



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-1200

JUL 12 2005

HEALTH AFFAIRS

The Honorable John Warner  
Chairman, Committee on Armed Services  
United States Senate  
Washington, DC 20510-6050

Dear Mr. Chairman:

This report responds to a request in the House Conference Report 108-622 to provide a quarterly report to the defense committees on the status of third party collections.

The Department previously submitted a report to the defense committees on March 31, 2005 detailing the Department's efforts in implementing Outpatient Itemized Billing (OIB) and the status of Third Party Collections (TPC).

In our March 2005 report, we indicated increases to TPC were anticipated in 2005 due to increased Military Department efforts and oversight. Actual Military Health System (MHS) TPC Fiscal Year 2005 to date performance is behind Fiscal Year 2004 performance mainly due to a decline in Air Force collections. The Air Force decline is attributable to a short stoppage in collections reporting while military treatment facility (MTF) servers were moved to a central location to ease reporting of data. This transfer has been completed, and I am confident that Air Force collections will rapidly improve; thus improving our overall Fiscal Year collection level.

1<sup>st</sup> Quarter  
(\$ Millions)

Service	Inpatient Collections		Outpatient Collections		Total Collections	
	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005
Army	\$4.7	\$5.9	\$4.8	\$5.6	\$9.5	\$11.5
Navy	\$1.9	\$2.1	\$3.2	\$3.4	\$5.1	\$5.5
Air Force	\$3.7	\$1.8	\$5.9	\$3.7	\$9.6	\$5.5
Total	\$10.3	\$9.8	\$13.9	\$12.7	\$24.2	\$22.5

An item that may have an adverse impact on MTF performance was the September 30, 2004 expiration of a clause in Title 32, Part 220 of the Code of Federal Regulations, which required Preferred Provider Organizations to pay the reasonable charges billed by MTFs for healthcare services provided. The Services have been asked to collect and provide the necessary billing and collections data required to analyze the impact of the clause's expiration. We are working toward having the analysis completed in time for inclusion in the Second Quarter's report.

I continue to closely monitor the Military Departments' TPC efforts and remain committed to fostering business process improvements in an effort to modernize the business of DoD health.

Thank you for your continued support of the Military Health System.

Sincerely,

A handwritten signature in black ink that reads "William Winkenwerder, Jr." with a stylized flourish at the end.

William Winkenwerder, Jr., MD

cc:  
Senator Carl Levin