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

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HUMAN RESOURCES
DIVISION

MARCH 16, 1979

B-133142

The Honorable Harold Brown
The Secretary of Defense

Dear Mr. Secretary:

We have surveyed internal control procedures used in the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and have noted that they are not adequate to prevent ineligible persons from obtaining CHAMPUS benefits.

In our survey we analyzed just one type of potentially erroneous benefit payment--payment for care received by dependents of former active duty personnel after their sponsor was separated from active duty. When an active duty member (sponsor) is separated from the uniformed services, his/her dependents lose entitlement to CHAMPUS benefits as of 12:01 a.m. on the day after separation, unless the separation is because of retirement or death. Our analysis of benefit payments for dependents who lost their CHAMPUS eligibility during fiscal year 1975 showed that an estimated \$780,000 was paid over a 26-month period for care received after sponsor separation. Our analysis involved developing computer programs showing all persons separated from active duty in fiscal year 1975, excluding those who died, retired, or reenlisted, and matching these data with CHAMPUS data on paid claims, including dates medical services were received.

The improper payments result from lack of an eligibility verification system and weak controls over the issuance and retrieval of military identification (ID) cards.

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ELIGIBILITY VERIFICATION SYSTEM

Neither the Office for CHAMPUS, which administers the program, nor CHAMPUS fiscal agents, who process and pay claims for benefits, routinely verify claimants' eligibility for CHAMPUS benefits. Unlike Medicare and some health plans of the Federal Employees Health Benefits Program, CHAMPUS has no computer files of beneficiaries which may be checked to determine each claimant's eligibility. Consequently, persons can claim CHAMPUS benefits after separation from the service if they keep their military ID card showing eligibility for CHAMPUS. In fact, if providers of care do not check for an ID card, persons without a card can also file a claim by putting the correct number of digits on the claim form in the space for the ID number.

According to a DOD official, studies on the feasibility of adopting a centralized eligibility system for CHAMPUS have been completed, a demonstration project is underway, and implementation is to begin in late 1979. The system, as described by the official, would include enrollment data on all persons eligible for care under CHAMPUS and the military's direct health care system. It would prevent improper payments, such as those described above; however, the system is not expected to be completely implemented before fiscal year 1985.

ISSUANCE AND RETRIEVAL OF MILITARY ID CARDS

The basic control over eligibility for benefits, such as CHAMPUS, is the ID card system. ID cards are issued at military installations to active duty and retired personnel and their dependents over 10 years old. Our survey of controls over the issuance and retrieval of ID cards at eight military installations in California revealed weaknesses in the current ID card system as a means of preventing ineligible persons from receiving benefits.

The Navy and Air Force require sponsors to present documentation, such as birth certificates and marriage licenses, to obtain ID cards for dependents. On the other hand, Army regulations, if the sponsor's rank is E-7 or higher, require no such documentation and permit issuance of dependent ID cards on the basis of the sponsor's signature. Further, since none of the services require ID cards for dependents under 10 years of age, sponsors could easily

obtain benefits for children of relatives or friends who were not eligible for benefits.

At the military installations we visited, personnel responsible for issuing ID cards received no formal training on interpreting documents and orders to verify eligibility for ID cards and benefits. According to officials at two of the bases, this lack of training has resulted in the improper issuance of ID cards. For example, officials at one base found that dependent parents and parents-in-law, who are eligible for some military benefits but not for CHAMPUS, were issued ID cards showing eligibility for CHAMPUS. This error was discovered when the ID cards were submitted for renewal. At another base, officials found that about 200 ID cards were issued to retired reserve military personnel, enabling them to receive CHAMPUS and other benefits before they were legally eligible for them. Reserve personnel do not become eligible for retirees' benefits until age 60.

ID cards are not always recovered from active duty members and their dependents when the members separate from the service. Therefore, if the expiration date of the ID card is later than the separation date, the sponsor and his/her dependents can continue to use the cards to obtain benefits after they are no longer eligible for them. In addition, at seven of the eight bases, procedures for obtaining ID cards from divorced spouses of active members were ineffective. Although not eligible for CHAMPUS and other benefits, the spouses could continue to use the ID card to obtain them.

At some of the bases we visited, many of the ID cards issued were to replace cards reported as lost or stolen. For example, at one base an estimated 6,300 of the 19,000 dependent ID cards issued during fiscal year 1977 were replacements for lost or stolen cards. Active duty personnel and their dependents can report a card missing, obtain another one, upon termination of service turn one of the cards in, but keep the other one and continue to obtain CHAMPUS benefits if the card's expiration date is after the date of separation or is not checked by the provider of care.

The deficiencies in the ID card system are long standing, and we have reported on them before. Following are excerpts from our July 19, 1971, report, "Potential for Improvements in the Civilian Health and Medical Program of the Uniformed Services."

"Personnel at military installations were issuing identification cards containing erroneous information regarding eligibility for CHAMPUS benefits. The rate of error found in our sample test of about 2,200 cards was 2.1 percent. Most of the errors can be attributed to unfamiliarity with regulations governing issuance of the cards and to carelessness of responsible personnel.

"Some persons were authorized CHAMPUS benefits after they became ineligible e.g., in certain instances after beneficiaries had reached their 21st or 65th birthdays, parents of sponsors had been authorized CHAMPUS benefits although not eligible, persons eligible for CHAMPUS had not been authorized benefits; and the effective dates inserted on the identification cards had not been correct."

* * * * *

"Regulations are not specific and do not assign responsibility for recovering invalid dependent identification cards to any specific function, organization, or person. Consequently the majority of invalid dependent identification cards are not recovered. Records are not kept of cards recovered, and, since entitlements remain available to a holder of a card until the expiration date, it is possible for CHAMPUS or other benefits and privileges to be obtained by holders of invalid cards."

The report recommended that the Secretary of Defense direct that regulations and procedures of the military services be strengthened to ensure proper issuance and recovery of identification cards.

Our November 21, 1975, report, "Management of the Civilian Health and Medical Program of the Uniformed Services Needs Improvement," dealt with corrective actions taken on previously reported CHAMPUS problems. We found no evidence of DOD corrective action regarding the above deficiencies in the ID card system. We repeated our recommendation to strengthen procedures to insure proper issuance and recovery of ID cards.

In February 1979 a DOD official told us that new instructions regarding issuance of ID cards are being prepared and are expected to be issued before mid-1979.

DEFENSE AUDIT SERVICE REPORT

A 1978 Defense Audit Service review of a sample of CHAMPUS claims disclosed benefit payments for ineligible persons. For 1,140 claims valued at \$180,000, the Audit Service found the eligibility of persons who submitted 204 claims valued at \$38,000 to be questionable. The Defense Investigative Service further reviewed 67 of the questionable claims for over \$100 and totaling \$23,200. It found that seven claims valued at \$2,862 should not have been paid and five claims valued at \$1,075 should have been paid through the Veterans Administration rather than CHAMPUS. Relating the \$3,937 in claims erroneously paid by CHAMPUS to approximately \$152,000 in claims over \$100 in its sample, the Audit Service computed an error rate of 2.6 percent. Applying that rate to the \$478 million paid for CHAMPUS claims in 1976, it estimated that as much as \$12 million may have been paid erroneously, including \$3.3 million that should have been paid through the Veterans Administration. The Audit Service recommended that arrangements be made for the Investigative Service to periodically verify the eligibility of program beneficiaries.

RECOMMENDATION

Although the centralized enrollment system which DOD plans to implement should prevent payments for care provided to ineligible persons, the system is not expected to be fully operational for about 4 to 5 years. The military ID card system continues to be inadequately administered to prevent improper benefit payments. Accordingly, we recommend that you require the uniformed services to implement more stringent regulations and procedures governing the issuance and retrieval of military ID cards. We believe this action should include:


- making the documentation requirement for the issuance of ID cards to dependents of Army personnel at all ranks consistent with the requirements for Navy and Air Force personnel and
- establishing formal training requirements for persons responsible for issuing ID cards.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement of actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Copies of this report are being sent to the Chairmen of the House and Senate Committees on Appropriations and Armed Services, the House Committee on Government Operations, and the Senate Committee on Governmental Affairs. Copies are also being sent to the Director, Office of Management and Budget.

We appreciate the cooperation our representatives received during the survey.

Sincerely yours,



Gregory J. Ahart
Director