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General Accounting Office  
Washington, D.C. 20548



Human Resources Division

B-251773

March 31, 1993

The Honorable Patricia Schroeder  
Chairwoman, Select Committee on  
Children, Youth and Families  
House of Representatives

Dear Madam Chairwoman:

This letter responds to your September 25, 1992 request that we examine the Department of Defense's (DOD) efforts to evaluate the appropriateness of psychiatric care provided to its beneficiaries under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Specifically, this letter addresses (1) the extent to which DOD has followed up on the findings of its mental health care utilization management contractor, Health Management Strategies International, Inc. (HMS); (2) DOD's future plans for reviewing the appropriateness of CHAMPUS psychiatric care; and (3) how regulations prohibiting certain mental health provider practices under CHAMPUS compare with Medicare.

To determine the validity of HMS's findings, we reviewed the medical records for several hospital admissions and stays that HMS judged to be medically unnecessary. Additionally, we met with the Acting Assistant Secretary of Defense (Health Affairs), his representatives, and HMS to discuss DOD's follow-up activity and future plans. We also compared regulations governing Medicare and CHAMPUS to determine if protections and authorities for dealing with provider fraud and abuse were similar under both programs.

In our April 28, 1992 testimony before the Select Committee,<sup>1</sup> we reported that HMS had identified a number of instances of potentially unnecessary hospital

<sup>1</sup>Defense Health Care: Efforts to Manage Mental Health Care Benefits to CHAMPUS Beneficiaries (GAO/T-HRD-92-27, Apr. 28, 1992).

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admissions based on a review of medical records. DOD concluded that the findings indicated only that the medical records did not agree with HMS records and that the disparity could be due to any of at least three factors: (1) incomplete or inaccurate medical records, (2) HMS errors, or (3) providers giving false or misleading information to justify hospital admissions.

DOD was reluctant, however, to pursue the cases for several reasons. First, the cases were from calendar year 1990, which predated the implementation of a November 1991 regulation forbidding providers from collecting from beneficiaries any payments denied or recouped by CHAMPUS for unnecessary or inappropriate care. Second, facilities had not been given an opportunity to respond to the findings. Third, some facilities had closed. Fourth, DOD's resources for utilization review activities were limited. Fifth, some private insurers were pursuing similar types of cases, thereby reducing the need for DOD to pursue these matters. Sixth, DOD's medical records documentation requirements and psychiatric hospital admission criteria had been strengthened since 1990. Nevertheless, in January 1993, DOD directed HMS to re-examine the cases of unnecessary care from those facilities from which it had taken a statistically valid random sample of cases (11 facilities in all).

HMS re-examined 157 cases (from 10 facilities) that its psychiatrists had determined to be medically unnecessary for some or all of the hospital stay. (Another 39 cases from one other facility were already being investigated by CHAMPUS.) The 157 cases of unnecessary care represented 43 percent of the total cases HMS originally reviewed from these facilities. HMS determined that for 35 of the 157 cases there was clear evidence that a provider misrepresented information to HMS when the provider was requesting approval for a hospital admission or continued stay. In 67 cases, HMS determined that it made an error and should not have certified the admission or continued stay. In 55 other cases, HMS could not determine whether the provider or HMS was at fault.

We reviewed the cases and verified that (1) the criteria and procedures HMS used to certify admissions and continued stays were valid, (2) the admissions and stays that HMS questioned were medically unnecessary based on the medical record documentation, and (3) the reasons cited by HMS for these discrepancies were correct.

Currently, HMS is reviewing cases from 1992 for six of the same facilities (four facilities have closed). Although HMS has not completed its work, it has indicated that the findings are similar to those of the previous reviews.

In response to the 1990 and 1992 findings, the Acting Assistant Secretary of Defense (Health Affairs) informed us that DOD has decided to take several actions. DOD will:

- notify the six currently operating facilities (and the parent companies of those that closed) of the findings and inform them that all CHAMPUS admissions will be closely scrutinized for medical necessity and appropriateness of care for the next 12 months,
- refer to the Inspector General those cases where a provider misrepresented information to HMS, and
- notify each facility that there will be retrospective denial of reimbursement for any 1992 care found to be medically unnecessary or inappropriate.

With respect to the future, DOD plans to continue having HMS conduct retrospective reviews of care. Forty-seven facilities have been identified for such reviews. After completion of these reviews, additional facilities will be examined if one-half or more of their requests for admissions or continued stay are clinically denied by HMS. Any care found to be medically unnecessary or inappropriate as a result of the reviews will be retrospectively denied and DOD officials stated that DOD will seek reimbursement from the providers.

We also evaluated the regulatory provisions protecting CHAMPUS and its beneficiaries in cases of provider fraud and abuse and determined that these provisions are similar to those in Medicare. In addition, the Program Fraud Civil Remedies Act (P.L. 99-509) and False Claims Act provide legal recourse for fraud and abuse in these federal programs.

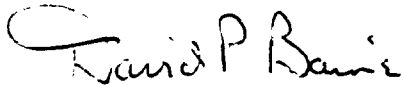
In conclusion, HMS is providing a service to CHAMPUS that scrutinizes the provision of mental health services to beneficiaries more thoroughly than other federally financed insurance programs. Also, DOD has made an appropriate commitment to take action against providers

B-251773

who deliver unnecessary or inappropriate care and to track these facilities' future performance.

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We hope this information is responsive to your request.  
If you have any questions please call me at (202)  
512-7101 or Stephen Backhus of my staff at (202)  
512-7120.

Sincerely yours,



David P. Baine  
Director, Federal Health Care  
Delivery Issues

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