$41.1 million, were uncollectible and transferred the accounts to MEDCOM. Of the 20 high-dollar accounts reviewed, MEDCOM officials allowed Brooke Army Medical Center UBO personnel to transfer 10 accounts, valued at \$1.9 million, to MEDCOM, though this transfer was not in compliance with the DoD FMR conditions for terminating debt. Furthermore, of those 10 accounts, MEDCOM officials did not transfer 9 accounts, valued at \$1.8 million, back to the Brooke Army Medical Center UBO to continue aggressive collection efforts²⁰ when the accounts were potentially collectible. See Appendix B for details on the 20 accounts reviewed.



Military treatment facility UBO personnel determined that 21,742 medical service accounts, valued at \$41.1 million, were uncollectible and transferred the accounts to MEDCOM.

¹⁷ U.S. Army Medical Command memorandum, "MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public," May 17, 2013.

¹⁸ ABACUS is a DoD-wide medical billing system used by Army, Navy, and Air Force UBOs.

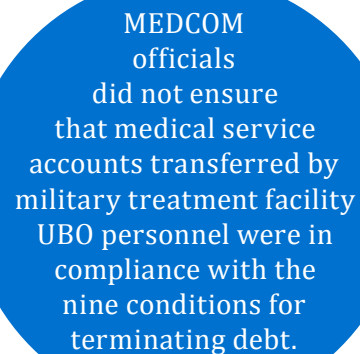
¹⁹ Brooke Army Medical Center UBO exhausted collection efforts on 11 accounts reviewed, valued at \$0.9 million.

²⁰ DoD 6010.15-M, "Military Treatment Facility Uniform Business Office Manual," November 2006 states that medical service account offices must make every effort to collect a debt before it becomes delinquent, which is defined as 30 days after the date of the initial bill. The manual also establishes guidelines for following up with patients at 60 and 90 days after the date of the initial bill.

The DoD FMR²¹ requires DoD Components to take prompt and aggressive action to recover and collect debts owed to the DoD and to continue to pursue followup actions, as necessary, to collect debts. Furthermore, the DoD FMR defines the termination of collection as a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, an agency should have pursued all appropriate means of collection and determined that the debt is uncollectible based on one of the following nine conditions under which a debt collection office can terminate debt, as established by the DoD FMR:

- No substantial amount can be collected using all tools available.
- The debtor cannot be located.
- Costs of collection are anticipated to exceed amounts recoverable.
- The debt is subsequently found to be plainly erroneous or legally without merit.
- Enforced collection is barred by applicable statute of limitations.
- Documentation indicates that further collection action would be futile.
- Subsequent to the establishment of the debt, the debt cannot be substantiated.
- The debt is discharged in bankruptcy.
- The active duty military member is deceased.

MEDCOM officials did not ensure that medical service accounts transferred by military treatment facility UBO personnel were in compliance with the nine conditions for terminating debt listed in the DoD FMR. Furthermore, MEDCOM officials did not ensure that military treatment facility UBO personnel exhausted all appropriate collection efforts before stopping active collection.



MEDCOM officials did not ensure that medical service accounts transferred by military treatment facility UBO personnel were in compliance with the nine conditions for terminating debt.

MEDCOM Lacked Procedures for Reviewing Uncollectible Medical Service Accounts

MEDCOM officials did not effectively manage these uncollectible medical service accounts because MEDCOM did not have procedures to review supporting documentation to ensure the military treatment facility UBO personnel complied

²¹ DoD FMR volume 16, chapter 2.

with the policies on collection and termination of debt. Furthermore, MEDCOM officials lacked procedures for returning potentially collectible medical service accounts to the military treatment facility UBOs to continue aggressive collection.

MEDCOM guidance directs military treatment facility UBOs to transfer uncollectible accounts . . . out of the CHCS and report the debt monthly to MEDCOM.

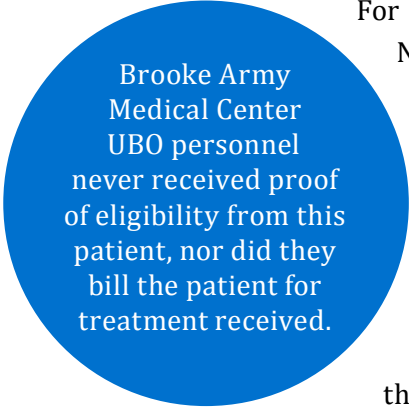
MEDCOM officials stated that they do not take any action to review the debts submitted by the military treatment facility UBO personnel. MEDCOM guidance directs military treatment facility UBOs to transfer uncollectible accounts, regardless of age and dollar amount, out of the CHCS and report the debt monthly to MEDCOM officials using a tracking spreadsheet. MEDCOM guidance lists the following nine account types that military treatment facilities can transfer to MEDCOM as uncollectible:

- Office of Workers Compensation–non-DoD,
- Medicaid / Medicare,
- victims of crime,
- DoD employees in support of overseas contingency operations,
- non-Federal Employee Compensation Act,
- Veterans Affairs Millennium Bill balances,
- invalid or missing addresses,
- balances remaining from Secretary of the Army Designee patients with other health insurance, and
- accounts with combined balances under \$25.

MEDCOM officials consolidated the uncollectible medical service account data from all military treatment facility UBOs into a single database and maintained the database at the MEDCOM level. Between June 12, 2012, and March 3, 2016, military treatment facility UBO personnel transferred 21,742 accounts, valued at \$41.1 million, by following the MEDCOM guidance.

The MEDCOM UBO Chief stated that because of her office’s inability to view account details in CHCS, she relied on the military treatment facility UBO personnel to ensure the accounts transferred complied with the policies on collection and termination of debts. Because MEDCOM lacked procedures, military treatment facility UBOs were able to stop collection for conditions not listed in the DoD FMR,

and for account types not listed in the MEDCOM guidance. In addition, military treatment facility UBO personnel were able to stop collection on accounts without exhausting all appropriate efforts to collect.



Brooke Army Medical Center UBO personnel never received proof of eligibility from this patient, nor did they bill the patient for treatment received.

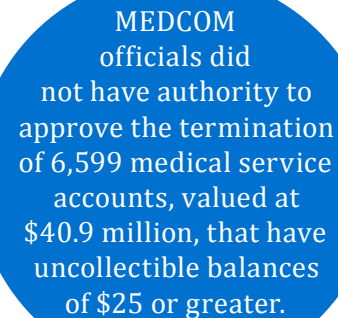
For example, for account 5139102, the patient was a North Atlantic Treaty Organization (NATO) member who did not provide proof of eligibility to the Brooke Army Medical Center UBO for treatment received on August 7, 2008. Brooke Army Medical Center UBO personnel never received proof of eligibility from this patient, nor did they bill the patient for treatment received. The DoD UBO Manual²² states that for any treatment, the patient has 30 calendar days after the visit to present documentation of eligibility, otherwise the military treatment facility UBO should bill the patient as a non-Uniformed Services beneficiary at the full reimbursement rate. On August 19, 2014, Brooke Army Medical Center UBO personnel transferred the account to MEDCOM for the reason code “NATO,” which is not listed in the DoD FMR or the MEDCOM guidance as a reason to stop collection efforts. Brooke Army Medical Center UBO personnel provided the audit team with documentation showing the NATO patient was informed that he would be responsible for all costs of treatment received unless he could show proof of eligibility. If procedures were in place to review transferred accounts, MEDCOM officials would have identified that Brooke Army Medical Center UBO personnel did not exhaust all collection efforts and that the patient was responsible for the total charges of \$31,945.55 on account 5139102.

MEDCOM officials should review the 21,742 medical service accounts transferred as uncollectible by military treatment facility UBO between June 2012 and March 2016 to ensure all collection efforts have been exhausted. After MEDCOM determines all collection efforts have been exhausted, it should ensure that all accounts over \$100,000 are sent to the Department of Justice or the Treasury for approval to terminate the debt. MEDCOM officials should implement procedures to review all uncollectible medical service accounts submitted by the military treatment facility UBO personnel, or the military treatment facility UBOs will continue missing opportunities to collect funds.

²² DoD 6010.15-M, “Military Treatment Facility Uniform Business Office Manual,” November 2006.

MEDCOM and Military Treatment Facility UBO Officials Did Not Comply With DoD FMR and DHA Guidance

MEDCOM and military treatment facility UBO officials did not comply with DoD FMR and DHA guidance when terminating and writing off 21,742 medical service account debts. MEDCOM officials did not have authority to approve the termination of 6,599 medical service accounts, valued at \$40.9 million, that have uncollectible balances of \$25 or greater.²³ The DoD FMR²⁴ establishes authoritative thresholds for terminating debt, and MEDCOM officials did not comply with this DoD FMR guidance when they terminated the collection actions for the medical service accounts.



MEDCOM officials did not have authority to approve the termination of 6,599 medical service accounts, valued at \$40.9 million, that have uncollectible balances of \$25 or greater.

The DoD FMR²⁵ does authorize debt collection offices to write off and close out all individual out-of-service debts under \$25, effectively stopping active collection. In addition, the MEDCOM guidance on aged accounts receivable states that accounts with a combined balance of under \$25 should be transferred to MEDCOM on the uncollectible tracking spreadsheet. Between June 12, 2012, and March 3, 2016, military treatment facility UBO officials transferred 15,076 medical service accounts, valued at \$148,858, which had an uncollectible balance of less than \$25. However, MEDCOM does not receive supporting documentation from the military treatment facility UBOs, as required by the DoD FMR and DHA guidance, and the data that military treatment facilities provide to MEDCOM do not include patient names or any unique identifiers to determine if one patient has multiple accounts with a combined balance of greater than \$25. Furthermore, military treatment facility UBO personnel did not provide supporting documentation to MEDCOM, as required by the DoD FMR²⁶ and DHA guidance, when writing off any of the 21,742 medical service accounts.

²³ 67 accounts were not included in the analysis of uncollectible debts over or under \$25 because the MEDCOM data did not report an uncollectible balance. The 67 accounts included total charges of \$143,516, of which 33 accounts had charges of \$25 or greater and 34 accounts had charges of less than \$25.

²⁴ DoD FMR volume 16, chapter 2.

²⁵ DoD FMR volume 4, chapter 3.

²⁶ DoD FMR volume 4, chapter 3.

MEDCOM Does Not Have Termination Authority

MEDCOM officials did not have the authority to approve the termination of collection actions for 6,599 medical service accounts, nor did they seek approval to terminate accounts from the proper authoritative agency. The DoD FMR²⁷ gives the following departments and agencies the authority to approve the termination of debt for the following amounts and conditions:

- Less than \$100,000 – DFAS, while coordinating with the fund holder, has authority to terminate collection action on debts when the debts are with DFAS.
- Less than \$100,000 – DoD Components have authority to terminate collection action on debts that have not been referred to DFAS.
- Over \$100,000 – The Treasury has authority to terminate collection action on debts between \$100,000 and \$500,000 when the debt has been referred to the Treasury for cross-servicing.
- Over \$100,000 – The Department of Justice has the authority to terminate collection action on debts, including debts over \$500,000, when the debts have not been referred to the Treasury for cross-servicing.

Of the 21,742 accounts that MEDCOM officials terminated, 21,660 accounts were under \$100,000 and 82 accounts were over \$100,000, of which 5 were over \$500,000. The DoD FMR provides clear guidance on approval authorities for the termination of collection actions for debts over \$100,000; however, it remains unclear which authoritative agencies within the Army are the approving authorities for the termination of medical service account

MEDCOM officials acknowledged that they did not have the authority to approve the termination of medical service account debts.

debts under \$100,000. Neither MEDCOM, U.S. Army Claims Service (USARCS),²⁸ nor DFAS officials could provide the audit team with procedures for terminating medical service account debts that complied with the conditions listed in the DoD FMR. MEDCOM officials acknowledged that they did not have the authority to approve the termination of medical service account debts. Army Regulation²⁹ states that if medical charges are proper, the military treatment facility Commander does

not have the authority to suspend, compromise, or settle the debt. This authority lies with DFAS for the DoD. However, both DFAS and MEDCOM officials stated that DFAS does not perform this function for out-of-service medical debts owed to the

²⁷ DoD FMR volume 16, chapter 2.

²⁸ U.S. Army Claims Service is responsible for settling claims made against the Army and recovering claims on behalf of the United States.

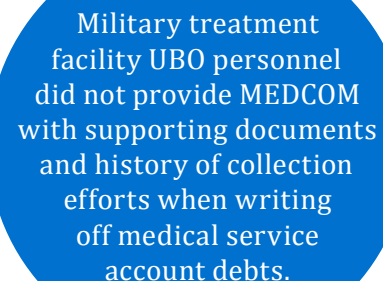
²⁹ Army Regulation 40-400, "Patient Administration," July 8, 2014.

Army, including medical service accounts. After MEDCOM determines all collection efforts have been exhausted, it should ensure that all accounts over \$100,000 are sent to the Department of Justice or the Treasury for approval to terminate the debt. MEDCOM and DFAS officials should coordinate to identify the authoritative agency for terminating medical service account debts under \$100,000, and request updates to Army Regulations as necessary to identify the agency responsible for terminating the collection of medical service account debt.

In January 2015, the MEDCOM Staff Judge Advocate began coordinating with USARCS to obtain the authority to suspend, compromise, and terminate medical service account debts under \$100,000. The MEDCOM Staff Judge Advocate officials requested that USARCS amend Army Regulations,³⁰ granting the MEDCOM Staff Judge Advocate the authority to terminate medical service account debts. While USARCS is responsible for recovering claims on behalf of the United States, USARCS officials stated that they do not have the authority to terminate medical service account debts, nor do they have the authority to delegate the responsibility to terminate medical service account debts to MEDCOM. USARCS officials stated that MEDCOM officials should request the authority to terminate medical service account debts from the Secretary of the Army. As of October 24, 2016, USARCS and the MEDCOM Staff Judge Advocate officials had not coordinated to jointly determine which authority was responsible for approving the termination of medical service account debts. Furthermore, MEDCOM officials have not developed procedures for approving the termination of medical service account debts if MEDCOM officials are granted termination authority. MEDCOM and USARCS officials should coordinate to identify the authoritative agency within the Army that has authority to approve the termination of medical service account debts under \$100,000.

Military Treatment Facility UBOs Did Not Provide MEDCOM With Supporting Documentation

Military treatment facility UBO personnel did not provide MEDCOM with supporting documents and history of collection efforts when writing off medical service account debts. DoD FMR³¹ and DHA guidance state that the debt collection office must provide documentation to support writing off the receivable and must provide the history of all research and debt collection efforts. To write off uncollectible medical service account debt, military treatment facility UBO personnel transferred the accounts out



Military treatment facility UBO personnel did not provide MEDCOM with supporting documents and history of collection efforts when writing off medical service account debts.

³⁰ Army Regulation 27-20, "Legal Service: Claims," February 8, 2008.

³¹ DoD FMR volume 4, chapter 3.

of CHCS, and manually provided the account details to MEDCOM on a tracking spreadsheet. However, the account details that the military facility UBO personnel provided to MEDCOM did not include any documentation supporting the write-off of the accounts or the history of collection efforts.

Brooke Army Medical Center UBO personnel wrote off all 20 medical service accounts reviewed without providing MEDCOM with documentation supporting the write-off or the history of collection efforts. While at Brooke Army Medical Center, the audit team obtained the account files and the Brooke Army Medical Center UBO's reasons for writing off the debt for all 20 accounts reviewed and determined that the UBO did not always exhaust all collection efforts. Specifically, we reviewed invoices and delinquent letters sent to patients, correspondence with the patients and their insurance companies, and interviewed the Brooke Army Medical Center UBO Chief to determine if the UBO had exhausted all collection efforts.

For example, Brooke Army Medical Center UBO personnel wrote off account number 5146868, valued at \$303,726.08, without providing MEDCOM any documentation supporting the write-off of the debt. The audit team obtained supporting documentation showing that Medicare had denied the charges and Brooke Army Medical Center UBO had never billed the patient. Brooke Army Medical Center UBO officials stated that they did not bill the patient and wrote off the account because the Medicare denial letter stated that the UBO could not charge the patient. Brooke Army Medical Center UBO personnel could not provide the audit team with the Medicare denial letter stating that the UBO could not bill the patient. The DoD UBO Manual³² states that the military treatment facility must charge civilian patients who are not eligible beneficiaries (or the patient's insurance company) reasonable charges for trauma and other medical care. If MEDCOM officials had obtained and reviewed the documentation, they would have found that Brooke Army Medical Center UBO personnel had not exhausted all collection efforts, including billing the patient, before writing off the account.

MEDCOM Guidance on Aged Accounts Receivable Needs Improvement

MEDCOM UBO officials did not include the necessary guidance to ensure compliance with DoD FMR and DHA requirements to write off and terminate medical service account debt in the MEDCOM guidance on aged accounts receivable. Specifically, the MEDCOM guidance does not require military treatment facility

³² DoD 6010.15-M, chapter 3, C3.16.1.

UBO personnel to provide supporting documentation or history of collection efforts. In addition, the MEDCOM guidance does not clearly state the conditions needed to terminate medical service account debt and does not provide direction for obtaining approval to terminate debt.

MEDCOM Guidance Does Not Require Supporting Documentation

MEDCOM officials did not include in their guidance on aged accounts receivable the DoD FMR and DHA requirements for providing supporting documentation when writing off debt. Specifically, the MEDCOM guidance on aged accounts receivable directs military treatment facility UBO personnel to transfer medical service accounts to MEDCOM, where the accounts are terminated, without requiring the UBOs to submit supporting documentation and the history of collection efforts to MEDCOM. MEDCOM officials stated that they did not require military treatment facility UBOs to provide supporting documentation because they rely on the military treatment facility UBOs to validate the uncollectible accounts. Furthermore, the CHCS system design does not allow MEDCOM officials to see the account history or account files unless the officials are physically onsite at the military treatment facility UBO, nor does CHCS have the ability to store the account files.

MEDCOM officials stated that they did not require military treatment facility UBOs to provide supporting documentation because they rely on the military treatment facility UBOs to validate the uncollectible accounts.

MEDCOM officials stated that in FY 2016, military treatment facility UBO personnel began using ABACUS, a web-based system for medical billing that can store account files.

MEDCOM officials stated that in FY 2016, military treatment facility UBO personnel began using ABACUS, a web-based system for medical billing that can store account files. While ABACUS allows MEDCOM officials to review supporting documentation, MEDCOM officials have not updated the guidance on aged accounts receivable to require that military treatment facility UBO personnel include the supporting documentation in ABACUS and that MEDCOM officials review the documents before writing off and terminating the collection actions for medical service account debts. MEDCOM officials should implement procedures requiring military treatment facility UBOs to provide documentation supporting the write-off of medical service account debt and to provide the history of collection efforts before writing off and terminating the collection actions for medical service account debts.

MEDCOM Guidance Did Not Include the Necessary Conditions for Terminating Debt in Compliance With the DoD FMR

MEDCOM UBO officials also issued guidance on aged accounts receivable that did not include the necessary guidance to comply with the DoD FMR³³ for conditions needed to terminate medical service account debt. The MEDCOM guidance lists the types of accounts that military treatment facility UBOs can transfer to MEDCOM as uncollectible, effectively terminating the collection actions on the debt, while the DoD FMR lists the required conditions for DoD personnel to terminate debts. Not all account types listed in the MEDCOM guidance are inherently uncollectible and would need to first meet the conditions listed in the FMR before being terminated. Table 1 shows the MEDCOM guidance and DoD FMR conditions for terminating debt.

Table 1. MEDCOM and DoD FMR Reasons to Terminate Debt

MEDCOM Guidance on Types of Accounts That UBOs Can Transfer to MEDCOM¹	DoD FMR's Required Conditions for Terminating Debt²
<ul style="list-style-type: none"> • Office of Worker’s Compensation Program – Non-DoD • Medicare / Medicaid • Victims of crime • DoD Employees in support of overseas contingency operations • Non-Federal Employee Compensation Act approved cases • Accounts with combined balances under \$25 • Balances remaining from Secretary of the Army Designee with other health insurance • Invalid, incomplete or missing address • Veterans Affairs Millennium Bill balances 	<ul style="list-style-type: none"> • No substantial amount can be collected using all tools available • The debt is discharged in bankruptcy • Costs of collection are anticipated to exceed amounts recoverable • The debt is subsequently found to be plainly erroneous or legally without merit • The enforced collection is barred by applicable statute of limitations • Documentation indicates that further collection action would be futile • Subsequent to the establishment of the debt, the debt cannot be substantiated • The debtor cannot be located • The active duty military member is deceased

¹ “MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public,” May 17, 2013.

² DoD FMR volume 16, chapter 2.

MEDCOM officials should update the MEDCOM guidance to include clear guidance on the conditions required to terminate debts in compliance with the DoD FMR.

³³ DoD FMR volume 16, chapter 2.

Though MEDCOM officials stated that ABACUS will replace the manual write-off and transfer of uncollectible debts to MEDCOM, they have not implemented procedures over the ABACUS codes, including the necessary guidance to comply with the DoD FMR for the conditions required to terminate debt. Similar to the MEDCOM guidance, ABACUS lists types of accounts and reasons that military treatment facility UBOs can write off and terminate. However, not all account types and reasons listed within ABACUS are inherently uncollectible and would need to first meet the conditions listed in the FMR before being terminated. In addition to types of accounts, ABACUS lists “Other” as a reason to write off a medical service account debt. MEDCOM officials could not describe why military treatment facility UBOs would write off an account using the “Other” category, nor could they explain how the category complied with the conditions listed in the DoD FMR for terminating debts. Table 2 illustrates the ABACUS reasons for writing off debts.

MEDCOM officials stated that ABACUS will replace the manual write-off and transfer of uncollectible debts to MEDCOM, they have not implemented procedures over the ABACUS codes.

Table 2. ABACUS Reasons to Write Off Medical Service Account Debts Used by All DoD UBOs

ABACUS Reasons	
<ul style="list-style-type: none"> • Death • FECA-approved care • Incomplete address • Invalid Social Security Number • Medicare / Medicaid • Out-of-service under \$25 • Overseas contingency operation • Secretarial designee • SOFA / RHCA inter-governmental 	<ul style="list-style-type: none"> • VA Millennium Bill • Victims of crime • Potential compensatory event • Bankruptcy • Minor with no parent info • Other • Incarcerated debtor • FedDebt compromise/settle

MEDCOM officials should establish guidance for using the ABACUS reasons to write off and terminate debt to ensure compliance with the DoD FMR.

MEDCOM Guidance Does Not Provide Direction to UBOs for Requesting the Termination of Debt

MEDCOM officials issued guidance on aged accounts receivable that does not provide clear direction to military treatment facility UBOs on how to request approval to terminate medical service account debt in accordance with the

MEDCOM guidance does not specify where within DFAS, Army, the Treasury, or Department of Justice the military treatment facility UBO personnel must submit documentation for a request to approve the termination of medical service account debts.

DoD FMR Volume 16. MEDCOM guidance does not specify where within DFAS, Army, the Treasury, or Department of Justice the military treatment facility UBO personnel must submit documentation for a request to approve the termination of medical service account debts. The MEDCOM guidance states that the military treatment facility UBO personnel must retain medical service account documentation, as it will be subject to future audit. While the implementation of ABACUS removes the manual process of terminating debt, MEDCOM officials have not developed guidance for submitting requests and documenting the termination approval in the system. MEDCOM should provide guidance to military treatment facility UBOs for requesting approval to terminate debt and establish requirements for documenting the approval to terminate.

Conclusion

Without adequate controls and guidance, MEDCOM officials allowed \$41.1 million in medical service account debt to be terminated without verifying that the military treatment facility UBOs had exhausted all efforts to collect the debt. Of the 20 accounts reviewed, for 9 accounts, valued at \$1.8 million, the Brooke Army Medical Center UBO did not exhaust all collection efforts and missed opportunities to maximize collection.³⁴ Until MEDCOM reviews the remaining 21,722 accounts, it risks missing the opportunity to collect up to \$38.4 million, in addition to the \$1.8 million for the 9 accounts reviewed, for its medical treatment facilities to fund administrative, operating, and equipment costs; readiness training; and trauma consortium activities. See Appendix C for details on potential monetary benefits.

Management Comments on the Finding and Our Response

See Appendix D for a summary of management comments on the finding and our response.

³⁴ Brooke Army Medical Center UBO officials exhausted all collection efforts on 11 accounts reviewed, valued at \$0.9 million.

Management Comments on Internal Controls and Our Response

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, acknowledges the DoD OIG's identification of internal control weaknesses and intent to provide a copy of the report to the senior official responsible for internal controls in the Department of the Army. The Chief of Staff stated that actions taken in response to the recommendations should correct these weaknesses.

Our Response

Comments from the Chief of Staff addressed 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, responding for the Commander, MEDCOM, disagreed with the potential monetary benefits presented in the report. The Chief of Staff stated that the benefits represent an incorrect projection of a limited number of errors to the entire population, and that our methodology is not statistically valid or in accordance with generally accepted auditing standards for projecting monetary impacts.

Our Response

MEDCOM UBO personnel identified and provided 21,742 medical service accounts valued at \$41.1 million, determined to be uncollectible and transferred to MEDCOM by military treatment facility UBOs. As outlined in Appendix A, we selected a nonstatistical sample of 20 accounts reported to MEDCOM by Brooke Army Medical Center UBO to determine if controls were in place at MEDCOM to identify potentially collectible debt. During the audit, we found nine accounts for which the medical treatment facility UBO did not exhaust all efforts to collect before transferring the account as uncollectible to MEDCOM. We then interviewed MEDCOM personnel, who stated that they had no procedures to review uncollectible debt, nor had they reviewed any of the 21,742 medical service accounts transferred by Army medical treatment facilities to ensure that all collection efforts were exhausted. Using a statistical sample would not have changed our conclusion that MEDCOM lacked controls over reviewing accounts transferred by medical treatment facility UBOs. Until MEDCOM reviews the remaining 21,722 accounts in the universe, it is unknown whether the Army

medical treatment facility UBOs exhausted all collection efforts or if opportunities exist to collect any of the \$40.2 million reported as potential monetary benefits. Therefore, the Commander, MEDCOM, should provide additional comments describing how he plans to review the 21,742 medical service accounts and how he plans to identify the monetary benefits after completing the review.

Recommendations, Management Comments and Our Response

Recommendation 1

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

- a. Review the 21,742 medical service accounts that military treatment facility Uniform Business Offices determined were uncollectible to ensure all collection efforts have been exhausted and to obtain approval from the proper authority to terminate the accounts that are uncollectible.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, disagreed, stating that the audit findings are based on a judgmental sample of only 20 accounts and that the results are not projectable to the entire population. He further stated that Medicare accounts are considered paid in full and payments for NATO accounts are subject to reciprocal agreements. The Chief of Staff stated that it is unclear what additional actions should be taken to collect balances that by law cannot be pursued and that the errors we found do not warrant a review of over 21,000 transactions.

In addition, the Chief of Staff stated that 13,149 accounts had balances less than \$25; therefore, these write-offs were authorized by the DoD FMR volume 4, chapter 3, paragraph 030405. Furthermore, the Chief of Staff stated that 1,215 accounts were categorized as having an unknown address/Social Security number, and therefore were also properly removed from the receivables in accordance with the DoD FMR volume 4, chapter 3, paragraph 030311. DoD FMR volume 4, chapter 3, states that at any time a billing DoD Component does not have or cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable will be reversed.

Our Response

Comments from the Chief of Staff did not address the specifics of the recommendation. MEDCOM UBO personnel identified and provided 21,742 medical service accounts, valued at \$41.1 million, determined to be uncollectible and

transferred to MEDCOM by military treatment facility UBOs. We found that the medical treatment facility UBOs did not exhaust all collection efforts for 9 of 20 accounts reviewed. The DoD UBO Manual requires that military treatment facilities charge civilian patients reasonable charges for trauma and other medical care. The Manual also states that for any treatment, the patient has 30 calendar days after the visit to present documentation of eligibility for treatment, otherwise the military treatment facility UBO should bill the patient as a non-Uniformed Services beneficiary at the full reimbursement rate. MEDCOM and medical treatment facility UBO personnel should comply with the DoD UBO Manual and review the remaining medical service accounts to ensure that medical treatment facility UBO exhaust all collection efforts.

While the Chief of Staff stated that laws, regulations, and policies may restrict or prohibit pursuit of debt balances to amounts remitted, he did not state which laws, regulations, and policies apply to the medical service account debts. The Chief of Staff cited the DoD FMR volume 4, chapter 3, as the regulatory guidance for accounts that cannot be collected by law, such as Medicare, NATO, and accounts without a valid address or Social Security number. However, the DoD FMR volume 16, chapter 2, states that upon termination of debt, the agency should refer to chapter 4, volume 3, for guidance on writing off debt. As outlined in the report, the DoD FMR volume 16, chapter 2, paragraph 021406 C, states that a debt can be terminated for various reasons, such as when no substantial amount can be collected using all tools available, or the debt is subsequently found to be plainly erroneous or legally without merit. In addition, the DoD FMR volume 16, chapter 2, paragraph 021406 B, states that the DoD Component must first receive approval from the proper authoritative agency before terminating a debt for any of the nine conditions listed in the DoD FMR. Of the 20 medical service accounts reviewed, Brooke Army Medical Center received payment on only one medical service account. Of the remaining 19 medical service accounts, Brooke Army Medical Center received no payment, and 9 are still valid debts with other avenues to collect. We did not find any accounts within our sample that were legally without merit. Until MEDCOM reviews the 21,742 uncollectible accounts, it is unknown whether the accounts are erroneous or legally without merit.

MEDCOM guidance³⁵ requires medical treatment facilities to transfer uncollectible accounts with combined balances under \$25, but without reviewing the accounts, MEDCOM does not know whether the medical treatment facility has verified whether a patient has multiple accounts under \$25. As outlined in the report, the DoD FMR volume 4, chapter 3, authorizes debt collection offices to write off and close out all individual out-of-service debts under \$25, effectively stopping active collection. Between June 12, 2012, and March 3, 2016, military treatment

³⁵ MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public," May 17, 2013.

facility UBO officials transferred 15,076 medical service accounts, valued at \$148,858, which had an uncollectible balance of less than \$25. If the Chief of Staff decided not to review the 15,076 accounts with a balance under \$25, there still remain 6,599 accounts, valued at \$40.9 million, which require MEDCOM personnel review. Therefore, the Commander, MEDCOM, should provide additional comments describing how he plans to review the 21,742 medical service accounts and obtain approval from the proper authority to terminate the accounts that are uncollectible.

- b. Send medical service accounts over \$100,000, after all collection efforts are exhausted, to the Department of Justice or Department of the Treasury for approval to terminate 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's current operating procedures are to use the Treasury to perform suspending, compromising, and terminating actions on MEDCOM's behalf for valid and legally enforceable debts. He stated that all valid debts of \$25 or more for out-of-service accounts are routinely transferred to the Treasury under the FedDebt program, and that MEDCOM will continue to follow this policy and practice.

Our Response

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

- c. Implement procedures over uncollectible medical service account debt, including procedures to:**
 - 1. Review uncollectible debt submitted by military treatment facility Uniform Business Offices before requesting approval from the proper authority to terminate the debt.**
 - 2. Require military treatment facility Uniform Business Offices to provide supporting documentation and history of collection efforts when requesting to write off and terminate uncollectible medical service account debt.**
 - 3. Submit uncollectible medical service account debt to the proper agency for approval to terminate collection actions.**
 - 4. Document the approval of terminated debt.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, disagreed with the recommendation. He stated that writing off certain balances is authorized by regulation for such items as balances of less than \$25 and correction of erroneous accounts. The Chief of Staff stated that over 13,000 of the 21,742 claims were for amounts less than \$25, and another 1,215 were accounting adjustments authorized by regulation to remove erroneous receivables. He did not agree that balances greater than \$100,000 had to be submitted to the Department of Justice for termination approval. The Chief of Staff stated that according to 31 CFR Part 903, accounts that no longer have legal merit may be written off without submission to the Department of Justice. He further stated that MEDCOM personnel adjusted the claims because the accounts no longer represented legal and valid debts. The Chief of Staff also stated that policies and procedures are in place and operating for future uncollectible accounts. On October 21, 2016, MEDCOM personnel issued a memorandum for Army medical treatment facility UBOs titled "Interim Guidance for Processing of Medical Service Accounts Uncollectible Debt," which provides documentation requirements to support each of the uncollectible submission categories in ABACUS.

Our Response

Comments from the Chief of Staff did not address the specifics of the recommendation. While we agree that MEDCOM has the authority to perform certain accounting adjustments, we do not agree that patients receiving medical care at MEDCOM's medical treatment facilities do not create a legal and valid debt. We found examples of Medicaid/Medicare and NATO accounts for which the medical treatment facility UBO did not obtain all information to determine if the debt was valid or legally enforceable. These accounts received no payment and the NATO accounts have no documentation of eligibility for treatment. While the Chief of Staff stated that laws, regulations, and policies may restrict or prohibit pursuit of debt balances to amounts remitted, not all balances in the uncollectible database meet those criteria. Only 1 account in our sample had a residual balance; the uncollectible amount is the entire amount billed for 19 of the 20 accounts. Instead of billing the patient or estate using the invoice and receipt, the medical treatment facility UBO submitted 9 of the 20 the accounts to MEDCOM as uncollectible. Without reviewing all 21,742 accounts on the uncollectible list, MEDCOM does not know which balances represent legal and valid debts.

We agree that the guidance MEDCOM provided to the Army medical treatment facility UBOs on October 21, 2016, provides the requirements to support the uncollectible submission categories in ABACUS. However, the interim guidance issued by MEDCOM does not address how medical treatment facility UBOs or

MEDCOM officials will request approval to terminate debt from the proper authority and how that approval will be documented in ABACUS. Therefore, the Commander, MEDCOM, should provide comments describing how he will implement procedures to review uncollectible debt submitted by military treatment UBOs, submit uncollectible medical service account debt for termination approval, and document termination approval.

- d. Update the U.S. Army Medical Command Guidance on Aged Accounts Receivable Due from the Public to include necessary guidance to military treatment facility Uniform Business Offices on the conditions required in volume 16, chapter 2 of the DoD Financial Management Regulation to determine whether accounts are uncollectible and to terminate medical service account 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 issued a memorandum for all UBOs on October 21, 2016, titled “Interim Guidance for Processing Medical Service Account Uncollectible Debt.”

Our Response

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

- e. Establish guidance for the Armed Forces Billing and Collection Utilization Solution reasons to write off and terminate debt, including direction to the military treatment facility Uniform Business Offices on the conditions required in volume 16, chapter 2 of the DoD Financial Management Regulation to terminate medical service account debt.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, disagreed with the recommendation. The Chief of Staff stated that ABACUS is a DoD system, and establishing guidance for ABACUS is a Defense Health Agency responsibility. The guidance that MEDCOM issued to Army UBOs on October 21, 2016, outlines requirements for collections, write-offs, and adjustments.

Our Response

Although the Chief of Staff disagreed with the recommendation, the actions taken to issue guidance on October 21, 2016, to Army MTF UBOs satisfied the intent of the recommendation. No further comments are required.

- f. **Update Army Regulation 40-400 to identify the authoritative agency within the Army for suspending, compromising, and terminating medical service account debts.**

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, agreed. The Chief of Staff stated that MEDCOM will request the Assistant Secretary of the Army (Financial Management & Comptroller) and the Assistant Secretary of the Army (Manpower & Reserve Affairs) to provide a formal direct authority within the Army for suspending, compromising, and terminating medical service account debts. Once a formal direct authority is established, MEDCOM will update Army Regulation 40-400 to reflect the designated roles and responsibilities.

Our Response

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

Recommendation 2

We recommend that the Commander, U.S. Army Medical Command; the Commander, U.S. Army Claims Service; and the Director, Defense Finance and Accounting Service, coordinate to identify the authoritative agency for approving the termination of collection actions for medical service account debts under \$100,000.

U.S. Army Medical Command Comments

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, agreed. The Chief of Staff stated that MEDCOM will request the Assistant Secretary of the Army (Financial Management & Comptroller) and the Assistant Secretary of the Army (Manpower & Reserve Affairs) to provide a formal direct authority and document roles and responsibilities within the appropriate financial regulations.

Our Response

Comments from the Chief of Staff met the intent of the recommendation, and no further comments are required.

U.S. Army Claims Service Comments

The Commander, U.S. Army Claims Service, neither agreed nor disagreed with the recommendation. The Commander requested that the DoD OIG remove all references to the U.S. Army Claims Service from the audit report. He stated that his office was never granted authority to suspend, compromise, or terminate

medical service account debts, nor can it authorize other agencies to settle cases. The Commander stated that on November 16, 2016, U.S. Army Claims personnel met with MEDCOM personnel and discussed the authority to terminate medical service account debt. He stated that both MEDCOM and U.S. Army Claims personnel agreed that medical service account claims were outside the purview of his office, and MEDCOM personnel would seek the approval to suspend, compromise, and terminate debts from the Assistant Secretary of the Army (Financial Management & Comptroller) and the Assistant Secretary of the Army (Manpower & Reserve Affairs).

Our Response

Comments from the Commander, U.S. Army Claims Service, did not state whether he agreed or disagreed with the recommendation nor did they address all the specifics of the recommendation, the actions taken by U.S. Army Claims Service personnel met the intent of the recommendation and no additional comments are required. While the Commander did not state whether he agreed or disagreed with the recommendation, the meeting held on November 16, 2016, between MEDCOM and U.S. Army Claims personnel and the agreement that MEDCOM would seek approval from the Assistant Secretary of the Army to compromise, suspend, and terminate medical service accounts met the intent of the recommendation. While the Commander requested that we remove all references to the U.S. Army Claims Service from the audit report regarding medical service accounts, he did not provide any justification or reason for us to remove references regarding U.S. Army Claims Services involvement with MEDCOM seeking authority to terminate medical service account debt.

Defense Finance and Accounting Service Comments

The Director, Enterprise Solutions and Standards, responding for the Director, Defense Finance and Accounting Service, agreed, stating that Defense Finance and Accounting Service, Enterprise Solutions and Standards, Accounting Mission Area, Director Accounts Receivable, will collaborate with MEDCOM and the U.S. Army Claims Service to identify the authoritative agency to approve termination of collection actions for medical service account debts under \$100,000.

Our Response

Comments from the Director, Enterprise Solutions and Standards, addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from March 2016 through January 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Review of Documents and Interviews

To obtain information and source documents on delinquent medical service account debt and collection efforts for MEDCOM, we interviewed or visited personnel from:

- Defense Health Agency, Falls Church, Virginia;
- Defense Finance and Accounting Service Indianapolis, Indiana, and Rome, New York;
- U.S. Army Claims Service, Fort Meade, Maryland;
- U.S. Army Medical Command, Fort Sam Houston, Texas; and
- Brooke Army Medical Center, Fort Sam Houston, Texas.

During the site visits to MEDCOM, we discussed the procedures performed by personnel and examined key documents related to the audit objective. While at Brooke Army Medical Center, we discussed MEDCOM guidance on aged accounts receivable and the Brooke Army Medical Center UBO procedures for ensuring compliance with those policies.

We obtained, reviewed, and analyzed DoD and Army guidance on delinquent and uncollectible medical service account debt. We focused our review on the following:

- DoD Financial Management Regulation volume 16, "Department of Defense Debt Management," January 2016
- DoD 6010.15-M, "Military Treatment Facility Uniform Business Office Manual," November 2006
- Defense Health Agency Write-Off of Aged Amounts Owed to Military Treatment Facilities Clarification of Procedures Memorandum, July 31, 2014
- "MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public," May 17, 2013

We requested and received, in the form of an excel spreadsheet, all medical service accounts transferred by military treatment facility UBOs to MEDCOM as uncollectible. Our review included 21,742 medical service accounts valued at \$41.1 million, determined to be uncollectible and transferred to MEDCOM by military treatment facility UBOs between June 12, 2012, and March 3, 2016. Of the \$41.1 million in uncollectible debt, MEDCOM reported that Brooke Army Medical Center UBO transferred 4,086 accounts valued at \$34.2 million. Based on Brooke Army Medical Center having the highest dollar amount of accounts reported as uncollectible, and its co-location with MEDCOM, we chose a sample of medical service accounts from Brooke Army Medical Center UBO for testing.

We nonstatistically selected 20 high-dollar uncollectible medical service accounts that were transferred to MEDCOM by Brooke Army Medical Center UBO, valued at \$2.7 million. (See Appendix B for the details on the 20 accounts reviewed.) The audit team selected five accounts for each of the following reasons that Brooke Army Medical Center reported the account as uncollectible and transferred it to MEDCOM.

- Medicare / Medicaid with no payments received – five accounts valued at \$1,760,579
- Foreign military members or foreign civilians – five accounts valued at \$184,724
- Invalid or missing address – five accounts valued at \$191,044
- Reason was missing or blank – five accounts valued at \$574,644

For the 20 medical service accounts, we reviewed supporting documentation at Brooke Army Medical Center to determine why Brooke Army Medical Center UBO transferred accounts as uncollectible and if Brooke Army Medical Center exhausted all collection efforts before transferring the accounts.

In addition to reviewing the 20 accounts, we reviewed MEDCOM policies and procedures to determine compliance with DoD policies. While the audit team tested a sample of accounts at Brooke Army Medical Center, the sample reflected the controls in place over all uncollectible debt at MEDCOM. MEDCOM's policy on aged accounts receivable and controls over uncollectible medical service accounts apply to all military treatment facility UBOs, including the 21,742 uncollectible medical service accounts in our universe.

Use of Computer-Processed Data

We relied on computer-processed data to support our findings and conclusions. Specifically, we relied on summary-level data pulled from the CHCS and manually reported to MEDCOM by military treatment facility UBOs to select 20 high-dollar medical service accounts. To assess the reliability of the uncollectible balances, we compared the account balances for the 20 accounts to the:

- medical procedural documentation;
- patient information;
- hospital-generated bills;
- staff notes and documentation on attempted collections; and
- delinquent letters and other types of communication with the patient.

Of the 20 accounts reviewed, 3 accounts showed differences between the MEDCOM balances and the account files at Brooke Army Medical Center. The differences were caused by MEDCOM and Brooke Army Medical Center errors related to reporting the billed amount or uncollectible amount on the uncollectible tracking spreadsheet or by errors that occurred when compiling the data from all the military treatment facilities. We did not rely solely on MEDCOM uncollectible medical service account data to determine compliance with DoD regulations and MEDCOM guidance. Based on this information, we determined that the data were sufficiently reliable for purposes of this report.

Prior Coverage

During the last 5 years, the Department of Defense Office of Inspector General (DoD OIG), Army Audit Agency, and Air Force Audit Agency issued nine reports discussing medical service accounts. Unrestricted DoD OIG 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 then selecting audit reports.

DoD OIG

Report No. DODIG-2016-079, "Delinquent Medical Service Accounts at Landstuhl Regional Medical Center Need Additional Management Oversight," April 28, 2016

Officials at U.S. Army Medical Command and Regional Health Command Europe Uniform Business Offices 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 rising delinquent balances.

Report No. DODIG-2015-179, "Delinquent Medical Service Accounts at David Grant U.S. Air Force Medical Center Need Additional Management Oversight," September 24, 2015

David Grant U.S. Air Force Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless David Grant U.S. Air Force Medical Center Uniform Business Office management acts to collect \$707,591 in delinquent debt and improves its collection process, its medical service accounts will continue to incur rising delinquent balances.

Report No. DODIG-2015-151, "Followup Audit: DoD Military Treatment Facilities Continue to Miss Opportunities to Collect on Third Party Outpatient Claims," July 24, 2015

Military treatment facility officials did not consistently conduct followup, document claim write-offs, refer outstanding claims to their legal office in a timely manner, or develop a process to obtain any necessary precertification or preauthorization. Opportunities still exist to increase collections for the military treatment facilities because officials generally did not conduct compliance audits to identify discrepancies.

Report No. DODIG-2015-087, "Delinquent Medical Service Accounts at Naval Medical Center Portsmouth Need Additional Management Oversight," March 4, 2015

Naval Medical Center Portsmouth Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless Naval Medical Center Portsmouth Uniform Business Office acts to collect \$770,746 in delinquent debt and improves its collection process, its medical service accounts will continue to incur rising delinquent balances.

Report No. DODIG-2014-112, "Delinquent Medical Service Accounts at William Beaumont Army Medical Center Need Additional Management Oversight," September 16, 2014

William Beaumont Army Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless William Beaumont Army Medical Center Uniform Business Office management acts to collect \$669,546 in delinquent debt and improves its collection process, its medical service accounts will continue to incur rising delinquent balances.

Report No. DODIG-2014-101, "Delinquent Medical Service Accounts at Brooke Army Medical Center Need Additional Management Oversight," August 13, 2014

Brooke Army Medical Center Uniform Business Office management did not effectively manage delinquent medical service accounts. Unless Brooke Army Medical Center Uniform Business Office management acts to collect \$73.1 million in delinquent debt and improves its collection process, its medical service accounts will continue to incur rising delinquent balances.

Army Audit Agency

Report No. A-2012-0032-IEM, "Followup Audit of Trauma Services Cooperative Agreement, Brooke Army Medical Center for Sam Houston, Texas," December 20, 2011

U.S. Army Medical Command implemented the recommendation from the audit on the trauma services cooperative agreement at Brooke Army Medical Center on October 29, 2008, to discontinue its practice of providing Brooke Army Medical Center an annual subsidy to cover its unpaid medical bills. However, Brooke Army Medical Center deferred taking all the agreed-to actions to implement the recommendation to renegotiate the trauma services cooperative agreement and Brooke Army Medical Center did not fully implement the recommendation to align the UBO's staffing to the authorized level.

Air Force Audit Agency

Report No. F2012-0001-FB3000, "Services Medical Activity–Air Force: Out-of-Service Debt," October 3, 2011

Air Force Medical Service financial officers did not accurately report the individual out-of-service debt in the second quarter FY 2010 Accounts Receivable balance. Specifically, the medical service account officers did not properly process (identify, support, record, and transfer) out-of-service debt. Furthermore, the medical treatment facility debt collections were not properly processed at Debt and Claims Management Office. As a result, military treatment facilities did not collect a potential \$12 million in delinquent debt, financial managers could not support the accuracy and validity of the accounts receivable reported in the financial statements, and the accounts receivable line item was understated by at least \$10.7 million in the second quarter FY 2010 Service Medical Activity–Air Force financial statements.

Report No. F2011-0039-FCW000, "Services Medical Activity–Air Force Accounts Receivable Out-of-Service Debt 88th Air Base Wing Wright-Patterson AFB, Ohio," July 19, 2011

Air Force Medical Service financial officers could improve management of out-of-service debt. Specifically, medical service account personnel did not properly manage patient accounts receivable in transfer status. Furthermore, they did not transfer out-of-service debt to the Debt and Claims Management Office.

Appendix B

Summary of Testing

The table shows the results of our review of the nonstatistically selected 20 high-dollar medical service accounts transferred to MEDCOM by Brooke Army Medical Center UBO. Specifically, it shows the reason the military treatment facility UBO determined that the accounts were uncollectible and whether that reason complied with MEDCOM guidance. The table also shows which accounts were in compliance with the DoD FMR requirements to exhaust all collection efforts before terminating debt, the conditions listed in the DoD FMR to terminate debt, and whether the military treatment facility and MEDCOM obtained approval from the appropriate authoritative agency before terminating the debt.

Account	Reason Military Treatment Facility Determined the Account Was Uncollectible	Complied with MEDCOM Guidance ¹	Compliance with DoD FMR ²			Uncollectible Amount
			Military Treatment Facility Exhausted Collection Efforts	Debt Terminated for Condition Listed in the DoD FMR ³	Obtained Approval to Terminate Accounts	
5187121	Blank	No	No	No	No	\$283,034.42
5282374	Blank	No	Yes	Yes	No	\$133,172.31
5133474	Blank	No	Yes	No	No	\$70,552.93
5221918	Blank	No	Yes	Yes	No	\$44,327.55
5135006	Blank	No	Yes	Yes	No	\$43,556.82
5226433	Invalid/null address	Yes	Yes	Yes	No	\$34,930.80
5227396	Invalid/null address	Yes	Yes	Yes	No	\$33,805.41
5229960	Invalid/null address	Yes	Yes	Yes	No	\$25,128.64
5163575	No address	Yes	Yes	Yes	No	\$49,805.80
5156053	No address	Yes	Yes	Yes	No	\$47,373.09
5144233	Medicaid/Medicare	Yes	No	No	No	\$270,846.08
5148242	Medicare	Yes	No	No	No	\$567,155.09
5219540	Medicare	No	Yes	Yes	No	\$315,126.08
5144791	Medicare	Yes	No	No	No	\$303,726.08
5146868	Medicare	Yes	No	No	No	\$303,726.08

Account	Reason Military Treatment Facility Determined the Account Was Uncollectible	Complied with MEDCOM Guidance ¹	Compliance with DoD FMR ²			Uncollectible Amount
			Military Treatment Facility Exhausted Collection Efforts	Debt Terminated for Condition Listed in the DoD FMR ³	Obtained Approval to Terminate Accounts	
5147739	Immigrant from Mexico	No	Yes	Yes	No	\$65,777.85
5139102	NATO	No	No	No	No	\$31,945.55
5133108	NATO	No	No	No	No	\$31,945.55
5159622	NATO	No	No	No	No	\$23,109.29
5132365	NATO	No	No	No	No	\$31,945.55

¹ "MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public," May 17, 2013.

² DoD FMR volume 16, chapter 2, "General Instruction for Collection of Debt Owed to the Department of Defense (DoD)," January 2016.

³ The audit team reviewed the account files and interviewed personnel from Brooke Army Medical Center UBO to identify the reason the debt was terminated and if Brooke Army Medical Center UBO complied with the DoD FMR conditions to terminate.

Appendix C

Potential Monetary Benefits

Recommendation	Type of Benefit ¹	Amount of Benefit	Account
1.a	Economy and Efficiency. Military treatment facility collection of delinquent debts for services could be used for administrative, operating, and equipment costs; readiness training; and trauma consortium activities.	Total benefit, up to \$40.2 million	97 0130 1881

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

Appendix D

Management Comments on the Finding and Our Response

The Chief of Staff, MEDCOM, responding for the Commander, MEDCOM, provided the following comments on the Finding. For the full text of the Chief of Staff's comments, see the Management Comments section of the report.

U.S. Army Medical Command Comments on Valid Receivables

The Chief of Staff stated that while MEDCOM can quantify the costs of its services for billing purposes, these costs may or may not reflect the valid and legally enforceable receivables and collections that will ultimately be realized and recognized within the financial system. In addition, laws, regulations, and policies may restrict or prohibit pursuit of debt balances to amounts remitted and create conditions in which residual balances no longer represent valid and legally enforceable collection. According to the Chief of Staff, removal of residual balances is not a formal termination of debt, but rather an accounting adjustment to reconcile the initial amount to the final amount to properly realize and recognize the appropriate outcome. He further stated that medical service accounts within the 21,742 transactions represent residual balances that are not valid or legally enforceable due to regulatory or legal restrictions and should be handled using accounting adjustments instead of termination procedures.

Our Response

We agree that some accounts within the 21,742 uncollectible accounts reported by MEDCOM may not be valid or legally enforceable to collect due to regulation. However, an account that is uncollectible is not automatically invalid or legally unenforceable. The DoD FMR defines invalid accounts receivable as debt that was never owed and should not have been classified as an accounts receivable. According to the Medical Treatment Facility UBO Manual, medical treatment facilities shall charge civilian patients who are not eligible beneficiaries for the reasonable charge for trauma and other medical care and civilian emergency patients shall be treated at their own expense and billed using an invoice and receipt. In addition, for any treatment, the patient has 30 calendar days after the visit to present documentation of eligibility or the medical service account officer shall bill the patient at the full reimbursement rate using the invoice and receipt. Therefore, these types of accounts included in the 21,742 uncollectible accounts, which are not prohibited by law to be collected, would be considered valid.

We found examples of Medicaid/Medicare and NATO accounts for which the medical treatment facility UBO did not obtain all information to determine if the debt was valid or legally enforceable. These accounts received no payment and the NATO accounts have no documentation of eligibility. While laws, regulations, and policies may restrict or prohibit pursuit of debt balances to the amounts remitted, not all balances in the uncollectible database meet those criteria. Only 1 account in our sample had a residual balance; the uncollectible amount is the entire amount billed for 19 of the 20 accounts. Instead of billing the patient or the patient's estate using the invoice and receipt for 9 of the 20 accounts, the medical treatment facility UBO submitted the accounts to MEDCOM as uncollectible. Without reviewing all 21,742 accounts on the uncollectible list, MEDCOM does not know which accounts are valid and legally enforceable and which are not.

For accounts that are not valid or legally enforceable, Debt Collection Offices must work with the Accounts Receivable Office to reverse accounting entries. Therefore, MEDCOM still needs to review the 21,742 uncollectible accounts, identify the invalid or legally unenforceable accounts, and work with the Accounts Receivable Office to reverse the accounting entries.

U.S. Army Medical Command Comments on Nonstatistical Judgmental Sample

The Chief of Staff stated that a limited number of errors in the judgmental sample were incorrectly projected to the entire population and resulted in some recommendations that do not provide value or properly identify potential control weaknesses.

Our Response

We used a nonstatistical sample to examine some of the accounts that UBOs transferred to MEDCOM as uncollectible. Using a statistical sample would not have changed our conclusion that controls are lacking to properly handle accounts deemed uncollectible. The conclusions drawn during the audit related to whether Army medical treatment facilities and MEDCOM were in compliance with the regulations governing terminating, suspending, or compromising outstanding medical service account debt. We agree that nonstatistical sample results cannot be projected to the entire population and so, we did not project our results to the entire population. Our sample showed nine accounts within the universe of uncollectible accounts identified by MEDCOM for which the medical treatment facility UBO did not exhaust all efforts to collect before transferring the account as uncollectible. MEDCOM staff did not review any of the 21,742 accounts and, therefore, was not aware that potential collection actions may have remained for the accounts.

Of the 20 accounts in our sample, we found 11 accounts that we agreed could not be collected for different reasons. If MEDCOM does not review the remaining 21,722 accounts in the universe, it is unknown whether the UBO exhausted all collection efforts or if there are still opportunities to collect. Until MEDCOM reviews the remaining accounts in the uncollectible universe, the remaining accounts could potentially be collected as monetary benefits.

U.S. Army Medical Command Comments on MEDCOM Management of the Medical Service Account Program

The Chief of Staff stated that MEDCOM uses several procedures to manage the medical service account program and related processes. Each medical treatment facility has a UBO Compliance Committee and Plan, Regional UBOs periodically inspect medical treatment facility UBOs, and MEDCOM routinely inspects Regional UBOs. The report concludes that MEDCOM write-off codes did not comply with the codes listed in the DoD FMR, but MEDCOM provided the audit team with a crosswalk showing that the detailed and specific write-off codes do align with the categories outlined in the FMR.

Our Response

The medical treatment facility and Regional UBO reviews were not effective controls for managing the uncollectible medical service account process. During our site visit, MEDCOM UBO personnel stated that they did not review any of the accounts transferred as uncollectible by the medical treatment facility UBOs, but that Regional UBOs perform inspections. This report found that Brooke Army Medical Center UBO inappropriately transferred accounts to MEDCOM as uncollectible. Despite going through at least one level of review at the medical treatment facility UBO and possibly two levels of review if a Regional UBO also reviewed the accounts, these accounts were on the MEDCOM uncollectible list, even though opportunities may have remained to collect the outstanding debt. MEDCOM UBO is not reviewing the work of the medical treatment facility UBOs, and is not effectively managing the uncollectible medical service accounts. During the last 3 years we performed three audits at Army medical treatment facilities and found the following:

- Report No. DODIG-2016-079, MEDCOM acknowledged internal control weaknesses in managing delinquent medical service accounts at Regional Health Command–Europe, and agreed it should review, research, and pursue collection on 12,018 delinquent medical service accounts totaling \$2.7 million.

- Report No. DODIG-2014-112, MEDCOM acknowledged internal control weaknesses in managing delinquent medical service accounts at William Beaumont Army Medical Center, and agreed to provide results of the internal review, planned corrective actions, and collection efforts upon completing an internal review for 1,663 medical service accounts totaling \$331,794.
- Report No. DODIG-2014-101, MEDCOM acknowledged internal control weaknesses in managing delinquent medical service accounts at Brooke Army Medical Center, and agreed it should review, research, and pursue collections on 15,081 delinquent medical service accounts totaling \$62.5 million.

The results of these three audits and the errors we found in our sample show that MEDCOM and its military treatment facilities have significant internal control weaknesses in managing delinquent medical service accounts. As a result, MEDCOM should not be relying on the processes and procedures in place of MEDCOM-level reviews to manage the medical service accounts uncollectible database.

The report concluded that the MEDCOM memorandum for Army medical treatment facility UBOs, “MEDCOM Guidance for Processing of Aged Accounts Receivable Due From the Public,” May 17, 2013, did not include the necessary guidance to comply with the DoD FMR for conditions needed to terminate debt. Military treatment facilities applied guidance from the MEDCOM memorandum to transfer 21,742 accounts to MEDCOM. MEDCOM personnel, in response to our discussion draft report, created a crosswalk between the ABACUS write-off codes and the FMR conditions for terminating debt. Before issuing the draft report, we reviewed the crosswalk and determined that the ABACUS write-off codes could be linked to an FMR condition for terminating debt. However, without the necessary guidance provided to the medical treatment facility UBOs explaining the conditions necessary to use the codes, accounts that are not inherently uncollectible could be inappropriately transferred to MEDCOM. For example, of the five Medicaid/Medicare accounts in our sample, four were transferred to MEDCOM as uncollectible despite receiving no payment from Medicaid/Medicare and never being billed to the patient.

On October 21, 2016, MEDCOM issued a memorandum for Army medical treatment facility UBOs titled, “Interim Guidance for Processing of Medical Service Account Uncollectible Debt,” which provides the additional detail necessary to comply with the conditions listed in the DoD FMR for terminating debt. The interim guidance also requires the medical treatment facilities to provide supporting documentation when stopping collection on uncollectible accounts. For example,

medical treatment facilities must provide an explanation of benefits to support the decision that a Medicare/Medicaid account is uncollectible. Furthermore, MEDCOM policy states that the Medicare/Medicaid code can be used only for the remaining balances from Medicare/Medicaid payments minus the copays, deductibles, or co-insurance due from the patient. In addition, if the medical treatment facility does not participate in Medicare/Medicaid programs, the guidance directs the facility to pursue payment from the patient. While the interim guidance will assist MEDCOM in complying with the DoD FMR volume 16, chapter 2, requirements for terminating debts, additional guidance is needed for obtaining approval from the proper authoritative agency for the termination of medical service account debts.

Management Comments

Defense Finance and Accounting Service



DEFENSE FINANCE AND ACCOUNTING SERVICE
8899 EAST 56TH STREET
INDIANAPOLIS, IN 46249-0201

MEMORANDUM FOR DIRECTOR, CONTRACT MANAGEMENT AND PAYMENTS

SUBJECT: Management Comments to DoDIG Draft Report "Medical Service Accounts at U.S. Army Medical Command Need Additional Management Oversight", D2016-D000CL-0114.000, dated October 24, 2016

The attached are management comments to recommendation 2.

My point of contact for additional information is [REDACTED].

HULLINGER.ANTH [REDACTED]
ONY.C [REDACTED]
Edna J. Knight
Director, Enterprise Solutions & Standards

Attachment:
As stated

www.dfas.mil

Defense Finance and Accounting Service (cont'd)



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8899 EAST 56TH STREET
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Director, Enterprise Solutions & Standards

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As stated

www.dfas.mil

U.S. Army Medical Command



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

MCIR

18 NOV 2016

MEMORANDUM FOR Department of Defense Inspector General, Contract Management and Payments, ATTN: [REDACTED] 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Reply to DODIG Draft Report, Medical Service Accounts at US Army Medical Command Need Additional Management Oversight (Project No. D2016-D000CL-0114.000)

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

2. Our point of contact is [REDACTED] Internal Review and Audit Compliance Office, [REDACTED] or email [REDACTED].

FOR THE SURGEON GENERAL:

Encl

ROBERT L. GOODMAN
Chief of Staff

U.S. Army Medical Command (cont'd)

US Army Medical Command (MEDCOM) and Office of The Surgeon General (OTSG)

Comments on DoDIG Draft Report Medical Service Accounts at US Army Medical Command Need Additional Management Oversight (Project No. D2016-D000CL-0114.000)

GENERAL COMMENTS: In its draft report 16CL-0114, DoDIG reported the US Army Medical Command (MEDCOM) did not effectively manage medical service accounts (MSA), allowing debt to be terminated without verifying collection efforts were exhausted and potentially missing collections of up to \$40.2 million. Military Treatment Facilities (MTF) transferred 21,742 uncollectible MSAs, totaling \$41.1 million, to MEDCOM from 12 June 2012 to 3 March 2016. Of these, DoDIG non-statistically selected a judgmental sample of 20 high-dollar MSAs, totaling \$2.7 million, from the 4,086 transferred by Brooke Army Medical Center and reported collection efforts weren't exhausted for 9 MSAs valued at \$1.8 million.

The analyses and conclusions use a standardized approach to evaluate complex medical service debts. The application and use of standardized assumptions routinely applies to traditional debt categories; however, medical service debts are unique and complex. The application of policies and procedures in many instances must be tailored to produce appropriate outcomes. As with all general services, MEDCOM can adequately quantify the costs of its services for billing purposes. However, due to the unique nature of medical services, these costs may or may not reflect the valid and legally enforceable receivables and collections that will ultimately be realized and recognized within the financial system.

There are numerous laws, regulations and policies that may impact the realizable amount of MSAs, either as a receivable and/or as a collectible debt. For example, on Worker Compensation claims, services provided can be accurately costed and accumulated and would, under business services other than medical, be established as valid and legally enforceable accounts receivable. However, Worker Compensation claims are specifically identified by regulation as claims that are not to be billed. Thus, these claims revert to uncollectible by default. So while it may represent a legal claim, it is not a valid enforceable claim for collection. Other laws, regulations and policies restrict or prohibit pursuit of debt balances to amounts remitted, such as Medicare, Medicaid, and Victims of Crime. These restrictions create a condition where a residual balance remains on a particular account but that residual amount no longer represents a valid and legally enforceable collection. Therefore, the removal of residual balances is not a formal termination of debt, but rather an accounting adjustment to reconcile the initial amount to the final amount to properly realize and recognize the appropriate outcome.

Enclosure

U.S. Army Medical Command (cont'd)

The audit report is unclear as to how these amounts should be resolved. It implies an expectation that all categories of set-aside collections will be formally submitted to an external Termination Authority. Developing and implementing additional processes outside of MEDCOM to perform an additional administrative function within our processes would not be cost-effective and would provide no additional value. In addition, the report makes no distinction between debt write-offs and adjustments versus formal termination authority. OMB Circular No. A-129, January 2013 states Termination and Suspension of debt collection are legal procedures, which are separate and distinct from the accounting procedure of Write-off. The MSA accounts within the 21,742 transactions represent residual balances that are not valid or legally enforceable due to regulatory or legal restrictions. The report erroneously applies the termination authority process and procedures applicable to delinquent debts, or those debts that are valid and enforceable, rather than accounting adjustments being made to correctly record and report the adjustments from the gross receivable amount to the net realizable amount.

In addition, DoDIG's analyses use a non-statistical judgmental sample of 20 accounts. Statistical sampling is the drawing of inferences about a large volume of data by an examination of a sample using statistical methods in its selection. In contrast, judgmental sampling is applied when an examiner uses personal experience and knowledge of the client's business and circumstances to select the sample to be tested without use of any mathematical or statistical tools. Although an accepted tool, there are recognized disadvantages of judgmental sampling, such as an inability to extrapolate results to the population because samples are not representative and bias in selecting the sample.

A limited number of errors in the judgmental sample were incorrectly projected to the entire population. This is not statistically valid and not in accordance with generally accepted auditing standards for projecting monetary impacts. This approach resulted in some recommendations that do not provide value or properly identify potential control weaknesses. The audit report concludes that MEDCOM write-off codes did not comply with those listed in the DoD Financial Management Regulation (FMR). However, we provided the audit team with a crosswalk showing our detailed and specific write-off codes do align to the categories outlined in the DoD FMR.

The report states MEDCOM did not have procedures in place to review accounts or supporting documentation, implying failure of internal controls. However, MEDCOM effectively manages the MSA program and related processes using several procedures. Uniform Business Offices (UBO) at MTFs are responsible for maintaining supporting documentation. This control was put in place to ensure appropriate and limited handling of Health Insurance Portability and Accountability Act of 1996 and Personal Identification Information data. Reviews are conducted by several separate activities at different levels of command. Each MTF has a UBO Compliance Committee and Plan. In addition, MTF UBOs are periodically inspected by the Regional UBOs as part of the MEDCOM Organizational Inspection Program (OIP). Regional UBOs are routinely inspected by MEDCOM under the same OIP.

U.S. Army Medical Command (cont'd)

MEDCOM relies on the US Treasury to perform suspending, compromising and termination actions on its behalf for valid and legally enforceable debts. All valid debts \$25 or more for out-of-service accounts are routinely transferred to the Treasury under the FedDebt program. This reliance reduces the administrative burden on MEDCOM and ensures an external third party is performing these functions and validating termination of the debts.

DoDIG recommends the Commander, US Army Medical Command:

RECOMMENDATION 1.a.: Review the 21,742 medical service accounts that MTF UBOs determined were uncollectible to ensure all collection efforts have been exhausted and to obtain approval from the proper authority to terminate the accounts that are uncollectible.

RESPONSE: Nonconcur. The audit findings are based on a judgmental sample of only 20 accounts and results are not projectable to the entire population. Of the nine errors noted by DoDIG, four were Medicare, four were NATO and one was coded blank. Medicare claims are considered payment in full and cannot be balance-billed to the patient (except for co-pays and deductibles). It is unclear what additional actions should be taken to collect balances that by law cannot be pursued. NATO claims are subject to reciprocal agreements. While one transaction may have been an error, the finding of one error does not warrant review of over 21,000 transactions.

Further, of the 21,762 MSAs, 13,149 had balances less than \$25. These write-offs were authorized by regulation (DoD FMR Volume 4, Chapter 3, paragraph 030405) that specifically states these debts shall not be referred for further collection action unless mandated by public law. The rationale behind the regulation is that it would not be economical to pursue collection efforts. MEDCOM agrees with this rationale, and notes pursuing the recommended action would cost more than the amounts to be written off. Finally, there were 1,215 accounts categorized as having an unknown address/SSN. These amounts were also properly removed from the receivables in accordance with regulatory guidance. DoD FMR Volume 4, Chapter 3, paragraph 030311 specifically states: *If at any time a billing DoD Component does not have or cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable will be reversed.*

RECOMMENDATION 1.b.: Send medical service accounts over \$100,000, after all collection efforts are exhausted, to the Department of Justice (DoJ) or Department of the Treasury for approval to terminate the debt.

RESPONSE: Concur. MEDCOM's current operating procedures are to use the Treasury program to perform suspending, compromising and termination actions on its behalf for valid and legally enforceable debts. All valid debts \$25 or more for out-of-service accounts are routinely transferred to the Treasury under the FedDebt program. MEDCOM will continue to follow this policy and practice.

U.S. Army Medical Command (cont'd)

RECOMMENDATION 1.c.: Implement procedures over uncollectible medical service account debt, including procedures to:

- (1) Review uncollectible debt submitted by MTF UBOs before requesting approval from the proper authority to terminate the debt.
- (2) Require MTF UBOs to provide supporting documentation and history of collection efforts when requesting to write off and terminate uncollectible medical service account debt.
- (3) Submit uncollectible medical service account debt to the proper agency for approval to terminate collection actions.
- (4) Document the approval of terminated debt.

RESPONSE: Nonconcur. The authority to write off certain balances is authorized by regulation for such items as balances less than \$25 and correction of erroneous accounts (DoD FMR Volume 4, Chapter 3). Over 13,000 of the 21,742 claims were amounts less than \$25. Another 1,215 were accounting adjustments properly authorized by regulation to remove erroneous receivables. In addition, the report fails to recognize the distinction between debt write-offs and adjustments versus formal termination authority. OMB Circular No. A-129, January 2013 states that termination and suspension of debt collection are legal procedures, which are separate and distinct from the accounting procedure of write-off.

The 21,742 claims were adjustments to balances (written off as an accounting procedure) because they no longer represented legal and valid debts to the MEDCOM. These accounts did not require legal termination authority. The report erroneously concludes balances greater than \$100,000 had to be submitted to the DoJ for termination approval. However, as noted in 31 CFR Part 903, claims that no longer have legal merit may be written off without submission to the DoJ.

Policies and procedures are in place and operating as noted previously. For accounts deemed uncollectible in the future, ABACUS provides the ability to review supporting documentation and collection efforts since the history is contained on the account. MEDCOM guidance dated 21 October 2016, provides requirements to support each of the uncollectible submission categories (see attachment).

RECOMMENDATION 1.d.: Update MEDCOM Guidance on Aged Accounts Receivable Due from the Public to include necessary guidance to MTF UBOs on the conditions required in Volume 16, Chapter 2 of the DoD FMR to determine whether accounts are uncollectible and to terminate medical service account debt.

RESPONSE: Concur. On 21 October 2016, MEDCOM issued a memorandum for all UBOs, subject: Interim Guidance for Processing MSA Uncollectible Debt.

RECOMMENDATION 1.e.: Establish guidance for the Armed Forces Billing and Collection Utilization Solution reasons to write off and terminate debt, including direction

U.S. Army Medical Command (cont'd)

to the MTF UBOs on the conditions required in Volume 16, Chapter 2 of the DoD FMR to terminate medical service account debt.

RESPONSE: Nonconcur. ABACUS is a DoD system and establishing guidance for ABACUS is a Defense Health Agency responsibility. On 21 October 2016, MEDCOM issued guidance for Army UBOs, which outlines requirements for collection write-offs and adjustments.

RECOMMENDATION 1.f.: Update Army Regulation (AR) 40-400 to identify the authoritative agency within the Army for suspending, compromising, and terminating medical service account debts.

RESPONSE: Concur with comment. As we state in our reply to Recommendation 2, MEDCOM will request ASA(FM&C) and ASA(M&RA) to provide a formal direct authority within the Army for suspending, compromising, and terminating MSA debts. Once a formal direct authority is established, MEDCOM will update AR 40-400 to reflect the designated roles and responsibilities.

DoDIG recommends the Commander, Commander, US Army Medical Command; the Commander, US Army Claims Services; and the Director, Defense Finance and Accounting Service:

RECOMMENDATION 2.: Coordinate to identify the authoritative agency for approving the termination of collection actions for medical service account debts under \$100,000.

RESPONSE: Concur. MEDCOM will request ASA(FM&C) and ASA(M&RA) to provide a formal direct authority and document roles and responsibilities within the appropriate financial regulation(s).

COMMENTS ON POTENTIAL MONETARY BENEFITS: MEDCOM nonconcur with the potential monetary benefits presented in DoDIG's report. The benefits incorrectly project a limited number of errors to the entire population. This is not statistically valid and not in accordance with generally accepted auditing standards for projecting monetary impacts.

COMMENTS ON INTERNAL CONTROL WEAKNESSES: MEDCOM acknowledges DoDIG's identification of internal control weaknesses as stated on page 3 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. Actions taken in response to the recommendations, as outlined above, should correct these weaknesses.

U.S. Army Claims Service



DEPARTMENT OF THE ARMY
UNITED STATES ARMY CLAIMS SERVICE
OFFICE OF THE JUDGE ADVOCATE GENERAL
4411 LLEWELLYN AVENUE, SUITE 5360
FORT GEORGE G. MEADE, MARYLAND 20755-5125

JACS-Z

6 December 2016

MEMORANDUM FOR Director, Contract Management and Payments

SUBJECT: Management Comments to DoDIG Draft Report "Medical Service Accounts at U.S. Army Medical Command Need Additional Management Oversight," D2016-D000CL-0114.000, dated October 24, 2016

1. **BLUF:** All reference to The United States Army Claims Service (USARCS) should be removed from the IG report regarding Medical Service Accounts (MSA) claims.
2. **Claims vs. Debts:** In legal practice, "claims" and "debts" are often used interchangeably. However, for purposes of the IG report on MSA claims, it is essential to keep in mind that while both terms refer to moneys owed the United States, the authorities to collect those moneys derive from wholly distinct legal sources. USARCS has never processed, nor is it authorized to process, MSA claims. USARCS has never been granted authority to suspend, compromise, or terminate medical service account debts, nor may it authorize other agencies to settle cases in any dollar amount. MSA claims are not described in Army Regulation 27-20 or Department of the Army Pamphlet 27-162, and thus are not within our purview.
3. **MSA Claims:** MSA claims result from the Army's provision of medical treatment to non-military civilians in need of emergency medical care who are located near the Army's treatment facility. The debt arises from a contract between the medical treatment facility and the civilian to pay for the medical care as follows: 1) the non-military injured party seeks medical care; 2) the medical center provides the care; 3) an implied contract is established; and, 4) payment is demanded of the injured party at the conclusion of treatment. A patient's failure to pay does not create an affirmative claim, but rather the initiation of a debt collection action, which is the province of the UBO, DFAS, and FedDebt.
4. **Affirmative Claims:** In contrast to the debt collection process addressed in the preceding paragraph, USARCS administers largely tort-based claims pursuant to specific federal statutes which are the focus of the affirmative claims program. We are not a debt collection agency, which in reality is much of the practice of MSA Claims. The Federal Medical Care Recovery Act authorizes the military services to recover funds from negligent parties responsible for injuries to covered persons, negotiate with attorneys and insurers, and pursue litigation when necessary through the Army Litigation Division and the Office of the United States Attorney. Title 10, U.S. Code section 1095 directs the military services to recover the cost of treatment from third party payers; that is, from the insurer who covered the injured party and is obliged under law to pay for medical treatment. Our expertise is limited to the recovery of funds for treatments provided to Soldiers, retirees, and their families. This office has no particular

U.S. Army Claims Service (cont'd)

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knowledge as to which office within MEDCOM is or should be authorized to terminate, waive, and compromise MSA claims. As stated in earlier correspondence with the DoDIG, we recommend MEDCOM seek the authorization it believes is needed from the Secretary of the Army.

5. In our 16 November quarterly MEDCOM/USARCS meeting, the Staff Judge Advocate, MEDCOM, concurred that this issue was outside USARCS's purview and indicated he would seek authority to compromise, suspend, and terminate MSA claims from the ASA(FM&C) and ASA(M&RA).

6. Point of contact for this action is the undersigned at [REDACTED].



RANDOLPH SWANSIGER
COL, JA
Commanding

Acronyms and Abbreviations

ABACUS	Armed Forces Billing and Collection Utilization Solution
CHCS	Composite Health Care System
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
FMR	Financial Management Regulation
MEDCOM	U.S. Army Medical Command
UBO	Uniform Business Office
USARCS	U.S. Army Claims Service



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