



United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-275313

November 5, 1996

Dr. Marilyn Gaston
Director, Bureau of Primary
Health Care
Health Resources and Services
Administration
Department of Health and Human Services

Dear Dr. Gaston:

With the assistance of federal grant funds, more than 600 community and migrant health centers provide access to health care for over 7 million people. One recent estimate indicates that these centers spent almost \$50 million for private malpractice insurance premiums in 1994. The Congress passed the Federally Supported Health Centers Assistance Act of 1995 (P.L. 104-73), which extends Federal Tort Claims Act (FTCA) coverage indefinitely to certain federally supported health centers. Coverage under FTCA may enable centers to reduce or eliminate their private malpractice insurance costs, providing them the opportunity to use these savings to expand health services.

In response to a directive in the act and subsequent discussions with congressional staff, we are examining the Bureau of Primary Health Care's efforts to implement this new coverage. Specifically, we are reviewing the Bureau's efforts to provide risk management services to these centers, as well as the risk management services previously provided to centers by their malpractice carriers. In addition, we will be reporting the claims experience of centers with FTCA coverage from the beginning of the FTCA pilot in January 1993 to the present. During this ongoing effort, we noted a problem that we believed should immediately be brought to your attention.

It is possible that centers could continue using federal grant funds to pay their private comprehensive malpractice premiums at the same time they are participating in FTCA. These grants are awarded for multiple years and are funded in annual increments. Although the Bureau's April 23, 1996, Policy Notice advised centers participating in FTCA that retaining private comprehensive malpractice insurance will not be permitted and any such

GAO/HEHS-97-32R Federal Tort Claims Act Coverage

157758

expenditure would be disallowed, the Bureau did not establish an effective date to cancel such coverage. Despite the prohibition of spending grant funds, officials at several centers that currently have dual coverage told us that they do not know whether or when they will drop their private comprehensive malpractice insurance. Without a deadline, centers covered by FTCA may continue to use federal grant funds to pay for their private comprehensive malpractice insurance.

Clearly, because they continue to pay premiums for private comprehensive malpractice coverage, centers with dual coverage may not be saving money that could enable them to expand health services. While FTCA coverage offers centers the opportunity to save money, the centers may be reluctant to cancel their private comprehensive malpractice coverage, for several reasons. FTCA coverage is still a relatively new option for centers and is accompanied by a degree of uncertainty. Uncertainty about which services and procedures are not covered by FTCA, the availability of private policies to cover these gaps, and questions about the FTCA claims resolution process may all contribute to a center's decision to forgo savings and retain dual coverage. However, some centers that have canceled their private comprehensive malpractice coverage and are participating in FTCA are reporting savings, some of which are substantial. For example, a center official in Rhode Island told us that this center has already saved almost \$600,000 since 1993. Savings have been used to improve medical staff retention and will also be used to expand patient programs.

By allowing an indefinite amount of time to transition from private comprehensive malpractice coverage to FTCA coverage, the Bureau is not ensuring that centers save federal money. While centers may need time to resolve their concerns before dropping duplicate coverage in favor of that provided by FTCA, continued dual coverage may not allow centers to save funds while the federal government assumes liability. By establishing a deadline when private comprehensive malpractice coverage is no longer an allowable expense, the Bureau can help ensure that centers realize savings to expand health services. We have discussed this matter with Bureau officials, who agree that this situation should be addressed. They told us that the Bureau plans to issue a Policy Notice in November establishing December 31, 1996, as the deadline for most centers to cancel dual coverage.

We would be glad to discuss these and any related matters with you. This letter was prepared by Geraldine Redican, Senior Evaluator, and Paul Alcocer,

B-275313

Assistant Director. Please contact Ms. Redican at (312) 220-7678 with any questions. We appreciate your assistance and cooperation, along with that of other officials at the Bureau, in our ongoing review.

Sincerely yours,



Leslie G. Aronovitz
Associate Director, Health
Financing and Systems Issues

(108307)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

**United States
General Accounting Office
Washington, D.C. 20548-0001**

<p>Bulk Rate Postage & Fees Paid GAO Permit No. G100</p>

**Official Business
Penalty for Private Use \$300**

Address Correction Requested
