



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

APR 24 2020

The Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The enclosed report is in response to Senate Report 116-48, pages 213-214, accompanying S. 1790, the National Defense Authorization Act for Fiscal Year (FY) 2020, "TRICARE Improper Medical Claims Payments."

This report provides an update on the Defense Health Agency's (DHA) implementation of Medical Record Reviews (MRRs) within the Improper Payment Evaluation Branch and provides details on the four areas reviewed. The MRRs will work in conjunction with the DHA Healthcare Cost Compliance Reviews, which have effectively recovered claims pricing errors in the TRICARE program for several decades. Now that TRICARE's contracts and manuals have been modified to provide the DHA with medical records for review, the first random sample of approximately 800 records has been generated and was transmitted to the contractors in mid-February 2020. Subsequent quarterly compliance reviews, to include MRRs, will consist of larger claims sample sizes until a more statistically significant number is reached.

MRRs will become an ongoing part of the Healthcare Cost Compliance Reviews performed by DHA. The results of these expanded reviews will be included in the FY 2020 Department of Defense Annual Financial Report which will be published in November 2020.

Thank you for your continued support of the health and well-being of our Service members, veterans, and their families. I am sending an identical letter to the House Armed Services Committee.

Sincerely,

A handwritten signature in cursive script, reading "Matthew P. Donovan", is positioned above the printed name.

Matthew P. Donovan

Enclosure:
As stated



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate
Washington, DC 20510

APR 24 2020

Dear Senator Reed:

The enclosed report is in response to Senate Report 116-48, pages 213-214, accompanying S. 1790, the National Defense Authorization Act for Fiscal Year (FY) 2020, "TRICARE Improper Medical Claims Payments."

This report provides an update on the Defense Health Agency's (DHA) implementation of Medical Record Reviews (MRRs) within the Improper Payment Evaluation Branch and provides details on the four areas reviewed. The MRRs will work in conjunction with the DHA Healthcare Cost Compliance Reviews, which have effectively recovered claims pricing errors in the TRICARE program for several decades. Now that TRICARE's contracts and manuals have been modified to provide the DHA with medical records for review, the first random sample of approximately 800 records has been generated and was transmitted to the contractors in mid-February 2020. Subsequent quarterly compliance reviews, to include MRRs, will consist of larger claims sample sizes until a more statistically significant number is reached.

MRRs will become an ongoing part of the Healthcare Cost Compliance Reviews performed by DHA. The results of these expanded reviews will be included in the FY 2020 Department of Defense Annual Financial Report which will be published in November 2020.

Thank you for your continued support of the health and well-being of our Service members, veterans, and their families. I am sending an identical letter to the House Armed Services Committee.

Sincerely,

A handwritten signature in cursive script that reads "Matthew P. Donovan".

Matthew P. Donovan

Enclosure:
As stated



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

APR 24 2020

The Honorable Adam Smith
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The enclosed report is in response to Senate Report 116-48, pages 213-214, accompanying S. 1790 of the National Defense Authorization Act for Fiscal Year (FY) 2020, "TRICARE Improper Medical Claims Payments."

This report provides an update on the Defense Health Agency (DHA) implementation of Medical Record Reviews (MRRs) within the Improper Payment Evaluation Branch and provides details on the four areas reviewed. The MRRs will work in conjunction with the DHA Healthcare Cost Compliance Reviews, which have effectively recovered claims pricing errors in the TRICARE program for several decades. Now that TRICARE's contracts and manuals have been modified to provide the DHA with medical records for review, the first random sample of approximately 800 records has been generated and was transmitted to the contractors in mid-February 2020. Subsequent quarterly compliance reviews, to include MRRs, will consist of larger claims sample sizes until a more statistically significant number is reached.

MRRs will become an ongoing part of the Healthcare Cost Compliance Reviews performed by DHA. The results of these expanded reviews will be included in the FY 2020 Department of Defense Annual Financial Report which will be published in November 2020.

Thank you for your continued support of the health and well-being of our Service members, Veterans, and their families. I am sending an identical letter to the Senate Armed Services Committee.

Sincerely,

A handwritten signature in cursive script, reading "Matthew P. Donovan", is positioned above the printed name.

Matthew P. Donovan

Enclosure:
As stated



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

The Honorable William M. "Mac" Thornberry
Ranking Member
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

APR 24 2020

Dear Representative Thornberry:

The enclosed report is in response to Senate Report 116-48, pages 213-214, accompanying S. 1790 of the National Defense Authorization Act for Fiscal Year (FY) 2020, "TRICARE Improper Medical Claims Payments."

This report provides an update on the Defense Health Agency (DHA) implementation of Medical Record Reviews (MRRs) within the Improper Payment Evaluation Branch and provides details on the four areas reviewed. The MRRs will work in conjunction with the DHA Healthcare Cost Compliance Reviews, which have effectively recovered claims pricing errors in the TRICARE program for several decades. Now that TRICARE's contracts and manuals have been modified to provide the DHA with medical records for review, the first random sample of approximately 800 records has been generated and was transmitted to the contractors in mid-February 2020. Subsequent quarterly compliance reviews, to include MRRs, will consist of larger claims sample sizes until a more statistically significant number is reached.

MRRs will become an ongoing part of the Healthcare Cost Compliance Reviews performed by DHA. The results of these expanded reviews will be included in the FY 2020 Department of Defense Annual Financial Report which will be published in November 2020.

Thank you for your continued support of the health and well-being of our Service members, Veterans, and their families. I am sending an identical letter to the Senate Armed Services Committee.

Sincerely,

A handwritten signature in cursive script, appearing to read "Matthew P. Donovan".

Matthew P. Donovan

Enclosure:
As stated

Report to Congressional Armed Services Committees



TRICARE Improper Medical Claims Payments

Senate Report 116-48, Pages 213-214, Accompanying
S. 1790 of the National Defense Authorization Act for Fiscal Year 2020

APRIL 2020

The estimated cost of this report or study for the
Department of Defense (DoD) is approximately
\$10,000.00.

This includes \$0.00 in expenses and
\$10,000.00 in DoD labor.

Generated on January 3, 2020 Ref ID: 4-F8D0074

TRICARE Improper Medical Claims Payments

EXECUTIVE SUMMARY

This report is in response to Senate Report 116-48, pages 213-214, accompanying S. 1790, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, which requests a report to Congress on four areas from the February 18, 2015 Government Accountability Office (GAO) report, “Improper Payments: TRICARE Measurements and Reduction Efforts Could Benefit from Adopting Medical Record Reviews” (GAO-15-269). The GAO report recommended the Department of Defense (DoD) implement more comprehensive TRICARE improper payment measurement methods that include medical record reviews (MRR).

The four specific areas to be addressed in the Report to Congress are:

- 1) The extent to which the Department will conduct MRRs;
- 2) The processes to request and receive such records from civilian network providers;
- 3) The manner in which cases will be coded if medical records are not returned;
- 4) How the Department plans to use the results of the MRRs to improve its processes to identify improper payments and to lower the improper payment error rate.

BACKGROUND

The GAO published a report in 2015 recommending that the DoD TRICARE program implement medical record reviews to the existing Improper Payment Program.

The existing Improper Payment Program within the Defense Health Agency (DHA) is managed by the DHA Improper Payment Evaluation Branch (IPEB), which has performed extensive reviews of claims samples for TRICARE private sector care contracts for over a decade. The IPEB provides an independent, impartial review of claims processing procedures and reimbursement methodologies utilized by purchased care contractors and assesses contractor compliance with TRICARE claims processing requirements as outlined in policies and directives. The compliance review process entails the re-adjudication of previously processed healthcare claims to determine eligibility, prior authorization, referral, payment and coding accuracy. Evaluations are performed by comparing purchased care contractor's actual claims processing and coding results to TRICARE claims processing policy, manuals and individual purchased care contract language.

The error rates determined through the reviews performed by IPEB are extrapolated to the universe of claims and the total value of the errors are considered Unallowable Costs to the contractors. Per the Federal Acquisition Requirements 31.201-6, Unallowable Costs cannot be included in any billing, claim, or proposal applicable to a Government contract. Once the amount of Unallowable Costs resulting from the sampling methodology has been identified, it must be refunded to the Government.

Adding MRRs to the current reviews conducted by the DHA IPEB will add a more comprehensive methodology to what DHA has been performing, and will more closely align DHA's reviews to those conducted by The Centers for Medicare & Medicaid Services.

Including MRR to the Claims Error and Unallowable Cost determination process in this direction has required DHA to:

1. Modify the Managed Care Support Contracts;
2. Change the contract for DHA External Independent Contractor (EIC);
3. Alter local support contracts to obtain the necessary skill sets for oversight of this change; and
4. Obtain server space and automated tools to support the addition of this expanded review.

When this GAO report came out, the TRICARE contracts did not include the requirement for the contractors to provide medical records for review. Requiring the contractors to obtain the medical records from the providers, hospital facilities, Durable Medical Equipment providers, and other organizations was not in the contract, and therefore not a requirement DHA could impose on the contractors. This requirement needed to either be modified into the contracts which existed at the time, or be written into the next round of contracts being developed. Since the existing contracts were due to expire within 1 to 2 years, DHA decided not to modify the existing contracts and opted to put this requirement into the next generation, or T-2017 contracts. Those contracts were awarded in 2016, and began performance in January 2018.

Similarly, the contract performing claims review services for the TRICARE Purchased Care contracts was being developed for solicitation and re-award when this GAO report was issued. DHA decided against modifying the contract for these services in existence at the time of the report, but instead included the requirements for the MRRs into the next iteration of the contract. The MRR requirement was included, and the contract awarded in June 2017.

Local support contracts for support to the IPEB division were modified in response to the GAO report recommending inclusion of MRR requirements in May 2018. This provided the IPEB division with the skill sets needed to develop sampling plans, and manage the MRR requirement.

Obtaining the expanded data server storage requirements, and obtaining the necessary software tools and licenses, has been completed. The sampling plan and methodology, approved by the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD(C)/CFO), and the Office of Management and Budget, has been updated.

As stipulated in the T-2017 TRICARE contracts, claims audits begin 60 days after the end of each Option Period. The audit cycle for Option Period 1 began in March 2019, and the initial sample, specific to the MMRs, will be sent to the purchased care contractors by the mid-February 2020.

RESPONSES TO FOUR DETAILED AREAS REQUESTED

Details of the four areas the NDAA for FY 2020 requested responses on are as follows:

(1) The extent to which the Department will conduct medical record reviews;

DEPARTMENT Response: The Department currently contracts with an EIC which, at the direction, guidance, and oversight of the Department, reviews previously processed health care claims to determine if the Department's private sector contractors are processing health care claims in accordance with TRICARE reimbursement and policy requirements. These complex compliance reviews are conducted on a quarterly, semi-annual and annual basis by the EIC, with improper payment error results reported annually to the USD(C)/CFO, and published annually in the Payment Integrity portion of the DoD Agency Financial Report (AFR).

The Department will use the EIC contract vehicle to conduct MMRs. As noted above, this task is in the current EIC contract. The Department will begin by conducting MMRs on previously reviewed health care claims to: 1) determine the sufficiency and/or completeness of medical record documentation based on TRICARE Policy requirements; 2) determine if the services/procedures rendered are a benefit under the TRICARE health benefits program, based on TRICARE policy and reimbursement methods; 3) determine if the services/procedures rendered, as documented in the patient medical record, match the services included on the claim submitted, and invoiced to DHA for payment; and 4) identify improper payments based on the evaluation of medical record documentation and the re-adjudication of the previously processed healthcare claim form. The initial sample of approximately 800 records will provide record quality indicators, and be used to refine processes related to electronic file size limitations in the planned expansion of sample sizes for subsequent cyclical MRRs.

MMRs will be conducted by certified medical billing and coding specialists who will follow both industry medical record auditing guidelines and TRICARE policy directives, e.g., Title 32, Part 199.7 Claim Submission, Review, and Payment, when performing MMRs.

(2) The processes to request and receive such records from civilian network providers;

DEPARTMENT Response: The Department will instruct TRICARE private sector contractors to obtain medical record documentation from network and non-network providers. The Department will provide detailed instructions to TRICARE private-sector contractors for obtaining and transmitting medical record documentation to the EIC contractor. The Department's instructions will include timelines for gathering and submitting documentation and actions to be taken against healthcare providers who fail to provide required or incomplete documentation timely.

(3) The manner in which cases will be coded if medical records are not returned;

DEPARTMENT Response: The Department has created unique payment error code categories to accommodate the MRR requirement (see below):

- MR1 – No Documentation: The provider did not respond to the request for records within the required timeframe.
- MR2 – Insufficient Documentation: There is not enough documentation to support the service. (Specify what documentation is missing.)
- MR3 – Procedure Coding Error: The procedure was performed but billed using an incorrect procedure code and the result affected the payment amount.
- MR4 – Diagnosis Coding Error: According to the medical record, the diagnosis was incorrect and resulted in a payment error – as in a diagnostic-related grouping error (e.g., the diagnosis was not supported by the medical record).
- MR5 – Unbundling: The provider separately billed and was paid for the separate components of a procedure code when only one inclusive procedure code should have been billed and paid.
- MR6 – Number of Unit(s) Error: The incorrect number of units was billed for a particular procedure/service, National Drug Code units, or revenue code. This does not include claims where the provider billed for less than the allowable amount, as provided for in written TRICARE policy.
- MR7 – Policy Violation: A policy is in place regarding the service or procedure performed (e.g., reimbursement methodology, benefit determination, documentation requirements, etc.) and medical review indicates that the services or procedure is not in agreement with TRICARE policy.
- MR8 – Administrative/Other Medical Review Error: A payment error was determined by the medical review but does not fit into one of the other medical review error categories, including program-specific, non-covered services.
- MTD – Medical Technical Deficiency: A deficiency was found during medical review that did not result in a payment error.
- C1 – No Error: The claim was reviewed and no errors or deficiencies were found.

(4) How the Department plans to use the results of the MMRs to improve its process to identify improper payments and to lower the improper payment error rate.

DEPARTMENT Response: The Department will use results from MMRs to calculate the Department's improper payment error rate and report those results annually for publication in the DoD AFR. The Department will also use the results to enhance, if appropriate, its current process for identifying improper payments. Based on review results, the Department will develop corrective action procedures to mitigate error findings and work closely with TRICARE private-sector contractors and contracting offices to strengthen its payment accuracy requirements and identification procedures.

CONCLUSION

The DHA is at the beginning of performing the first MRR cycle. An initial, statistically significant sample of claims presented to the TRICARE program for payment has been randomly selected. This sample of approximately 800 claims will be sent to the purchased care contractors by mid-February. Upon receipt of the medical records by DHA, they will be forwarded to the EIC for review. Once this process is refined for the initial 800 records, the volume will increase to more statistically significant levels.

DHA will use results from MMRs to calculate the Departments improper payment error rate and report those results annually for publication in the DoD AFR. The Department will also use the results to enhance, if appropriate, its current process for identifying improper payments. Based on review results the Department will develop corrective action procedures to mitigate error findings and work closely with TRICARE private-sector contractors and contracting offices to strengthen its payment accuracy requirements and identification procedures.