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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

April 15, 1981

The Honorable John H. Moxley III
Assistant Secretary of Defense
(Health Affairs)



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Dear Mr. Moxley:

Subject: [New Claim Forms and Changes in Administrative
Procedures May Increase Improper CHAMPUS
Payments] (HRD-81-75)

In a March 16, 1979, letter to the Secretary of Defense (HRD-79-58), we reported that internal control procedures in the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) were inadequate to prevent ineligible persons from obtaining program benefits. We estimated that \$780,000 in benefits were improperly paid over a 26-month period for just one category of ineligible persons--dependents of former active-duty members who had separated from the service. In a February 2, 1981, report to the Congress (HRD-81-38), we reported that CHAMPUS fiscal intermediaries frequently paid claims erroneously because proper eligibility information was not obtained. Among the errors noted were (1) claims paid for services provided children age 21 and over without documentation supporting student or incapacity status and (2) claims paid with dates of care that were either before or after eligibility dates shown.

Unlike Medicare and health plans of the Federal Employees Health Benefits Program, CHAMPUS has no central files of beneficiaries that may be checked to determine each claimant's eligibility. Instead, fiscal intermediaries determine eligibility from data provided on the claim form. Since this system relies on data provided by the claimant, it provides little control over payments to ineligible persons.

DOD is developing a centralized enrollment system that should help prevent payments for ineligible persons. However, the system--the Defense Enrollment Eligibility System (DEERS)--is not expected to be fully operational for several years. Until DEERS is operational, fiscal intermediaries must continue to rely on the claim form to provide sufficient information to determine eligibility for CHAMPUS benefits.

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We believe that certain program changes recently implemented or planned by the Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) will result in (1) weakening program controls, (2) increasing improper benefit payments, and (3) providing slower service to beneficiaries due to claim processing delays. Specifically, we are concerned that

--new claim forms do not provide adequate beneficiary eligibility data and will result in delays in processing in order to obtain necessary information;

--beneficiaries residing within 40 miles of a uniformed services medical facility will no longer be required to submit, with their CHAMPUS claims, statements that nonemergency inpatient care is unavailable at those facilities; and

--fiscal intermediaries no longer are required to obtain certification as to the continued eligibility of dependent children over age 21.

NEED TO OBTAIN ADEQUATE ELIGIBILITY
INFORMATION ON NEW CLAIM FORMS

We reviewed several CHAMPUS claim forms that OCHAMPUS plans to use to replace existing forms. The new forms were developed to improve the accuracy of initial claim submissions, thereby reducing the need to return claims for corrections or additional information; and, for two of the forms, to achieve uniformity with forms used by other public or private health benefit programs. We agree with these objectives and believe that the new forms are generally an improvement over the older forms. However, the new forms are not well designed for collecting the information needed to determine that patients are eligible for CHAMPUS benefits. Unless the forms are changed to more clearly require eligibility information, or other steps are taken to assure that it is provided, CHAMPUS payments to ineligible persons may increase or claim processing delays may occur while eligibility information is obtained or clarified.

The two new forms that we believe will be the least effective in obtaining eligibility data are CHAMPUS forms 501 and 601, which are to be submitted by providers--the form 501 by physicians and other individual providers, and the form 601 by hospitals and other institutional providers. These forms were designed for standardized use in all Government-sponsored health benefit programs; one of these, the form 601, is an adaptation of a universal billing form currently used by many civilian hospitals with automated billing systems. The move to standardize forms is an attempt to relieve the administrative burden on civilian health care providers who must deal with a variety of forms for the various

Federal health benefit programs. The form 501 has been in use since about October 1980, and OCHAMPUS expects to introduce the form 601 in January 1982.

We recognize the desirability of using standardized claim forms. However, claim forms should provide adequate information to determine that only eligible persons receive CHAMPUS benefits. While other health benefit programs can usually verify eligibility through either insurance plan policy numbers or the beneficiaries' social security numbers, much more information is required for CHAMPUS. For example, the dependents of active-duty personnel are eligible for the program only during their sponsors' periods of active-duty service. Therefore, under the present system, the fiscal intermediaries must obtain the beginning and ending dates of sponsors' eligibility from the claim form. Similarly, the amount beneficiaries are required to cost share depends upon the sponsors' status. Retirees and their dependents cost share at a rate of 25 percent of the cost of their outpatient or inpatient care, while dependents of active-duty personnel pay 20 percent of outpatient charges and a fixed-dollar rate for inpatient care.

In attempting to use standardized multiprogram claim forms, designed around the needs of other programs, OCHAMPUS has not adequately provided for beneficiaries' submission of unique CHAMPUS eligibility information. For CHAMPUS beneficiaries, required eligibility data include:

- The sponsor's branch of service, such as Air Force or Marine Corps.
- The sponsor's pay grade, if the sponsor is on active duty, such as E-3, W-1, or O-2.
- The sponsor's status, such as active duty or retired.
- The Veterans Administration station three-digit number that issued the identification card--for a CHAMPVA claim.

On the form 501, the block in which all of the above information is to be inserted requests the insured's group name or number. Although fiscal intermediaries have not yet received large numbers of forms 501, one fiscal intermediary told us that, of 15 forms 501 received, none had this block completed properly.

Instructions may not receive the attention required to properly provide the requested information on the form; and, even when this does occur, one key piece of information--the beneficiaries' inclusive dates of eligibility--would still be missing, since the form does not provide for reporting the effective and expiration dates of eligibility. As a result, payments could be made for care received outside the period of sponsors' eligibility.

OCHAMPUS recognizes that the new claim forms will provide increased opportunities for payments to ineligible persons. One program official told us that a decision was made to accept this added risk in order to comply with the Paperwork Reduction Act of 1980 (Public Law 96-511) and efforts by the Office of Management and Budget to reduce Federal paperwork.

Options, in addition to redesigning the CHAMPUS forms 501 and 601, are available to assure that the necessary eligibility information is provided. For example, a supplemental eligibility information sheet could be developed for attachment to CHAMPUS claims only. Another approach could be to require necessary CHAMPUS eligibility information on the back of the claim form or elsewhere. Whether one of these or some other approach is used, we believe that DOD should implement a procedure that will allow use of the standardized claim forms while assuring that the necessary eligibility information will be provided.

The two other new forms (CHAMPUS forms 500 and 600) are intended for use in CHAMPUS only. The form 500 is for submission by beneficiaries in cases where the providers do not wish to submit the claims. The form 600 was intended to be used by hospitals not having an automated billing system. Consequently, their design better meets requirements unique to CHAMPUS. These two forms should provide most of the data, including eligibility information, that the fiscal intermediaries need to process the claims. However, as with the two standardized forms discussed earlier, the new CHAMPUS forms 500 and 600 did not require the inclusive dates of program eligibility. Without that information, fiscal intermediaries have no way of determining, from the claim form, if the medical services billed were received while the beneficiaries were eligible under CHAMPUS. After our initial discussions with OCHAMPUS, we were told that a decision had been made to revise the forms before they are put into use to include provisions for eligibility dates.

NEED TO RECONSIDER PLANS TO RELAX
ADMINISTRATIVE CONTROL OVER THE REQUIREMENT
FOR OBTAINING NONAVAILABILITY STATEMENTS

Section 750 of Public Law 94-212, enacted February 9, 1976, prohibits payment of CHAMPUS funds for nonemergency inpatient care available at a uniformed services hospital within a 40-mile radius of the beneficiary's residence. To receive CHAMPUS benefits for nonemergency inpatient care, a beneficiary residing within that 40-mile radius must first obtain a nonavailability statement from the uniformed services facility certifying that the facility cannot provide the required service. In December

1978, we reported that this requirement resulted in savings of more than \$30 million during the first year after enactment of section 750. 1/

Currently, enforcement of the "40-mile rule" is accomplished through fiscal intermediaries' requiring that claims for non-emergency inpatient care be accompanied by a nonavailability statement. Claims submitted without the required statement are not paid until the statement is provided. This procedure is administratively simple, and our recent report 2/ disclosed that the fiscal intermediaries are generally enforcing the requirement.

With the implementation of the new hospital claim form 601, OCHAMPUS is planning to relieve the fiscal intermediaries of this enforcement responsibility. Under current plans, it will no longer be necessary to submit a nonavailability statement with the claim. Instead, the civilian hospital where care is received will be required to obtain the nonavailability statement from the beneficiary, if the beneficiary states that one is required, and hold it in its files for verification in case of a future audit by DOD or the fiscal intermediary.

OCHAMPUS believes that this new procedure will result in improved administration of the nonavailability statement requirement for several reasons. First, under the present system, processing delays occur when claims lacking the required statement are returned by the fiscal intermediaries. By relying upon the civilian hospitals to enforce the requirement when the medical services are delivered, those claim processing delays can be avoided. Second, an OCHAMPUS official stated that, by signing the new claim form 601, the civilian hospital is certifying that a nonavailability statement, if required, has been received and is on file. OCHAMPUS believes that this certification will make the civilian hospital liable for the CHAMPUS payment if it is later found that the beneficiary had not obtained the required statement and that this financial liability will give the hospitals adequate incentive to assure enforcement of the requirement.

However, the proposed language for the certification that the hospitals will sign indicates that they will only be certifying that they asked the patient whether or not a nonavailability statement was required. The certification contains nothing to indicate that the hospital made an independent determination of whether the

1/"Savings to CHAMPUS From Requirement to Use Uniformed Services Hospitals" (HRD-79-24, Dec. 29, 1978).

2/"Performance of CHAMPUS Fiscal Intermediaries Needs Improvement" (HRD-81-38, Feb. 2, 1981).

statement was required or that it is taking any responsibility for the accuracy of the patient's response. Therefore, it appears to us that OCHAMPUS would have little basis on which to seek reimbursement from the hospital for payments for ineligible persons.

An even greater problem would exist in recouping erroneous payments made on claims from other providers, such as physicians, consultant physicians, and anesthesiologists, who provided care during that same hospital stay. Because their claims would be submitted independently on the CHAMPUS form 501, which contains no certification concerning the need for a nonavailability statement, there could be little basis for recovery of the CHAMPUS funds.

This planned policy will not give OCHAMPUS adequate assurances that nonavailability statements have been obtained. Furthermore, if this policy change is implemented and OCHAMPUS does make a good-faith effort to enforce the nonavailability statement requirement, a number of problems could occur. For example:

- A new record retention and enforcement responsibility for the nonavailability statements will be transferred to a large number of civilian hospitals over which OCHAMPUS has no authority or control. Simply gaining their active cooperation will take a significant educational and public-relations effort.
- Considering the number of civilian hospitals that will be involved, any meaningful effort to monitor the program's effectiveness through periodic audits could be impractical because of the limited number of audit staff and significant time that would be required.
- If, through such periodic audits, cases are identified where the required nonavailability statements were not obtained, a difficult situation could exist. The uniformed services facility may have to decide whether to issue a retroactive nonavailability statement covering services received long ago, or if the statement is not issued retroactively, corrective action will have to be taken--either against the civilian hospital or the beneficiary--to recover the improperly paid CHAMPUS funds. This will cause not only an additional administrative burden, but also ill will regarding CHAMPUS.

We believe the current procedure for administering this requirement--submission of the nonavailability statement along with the claim to the fiscal intermediary--is relatively simple. It avoids the problems that would be experienced with the new approach, it has generally been shown to be effective, and it is

largely understood and accepted by both beneficiaries and providers. Accordingly, we believe that OCHAMPUS should retain the existing procedure for enforcing the nonavailability statement requirement.

NEED TO REINSTATE THE REQUIREMENT FOR
FISCAL INTERMEDIARIES TO VERIFY ELIGIBILITY OF
DEPENDENT CHILDREN 21 YEARS OF AGE OR OLDER

Dependent children lose their CHAMPUS eligibility upon reaching 21 years of age unless they are incapable of self-support due to a physical or mental condition that existed before that time, or unless they are a full-time student and dependent upon the active-duty member or retiree for over 50 percent of their support. In the past, the fiscal intermediaries were directed to verify the continuing eligibility of overage dependents claiming CHAMPUS benefits by obtaining a signed certification from the sponsor or parent that one of the above conditions existed. On June 6, 1980, OCHAMPUS issued instruction number 6010.11, which rescinded this procedure, apparently to expedite claim processing. The instruction directed the fiscal intermediaries to adjudicate claims received for overage dependent children in accordance with standard claim processing procedures. If for some reason the fiscal intermediary questions the eligibility of an overage dependent, it is instructed to contact the appropriate uniformed service for verification of continuing CHAMPUS eligibility.

We believe that the procedure in effect before June 1980 should be reinstated. As discussed previously, the new claim forms will not show dates of eligibility, therefore, making it possible for persons over age 21 who are ineligible to submit claims without the claims being questioned. Also, although a dependent over age 21 may be in school when a new identification card is issued, the student status could change before the card expires. An explanation provided by OCHAMPUS for the policy change is that the determination of eligibility is the responsibility of the uniformed service of which the sponsor is a member.

While the uniformed services may have initial responsibility for identifying persons eligible for benefits, OCHAMPUS is responsible for assuring that the program is administered in accordance with the law. The CHAMPUS legislation clearly states that dependent children reaching age 21 lose their eligibility unless one of the two exceptions discussed above apply. Consequently, when claims are received for services provided to overage dependent children, it seems reasonable to assure that they are still eligible for benefits by documenting that one of the above exceptions does apply. The new OCHAMPUS policy of processing such claims without obtaining certification of the dependent child's continuing eligibility increases the possibility of benefit payments for ineligible persons.

Historically, contacting the uniformed services for verification of the continuing eligibility of overage dependent children has proven to be a time-consuming procedure--often requiring a month or more before a response is received. Such delays in claim processing could lead to increased beneficiary dissatisfaction with the program. Accordingly, we believe OCHAMPUS should re-establish the procedure whereby the fiscal intermediaries routinely contact the sponsor or parent for explanation and certification of the circumstances that permit the continuing eligibility.

Recommendations


Responsible management of CHAMPUS requires reasonable assurance that only eligible persons receive CHAMPUS benefits and that legislative requirements are properly enforced. Certain OCHAMPUS actions planned and/or implemented, as discussed above, increase the opportunities for fraud and misuse of benefits. Once DEERS is operational and proven, some problems experienced in verifying program eligibility may be resolved. Until that time, however, we believe that OCHAMPUS should not relax the controls that exist. Accordingly, we recommend that you require OCHAMPUS to

- assure that claim forms now in use and new forms to be introduced provide complete beneficiary information, including dates of eligibility;
- retain the requirement that nonavailability statements be submitted with claims for nonemergency inpatient care; and
- reinstate the requirement that fiscal intermediaries obtain certification from sponsors or parents as to the continued eligibility of overage dependents.

We would appreciate being advised of any actions planned or taken regarding the matters discussed in this report.

We appreciate the many courtesies extended to our staff by DOD and CHAMPUS officials.

Sincerely yours,


Michael Zimmerman
Associate Director