

GAO Highlights

Highlights of [GAO-15-269](#), a report to congressional committees

Why GAO Did This Study

Improper payments—payments that were made in an incorrect amount or should not have been made at all—are a contributor to excess health care costs. For programs identified as susceptible to significant improper payments, federal agencies are required to annually report estimates of improper payments, their root causes, and corrective actions to address them. In fiscal year 2013, DOD spent about \$21 billion for TRICARE and estimated improper payments of \$68 million, or an error rate of 0.3 percent. That year, HHS estimated that \$36 billion, or 10.1 percent, of the total \$357 billion in Medicare payments were improper.

GAO was mandated to examine improper payments in TRICARE and Medicare. This report addresses (1) TRICARE and Medicare improper payment measurement comparability; and (2) the extent to which each program identifies root causes of, and develops corrective actions to address, improper payments. GAO examined DHA and CMS documentation related to improper payment measurement and corrective actions, reviewed relevant laws and guidance, and interviewed agency officials and contractors.

What GAO Recommends

DOD should implement more comprehensive TRICARE improper payment measurement methods that include medical record reviews, and develop more robust corrective action plans. DOD concurred with GAO's recommendations and identified steps the department will need to take for implementation. HHS had no comments on the report.

View [GAO-15-269](#). For more information, contact Vijay D'Souza at (202) 512-7114 or dsouzav@gao.gov.

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IMPROPER PAYMENTS

TRICARE Measurement and Reduction Efforts Could Benefit from Adopting Medical Record Reviews

What GAO Found

The Defense Health Agency (DHA), the agency within the Department of Defense (DOD) responsible for administering the military health program known as TRICARE, uses a methodology for measuring TRICARE improper payments that is less comprehensive than the methodology used to measure improper payments in Medicare, the federal health care program for the elderly and certain disabled individuals. Both methodologies evaluate a sample of health care claims paid or denied by the contractors that process the programs' claims. However, DHA's methodology only examines the claims processing performance of the contractors that process TRICARE's purchased care claims. Unlike Medicare, DHA does not examine the underlying medical record documentation to discern whether each sampled payment was supported. Without examining the medical record, DHA does not verify the medical necessity of services provided. The agency also does not validate that the diagnostic and procedural information reported on the claim matches the care and services documented in the medical record. Comparatively, the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services' (CMS) approach to measuring Medicare improper payments examines medical records associated with a sample of claims to verify support for the payment. This methodology more completely identifies improper payments beyond those resulting from claim processing errors, such as those related to provider noncompliance with coding, billing, and payment rules. By not examining medical record documentation to discern if payments are proper, TRICARE's reported improper payment estimates are not comparable to Medicare's estimates, and likely understate the amount of improper payments relative to the estimates produced by Medicare's more comprehensive methodology.

The root causes of TRICARE improper payments and related corrective actions that DHA has identified are limited to addressing issues of contractor noncompliance with claims processing requirements, and are less comprehensive than the corrective actions identified by CMS. For example, DHA has identified the same single corrective action for each of the last three fiscal years to promote contractor compliance, but it only addresses improper payments caused by contractors' claims processing errors. CMS, by comparison, reports more comprehensive information about root causes of improper Medicare payments, develops corrective actions that more directly address root causes, and uses the information to address the agency's goal of reducing future improper payments. For example, for fiscal year 2013, CMS determined that some payments were improper because the services could have been provided in less intensive settings and CMS subsequently implemented two policies to address the problem. In contrast, DHA's less comprehensive approach limits its ability to address the causes of improper payments in the TRICARE program.