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Report to the Chairman, Legislation and
National Security Subcommittee,
Committee on Government Operations,
House of Representatives

August 1992

STATE DEPARTMENT

Need to Ensure Recovery of Overseas Medical Expenses

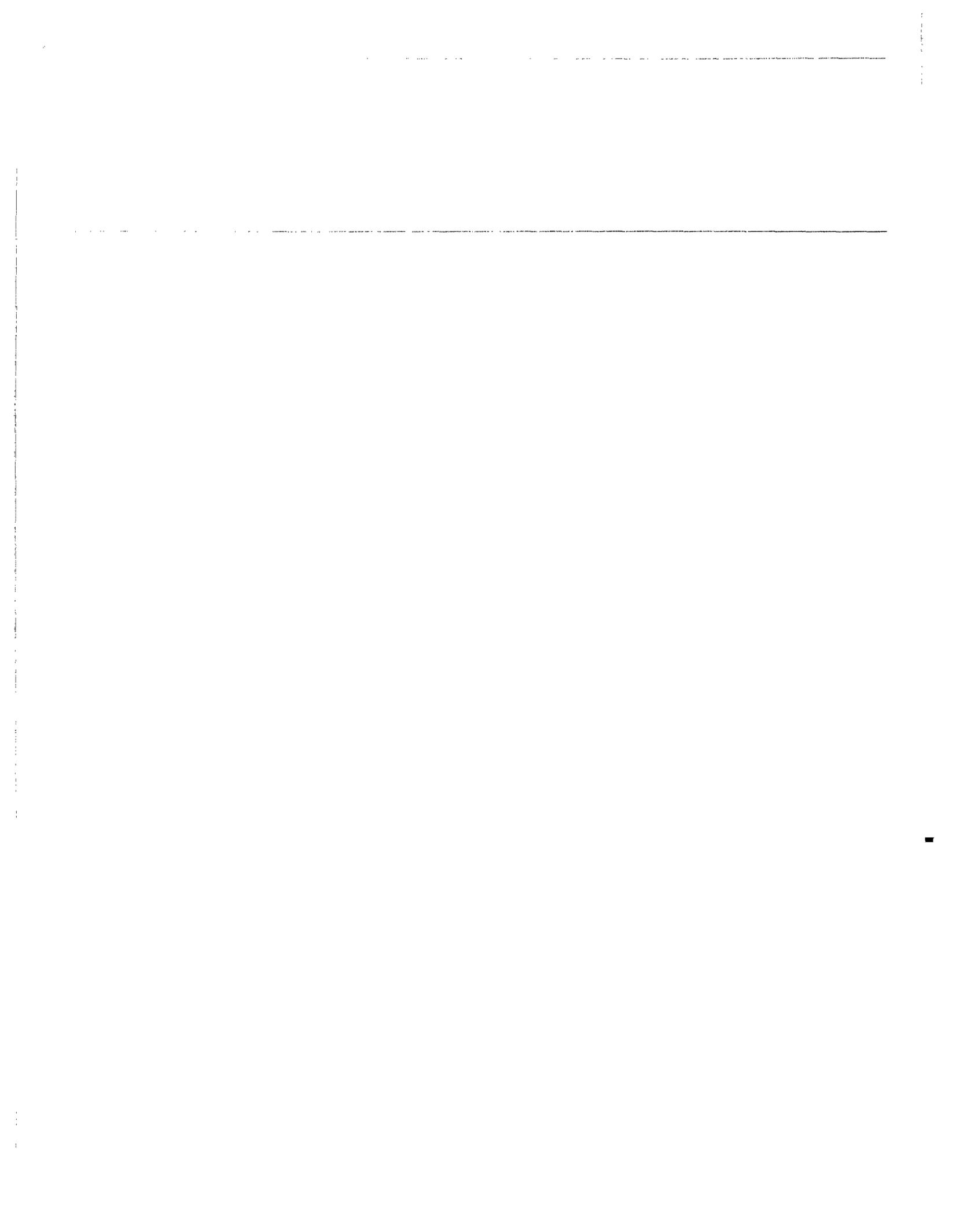


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**National Security and
International Affairs Division**

B-249418

August 7, 1992

The Honorable John Conyers, Jr.
Chairman, Legislation and National
Security Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In conducting our review of the State Department's management of its overseas posts, which you requested in February 1992, we reviewed the adequacy of controls over medical expenses of U.S. citizen employees and their dependents assigned to overseas posts. As agreed with your staff, we are providing you this interim report based on our observations at the first three embassies we visited—Santo Domingo, the Dominican Republic; Buenos Aires, Argentina; and Kingston, Jamaica. At these embassies, we examined procedures and systems to determine whether they ensure the government's full recovery of medical insurance benefits payable to insured employees and dependents for overseas medical expenses that the government has paid.

Results in Brief

The State Department does not have reasonable assurances that it is recovering the medical insurance benefits payable to insured employees and dependents for overseas medical expenses paid by the government. The three embassies we visited lack adequate procedures, and State lacks centralized accounting and monitoring systems to track overseas medical expenses to ensure that claims are filed by insured employees and dependents, reimbursements are received from insurers, and recoverable expenses are remitted to the government. The State Department's Office of Medical Services has also identified deficiencies in systems for collecting reimbursements at a number of posts. As a result, the government may be losing substantial amounts of recoverable expenses.

Background

The State Department authorizes and approves payment for inpatient medical care and related outpatient treatment of eligible overseas U.S.

citizen employees and their dependents.¹ According to officials of the Department's Office of Medical Services, which is responsible for the overseas medical health program, approximately 15,000 overseas U.S. citizen employees and their dependents are eligible for medical expense payments. According to officials of the Office of Medical Services, most of these employees and dependents also have private or federally sponsored insurance. Employees and dependents who have medical insurance coverage are responsible for filing claims with their insurer to recover allowable medical expenses that the government has paid and for remitting the insurance payments to the government. In fiscal year 1991, State's expenditures for overseas medical expenses totaled about \$2.2 million. According to officials of the Office of Medical Services, fiscal year 1992 appropriations available for these expenses total \$1.7 million.

According to the Foreign Affairs Manual, when hospitalization or medical care at government expense is authorized at overseas facilities, embassies are to (1) prepare Form FS-569, "Authorization for Medical Treatment," which is to include the employee's or dependent's insurance status; (2) prepare Form DSL-996, "Medical Care Received for Government Expense," upon administrative approval of the expenses incurred, requesting the employee or dependent to claim recoverable benefits; (3) assist in preparing insurance benefit claims; (4) follow up with employees if they have not remitted insurance payments within 45 days after they have been requested to claim recoverable benefits; and (5) ensure that employees deposit insurers' reimbursement checks with embassy cashiers.

Principal and administrative officers, or their designees, at the Department's overseas posts are responsible for ensuring that medical insurance benefits payable to employees and dependents are recovered as repayments to the government. Post budget and fiscal officers, which according to the Foreign Affairs Manual have responsibilities for control of assets including accounts receivable, typically have been delegated the responsibilities for ensuring collection of insurance reimbursements.

Eligible employees or dependents who are unable to obtain suitable medical care abroad under certain circumstances be authorized to travel to the United States to receive medical care at government expense.

¹Included in the Department's medical health program are all U.S. citizen employees of the Foreign Service and eligible dependents and U.S. citizen federal employees assigned abroad by other federal agencies participating in the medical health program and their eligible dependents.

The Department's medical coverage also applies to employees and dependents while they are in the United States on assignment, home leave, or for any other reason, when the medical condition is connected with overseas service.

Internal Control Standards

According to the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(b)) and the Comptroller General's internal control standards, federal departments and agencies are to have internal control systems that reasonably ensure that (1) applicable law and regulations are being complied with; (2) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and (3) revenues and expenditures are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

Internal control standards require, among other things, that all transactions and other significant events concerning the assets be clearly and promptly documented and the documentation be readily available for examination. Accountability for the custody and use of the asset records should be assigned, and the records should be periodically reviewed based on the vulnerability of the assets. The standards also require supervision to ensure that the internal control objectives are achieved.

Weaknesses in System for Recovering Medical Expenses at Overseas Embassies

At the three embassies we visited, we found weaknesses in the accountability of and control over medical expenses and reimbursements, as indicated by the following:

- Embassy medical personnel said that nine FS-569s had been prepared at the embassy in the Dominican Republic between October 1990 and July 1992. However, the budget and fiscal office had no system for ensuring that employees or dependents filed claims for reimbursements from their insurers or that any checks received by claimants were deposited with the embassy cashier. In addition, the regional medical officer said that his office did not track medical expenses to determine whether employees or dependents had filed claims or remitted payments to State.
- In Argentina, the embassy was preparing FS-569s and DSL-996s. It also maintained a medical claims summary report for follow-up on reimbursable expenses. The report identified medical payments for 11 employees, but it did not indicate the date of medical payments by the government or the date of the FS-569s or DSL-996s or fully explain the

status of individual accounts. For example, the post's most current medical claims summary report, dated March 1992, indicated that the embassy had paid an employee's medical expenses of \$17,360 but did not indicate when the payment had been made or whether the employee had filed a claim for reimbursement. The records indicated only that the embassy had contacted the employee by letter in October 1991 regarding the issue.

- At the embassy in Jamaica, health unit records indicated that one FS-569 had been prepared during the current nurse's tour of duty, which had begun about 2 years before. However, we could not determine from the embassy's records whether (1) that patient had filed a claim and remitted payment or (2) any prior FS-569s had been issued for other patients and reimbursements had been claimed or received. The embassy lacked a system for separately identifying FS-569s and follow-up actions for claiming reimbursable expenses.

State Department Office of Medical Services officials in Washington, D.C., also noted that deficiencies had been identified at embassies in Budapest, Hungary; Prague, Czechoslovakia; La Paz, Bolivia; and Lima, Peru, ranging from a general failure of the embassy to determine whether employees had filed claims for reimbursement with insurers or had paid recovered benefits to the government, to a need to ensure that employees and their dependents are fully aware of their responsibilities to make claims on a timely basis. For example, at the embassy in Budapest, post officials identified four employees who had been requested to file claims for medical costs totaling over \$40,000. Because the employees never returned to the post or left the post shortly after they had been requested to file a claim, the post did not know whether the employees had filed or received claims or if the government had been reimbursed for costs incurred by the Department.

According to officials in the Office of Medical Services, the government may be losing large amounts of recoverable expenses because of inadequate procedures at the overseas posts. These officials said that insurers typically cover 80 percent of authorized expenses; using that percentage, the potential recoverable amount of fiscal year 1991 State expenditures would have been approximately \$1.76 million. However, the Office of Medical Services has no records from which to make an accurate estimate of the amounts that should be recovered for overseas treatment or the amounts that were actually recovered. Furthermore, officials in the Office of Medical Services acknowledged that inadequate post systems created opportunities for employees to receive and retain insurance payments for medical services that the government has paid for.

Officials in State's Office of Medical Services and the Bureau of Finance and Management Policy said that there is no centralized system in place to ensure that embassies account for and collect reimbursable medical expenses. Except for medical evacuations for treatment of employees and dependents in U.S. facilities, the Office of Medical Services does not track medical expenses overseas to determine whether medical insurance benefits are claimed or collected. The Department's financial management systems lack an accounts receivable capability to accurately and promptly record and report receivable payments and to ensure such payments are being collected. Officials in the Bureau of Finance and Management Policy, which is responsible for State's financial management systems, acknowledged that the lack of centralized oversight of overseas medical expenses is a long-term problem that needs attention. They said that the lack of an accounts receivable capability contributes significantly to the difficulty in ensuring that all overseas medical expenses covered by insurers are claimed and remitted to the government on a timely basis.

Officials in the Office of Medical Services also reported problems in accounting for payments for medical services provided to eligible employees and dependents at medical facilities in the United States. Although there is a system for tracking domestic claims, it has several deficiencies, including no provision for determining the reasonableness of fees for medical services rendered and no mechanism for determining residual payment reconciliation. Planned efforts to improve accountability for these domestic charges include an audit to ensure the accuracy and appropriateness of medical charges paid by the government. However, the Office of Medical Services has not formulated plans for strengthening controls over overseas medical expenses.

The State Department Inspector General is also concerned about the vulnerability of the overseas medical system. Based on the issues raised in this report as well as related areas, the Inspector General has plans to examine the Department's overseas medical cost recovery program. We have discussed these plans with the Inspector General's staff and have agreed to share any additional information we develop during our review of overseas post management.

Recommendation

We recommend that the Secretary of State ensure that systems are developed to identify and report on (1) the amount authorized and paid by each embassy for medical expenses, by employee, and the date expenses were authorized and/or paid; (2) the names of the employees' insurer and the date employees filed claims for reimbursement; (3) the amount of recoverable expenses paid to employees and the amount employees remitted to the government; and (4) delinquencies or problems employees experience in filing claims or remitting recoverable expenses to the government.

Scope and Methodology

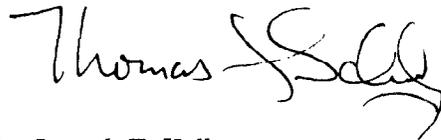
We interviewed officials at the embassies in Santo Domingo, the Dominican Republic; Kingston, Jamaica; and Buenos Aires, Argentina. We also interviewed officials in the State Department's Office of Medical Services, the Bureau of Finance and Management Policy, and the Office of the Inspector General. We reviewed documents at the overseas posts and at State headquarters on overseas medical programs, including post authorization and claims records, the Foreign Affairs Manual, and Office of Medical Services expenditure and obligation data for fiscal years 1990-91.

We conducted our work between April and July 1992 in accordance with generally accepted government auditing standards. As you requested, we did not obtain fully coordinated State Department comments on this report. However, officials from State's Office of Medical Services and the Bureau of Finance and Management Policy reviewed a draft of this report and generally agreed with its contents.

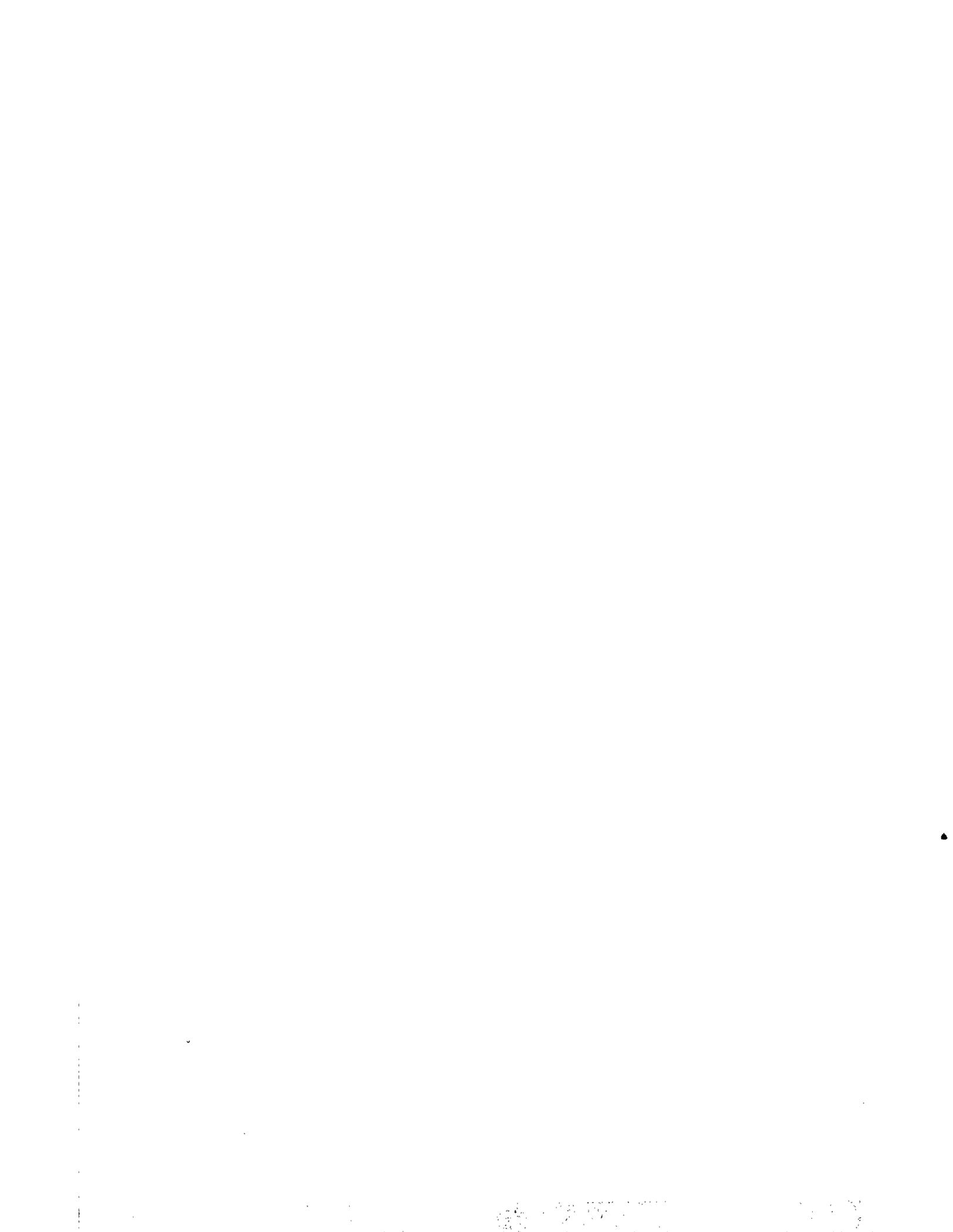
As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its issue date. At that time we will send copies to the Secretary of State, other appropriate congressional committees, and the Director of the Office of Management and Budget. We will also make copies available to others.

Major contributors to this report are Thomas J. Schulz, Associate Director; John Brummet, Assistant Director; Lynn Moore, Project Manager; and John Townes, Senior Evaluator. Please contact me on (202) 275-4128 if you or your staff have any questions on this report.

Sincerely yours,

 Associate Director

for
Joseph E. Kelley
Director, Security and International
Relations Issues



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