Audit Report

OFFICE OF THE INSPECTOR GENERAL

CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES CLAIMS PROCESSED AND PAID BY FISCAL INTERMEDIARIES

Report Number 92-115 June 30, 1992

Department of Defense

The following acronyms are used in this report.

ASD(HA).....Assistant Secretary of Defense (Health Affairs)
BCBS-SC.....Blue Cross/Blue Shield of South Carolina
CHAMPUS.....Civilian Health and Medical Program of the Uniformed Services
COM-FI.....CHAMPUS Operational Manual, Fiscal Intermediary
COR.....Contracting Officer's Representative
DEERS.....Defense Eligibility Enrollment Reporting System
FI.....Fiscal Intermediary
GAO.....General Accounting Office
MTF.....Medical Treatment Facility
OCHAMPUS.....Office of the Civilian Health and Medical Program of the Uniformed Services
USBPI.....Uniformed Services Benefit Plans, Inc.
WPS.....Wisconsin Physicians Service

June 30, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
DIRECTOR, CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES

SUBJECT: Audit Report on Civilian Health and Medical Program of the Uniformed Services Claims Processed and Paid by Fiscal Intermediaries (Report No. 92-115)

We are providing this final report for your information and use. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, we request that the Assistant Secretary of Defense (Health Affairs) provide final comments on the unresolved differences by August 28, 1992. See the "Status of Recommendations" section at the end of each finding for the recommendations you must comment on and the specific requirements for your comments.

As required by DoD Directive 7650.3, your comments must indicate concurrence or nonconcurrence with the finding and each recommendation addressed to you. If you concur, please describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, you must state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements.

This report does not identify potential monetary benefits; other benefits are shown in Appendix B. The recommendations are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment. We also ask that your comments indicate your concurrence or nonconcurrence with internal control weaknesses highlighted in Part I.

The courtesies extended to the audit staff are appreciated. If you have any questions about this audit, please contact Mr. Michael Joseph, Program Director, or Mr. Michael Yourey, Project Manager, at (804) 766-2703. The distribution of this report is listed in Appendix D.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

Office of the Inspector General, DoD

AUDIT REPORT NO. 92-115 **June** 30**, 1992**
(Project No. 0FC-0092)

FINAL REPORT ON CIVILIAN HEALTH AND MEDICAL PROGRAM OF THE UNIFORMED SERVICES CLAIMS PROCESSED AND PAID BY FISCAL INTERMEDIARIES

EXECUTIVE SUMMARY

Introduction. DoD contracts with three private organizations, known as fiscal intermediaries (FIs), for processing medical claims submitted by beneficiaries and providers. The Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) evaluates the FIs' compliance with contractual standards and reviews contractor operations. During FY 1990, the FIs were paid about $72.0 million to process claims. Claims totaled about $2.2 billion for medical services provided to DoD beneficiaries.

Objectives. The objectives of the audit were to determine whether Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) payments made by FIs were in accordance with restrictions on CHAMPUS benefits. Specifically, the audit determined whether CHAMPUS claims were processed promptly and accurately. We also evaluated internal controls established to ensure that CHAMPUS claims were processed promptly.

Audit Results. The FIs' performance did not consistently meet the accuracy and timeliness standards for processing and paying CHAMPUS claims. As a result, beneficiaries and health care providers received incorrect and late benefit payments (**Finding A**).

OCHAMPUS did not adequately monitor the FIs' performance on contract requirements for evaluation of duplicate payments, accounts receivable, and sanctioned providers. As a result, the FIs were paid for services that may not have met contract requirements (**Finding B**).

In addition, OCHAMPUS was not taking involuntary collection actions on overpayments at the earliest possible opportunity. About $1.3 million in delinquent debts was referred late. When debts remain outstanding for extended periods, the likelihood increases that they will not be collected (**Finding C**).

Internal Controls. Finding A of this report discusses weaknesses in internal controls over contractors' performance in timely and accurate processing and payment of claims. Finding B discusses the lack of a written, comprehensive surveillance plan to identify, control, and measure contractor performance. Finding C

discusses the lack of controls to ensure timely referrals of delinquent debts. The weaknesses are material for OCHAMPUS. The controls assessed are discussed in Part I (page 3).

Potential Benefits of Audit. Implementing the recommendations could result in more timely and accurate processing of claims by FIs. In addition, OCHAMPUS would be assured that services paid for were received. Improving internal controls over delinquent debts would reduce the risk of not collecting the debts.

Summary of Recommendations. We recommended realignment of incentive criteria to coincide with contract standards and the development of comprehensive, written surveillance plans to monitor FIs' performance. We also recommended that the Contracting Officers' Representatives verify and record corrective actions taken on identified deficiencies, and that OCHAMPUS validate delinquent debts and notify credit bureaus 120 days after the debts are identified.

Management Comments. The Assistant Secretary of Defense, Health Affairs, partially concurred with the draft recommendation on contractor performance. Management was concerned that revising criteria to match contract standards would increase program costs, and that an incentive program based on pass/fail rather than a range of acceptable performance would not be effective. Management agreed to a comprehensive, written surveillance plan to monitor the FIs' performance. Management also partially concurred with draft recommendations to track identified deficiencies in claims processing and to require the FIs to correct deficiencies and determine amounts due the Government because of their failure to meet acceptable levels of performance. Their concerns focused on the proper use of negative incentives. Management nonconcurred with the draft recommendations on involuntary collection actions. Management comments are discussed in Part II, and the complete text of the comments is in Part IV.

Audit Response. We believe that the recommendation to revise incentive criteria is valid, and we ask that management reconsider its position. Based on management's comments, we modified and combined the draft report recommendations to track identified deficiencies and to require contractors to correct deficiencies and determine amounts due the Government for contractors' failure to meet expected levels of performance (final report Recommendation B.2.). Recommendation C.1. was modified to clarify the timing of the proposed debt verification process. However, we believe our recommendations to validate delinquent debts and to notify credit bureaus of delinquencies are warranted. Minor wording changes were made throughout the report, based on management comments. We request that management provide comments on the final report by August 28, 1992.

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This report was prepared by the Financial Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Information Officer, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

PART I: INTRODUCTION

Background

CHAMPUS. The Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) supplements direct medical care for the uniformed services. Direct medical care is provided by Medical Treatment Facilities (MTFs). CHAMPUS is similar to private medical insurance programs and gives financial assistance to CHAMPUS beneficiaries for prescribed medical care from civilian sources. Costs are shared by CHAMPUS and the beneficiaries.

Persons eligible for care are active duty dependents, retirees and their dependents, and survivors of deceased members of the uniformed services. Active duty service members and Medicare eligibles are not covered by CHAMPUS. The uniformed services are the Army, Navy, Air Force, Marine Corps, Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration.

Benefits. The Federal Government pays for medically necessary services and supplies required to diagnose and treat illness or injury, including maternity care and well-baby care. Benefits include medical services and supplies provided to eligible beneficiaries from civilian sources.

Administration. The Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) at Fitzsimons Army Medical Center, Aurora, Colorado, administers CHAMPUS under policy guidance and operational direction of the Assistant Secretary of Defense (Health Affairs) (ASD[HA]). DoD contracts with three private organizations, known as fiscal intermediaries (FIs), for processing and payment of medical claims submitted by beneficiaries and professional and institutional providers. The three FIs receive claims from patients; determine what fees should be paid; and send checks to patients, doctors, and medical facilities.

Operations. The Contract Management Division of OCHAMPUS procures FI services; the Program Operations Division evaluates operational compliance with FI contracts; and the Program Integrity Office reviews contractor operations and assesses compliance with law, regulations, policy, procedures, and contractual requirements.

OCHAMPUS procures FI services through competitively awarded, negotiated, firm-fixed-price contracts with positive and negative monetary incentives. The FIs handle claims for the five domestic CHAMPUS regions (Northern, Mid-Atlantic, Southeastern, South Central, and Western). Each region includes 5 to 17 states.

Objectives

The objectives of the audit were to determine whether CHAMPUS payments made by FIs were in accordance with legal and regulatory restrictions on CHAMPUS benefits. Specifically, we evaluated the timeliness and accuracy of CHAMPUS claims processed by the FIs. We also evaluated internal controls established by OCHAMPUS to ensure that claims are processed promptly and accurately.

Scope

Visits were made to OCHAMPUS at Aurora, Colorado, and three FIs: Blue Cross-Blue Shield of South Carolina (BCBS-SC), Columbia and Florence, South Carolina; Wisconsin Physicians Service (WPS), Madison, Wisconsin; and Uniformed Services Benefit Plans, Inc. (USBPI), Columbus, Indiana. We audited five contracts and tested contractor performance, contract surveillance, accounts receivable, and established internal controls.

We evaluated quarterly incentive reports for the FIs' performance. We compared the reported statistics to contractual standards for timeliness of claims processing, timeliness of processing routine correspondence, and payment errors for hospital and professional claims. We limited our review of claims processing procedures to claims that were paid from October 1988 through September 1990 against contracts awarded since October 1988. We did not review claims processed against contracts in effect before October 1988. WPS's new automated system for claims processing may have impeded its ability to meet the minimum contract requirements.

To determine the effectiveness of contract surveillance by OCHAMPUS, we evaluated management reports, reports on sanctioned providers, data on claims audits, and status reports on accounts receivable for FYs 1989 and 1990. We also reviewed reports on accounts receivable, lists of sanctioned providers, and patients' claims and histories at contractor facilities. We evaluated the effectiveness of debt collections, the validity of CHAMPUS providers, and the resolution of duplicate payments to CHAMPUS providers and beneficiaries. We also reviewed the effectiveness of OCHAMPUS' policy and procedures for the FIs to transfer accounts receivable to the OCHAMPUS recoupment section. In addition, we evaluated internal controls at OCHAMPUS and the FIs to ensure the timely and accurate processing and payment of CHAMPUS claims. The FIs processed about 10.6 million DoD claims and received about $72.0 million in claims processing fees. These claims paid about $2.2 billion in benefits.

This program audit was conducted from October 1990 through July 1991. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as

implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary.

Internal Controls

Controls assessed. We evaluated OCHAMPUS' internal controls to ensure the timely and accurate processing and payment of CHAMPUS claims. Specifically, we evaluated internal controls over the processing of claims, validation of duplicate payments and sanctioned providers, surveillance of contract performance by OCHAMPUS, and transfers of delinquent debts from the FIs to OCHAMPUS. In addition, we reviewed the internal management control program at OCHAMPUS to determine whether controls were established over claims processed and paid by the FIs.

Internal control weaknesses. The audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. We found that internal controls did not ensure that contractor performance was fully monitored by OCHAMPUS personnel. OCHAMPUS did not have a comprehensive, written surveillance plan to identify, control, and measure contractor performance. Also, OCHAMPUS did not coordinate program reviews among OCHAMPUS management. Controls were not established to ensure that delinquent debts were processed promptly. Recommendations B.1.b., B.2., and C.1., if implemented, will correct these weaknesses. A copy of the final report will be provided to the senior official responsible for internal controls within OCHAMPUS.

Prior Audits and Other Reviews

Inspector General, Department of Defense. The IG, DoD, issued Report No. 89-032, "Processing Claims for CHAMPUS When Other Insurance Exists," on November 21, 1988. The report addressed two problem areas. FIs overpaid beneficiaries about $259,000 because OCHAMPUS had not clearly defined "other health insurance," and the FIs had not examined claims where other health insurance was identified. The IG, DoD, recommended that OCHAMPUS define "other health insurance" on the CHAMPUS form, revise beneficiaries' history files to include "other health insurance," emphasize the FIs' responsibility to determine other health insurance, and recover overpayments made to beneficiaries who did not disclose other health insurance coverage. The IG, DoD, also recommended that ASD(HA) update the Defense Eligibility Enrollment Reporting System (DEERS) to include other health insurance coverage and to require the FIs to review DEERS before paying future claims. All recommendations in the report were implemented.

PART II: FINDINGS AND RECOMMENDATIONS

A. CONTRACTOR PERFORMANCE

The three FIs had consistently not met accuracy and timeliness standards for processing claims. The OCHAMPUS contracts provided few positive incentives for compliance with OCHAMPUS standards, and negative incentives were so minor that the FIs appeared willing to incur the negative incentives rather than meet standards. Also, the criteria for positive and negative incentives did not match performance standards in the contract. As a result, beneficiaries and health care providers received incorrect and late benefit payments.

DISCUSSION OF DETAILS

Background

Performance standards. Contracts establish the minimum acceptable levels of performance that are required of FIs. OCHAMPUS measures a contractor's performance against the standards, either monthly or as specified in the contract. Measurements are based on data from monthly workload reports, health care service records, claims audits, and on-site visits.

Incentive system. OCHAMPUS contracts contain both positive and negative incentives for performance. Positive incentives reward outstanding performance, while negative incentives assess a contractor for poor performance as measured against the four performance standards. Incentives are determined on a quarterly basis. Positive incentives can be earned starting with the first contract quarter. Negative incentives, however, are not assessed until after the first contract quarter. Assessments are increased as performance deviates from the standards.

Performance standards. For contractors to qualify for any positive incentive, they must meet all four of the following performance standards during the quarter:

- Timely processing of claims. A minimum of 75 percent of all claims and adjustments processed shall be completed within 21 calendar days from the date of receipt.

- Payment errors on institutional claims. The sum of the absolute value of the payment errors identified by OCHAMPUS shall not exceed 2 percent of the total billed charges for institutional care.

- Payment errors on professional claims. The sum of the absolute value of payment errors identified by OCHAMPUS on professional claims shall not exceed 3 percent of the total billed charges.

o Timely processing of routine correspondence. Final responses shall be sent on 85 percent of all routine written inquiries within 15 calendar days of receipt by the FI.

Results of Review

Overall performance. BCBS-SC, USBPI, and WPS did not consistently meet the performance standards for processing and paying CHAMPUS claims during FYs 1989 and 1990. Our review included reports generated by OCHAMPUS and reports submitted by the FIs. We used performance statistics from OCHAMPUS reports to evaluate the FIs' performance. We determined that the three FIs did not meet the performance standards 69 percent of the time (see following table).

PERFORMANCE STANDARDS (BY FISCAL INTERMEDIARY)

	Prerequisite standards		
Fiscal intermediary	Passed	Failed	Required
Blue Cross/Blue Shield of South Carolina	12	16	28
Uniformed Services Benefit Plans, Inc.	8	24	32
Wisconsin Physicians Service	1	7	8
Total	21	47	68

Overall performance:

Passed - 21 of 68 (31 percent)
Failed - 47 of 68 (69 percent)

Negative incentives. Two of three FIs were assessed about $1.1 million for FYs 1989 and 1990 because of substandard performance. Also, none of the FIs earned positive monetary incentives (see below).

NEGATIVE INCENTIVES ASSESSED (BY FISCAL INTERMEDIARY)

Fiscal intermediary	FY 1989	FY 1990
Blue Cross/Blue Shield of South Carolina	($135,000)	($135,000)
Uniformed Services Benefit Plans, Inc.	(741,000)	(106,000)
Wisconsin Physicians Service	0	0
Total	($876,000)	($241,000)

Performance by USBPI had significantly improved during FY 1990. BCBS-SC's performance remained the same; however, neither contractor consistently met all performance standards. Two factors prevented WPS from being assessed about $233,000 during FY 1990. Negative incentives do not apply during the first quarter of a contract, and negative incentives were waived because WPS had difficulties in installing a new automated system for service records of CHAMPUS health care. For contracts completed prior to our audit, positive and negative incentives were awarded for performance.

FIs' performance. The three FIs did not qualify for positive incentives because none met all four performance standards in the same quarter. We examined data on five contracts that had been awarded since October 1988, and claims processed and paid through September 1990 for health care services received by beneficiaries. Details on timeliness of claims processing and accuracy of payments are shown below and in Appendix A.

o BCBS-SC did not meet the performance standards 57 percent of the time. The standard for timely processing of claims was not met 25 percent of the time; for institutional payment errors, 63 percent; for professional payment errors, 75 percent; and for timely processing of routine correspondence, 50 percent of the time.

o USBPI did not meet the performance standards 75 percent of the time. The standard for timely processing of claims was not met 38 percent of the time; for institutional payment errors, 88 percent; for professional payment errors, 100 percent; and for timely processing of routine correspondence, 75 percent of the time.

o WPS did not meet the performance standards 88 percent of the time. The standard for timely processing of routine correspondence was not met 50 percent of the time. The other

three prerequisite standards (claims processing, institutional errors, and professional errors) were not met. However, incentives did not apply during the first quarter, and WPS had problems installing a new automated system to record health care provided under CHAMPUS.

The incentive criteria did not match the performance standards. For example, the standard for payment errors is 2 percent when processing institutional claims and 3 percent for professional claims. However, negative incentives do not apply until the error rate exceeds 4 percent for institutional claims or 6 percent for professional claims. In FY 1990, the FIs processed $2.2 billion in DoD claims. The contract standards allowed the FIs to make between $44.0 million and $66.0 million in errors when computing benefits. However, a negative incentive would not be assessed until errors exceeded twice this amount.

If the incentive criteria were adjusted to match the prerequisite standards, OCHAMPUS could have assessed additional negative incentives of about $388,000 against two FIs. The assessment should become effective when contract performance is substandard.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services, revise criteria for incentives to match contract standards.

Management comments. The ASD(HA) partially concurred with the recommendation. Management stated that revising the criteria for incentives to mirror the standards would increase program costs because the potential for incurring negative incentives could mean higher claim rates. Management further stated that an incentive program based on pass/fail rather than a range of acceptable performance (with positive incentives above the range and negative ones below it) was not likely to be effective.

Audit response. We did not recommend a pass/fail incentive program. The FI contracts that we reviewed included negative incentives. We concluded that the incentive criteria did not match the performance standards specified in the contracts. Our recommendation was intended to make existing negative incentive standards effective concurrently with contractually defined unsatisfactory performance. We ask that management reconsider its position when responding to the final report. Based on management comments, we also simplified the recommendation on monetary incentives.

STATUS OF RECOMMENDATIONS

		Response Should Cover:		
Number	Addressee	Concur or Nonconcur	Proposed Action	Completion Dates
A.1.	ASD(HA)	X	X	X

B. CONTRACT SURVEILLANCE

OCHAMPUS did not adequately monitor the FIs' performance. Specifically, services associated with duplicate payments, accounts receivable, error correction, and sanctioned providers were not properly evaluated. This condition existed because the management system for monitoring the contracts was not comprehensive enough to permit an overall evaluation of the contractors' performance. Also, two independent OCHAMPUS activities responsible for monitoring and evaluating FI performance did not coordinate their reviews. As a result, FIs were paid for services that were not performed in accordance with terms of the contract.

DISCUSSION OF DETAILS

Background

Contract. Requirements for processing claims are included in the contracts and in OCHAMPUS Manual 6010.24-M, "CHAMPUS Operations Manual-Fiscal Intermediary" (COM-FI). During FY 1990, the FIs processed 11.3 million claims (including DoD, the Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration) representing $2.3 billion in benefits. The cost of processing these claims was about $76.6 million.

Contract surveillance. The Code of Federal Regulations, Title 48, prescribes the surveillance policy for service contracts. The Government is to maintain surveillance of contractor performance as necessary to protect its interest. If any services do not meet contractual requirements, the Government may require the services to be reperformed. If this is not possible, the Government may require the contractor to take steps to prevent similar shortfalls from occurring in the future and reduce the contract price to reflect the value of the services performed.

Responsibilities. OCHAMPUS Manual 5105.2-M, "OCHAMPUS Organization and Functions Manual," requires the Office of Program Integrity to review contractor operations and assess compliance with contractual requirements. The Program Operations Division also evaluates FI contracts and ensures that day-to-day operations comply with the contracts.

Results of Review

Surveillance plan. A comprehensive, written surveillance plan had not been established to monitor the adequacy of services provided by the FIs. OCHAMPUS relied on monthly claim audits, periodic site visits, and contractor evaluations. These efforts were not coordinated to ensure that all significant aspects of

contractor performance were evaluated. In addition, criteria for site visits and contractor evaluations often varied, causing inconsistent evaluations among FIs. As a result, FIs did not always resolve duplicate payments, promptly submit accounts receivable for collection, correct errors, and verify health care providers' validity.

Duplicate payments. OCHAMPUS did not review the FIs' resolution of potential duplicate payments. OCHAMPUS sent quarterly reports of potential duplicate payments to the FIs. The FIs determined whether payments were valid and corrective actions had been taken. The FIs returned the reports to OCHAMPUS for verification. Our review of the reports of potential duplicate payments for the quarter ending June 1990 showed that CHAMPUS did not evaluate the FI reports for completeness or accuracy. For example, in one quarterly report, the FI did not research two-thirds of the potential duplicate payments. As a result, about $84,000 in potential duplicate payments remained outstanding. In addition, the FIs reported 6 of 131 potential duplicate payments incorrectly. OCHAMPUS personnel said the reports had not been reviewed.

Accounts receivable. The FIs did not process collections of improper payments within the time frame specified in the contracts. Demand letters requesting collection of overpayments were not sent as required by the contracts. Also, the FIs were not transferring delinquent accounts receivable to OCHAMPUS within established time frames.

Demand letters were not issued promptly to beneficiaries and providers. When an incorrect payment is identified, the COM-FI requires the FI to send three demand letters to the debtor. Within 30 days of the date an improper payment is identified, the FI must send an initial demand letter to the debtor requesting a refund of the overpayment. A second demand letter is to be issued if payment has not been received within 60 days from the date the problem was identified. A third letter is due 150 days from the date of improper payment. Our review of 653 accounts receivable at the 3 FIs showed that as of April 1991, there were 333 accounts (51 percent) where at least 1 demand letter was late.

The FIs did not transfer delinquent accounts receivable to OCHAMPUS within the required time frame. When accounts receivable are more than 180 days old, for amounts higher than $600, and without any partial collections, the FIs are to transfer the accounts to OCHAMPUS for possible legal action. We identified 653 accounts receivable that were more than 180 days old and were for amounts higher than $600. No money had been collected for 147 (22 percent) of these accounts, which totaled about $723,000.

Error correction. OCHAMPUS did not monitor whether problems identified during the claims audit process had been solved. OCHAMPUS personnel compiled performance statistics based on a monthly sample of processed claims for each region. The performance statistics were used to compute incentive payments, and errors were sent to the FIs for correction. OCHAMPUS personnel said that corrective actions were evaluated during site visits, which were to occur every 1 or 2 months. However, OCHAMPUS personnel further stated that the evaluations often were not performed because other OCHAMPUS issues took precedence. We could not evaluate the reviews because site visits were not adequately documented. We reviewed three claims requiring collection of overpayments to determine whether corrective actions had been taken. Although the FI reported that corrective actions were completed on December 21, 1990, we found that as of February 6, 1991, no actions had been taken. Personnel at the FI told us that corrective actions were not taken because of a backlog. The claims audit process is not being effectively used unless a method exists for evaluating and documenting all corrections.

Sanctioned providers. OCHAMPUS does not monitor the FIs' lists of providers to ensure that only authorized providers are paid for claims submitted. FIs are required to update the lists to identify any providers that have been excluded, suspended, or terminated from participating in CHAMPUS. These sanctioned providers are listed in the annual "Cumulative Sanction Report" and monthly supplements published by the Department of Health and Human Services. OCHAMPUS procedures do not require that the validity of providers rendering medical services be questioned. OCHAMPUS did not verify providers during monthly claims audits, on-site visits, or periodic contractor evaluations. Of 663 sanctioned providers tested, the FIs had not identified 23 providers on their lists in order to prevent payment. Without evaluating the FIs' provider lists, OCHAMPUS cannot be assured that payments are made only for services rendered by authorized providers.

Responsibilities. Responsibility for monitoring the FIs' compliance with contract standards and requirements was divided between two CHAMPUS offices. OCHAMPUS Manual 5105.2-M assigns the function of contractor compliance to both the Office of Program Integrity and the Program Operations Division. Although the Contracting Officer's Representative (COR) is the focal point for reporting the FIs' performance to the Contracting Officer, the CORs did not assist in determining the evaluation criteria used by the Office of Program Integrity. Also, separation of responsibilities was not clearly outlined. OCHAMPUS personnel said that a plan had not been developed to monitor primary services in the contracts. Because of the

complexity and importance of the contracts, a surveillance plan should be developed to ensure that OCHAMPUS receives the services it pays for.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services:

1. Develop and follow a comprehensive, written surveillance plan to monitor fiscal intermediaries' performance. The plan should:

a. Include contractual performance standards and work requirements, such as review of duplicate payments, accounts receivable, error correction, and provider certification.

b. Identify the branch of the Office of the Civilian Health and Medical Program of the Uniformed Services that is responsible for monitoring each requirement and reporting the results to the contracting officer's representative.

c. State the frequency of reviews (i.e., monthly, quarterly, semiannually, or annually) for each contractual peformance standard and work requirement.

Management comments. ASD(HA) concurred with draft report Recommendation B.1. Management stated that by July 1, 1992, a comprehensive monitoring plan will be developed that will identify all contractual requirements, assign responsibility for reviews, and determine the frequency of reviews.

2. Require the Contracting Officer's Representatives to verify and record, during site visits, corrective actions taken on identified deficiencies.

Management comments. ASD(HA) partially concurred with Recommendation B.2. in the draft report to require contractors to correct deficiencies and determine amounts due the Government for failure to meet acceptable levels of performance. Management stated that contractors are currently required to correct deficiencies. Management also stated that the OCHAMPUS reorganization, which was effective on December 23, 1991, will improve followup on correction of deficiencies by centralizing the evaluation of contractor performance in one office.

Management did not concur with the portion of the recommendation requiring the determination of amounts due the Government for failure to meet acceptable levels of performance. Management stated that according to the Federal Acquisition Regulation, contractors cannot be assessed for failure to meet acceptable

levels of performance unless damage to the Government can be shown. The OCHAMPUS incentive program allows contractors to be assessed for unacceptable performance.

ASD(HA) also partially concurred with draft report Recommendation B.3. to develop a control system to track deficiencies in claims processing. Management stated that OCHAMPUS has a system to track all established deficiencies, as described in OCHAMPUS Instruction 4105.5, "Fiscal Intermediary Deficiency Reporting and Monitoring System." It is the responsibility of the Contracting Officer's Representative to track each deficiency from identification through correction.

Audit response. We accept management's comments on draft report Recommendations B.2. and B.3. However, problems discussed in the finding show that established procedures need strengthening to ensure that deficiencies are corrected.

Based on management's comments, we modified and combined the two draft report Recommendations into final report Recommendation B.2. We request that management comment on the revised Recommendation B.2. in its response to the final report.

STATUS OF RECOMMENDATIONS

		Responses Should Cover:			
Number	Addressee	Concur or Nonconcur	Proposed Action	Completion Dates	Related Issues
B.1.a.					1/
B.1.b.	ASD(HA)	X	X	X	IC 2/
B.1.c.					1/
B.2.	ASD(HA)	X	X	X	IC

1/ No further comments required.
2/ Internal control weaknesses.

C. INVOLUNTARY COLLECTION ACTIONS

OCHAMPUS was not taking involuntary collection actions as early as possible. OCHAMPUS reported delinquent debts to credit bureaus 90 days later than necessary. Delinquent debts worth $1.3 million were not referred. When debts remain outstanding for extended periods, the likelihood increases that they will not be collected.

DISCUSSION OF DETAILS

Background

Government collection criteria. The Federal Claims Collection Standards of 1984, Code of Federal Regulations, Title IV, Parts 101-105, implemented the Debt Collection Act of 1982 and required aggressive collection actions. The standards required three demand letters to be sent at 30-day intervals to notify debtors of monies owed the Government and to encourage them to pay. Uncollectible debts are referred to credit bureaus, Government agencies, and private collection agencies for administrative offset or collection, and to the Department of Justice for litigation. The standards are used to determine as early as possible whether a debt can be resolved administratively or should be referred for litigation.

OCHAMPUS procedures. The Office of the General Counsel, OCHAMPUS, has developed recoupment procedures based on the Federal Claims Collection Standards. A credit bureau will be notified when a debtor has had 60 days' notice. In addition, the COM-FI provides that 60 days after a debt has been identified, the debtor will be informed of a pending referral to a credit bureau. Both procedures clearly state that credit bureaus will be notified 120 days after the potential debt was identified.

Results of Review

Collection actions. OCHAMPUS was not taking aggressive collection actions to collect monies owed the Government from overpayments of CHAMPUS claims. At the 3 FIs, we identified 260 cases of accounts receivable for March and April 1991, worth about $1.3 million, that were at least 120 days old with no payments, correspondence, or offsets against subsequent claims. The OCHAMPUS Recoupment Section did not promptly refer delinquent debts to credit bureaus to encourage debtors to pay. The FIs routinely sent letters to debtors at 30, 60, and 150 days, but no aggressive action was taken until the FIs referred the debts to OCHAMPUS after 180 days. Transferring debts from the FI added another 30 days. The lapsed time totaled 210 days after the debt was identified and credit bureaus could be notified.

The practice of notifying credit bureaus 90 days beyond the standard established by the Office of General Counsel, OCHAMPUS, could result in noncollection of the entire debt.

Validation of debt records. Because OCHAMPUS validated delinquent debts long after debts were identified, referrals to credit bureaus were not an effective collection method. To ensure that the Government's claim was litigable, validations were necessary before involuntary collection action could be started. OCHAMPUS did not validate debts until more than 180 days after they were identified for referral to credit bureaus, or more than 60 days after the criteria established by the Office of General Counsel, OCHAMPUS, and COM-FI. The Chief of the Recoupment Section said that debts could not be validated earlier because of personnel shortages. After validation, the Recoupment Section preferred to take other involuntary collection actions, such as offsets against entitlements due from other Government agencies, because they were more effective than referrals to credit bureaus. For the process to be effective, delinquent debts should be validated and promptly referred to credit bureaus.

Conclusion. OCHAMPUS should refer delinquent debts to credit bureaus 120 days after the debts are identified in accordance with the Office of the General Counsel and COM-FI procedures. The longer a debt remains outstanding, the greater the likelihood that it will not be collected. Prompt referral to credit bureaus establishes that the Government requires timely repayment. It also ensures that a delinquent debt is litigable so that other collection actions can be taken.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Director, Office of the Civilian Health and Medical Program for the Uniformed Services:.

1. Validate delinquent debts before the 120-day time frame for notifying credit bureaus.

Management comments. The Assistant Secretary of Defense (Health Affairs) nonconcurred with draft report Recommendation C.1. to develop procedures to validate delinquent debts. Management stated that for several years, the Recoupment Section has had procedures for validating debts.

Audit response. We agree that OCHAMPUS has procedures to validate the debts. However, the intent of the recommendation was to validate debts before referring them to the credit bureau at the end of the 120-day period. The recommendation has been reworded accordingly. We request that management comment on the revised recommendation in response to the final report.

2. Notify credit bureaus 120 days after the debts are identified, in compliance with procedures of the Office of the General Counsel, Office of the Civilian Health and Medical Program for the Uniformed Services, and with procedures in Office of the Civilian Health and Medical Program for the Uniformed Services Manual 6010.24-M, "CHAMPUS Operations Manual-Fiscal Intermediary."

Management comments. The ASD(HA) nonconcurred with Recommendation C.2. Management responded that they had made unsuccessful attempts to improve processing times for transferring debts to OCHAMPUS for recoupment actions. OCHAMPUS attributed this condition to a lack of personnel and insufficient storage space to handle referrals before 180 days from the date of the initial demand letter.

Audit response. Management's comments were nonresponsive. "Office of the General Counsel Recoupment Procedures," paragraph K, page 5, requires that a report be sent to a credit bureau when a debt is more than $100, no debt waiver has been requested or approved, and the debtor has had at least 60 days' notice that the delinquent debt will be referred to a credit bureau.

COM-FI, Part Two, Chapter 5, requires that a followup letter be sent 30 calendar days after the initial letter requesting payment of the debt. The sample letter in COM-FI, Figure 5-7, states that in accordance with the Debt Collection Act of 1982, delinquent account information "will be referred to consumer reporting agencies 60 days from the date of this letter if the debt remains outstanding and you have made no arrangements for repayment."

Of the 260 cases of accounts receivable, valued at about $1.3 million, OCHAMPUS had not taken any actions to indicate that debts would be repaid, and had not referred these cases to credit bureaus in accordance with OCHAMPUS procedures. Neglecting to notify credit bureaus could undermine the collection process if debtors believe that OCHAMPUS recoupment actions are not serious. If OCHAMPUS cannot validate debts within the 120-day limit, FIs can be authorized to notify credit bureaus of delinquent debts. We request that the ASD(HA) reconsider his comments in response to the final report.

STATUS OF RECOMMENDATIONS

Number	Addressee	Responses Should Cover: Concur or Nonconcur	Proposed Action	Completion Date	Related Issues
C.1.	ASD(HA)	X	X	X	IC[1/]
C.2.	ASD(HA)	X	X	X	

[1/] Internal control weakness.

PART III: ADDITIONAL INFORMATION

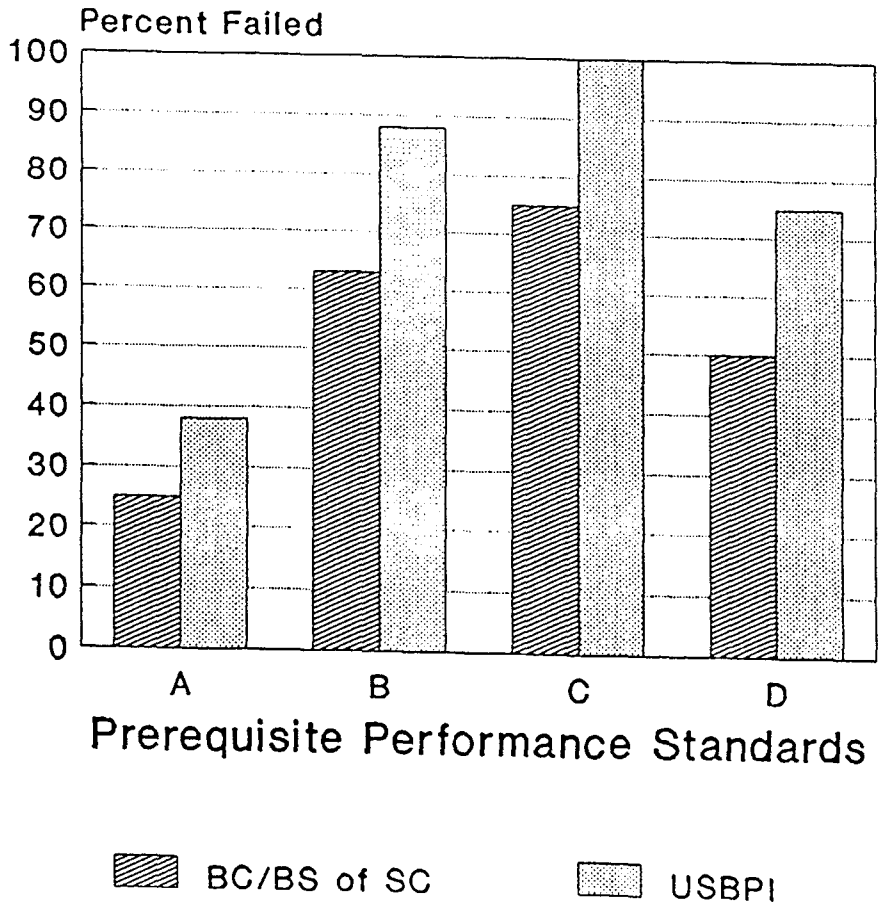
APPENDIX A - Fiscal Intermediary Performance Measured Against Prerequisite Standards

APPENDIX B - Summary of Potential Benefits Resulting from Audit

APPENDIX C - Activities Visited or Contacted

APPENDIX D - Report Distribution

FI Performance
Current Contracts



STANDARDS:

A - Timeliness-Claims

B - Institutional Errors

C - Professional Errors

D - Timeliness-Correspondence

*WPS performance data represented only 1 quarter. WPS also had problems implementing a new OCHAMPUS-directed computer system. Therefore, we excluded WPS data from the chart because they were not comparable to data from the other FIs.

APPENDIX B. SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Type of Benefit
A.1.	More effective processing of CHAMPUS claims.	Nonmonetary.
B.1.a.	More efficient evaluation of contractor performance.	Nonmonetary.
B.1.b.	Improved internal controls.	Nonmonetary.
B.1.c.	More efficient evaluation of contractor performance.	Nonmonetary.
B.2.	Improved internal controls.	Nonmonetary.
C.1.	Improved internal controls.	Nonmonetary.
C.2.	Compliance with regulations.	Nonmonetary.

APPENDIX C. ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Office of the Assistant Secretary of Defense (Health Affairs), Washington, DC
Office of the Civilian Health and Medical Program of the Uniformed Services, Aurora, CO

Department of the Army

Headquarters, U.S. Army Health Services Command, Fort Sam Houston, TX

Non-DoD Federal Organizations

Department of Health and Human Services
Office of the Inspector General
Health Care Financing Administration, Baltimore, MD

Non-Government Activities

Blue Cross/Blue Shield of South Carolina, Columbia, SC
Blue Cross/Blue Shield of South Carolina, Florence, SC
Uniformed Services Benefit Plans, Inc., Columbus, IN
Wisconsin Physicians Service, Madison, WI

APPENDIX D. REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Health Affairs)
Assistant Secretary of Defense (Public Affairs)
Comptroller of the Department of Defense

Department of the Army

Secretary of the Army
Inspector General

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)

Non-DoD Federal Organizations

Office of Management and Budget
U. S. General Accounting Office, NSIAD Technical Information Center

Chairman and Ranking Minority Members of the following Congressional Committees:

- Senate Committee on Appropriations
- Senate Subcommittee on Defense, Committee on Appropriations
- Senate Committee on Armed Services
- Senate Committee on Governmental Affairs
- House Committee on Appropriations
- House Subcommittee on Defense, Committee on Appropriations
- House Committee on Armed Services
- House Committee on Government Operations
- House Subcommittee on Legislation and National Security, Committee on Government Operations

PART IV: MANAGEMENT COMMENTS

Office of the Assistant Secretary of Defense (Health Affairs)

Office of the Assistant Secretary of Defense (Health Affairs)

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

HEALTH AFFAIRS

APR 23 1992

MEMORANDUM FOR DIRECTOR, FINANCIAL MANAGEMENT

SUBJECT: Draft Audit Report of CHAMPUS Claims Processed and Paid by Fiscal Intermediaries (Project No. OFC-0092) - INFORMATION MEMORANDUM

Attached is our response to your draft audit report, same subject, dated February 14, 1992. All concurrences or non-concurrences are explained in detail. Please call James N. Snipe at (303) 361-8916 if you have any questions or if we can be of further assistance.

for Enrique Mendez, Jr., M.D. PDASD

Attachment:
As stated

DoDIG DRAFT AUDIT REPORT
Project No. OFC-0092

Finding A, CONTRACTOR PERFORMANCE: "The three FIs had consistently not met accuracy and timeliness standards for processing claims. The OCHAMPUS contracts provided little positive incentive for compliance with OCHAMPUS standards, and negative incentives were so minor that the FIs appeared willing to incur the negative incentives rather than meet standards. Also, the criteria for positive and negative incentives did not match performance standards in the contract. As a result, beneficiaries and health care providers received incorrect and late benefit payments."

ASD(HA) Response: Partially Concur. The three FIs had consistently failed the accuracy and timeliness standards for claims processing during the period of October 1, 1988, through September 30, 1990. However, the period of time selected for this audit, FY 1989-1990, was not a period during which the Program could be expected to be stable in terms of the FI performance. Beginning in October 1988, four regional transitions between FIs occurred, which routinely disrupted their ability to perform at standard levels. During this period, as regional contracts changed from one FI to another, the ability to earn positive incentives was limited. This limitation was due to normal start-up problems incurred by FIs acquiring new regions.

The draft report provides only limited evidence that there were "little positive incentives" and that "negative incentives were minor." Unfortunately, the draft audit report appears to confuse what it labels "performance standards" with "incentive criteria."

Recommendation A: "We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services, revise criteria for incentives to match contract standards and adjust the monetary incentive pool to assess contractors for substandard performance."

ASD(HA) Response: Partially Concur. This specific recommendation has a great potential to make the incentive program more punitive in nature, significantly increasing Program costs in terms of increased claim rates and not provide a significant improvement in performance. Revision of criteria, if revised criteria can be developed which will improve performance more than they will increase costs, is a positive suggestion. An incentive program that is based on a single level that is "pass-fail" rather than a range of acceptable performance (with positive incentives above the range and negative ones below it) is not likely to be effective. Therefore, the OCHAMPUS contracts allow reasonable tolerance levels before the incentive program is activated. The payment error rates were established at a level such that a reasonable tolerance must be included before incentives are activated. The accuracy level of the sampling methodology requires, at a minimum, a one percent deviation from the contractual standards stated.

Potential bidders for CHAMPUS contracts propose claim rates at levels which account, in part, for the projected ability to incur both positive and negative incentives during the life of the contracts. To revise the criteria for incentives to mirror the standards would result in increased Program costs in terms of higher claim rates to take into consideration the potential for incurring negative incentives.

To revise the incentive pools for the purposes of assessing contractors for substandard performance contradicts contract case law and regulation. Contractually, the contractors can be given positive and negative incentives, but once those incentives become punitive, the government may be in breach of its contracts.

Finding B, CONTRACTOR SURVEILLANCE: "OCHAMPUS did not adequately monitor the FIs' performance. Specifically, services associated with duplicate payments, accounts receivable, error correction, and sanctioned providers were not properly evaluated. This condition existed because the management system for monitoring the contracts was not comprehensive enough to permit an overall evaluation of the contractors' performance. Also, two independent OCHAMPUS activities responsible for monitoring and evaluating FI performance did not coordinate their reviews. As a result, FIs were paid for services that were not performed in accordance with terms of the contract.

ASD(HA) Response: Concur. OCHAMPUS has not, because of human resource constraints, been able to monitor FI performance as closely as desired. The Director of OCHAMPUS initiated a reorganization, effective December 23, 1991, which will partially alleviate that problem. The Office of Program Integrity now has total responsibility for duplicate payment reports, follow-up and monitoring activities and no longer is involved with contractor audits. A new branch has been established within the Program Operations Directorate, which has been assigned overall responsibility of periodic evaluation of contractor performance. Evaluation coordination will also be accomplished through this branch.

Recommendation B.1.: "Develop and follow a comprehensive, written surveillance plan to monitor fiscal intermediaries' performance. The plan should:

a. Include performance standards and work requirements.

b. Identify the branch of the Office of the Civilian Health and Medical Program of the Uniformed Services that is responsible for monitoring each requirement and reporting the results to the contracting officer's representative.

c. State the frequency of reviews (i.e., monthly, quarterly, semiannually, or annually) for each contract requirement."

ASD(HA) Response: Concur. As part of the internal reorganization of OCHAMPUS and a clarification of specific responsibilities, a comprehensive monitoring plan will be developed which will identify all contractual requirements and assign review responsibility and frequency. The development of the plan will be completed by July 1, 1992, taking into consideration staff resource limitations and other major projects (such as implementation of the Coordinated Care Program) designed to improve the Program's effectiveness.

Recommendation B.2.: "Require contractors to correct deficiencies and determine amounts due the Government for failure to meet acceptable levels of performance."

ASD(HA) Response: Partially Concur. OCHAMPUS currently monitors and requires that contractors correct deficiencies. Deficiency correction follow-up will be improved with the OCHAMPUS reorganization, which has centralized the evaluation of contractor performance into one office.

The Federal Acquisition Regulation does not provide for assessing amounts due the government for failure to meet acceptable levels of performance unless damage to the government can be shown. OCHAMPUS, through the incentive program, which is based on predetermined standards and incentive dollar amounts, has the ability to assess contractors for unacceptable performance.

Recommendation B.3.: "Develop a control system to track each deficiency resulting from site visits, claims audits, reports of potential duplicate payments, and any report or process that identifies deficiencies."

ASD(HA) Response: Partially Concur. OCHAMPUS presently has a manual system for tracking all established deficiencies. It is the responsibility of the Contracting Officer's Representative to maintain each deficiency from the point of identification through completion of corrective action by the contractor. Each deficiency is maintained and annotated with all actions taken by both OCHAMPUS and the contractors. We agree the system can always be improved and welcome any specific suggestions on doing so. At Tab A is a copy of OCHAMPUS Instruction 4105.5, "Fiscal Intermediary Deficiency Reporting and Monitoring System," which describes the deficiency monitoring system. Consideration of revisions to this instruction will be given as a comprehensive plan is developed.

Finding C, INVOLUNTARY COLLECTION ACTIONS: "OCHAMPUS was not taking involuntary collection actions as early as possible. OCHAMPUS reported delinquent debts to credit bureaus 90 days later than necessary. Delinquent debts worth $1.3 million were not referred. When debts remain outstanding for extended periods, the likelihood increases that they will not be collected."

ASD(HA) Response: Partially Concur. Although OCHAMPUS could begin involuntary collection action sooner, if additional staff resources were allocated to the debt collection function, that is unlikely to happen during this period when the Department of Defense is downsizing. We are unsure how the auditors arrived at the figure of $1.3 million as the value of delinquent debts not referred to credit bureaus. Debts over 120 days old that are retained by the FIs are not referred to a credit bureau. OCHAMPUS does take aggressive action; its collection rate exceeded the goal set by the Department of Defense in FY 1990 and FY 1991. A DoDIG memorandum dated December 12, 1989, reflected that the debt collection function was being effectively managed, but that efforts to improve the recoupment process hinged on allocation of additional personnel resources.

Referrals to credit bureaus are an effective means of collection only in certain limited circumstances. Credit bureau referrals result in collection of a debt only if the debtor is denied credit because of his or her delinquent debt to CHAMPUS. Although earlier referrals to a credit bureau might increase collections slightly, it has been the experience of OCHAMPUS that referral to credit bureaus, along with many other, generally more productive actions, results in little additional collections. The OCHAMPUS Recoupment Section has not identified a significant number of refunds which were generated from a poor credit report. We estimate that no more than 12 debtors have paid their CHAMPUS debt, as a result of a credit bureau referral, since credit bureau reporting was automated. We have no evidence that delays in validation of debt because of staff limitations have had any impact on the efficacy of credit bureau referrals as a debt collection method.

Recommendation C.1.: "We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services develop procedures to validate delinquent debts."

ASD(HA) Response: Nonconcur. These procedures have been in existence for several years. The Recoupment Section, Office of General Counsel, OCHAMPUS, has a detailed Standard Operating Procedure for validating delinquent debts referred by CHAMPUS FIs (Tab B). Legal Technicians ensure that recoupment cases filed contain sufficient documentation to support the existence of a debt based upon applicable statutes, DoD 6010.8-R, and the CHAMPUS Policy Manual, (OCHAMPUS 6010.47-M.). We welcome very specific suggestions for improvement.

Recommendation C.2.: "We recommend that the Director, Office of Civilian Health and Medical Program of the Uniformed Services notify credit bureaus 120 days after the debts are identified in compliance with Office of the General Counsel, Office of the Civilian Health and Medical Program for the Uniformed Services, and OCHAMPUS Manual 6010.24-M, CHAMPUS Operations Manual - Fiscal Intermediary."

ASD(HA) Response: Nonconcur. In order to implement the Debt Collection Act of 1982, OCHAMPUS issued Change 65 to the COM-FI, dated September 5, 1985. That COM-FI change required FIs to refer non-provider debts to OCHAMPUS 90 days from the date of the initial demand letter. Provider debts were to be referred to OCHAMPUS 180 days from the date of the initial demand letter. When that change was implemented by FIs, it became apparent that OCHAMPUS had neither sufficient physical storage space for all of the debt cases that were referred, nor sufficient personnel to handle them.

Since additional staffing is not available for the recoupment function, Change 97 to the COM-FI was issued May 24, 1991. That change requires FIs to hold cases for a minimum of 180 days, during which time administrative offsets are to be taken. If on day 180 the FI has successfully collected 50 percent or more of the total amount of the debt, the FI is required to hold the debt an additional 180 days and attempt to complete collection of the debt by administrative offset. If the FI has not collected 50 percent or more of the debt, after 180 days have passed, the case is referred to the OCHAMPUS Recoupment Section.

Final Report Reference

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Other ASD(HA) Comments:

page 6
page 7

1. Page 12 of the report is misleading. If the audit period is FY 1989-1990, then FI performance against all contracts for all quarters should be used and should include data on Blue Cross of Washington and Alaska (BCWA). Only on page 13 is the scope of the audit defined, and then the definition does not clearly state that some contracts, in force during the audit period, have been omitted. The report does not reflect the true overall FI performance for the FY 1989-1990 period. If performance against all FIs for all contracts for all quarters of FY 1989-1990 is used, the draft report should read:

	Passed	Failed	Required
BCBSSC	92	62	154
USBPI	8	24	32
WPS	39	15	54
BCWA	19	5	24
TOTAL	158	106	264

Overall Performance:

Passed 158 of 264 (59.8 percent)

Failed 106 of 264 (40.1 percent)

page 17

2. On Page 26 of the draft audit report is the statement, "The FIs routinely sent letters to debtors at 30, 60, and 150 days, but no other action was taken until the FIs referred the debts to OCHAMPUS after 180 days." Change 96 to the COM-FI was issued on May 17, 1991, to require that FIs send the third demand letter 90 days from the date of the initial demand letter. Additionally, while FIs hold the debts, they attempt to collect them by administrative offset from subsequent CHAMPUS claims submitted by debtors.

page 18

3. The DoDIG draft audit report contains a statement on page 27 that is incorrect. "After validation, other involuntary collection actions, such as administrative offsets by other Government agencies, were initiated because they were considered more effective than referrals to credit bureaus." Although the referral of delinquent debts to credit bureaus seldom results in the collection of money, delinquent debts are referred to credit bureaus, and, at the same time, pursued through referral to collection agencies, to other government agencies for administrative offset, or to the Department of Justice.

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