



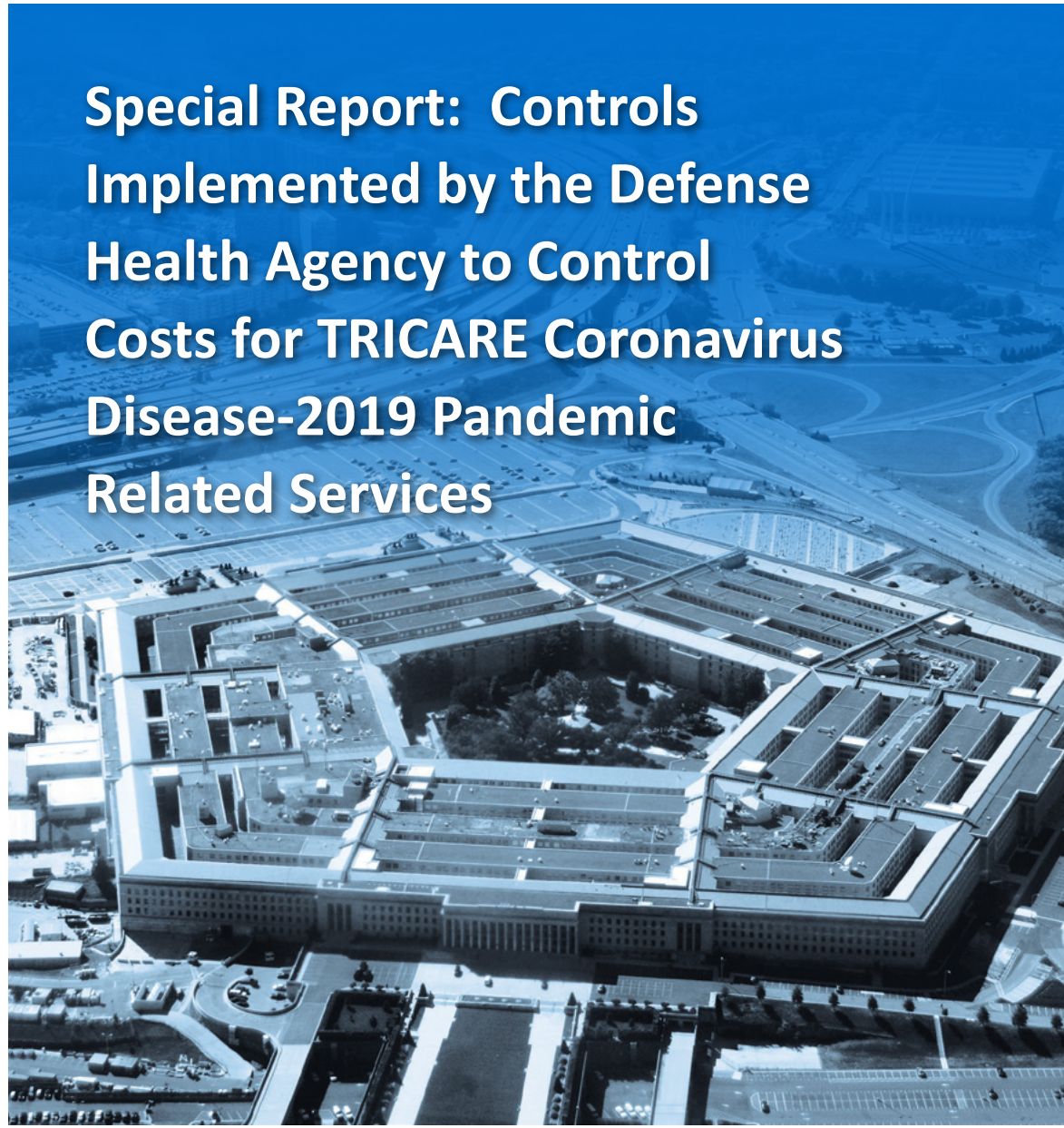
# INSPECTOR GENERAL

*U.S. Department of Defense*

SEPTEMBER 3, 2020



## Special Report: Controls Implemented by the Defense Health Agency to Control Costs for TRICARE Coronavirus Disease-2019 Pandemic Related Services









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

September 3, 2020

**MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)  
DIRECTOR, DEFENSE HEALTH AGENCY**

**SUBJECT: Special Report: Controls Implemented by the Defense Health Agency  
to Control Costs for TRICARE Coronavirus Disease-2019 Pandemic  
Related Services (Report No. DODIG-2020-125)**

This special report provides the actions the Defense Health Agency has taken to control costs for health care claims related to the coronavirus disease-2019 (COVID-19) pandemic. We interviewed Defense Health Agency officials, managed care support contractor personnel, and identified actions that the Defense Health Agency planned or took to control payments for health care claims related to COVID-19. Although the Defense Health Agency implemented controls related to COVID-19 healthcare claims, the pandemic is dynamic and evolving. Defense Health Agency officials must continue to address controlling costs and preventing fraudulent providers from exploiting the health system. Executing the controls identified in this report, to include continued oversight and monitoring of the controls, should ensure continued success and mitigation of risks identified.

If you have any questions or would like to meet to discuss the audit, please contact me at [REDACTED]. We appreciate the cooperation and assistance received during the audit.

A handwritten signature in black ink, reading "Theresa S. Hull", is positioned above the typed name.

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment





# Special Report

## DoD Office of Inspector General

*Special Report: Controls Implemented by the Defense Health Agency to Control Costs for TRICARE Coronavirus Disease-2019 Pandemic Related Services*

### Objective

The objective of this audit was to determine the controls that the Defense Health Agency (DHA) implemented to control costs for health care claims related to the coronavirus disease-2019 (COVID-19) pandemic.

### Background

#### COVID-19

COVID-19 is a viral respiratory illness caused by a novel coronavirus. The World Health Organization declared the global COVID-19 outbreak a Public Health Emergency of International Concern on January 30, 2020, and labeled the outbreak as a pandemic on March 11, 2020.<sup>1</sup> The President declared a U.S. national emergency on March 13, 2020. As of August 3, 2020, the World Health Organization reported 17.9 million confirmed cases and 686,703 deaths. The United States reported 4.6 million cases and 153,757 total deaths with all 50 states reporting cases. As of July 24, 2020, the DoD reported that its beneficiaries received 59,442 COVID-19 tests, resulting in 4,531 positive diagnoses. As of July 10, 2020, according to data from the Military Health System Data Repository, the DHA paid \$17.8 million for outpatient and inpatient claims for services related to COVID-19.

The Families First Coronavirus Response Act allocated an additional \$82 million to the Defense Health Program for health services consisting of items and services related to COVID-19.<sup>2</sup> Section 6006(a) relates to the Act's application with respect to TRICARE, coverage for veterans, and coverage for Federal civilians.<sup>3</sup> Specifically, it states that the Secretary of Defense may not require any co-payment or other cost sharing for COVID-19 testing, products related to testing, or the administration of such products.

Additionally, the Coronavirus Aid, Relief, and Economic Security Act allocated an additional \$3.8 billion to the Defense Health Program of which \$415 million was allocated for research, development, test, and evaluation to prevent, prepare for, and respond to coronavirus.<sup>4</sup> In addition, the Coronavirus Aid, Relief, and Economic Security Act provided an additional \$1.1 billion for contracts entered into under the TRICARE Program.

<sup>1</sup> A pandemic is a global outbreak of disease. Pandemics happen when a new virus emerges to infect people and can spread between people sustainably. Because there is little to no pre-existing immunity against the new virus, it spreads worldwide.

<sup>2</sup> Public Law 116-127, "The Families First Coronavirus Response Act," March 18, 2020.

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

<sup>4</sup> Public Law 116-136, "The Coronavirus Aid, Relief, and Economic Security Act," March 27, 2020.

## ***Medicine in the Department of Defense***

The Assistant Secretary of Defense for Health Affairs is the principal advisor to the Secretary of Defense and the Under Secretary of Defense for Personnel and Readiness for all DoD health and force health protection policies, programs, and activities. The Assistant Secretary exercises authority, direction, and control through the DHA over the DoD medical and dental personnel authorizations and policies, facilities, programs, funding, and other consolidated resources.

The DHA manages the TRICARE program for 9.5 million active duty, retired, National Guard, and Reserve members, including their families, survivors, and others entitled to DoD medical care. Regional contractors, known as managed care support contractors (MCSCs) administer a network of medical providers that provide health care services and support to DoD beneficiaries. Table 1 shows the MCSCs and their respective subcontractors that process the TRICARE claims.

*Table 1. Managed Care Support Contractor and Claims Processors for DoD TRICARE*

Region	Managed Care Support Contractor	Claims Processor
East	Humana Military	Wisconsin Physicians Services
West	Health Net Federal Services, LLC	PGBA, LLC
International	International SOS	Wisconsin Physicians Services

Source: The DoD OIG.

The MCSCs implement the TRICARE program and manage claims processing.

## ***Fraud and Cost Containment Efforts in TRICARE***

Fraud is a leading contributor to increasing health care costs. Health care services are susceptible to fraud partly because of how claims are paid across the health care industry. While some pre-payment reviews exist for high-risk payments in the health care industry, insurance companies, including TRICARE, pay for most services without reviewing the medical records to determine whether the bills are accurate and supported by documentation. According to the DHA, it does not have the resources to review supporting documentation for all claims because of the high volume of health care claims received daily. As a result, health care claims are more vulnerable to fraudulent activity. Health care fraud schemes constantly evolve, which makes combating fraud a continual challenge.

For example, in 2014 and 2015 health care providers fraudulently billed TRICARE for compound drugs (produced by combining, mixing, or altering two or more ingredients to create a customized medication), such as compound pain cream and other creams, without examining or even meeting the patient. Many of these creams were ineffective or not needed by the recipient. These schemes took advantage of a TRICARE reimbursement policy that

allowed for full and immediate reimbursement of prescribed compound drugs, even though their costs were often grossly inflated. In 2015, the DHA changed its reimbursement policy for compound drugs in response to the significant fraud that occurred and reduced monthly costs for compound drugs from \$497 million in April 2015 to \$10 million in June 2015.

Furthermore, while the DHA limits the reimbursement of many health care services, it pays for some services and products with limited or no cost containment controls. Specifically, the DHA establishes a maximum amount that the DoD pays providers for services provided to TRICARE beneficiaries. The DHA generally sets maximum rates consistent to Medicare rates. However, if maximum rates do not exist, the DHA pays the actual billed charges. For example, in an August 2019 audit, the DoD OIG determined that the DHA did not develop maximum rates for many health care services and equipment, such as oral appliances for the treatment of sleep apnea. The DoD OIG audit also determined that the DHA did not apply existing maximum allowable rates for vaccines and contraceptive systems and incorrectly paid any amount that health care providers billed.

Other emerging areas of concern for fraudulent billings and kickback schemes within the DoD health care system include genetic testing, durable medical equipment, and laboratory testing. Genetic testing fraud can occur when TRICARE or other health care programs are billed for a test or screening that was not medically necessary or was not ordered by a beneficiary's treating physician.

The Federal Bureau of Investigation is warning the public about emerging health care fraud schemes related to the COVID-19 pandemic. According to the assistant director of the Federal Bureau of Investigation's Criminal Investigative Division,

"Criminals are actively manipulating the COVID-19 pandemic to their advantage. We ask all Americans to remain vigilant to avoid falling victim to these schemes."

Additionally, according to the U.S. Attorney General,

"The pandemic is dangerous enough without wrongdoers seeking to profit from public panic and this sort of conduct cannot be tolerated."

The DoD must continue to implement proactive controls to fight health care fraud and reduce costs for services and equipment, which would result in more funds available to treat Military Service members, their families, and retirees.

## **The Defense Health Agency Proactively Developed Initiatives and Implemented Controls in Response to the COVID-19 Pandemic**

This report provides the actions that the DHA has planned or taken to control costs for health care claims related to COVID-19. The DHA issued several letters to the MCSCs providing guidance on claims processing for COVID-19 related claims. The letters included clarifying guidance and various new requirements for the MCSCs to implement related to:

- eliminating co-payments and cost shares for COVID-19 diagnostic testing,
- clarifying access to behavioral health services via telehealth,
- eliminating co-payments and cost shares for COVID-19 serology testing, and
- implementing temporary TRICARE regulation changes in response to COVID-19.

As a result, the MCSCs deferred or manually paid claims pending system and pricing updates and created dashboards to share information and perform data analytics on health care claims related to COVID-19. The DHA also implemented other initiatives. For example, the Defense Health Agency:

- established work groups to monitor and address COVID-19 issues related to DoD healthcare,
- updated the pricing system and instituted special processing codes to ensure COVID-19 claims are paid and tracked properly, and
- added parameters to the annual risk registry that allows the DHA to monitor and track potential fraudulent COVID-19-related services.

Through these actions, the DHA took steps to reduce the risk of medical providers exploiting the pandemic for personal gain and possibly prevented potential improper payments before they could occur. With the elimination of co-payments and cost shares and the expansion of telehealth and behavioral management services the DHA provided more flexibility for providers and beneficiaries during the COVID-19 pandemic, which enabled beneficiaries to receive the care they needed. We plan to continue monitoring TRICARE claims and payments for COVID-19 related services.

### ***Defense Health Agency Guidance Issued to the Managed Care Support Contractors***

The DHA issued several letters to the MCSCs providing new requirements and guidance on claims processing for COVID-19 related claims.

### ***Elimination of Co-Payments and Cost Shares***

In April and May 2020, the DHA directed the MCSCs to waive all co-payments and cost shares for COVID-19 diagnostic testing in accordance with the requirement in Public Law 116-127. Public Law 116-127 states the DoD may not require any co-payment or other cost



sharing for COVID-19 testing, products related to testing, or the administration of such products. A co-payment is a fixed-dollar amount that a beneficiary pays for a covered health care service or drug. A cost share is a percentage of the total cost of a covered health care service that the beneficiary pays.

The letters identified two new special processing codes that the DHA created to capture and quantify costs related to the pandemic. According to the TRICARE Systems Manual, special processing codes indicate care that meets conditions for special processing.<sup>5</sup> One of the codes helped the MCSCs identify claims related to COVID-19 and waived the co-payments and cost shares while the other code identified services related to COVID-19. The DHA required the MCSCs to record the amounts of the waived co-payments and cost shares, as the Government absorbed the costs to ease financial burden on the beneficiaries.

### ***Policies Regarding Telehealth Service for Behavioral Health***

In April 2020, the DHA issued clarifying guidance to existing TRICARE policy for behavioral health care delivered via telehealth. The DHA provided interpretations of existing policy, regulation, and statutory authorities to assist the MCSCs in adjudicating these claims during the national pandemic. According to the DHA, the COVID-19 pandemic created shifts in the availability of all medical services, including behavioral health care services. Providers shifted to offering telehealth services, such as doctor's visits conducted by telephone, when possible in an effort to contain the spread of the virus. The letters clarified telehealth services covered by TRICARE, including services such as intensive outpatient programs, medication assisted treatments, psychotherapy, and medication management.

### ***Elimination of Co-Payments and Cost Shares for COVID-19 Serology Tests***

In May 2020, the DHA notified the MCSCs that the definition of in vitro diagnostic products, as identified in Public Law 116-127, included COVID-19 serology tests.<sup>6</sup> The serology test detects the body's immune response to the infection caused by COVID-19 and provides information about whether a person may have been exposed to COVID-19. Because TRICARE did not waive co-payments and cost shares for serology tests until May 2020, the DHA directed the contractor to reprocess COVID-19 serology testing claims with dates of service on or after March 18, 2020. In addition, the DHA directed the MCSCs to ensure COVID-19 serology tests met the requirements for medical necessity prior to the claims processor authorizing payment. Finally, the letters to the MCSCs in the continental United States allowed coverage for tests from developers that intended to seek an emergency use authorization from the Food and Drug Administration or that were already approved by the Food and Drug Administration for use.<sup>7</sup> The letter to the overseas MCSC allowed coverage for serology tests from developers approved by the nation where the patient was treated.

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<sup>5</sup> TRICARE Systems Manual 7950.3-M, April 1, 2015.

<sup>6</sup> In vitro diagnostic products are substances, instruments, and systems intended for use in the diagnosis of disease. These products are used to collect, prepare, and examine specimens from the human body.

<sup>7</sup> The Emergency Use Authorization authority allows unapproved medical products or unapproved uses of approved medical products to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases or conditions.

## *Temporary TRICARE Regulation Changes in Response to COVID-19*

In May 2020, the DHA allowed authorized providers to be reimbursed for care provided in different states in response to providers that left their practices temporarily to support areas within the United States that have been the most heavily affected by the virus.<sup>8</sup> Additionally, the DHA authorized telemedicine via audio-only health care visits because some patients do not have access to visual technology. The Centers for Medicare and Medicaid Services implemented a similar measure on April 29, 2020. These authorizations allowed beneficiaries to have care from their provider, no matter where the provider was physically located. Lastly, the DHA expanded the waiver for co-payments and cost shares to include all covered, in-network, telehealth services, not just services related to COVID-19.<sup>9</sup>

## *Other Defense Health Agency Initiatives or Actions*

### *Work Groups*

The DHA started the following two work groups related to the COVID-19 pandemic as they related to TRICARE.

- **TRICARE Health Plan COVID-19 Government-Only Work Group.** The group consists of personnel from DHA Policy and Programs Section, Medical Benefits and Reimbursement Section, the DHA Communications Division, Health Care Optimization Division, Health Care Operations, Medical Affairs, and the TRICARE Health Plan Data Analytics. According to DHA personnel, the group also included operational and clinical personnel, and DHA Contracting Officers' Representatives. The group promoted consistency related to pandemic efforts and terminology used across all of the DHA's components. Additionally, the group discussed and addressed COVID-19 related issues related to MTF access and care and not just purchased care, referred to as the TRICARE program, and claims processing.
- **TRICARE Health Plan COVID-19 Purchased Care Work Group.** The group consists of operational and clinical personnel from the DHA, the MCSCs located in the continental United States, and the Contracting Officers' Representatives for the managed care support contracts. The group discussed the status of claims processing and questions related to the letters the DHA issued to the MCSCs. The group made recommendations and implemented policy and guidance changes directed by senior DHA leadership. Additionally the group determined the direction that the DHA followed in response to the work group's concerns on providing healthcare and claims processing during the COVID-19 pandemic.

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<sup>8</sup> An authorized provider is a physician, institution, organization, or other provider of services or supplies specifically authorized to provide benefits under TRICARE.

<sup>9</sup> In-network refers to providers who have signed a contract with one of the TRICARE regional contractors to provide health care services to TRICARE beneficiaries.

Both work groups documented decisions and tracked outstanding questions posed during the work group meetings. For example, a MCSC asked whether the DHA would consider an exception to existing policy to allow for audio-only care during the pandemic. The DHA responded by including this exception in a temporary TRICARE regulation change in May 2020. According to DHA personnel, the work groups originally met daily at the beginning of the pandemic, but later met two or three times per week. Several of the guidance letters resulted from policy changes, issues, or concerns raised during the work group meetings. DHA officials should ensure the work groups continue to address questions and concerns as well as close out previously identified actions that still require attention during the COVID-19 pandemic. Value-added outcomes have resulted from these work groups.

### ***Update to Payment Pricing System and Addition of Special Processing Codes***

In July 2020, the DHA completed a pricing update to the reimbursement system that established rates for COVID-19 related services. The DHA released this out-of-cycle reimbursement system update for COVID-19 tests to ensure that the MCSCs had the pricing information ahead of the scheduled annual update and to allow the MCSCs to pay claims timely.

The reimbursement system update would enable the MCSCs to flag future claims that have charges outside of the allowable range and reduce improper payments. The DHA also instituted two special processing codes to identify COVID-19 testing and care claims. The special processing codes should assist the DHA in tracking the amount of COVID-19 claims, and waive beneficiary co-payments and cost shares for claims processed with the special codes.

### ***Defense Health Agency Program Integrity Annual Risk Registry***

According to DHA personnel, the DHA Program Integrity group maintained an annual risk registry that tracked the DHA's top ten fraud priorities during the year. The Program Integrity group added COVID-19 claims into the priorities, and developed reports that identified incorrect procedure codes that could indicate potential fraud. Additionally, the DHA Program Integrity group met regularly with the MCSC internal program integrity offices to alert the MCSCs of trends that the reports identified and discuss any needed risk report modifications within the MCSC risk registries, as well as the DHA risk registry. This control was designed to increase the DHA and MCSC's knowledge of potential fraud schemes aimed to take advantage of the COVID-19 pandemic and allow management to implement controls to prevent further exploitation.

## ***Managed Care Support Contractors Deferred Payments and Used Manual Intervention***

Because of DHA guidance, the MCSCs deferred or manually paid some claims that were pending system and pricing updates. Specifically, the MCSCs deferred or manually processed claims for updates that:

- established prices for COVID-19 tests and related services;
- added the special processing codes and waived co-payments and cost share amounts for COVID-19 related claims;
- clarified DHA guidance on waiving co-payments and cost shares for COVID-19 serology testing; and
- eliminated patient co-payments, cost shares, and deductibles for all telemedicine claims, not just COVID-19 related, with dates of service after May 12, 2020 for the MCSCs located in the continental United States and March 10, 2020 for the overseas MCSC.

According to DHA personnel the overseas claims processor added a system edit to the claims processing system that identified certain COVID-19 claims for manual intervention before the claims were processed to ensure that providers coded the claims correctly and in accordance with guidance received from the DHA. As of July 2020, the MCSCs started processing deferred claims in these areas.

## ***Implementation Status of Defense Health Agency Guidance***

According to DHA personnel, as of July 14, 2020, the MCSCs manually or systematically implemented all of the requirements of the letters that the DHA sent to the MCSCs. The MCSCs communicated with the DHA during the work groups to discuss any questions or to request clarification on guidance within the letters issued in April and May 2020. As mentioned above, the MCSCs deferred or manually paid some claims that were pending system updates to ensure that the MCSCs appropriately implemented the new requirements identified in the letters. According to DHA personnel, as of July 25, 2020, the MCSCs had 217,134 claims valued at \$462 million in deferred COVID-19 claims. Through implementing the requirements in the DHA letters before processing the claims, the MCSCs created controls for costs over COVID-19 claims that could potentially prevent improper payments.

## ***Managed Care Support Contractors Monitor COVID-19 Impact Using Dashboard and Situational Reports***

According to DHA personnel, one of the MCSCs created a dashboard based on claims information, to measure the impact of the COVID-19 pandemic on the TRICARE program. According to DHA personnel, the dashboard helped the DHA and the MCSCs to understand and forecast risks in many areas, including beneficiary access, delayed or deferred care, telehealth adoption, and cost of care impacts. MCSC personnel stated that the dashboard



included the results of data analytic reviews they performed on health care claims related to COVID-19. Additionally, DHA personnel stated that the MCSCs reported data on the jointly developed Working Group COVID-19 situational report, which included lab test volumes, inpatient admission volumes, and telemedicine claim activity.

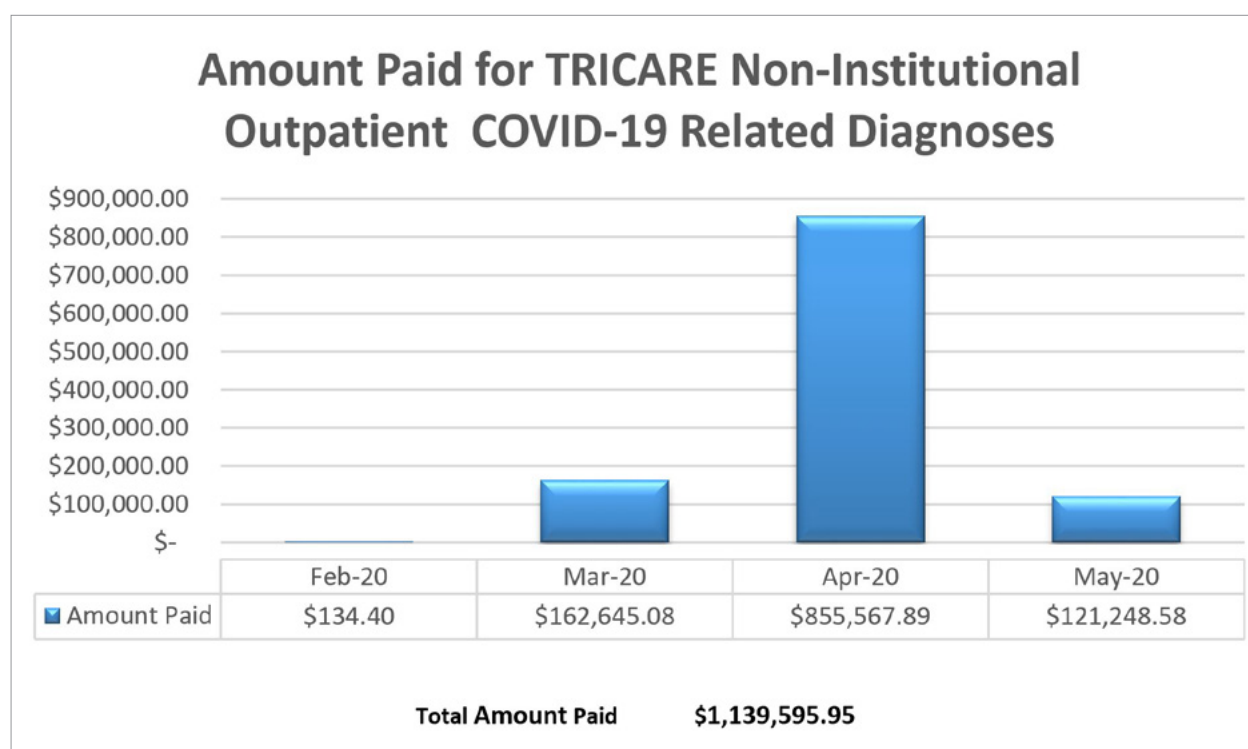
In addition to the dashboard and situational reports, the MCSCs shared information with the DHA Program Integrity group to identify proactive measures that the MCSCs have implemented to assist in ensuring prepayment and post payment efforts are in place to decrease potential fraud and abuse related to COVID-19.

### ***Claims Paid for Care Related to COVID-19***

According to data from the Military Health System Data Repository, as of June 10, 2020, the DHA paid approximately \$1.1 million for non-institutional outpatient claims related to COVID-19 related services, but had not paid anything for institutional, inpatient claims.<sup>10</sup>

Figure 1 shows the amount of TRICARE claims paid for non-institutional outpatient care related to COVID-19 diagnoses from February 2020 through May 2020, as of June 11, 2020.

*Figure 1. Claims Paid for Non-Institutional Outpatient Care Related to COVID-19, as of June 11, 2020*



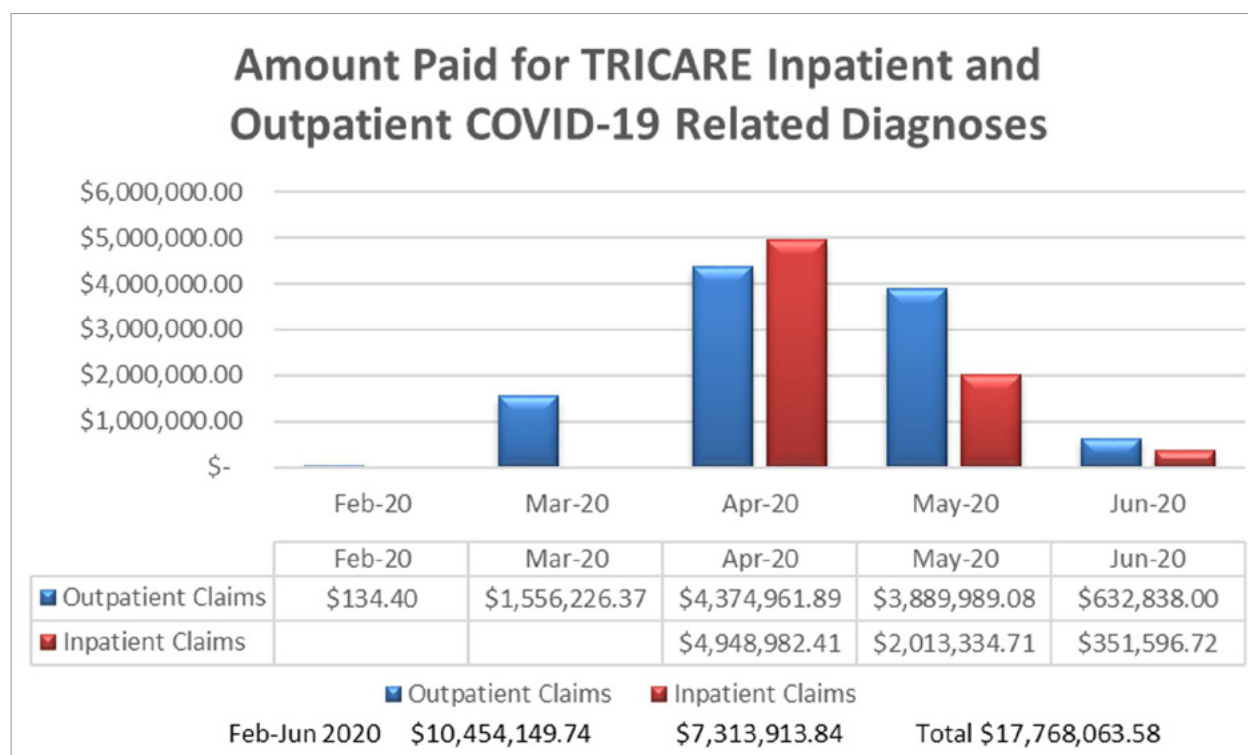
Source: Data from the Military Health System Data Repository.

<sup>10</sup> Institutional claims include claims from home health care agencies, as well as inpatient claims from hospitals, rehabilitation centers, and skilled nursing facilities. Non-institutional claims include claims for all other health care services, including pharmacy claims. The institutional and non-institutional datasets in the Military Health System Data Repository are updated monthly at different times during the month and the institutional dataset was not updated when we ran the June data.

The DHA paid the majority of the \$1.1 million for dates of service of April 2020 and May 2020, paying \$855,567 and \$121,249 respectively. The significant drop in claims from April to May is a result of the MCSCs implementing the specific DHA guidance and processes outlined above before processing claims related to those services.

As of July 10, 2020, according to data from the Military Health System Data Repository, the DHA paid \$17.8 million for outpatient and inpatient claims for services related to COVID-19. Information related to COVID-19 institutional claims from the Military Health System Data Repository was not available previously because the DHA directed the MCSCs to hold inpatient claims related to COVID-19 until the TRICARE pricing system was updated. The MCSCs began processing these claims in July 2020. Figure 2 shows the amount of claims paid for both outpatient and inpatient claims as of July 10, 2020.

*Figure 2. Inpatient and Outpatient Claims Paid for Services Related to COVID-19, as of July 10, 2020*



Source: Data from the Military Health System Data Repository.

The approximate \$16 million increase in claims amount resulted from the MCSCs deferring the processing of claims until they could implement pricing updates and guidance from the DHA, as well as the delay in provider submission of claims.

## Summary

The DHA and the MCSCs planned and took actions to control health care claims payments related to COVID-19, and they implemented initiatives to identify potential fraud schemes for COVID-19. The DHA and the MCSCs maintained open communication lines, which enabled consistent efforts across all stakeholders to ensure TRICARE beneficiaries and providers received the same information regarding the DHA policies and procedures for COVID-19.

Through these actions, the DHA took steps to reduce the risk of providers exploiting the pandemic for personal gain and potentially prevented improper payments. In addition, these actions also provided more flexibility for providers and beneficiaries during the COVID-19 pandemic, which helped beneficiaries receive the care they needed. Although the DHA implemented controls related to COVID-19 healthcare claims, the pandemic is dynamic and evolving. DHA needs to continue to address controlling costs and preventing fraudulent providers from exploiting the health system. Further, DHA officials must continue providing oversight and monitoring of controls to ensure continued success and mitigation of risks identified.

# Appendix

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## Scope and Methodology

We conducted this performance audit from April 2020 through September 2020 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.

The Military Health System Data Repository is the centralized data repository that tracks the DHA health care claims. It receives claims data from the DoD worldwide network of more than 260 health care facilities and from non-DoD data sources. A provider has up to 1 year to submit claims to the contractor for payment. There is a month delay from claim processing and when the claim is tracked in the repository. Because of that delay, we approached the audit from a controls perspective.

We interviewed the following personnel to determine their roles and responsibilities related to claims processing or COVID-19 initiatives within the DHA.

- DHA Contracting Officers' Representatives for the East, West, and International contracts
- DHA TRICARE Health Benefits Policy personnel
- DHA COVID-19 Work Group personnel
- DHA claims subject matter experts
- DHA Program Integrity personnel
- Humana Government Business, Inc. personnel
- Health Net Federal Services, Inc. personnel
- International SOS
- Wisconsin Physician Services claims processor personnel

We reviewed the following guidance related to the COVID-19 pandemic and claims processing.

- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act
- Force Health Protection (Supplement 6), "Department of Defense Guidance for COVID-19 Laboratory Diagnostic Testing Services"
- TRICARE Operations Manual 6010.59-M, Chapter 8
- DHA policy letters issued to the MCSCs



## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>11</sup> The DHA implemented several controls to contain costs for health care claims related to COVID-19 services. The MCSCs deferred claims payments while implementing DHA directed actions and not enough time has passed to evaluate the implementation of the new controls. We will provide a copy of the report to the senior official responsible for internal controls in the DHA.

## Use of Computer-Processed Data

We did not rely on computer-processed data to perform this audit. We extracted data reports from the Military Health System Data Repository data to identify the number of claims that the DHA paid related to COVID-19. We compared the data to reports received from the MCSCs and information received during interviews with DHA personnel to determine whether the Military Health System Data Repository data were accurate and complete. We did not use this data to support our findings on the controls that the DHA implemented to control costs for services related to COVID-19.

## Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued 5 reports discussing cost containment in the Military Health System. Unrestricted DoD OIG reports can be accessed at [www.dodig.mil/reports](http://www.dodig.mil/reports).

### **DoD OIG**

Report No. DODIG- 2019-112, “Audit of TRICARE Payments for Health Care Services and Equipment That Were Paid Without Maximum Allowable Reimbursement Rates,” August 20, 2019

The DoD OIG determined that the DHA regularly paid more than other pricing benchmarks for services and equipment where it did not establish or use existing TRICARE maximum allowable reimbursement rates. As a result, the DHA paid \$3.9 million more than other pricing benchmarks for vaccines and contraceptive systems provided to TRICARE beneficiaries. The DoD OIG projected that the DHA would waste an additional \$19.5 million for health care services and equipment over the next 5 years.

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<sup>11</sup> DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

Report No. DODIG-2018-108, “TRICARE Payments for Standard Electric Breast Pumps and Replacement Parts,” April 25, 2018

The DoD OIG determined that the DHA overpaid for standard electric breast pumps and replacement parts for beneficiaries in the three TRICARE regions in 2016. This occurred because the DHA did not require contractors for the three TRICARE regions to use only suppliers that had fixed reimbursement rates for breast pumps and replacement parts. As a result, the DHA overpaid \$16.2 million for the breast pumps and replacement parts.

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

The DoD OIG determined that the DHA made improper payments for applied behavior analysis services to companies in the TRICARE North Region. The DoD OIG projected that the DHA, through its contractor, improperly paid \$82.1 million to applied behavior analysis companies in the TRICARE North Region for applied behavior analysis services.

Report No. DODIG-2018-033, “Defense Health Agency Controls Over High-Risk Pharmaceutical Payments,” dated November 16, 2017

The DoD OIG determined that the DHA, through the pharmacy benefit manager, effectively implemented the controls for 6 drugs. However, while the DHA reduced the risk for fraudulent claims payments for those drugs, the DHA often took more than 6 months to implement new quantity limits or prior authorization requirements for other drugs.

Report No. DODIG-2016-105 “Controls Over Compound Drugs at the Defense Health Agency Reduced Costs Substantially, but Improvements Are Needed,” July 1, 2016

The DoD OIG determined that DHA personnel had implemented controls to screen compound ingredients, which reduced costs from approximately \$497 million in April 2015 to \$10 million in June 2015. However, the DoD pharmacy benefit manager incorrectly paid 40 compound drug claims that the audit team reviewed, even after new controls were implemented. This occurred because the pharmacy benefit manager personnel did not follow their standard operating procedures, and their claims adjudication system inappropriately allowed claims with prior authorizations and claims where beneficiaries had both Medicare and TRICARE coverage to bypass screening against a list of non-covered ingredients. As a result, the DHA, through the pharmacy benefit manager, made nearly \$99,500 in potential improper payments for 40 of 47 compound drug claims, valued at \$146,061, with excluded ingredients.

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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