



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

AUG 29 2011

MEMORANDUM

TO: MED – Dr. Thomas Yun

FROM: OIG – Harold W. Geisel 

SUBJECT: Report on *Audit Survey of Reimbursement to the Department of State for Overseas Hospitalizations* (AUD/HCI-11-43)

The Office of Inspector General (OIG) conducted an audit survey of the Department of State's (Department) process to collect employee reimbursement for overseas hospitalizations. The specific objective of the survey was to determine whether internal controls were in place and were being implemented to ensure that insurance payments for medical services rendered for overseas hospitalizations were properly reimbursed to the Department.

OIG determined that expenditures for overseas hospitalizations for FYs 2004–2008<sup>1</sup> averaged approximately \$5.4 million while reimbursements to the U.S. Government averaged \$4.8 million, or 89 percent of the annual costs. Consequently, the net “cost” to the Government for the hospitalizations was approximately \$600,000 per year—some of this amount may yet be recouped. OIG found that Office of Medical Services (MED) medical claim files lacked sufficient documentation to determine whether outstanding unreimbursed balances were the responsibility of the Department or the employees hospitalized. As a result, for the period of FYs 2004–2008, the Department wrote off<sup>2</sup> \$188,500 of medical accounts receivable, with another \$402,366 remaining open and unresolved. Beginning in FY 2009, the Department implemented actions to ensure that medical accounts receivable were collected in a timelier manner.

During its audit survey, OIG found the following:

- The *Foreign Affairs Manual* (FAM) and other guidance pertaining to reimbursement for overseas hospitalizations were open to interpretation and were inconsistent or ambiguous because updates to specific individual sections of the FAM or other guidance was not reflected in other sections or guidance related to the same issues.

<sup>1</sup> Because claims can be filed for up to 2 years subsequent to the hospitalization, FY 2008 was the last full year for which all claims would have been expected to be filed and paid at the time of OIG's audit survey.

<sup>2</sup> 4 FAM 495a, “Write Off of Debt,” states, “A write-off is an accounting procedure that results in reporting a debt or receivable as having no value on the agency's accounting and financial reports.”

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- MED determined the reasonableness of insurance reimbursement using a standard for reimbursements that was not formalized and that was considerably less than the actual reimbursement rates because the standard was not based on actual historical averages.
- Employees were not required to reimburse the Department for copayments because MED did not consider the copayment amounts worth pursuing and pursuing the copayments was not authorized by the FAM.

As a result of these conditions, the cost to the Department for overseas hospitalizations could be more than necessary.

OIG made recommendations for MED to clarify existing guidance to eliminate contradictions and ambiguity; analyze historical data and/or current insurance policies to establish an expected target rate for reimbursements for overseas hospitalization expenditures; and determine whether the Department has the authority to collect copayments for overseas hospitalizations from employees and, if it does have the authority, develop and implement policies and procedures to collect the copayments.

OIG provided a draft of this report to MED, the Bureau of Resource Management (RM), and the Office of the Legal Adviser in June, 2011. In its August 2011 response (see Attachment C), MED agreed with OIG's three recommendations, and OIG considers all the recommendations resolved. They will remain open pending review and acceptance of documentation showing that they have been implemented. In its July 2011 response (see Attachment D), RM did not comment on the recommendations. However, it provided replacement language pertaining to the process for recovering medical accounts receivable that OIG has incorporated into the report. The Office of the Legal Adviser did not provide a response to OIG. Management's comments and OIG's replies are presented after each recommendation.

### **Background**

Under the Department's Medical and Health Program, the Department is the secondary payer, that is, it pays residual charges not covered by the employee's health insurance, for hospital charges and related medical services for Department employees and their eligible family members hospitalized overseas. Because most overseas medical care providers and institutions do not accept U.S. medical insurance, MED can authorize posts to pay the medical providers directly and obtain insurance reimbursements from employees or their medical insurers. In accordance with the FAM,<sup>3</sup> the Department will not pay for employees' deductibles that are required in the employees' respective insurance plans. Also, if an individual is not covered by insurance, that individual must reimburse the U.S. Government the entire amount of all medical expenses incurred.<sup>4</sup>

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<sup>3</sup> 16 FAM 531(2), "Limitations." (Dec. 2009)

<sup>4</sup> 16 FAM 521c, "Applicability." (July 2009)

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**Authorizing Payment to Medical Providers and Obtaining Reimbursement From Insurers**

When appropriate post medical personnel determine that an employee or an eligible family member needs hospitalization overseas, the post submits a funding request to MED, which, if the request is approved, provides an obligation number for funding from the MED allotment in the Working Capital Fund.

Prior to admittance or, in the event of an emergency, after admittance, the post will have the employee sign a Form DS-3067, Authorization for Medical Services for Employees and/or Dependents, which is an agreement to claim health insurance reimbursement from the employee's health insurance, and then reimburse the Department.

Using the obligation number provided by MED, the post pays all local hospitalization charges as the medical bills are received from the service providers. After a post pays the medical bills, the bills are given to the employee for the employee to submit a claim with the bill to the insurance provider. When reimbursement is received from the insurance provider, the employee endorses insurance reimbursement checks to the respective embassy's cashier. Posts have made arrangements with some insurance providers to allow employees to assign health insurance benefits directly to a post, after which time the insurer sends reimbursement checks directly to a post's financial management office. Depending on the insurance company, reimbursement will be paid for claims filed no later than from 1 to 2 years from the date of the medical service provided. The employee is responsible for the entire amount of charges incurred if the employee does not have any health insurance, if the employee's health insurance provider refuses to pay, or if the employee's policy does not cover overseas hospitalizations.

Regarding documentation that posts are required to provide to MED, the FAM<sup>5</sup> states:

The management officer at post is responsible for submitting the following documents to the Office of Medical Services (MED) within 60 days from the time of the patient's discharge from the treating facility:

- (1) A final accounting of medical expenses paid;
- (2) A copy of Form DS-996, Medical Care at Government Expense, signed by the patient and the insured;
- (3) A copy of the insurance claim form; and
- (4) A copy of Form DS-3067 . . . with a signed release authorizing MED to review the status of claim payments and release necessary information related to the claim.

In its response to OIG's draft report, RM described the process related to medical accounts receivable as follows:

Using the information provided by the post, MED notifies the Bureau of Resource Management (RM) to establish an account receivable. RM then initiates a series of four notifications to the employee regarding reimbursement. The employee

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<sup>5</sup> 16 FAM 524d, "Accountability for Payment of Medical Expenses."

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can contest the existence of the debt and request an internal administrative review by the Deputy Assistant Secretary for Global Financial Services or his or her designee. If an administrative review is completed and a determination is made that a valid debt exists, but the employee fails to make payment or approve payroll deductions, the debt is referred to Treasury for collection. Payroll deductions can only be instituted when the employee approves the deduction.

### **Prior Office of Inspector General Reports**

OIG has issued two reports within the past 10 years that address issues related to overseas hospitalizations:

- *Review of Overseas Medical Operations* (01-HR-M-036, July 2001) – In this report, OIG found that the Department did not ensure complete and timely tracking of reimbursements for overseas hospitalizations. Employees were expected to file claims with their insurance providers and then reimburse the Department. The Department was not applying then-existing controls to ensure complete and timely reimbursement. Consequently, the Department had open accounts receivable of almost \$1 million for FYs 1996–1999. OIG made seven recommendations to improve the Department’s performance in this area, all of which were subsequently closed.
- *Inspection of the Office of Medical Services* (ISP-I-06-34, June 2006) – In this report, OIG found that MED could be missing opportunities to identify and enhance its health care cost-recovery effort. OIG made one recommendation to address the issue, which was subsequently closed.

### **Results of Audit Survey**

OIG determined that expenditures for overseas hospitalizations for FYs 2004–2008 averaged approximately \$5.4 million, while reimbursements to the U.S. Government averaged \$4.8 million, or 89 percent of the annual costs. Consequently, the net “cost” to the Government for the hospitalizations was approximately \$600,000 per year—some of this amount may yet be recouped. MED’s medical claim files lacked sufficient documentation to determine whether outstanding unreimbursed balances were the responsibility of the Department or the employees hospitalized. As a result, for the period of FYs 2004–2008, the Department wrote off \$188,500 of medical accounts receivable, with another \$402,366 remaining open and unresolved. (Information on hospitalization expenditures and collections for FYs 2004–2008 is provided in Attachment B.) Beginning in FY 2009, the Department implemented actions to ensure that medical accounts receivable were collected in a timelier manner.

OIG found that the FAM and other guidance pertaining to reimbursement for overseas hospitalizations are open to interpretation and are inconsistent or ambiguous because updates to specific individual sections of the FAM or other guidance was not reflected in other sections or guidance related to the same issues. Also, MED determined the reasonableness of insurance reimbursement using a standard for reimbursements that was not formalized and that was considerably less than actual reimbursement rates—the standard was not based on actual historical

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averages. Further, employees were not required to reimburse the Department for copayments because MED did not consider the copayment amounts worth pursuing and pursuing these amounts was not authorized by the FAM.

**Lack of Documentation Resulted in the Cancellation and Waiver of Overseas Hospitalization Debts**

For FYs 2004–2008, expenditures for overseas hospitalizations averaged approximately \$5.4 million, while reimbursements to the U.S. Government averaged \$4.8 million, or 89 percent of the annual costs. Consequently, the net “cost” to the Government for the hospitalizations was approximately \$600,000 per year—some of this amount may yet be recouped. For FYs 2004–2008, the Department wrote off \$188,500 of hospitalization debt as uncollectible. In addition, \$402,366 remains in open medical accounts receivable, of which \$87,300 was turned over to the U.S. Treasury for collection and \$92,000 was subject to payroll deductions.

OIG reviewed RM’s documentation for 11 medical accounts receivable, totaling \$144,757, of the \$188,500 that was written off between January and June 2010. In each case, the debt was waived because an internal administrative review conducted by RM at the request of the debtor determined that documentation could not be found to show whether the employee was provided bills for the services or was informed of the debt in a timely manner to meet insurance company filing requirements. RM determined that the employees had taken all the actions necessary to get the claim paid and that the debts were legally without merit.

MED and RM officials informed OIG of actions taken that they believe addressed the issues of open accounts receivable established prior to FY 2009 being waived or canceled. These actions included following up on accounts receivable in a more timely manner and creating a contract insurance analyst position, whose duties included reviewing explanations of benefits to ensure that proper reimbursements were received.

**Guidance on Reimbursement Is Open to Interpretation, Is Inconsistent, or Is Ambiguous**

Ensuring that the Department receives adequate and timely reimbursement for overseas hospitalizations is dependent on the employees themselves (those who are hospitalized or who have eligible family members who are hospitalized) as well as on Department staff at post, in MED, and in RM all fulfilling their responsibilities as defined in the FAM and other guidance. However, OIG determined that the relative responsibilities of each entity were often open to interpretation based on conflicting FAM sections or other guidance related to the same or similar issues that were not updated concurrently and language that was inconsistent or ambiguous.

**Initial Determination of Debt**

Although the FAM<sup>6</sup> appears to delegate MED responsibility for initial debt determination and referral to RM for debt collection activities, the framework presented in 4 FAM 445.6<sup>7</sup> assigns responsibility to post.

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<sup>6</sup> 4 FAM 492.1 was effective on May 3, 2006, and 16 FAM 524c was effective on July 27, 2009.

<sup>7</sup> 4 FAM 445.6 was effective on Sept. 20, 2010.

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### **Initiation of the Debt Collection Process**

Regarding the initiation of debt collection, the FAM<sup>8</sup> states:

RM/GFS/F/R [Bureau of Resource Management, Global Financial Services, Global Financial Operations, Office of Reports and Reconciliation] is the responsible office for collection of medical debts referred by [MED]. MED will submit appropriate documentation to RM/GFS/F/R and request that a medical accounts receivable be set up.

However, another section of the FAM<sup>9</sup> states that the post management officer of designee should “[n]otify GFS/F/AR [Global Financial Services, Global Financial Operations, Accounts Receivable Division] to bill the employee 30 days after being notified of payment by the health carrier or after the 90 days cited in paragraph d of this section have elapsed.”

### **Documentation That Posts Are Required To Provide to the Office of Medical Services**

Regarding documentation posts are required to provide to MED, the FAM<sup>10</sup> states:

The management officer at post is responsible for submitting the following documents to the Office of Medical Services (MED) within 60 days from the time of the patient’s discharge from the treating facility:

- A final accounting of medical expenses paid;
- (2) A copy of Form DS-996, Medical Care at Government Expense, signed by the patient and the insured;
- (3) A copy of the insurance claim form; and
- (4) A copy of Form DS-3067, Authorization for Medical Services for Employees and/or Dependents, with a signed release authorizing MED to review the status of claim payments and release necessary information related to the claim.

However, there is no requirement in the FAM for MED to collect, review, or retain these documents, and MED officials told OIG that the only document MED requires a post to submit in practice is Form DS-3067.

### **Release of Information Regarding a Claim**

The FAM<sup>11</sup> refers to “a signed release authorizing MED to review the status of claim payments and release necessary information related to the claim” to be included with Form DS-3067. A MED official noted that section 12 of the form, which states, “I hereby authorize the Office of Medical Services of the Department of State to obtain, for the Department’s files, the medical report covering the service authorized,” is the signed release. However, OIG determined that

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<sup>8</sup> 16 FAM 524c, “Accountability for Payment of Medical Expenses.”

<sup>9</sup> 4 FAM 445.6b(1)(e), “Recovering Medical Insurance Benefits—Post Collection and Remittance.”

<sup>10</sup> 16 FAM 524d.

<sup>11</sup> 16 FAM 524d(3).

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this language merely facilitates MED's access to the record of medical services rendered and is not legally sufficient for MED to receive all documentation necessary to review claims.

**Guidance Regarding the Payment of Medical Deductibles**

Guidance on MED's intranet<sup>12</sup> pertaining to hospitalizations overseas states the following:

If you are hospitalized then you are fully covered. One of the benefits of participating in MED's overseas medical program is that you won't end up paying for any hospitalization related bills except for personal incidental bills and any upgrade fees (private room instead of semi-private, for example). All medical cost related to the primary reason for hospitalization will be covered this way for up to one year.

However, MED's intranet link does not mention employee or patient responsibility for deductibles.

**Recommendation 1.** OIG recommends that the Office of Medical Services (MED) consult with the Office of the Legal Adviser and the Office of Resource Management as appropriate to reconcile guidance in the Foreign Affairs Manual (FAM) (including 4 FAM 445, 4 FAM 492, 4 FAM 493, 16 FAM 524, and 4 FAM 530) with information in MED standard operating procedures and MED intranet guidance regarding overseas hospitalizations and reimbursements to eliminate contradictions and ambiguity. FAM and MED guidance should be updated accordingly.

**Office of Medical Services Response and OIG Reply:** In its response, MED agreed with the recommendation, stating that it and RM will work with the Office of the Legal Adviser "to make sure reconciled information is available to patients." Based on the response, OIG considers this recommendation resolved and will close it pending review and acceptance of documentation showing that it has been implemented.

**Office of Medical Services Did Not Have a Formal Expected Rate of Reimbursement**

MED officials said that prior to January 2010, when MED received communication from a post indicating that all reimbursements related to a medical account receivable had been received and that the reimbursements equaled at least 70 to 85 percent of the expenditures, MED would consider the remaining amount to be its share as the secondary payer and recommend that RM close the account receivable. However, MED did not have any formal guidance relating to the target percentage used or procedures for recommending that a receivable be closed in MED's standard operating procedures. OIG's analysis of data provided by MED for FYs 2004–2008 showed that the annual rate of reimbursement averaged 89 percent, which was above the 70 to 85 percent rate used by MED, thereby bringing into question the suitability of the informal range used by MED.

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<sup>12</sup> MED's page titled "Hospitalizations," which was on the Department's intranet site as of August 22, 2011.

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When MED began collecting patient deductibles in January 2010, it also created a contract position for an insurance analyst who would review policies to detect errors in insurance payments to clientele, would police the new policy on deductibles, and would follow up and respond to the MED client base on health insurance-related issues affecting hospitalization collections. Analyses from MED's insurance analyst should have provided a more accurate assessment than an arbitrary percentage target.

However, during the exit conference, MED officials stated that they were not going to continue to fund that contract function because it was not cost effective to do so. Without the assessments or a formal reimbursement rate target, however, MED has no assurance that it is not closing accounts based on a rate that is too low or is applying a rate inconsistently and settling for reimbursements that are lower than those to which the Department is entitled.

**Recommendation 2.** OIG recommends that the Office of Medical Services (MED) establish and implement a formal reimbursement rate target and policies and procedures to guide MED personnel in determining when to recommend to the Bureau of Resource Management that a medical account receivable be closed because the expected amount of reimbursement has been recovered.

**Office of Medical Services Response and OIG Reply:** In its response, MED agreed with the recommendation and indicated that it would use 80 percent as a benchmark for collection purposes. Based on the response, OIG considers this recommendation resolved and will close it pending review and acceptance of documentation showing that it has been implemented.

### **Department Collects Deductibles but not Copayments**

Effective January 1, 2010, MED implemented its policy to collect insurance deductibles<sup>13</sup> from employees and their eligible family members. Previously, MED assumed responsibility for these amounts as a secondary payer. Based on a review of data provided by MED for January through September 2010, OIG determined that deductibles for overseas hospitalizations for that period totaled about \$18,000. Of that amount, \$10,500 had been collected as of December 2010.

When MED implemented its policy to collect insurance deductibles from employees and their eligible family members, it did not implement a policy to collect patient copayments<sup>14</sup>—which are a staple of many medical insurance policies and are applicable to inpatient care for some

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<sup>13</sup> U.S. Department of Labor, Bureau of Labor, *Definition of Health Insurance Terms*, defines a deductible as a “fixed dollar amount during the benefit period—usually a year—that an insured person pays before the insurer starts to make payments for covered medical services. Plans may have both per individual and family deductibles. Some plans may have separate deductibles for specific services. For example, a plan may have a hospitalization deductible per admission. Deductibles may differ if services are received from an approved provider or if received from providers not on the approved list.”

<sup>14</sup> *Definition of Health Insurance Terms* defines copayment as a “form of medical cost sharing in a health insurance plan that requires an insured person to pay a fixed dollar amount when a medical service is received. The insurer is responsible for the rest of the reimbursement. There may be separate copayments for different services. Some plans require that a deductible first be met for some specific services before a copayment applies.”

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veterans<sup>15</sup> receiving treatment from the Department of Veterans Affairs and active duty family members under TRICARE<sup>16</sup> health coverage. MED officials said they were not collecting copayments because the amounts are usually very small—\$20 to \$30—and that it was not cost effective to collect the copayments. However, OIG does not see the process as entailing any significantly additional cost or effort than MED is already expending to collect the deductibles.

OIG reviewed insurance policies for two companies under the Federal Employees Health Benefits Plan—the Foreign Service Benefit Plan and Blue Cross Blue Shield. While the Foreign Service Benefit Plan did not have copayments for providers outside the United States, Blue Cross did have copayments for non-member inpatient hospitals and facilities. Blue Cross copayments for the insured ranged from \$150 per day (up to a total of \$750) for member and/or nonmember facilities under the basic option plan to a \$250 to \$350 copayment per admission for the standard option plan.

Collecting copayments would reduce the funding necessary to support the overseas hospitalization program and would require employees to make payments to the Department that they would have to pay to providers in the United States. However, the FAM<sup>17</sup> states that the U.S. Government’s liability as a secondary payer is “limited to the scope of the underlying policy and the co-pay amounts not covered by primary insurers.” Consequently, OIG concluded that the FAM provision would have to be revised in order to provide MED the authority to collect copayments.

**Recommendation 3.** OIG recommends that the Office of Medical Services (MED) consult with the Office of the Legal Adviser to determine whether MED has the authority to collect copayments for overseas hospitalizations from employees and their eligible family members. If MED does have the authority, it should develop and implement policies and procedures to collect the copayments.

**Office of Medical Services Response and OIG Reply:** In its response, MED agreed with the recommendation and stated that it would “seek guidance from the Office of the Legal Adviser regarding whether MED has the authority to collect copayments for overseas hospitalization.” Based on the response, OIG considers this recommendation resolved and will close it pending review and acceptance of documentation showing that it has been implemented.

This memorandum report is provided for your review and action. As indicated in response to the individual recommendations, OIG considers all three recommendations resolved. They can be closed pending OIG’s review and acceptance of documentation showing that the recommended actions have been taken.

Please provide your response to the report and information on actions taken or planned for the three recommendations within 30 days of the date of this memorandum. Actions taken or

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<sup>15</sup> Factors such as income and disability limit or reduce copayments.

<sup>16</sup> TRICARE is the health care program serving Uniformed Service members, retirees, and their families worldwide.

<sup>17</sup> 16 FAM 531(2).

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planned are subject to followup and reporting in accordance with the attached compliance response information.

OIG incorporated your comments and RM's comments as appropriate within the body of the report and included them in their entirety as Attachments C and D, respectively.

OIG appreciates the cooperation and assistance provided by your staff during this audit. If you have any questions, please contact Evelyn R. Klemstine, Assistant Inspector General for Audits, at (202) 663-0372 or Naomi Snell, Acting Director, Division of Human Capital and Infrastructure, at (703) 284-2685 or by email at [snelln@state.gov](mailto:snelln@state.gov).

Attachments: As stated.

cc: MED/EX – [REDACTED]  
MED/EX – [REDACTED]  
MED/EX – [REDACTED]  
CFO – [REDACTED]  
RM – [REDACTED]  
RM/EX – [REDACTED]  
RM//GFS/OMA/FCR – [REDACTED]  
L – [REDACTED]

## **Scope and Methodology**

The Office of Inspector General (OIG) performed this audit survey to determine whether internal controls were in place and were being implemented to ensure that insurance payments for medical services rendered in overseas hospitalizations were reimbursed to the Department of State. The survey was performed by the Office of Audits from August 2010 through May 2011, primarily at the Office of Medical Services (MED) in Washington, DC, and at the Bureau of Resource Management's (RM) Global Financial Services (GFS) in Charleston, SC.

To obtain background information for the audit, OIG researched and reviewed (1) prior OIG and General Accountability Office reports and (2) requirements contained in the Department's *Foreign Affairs Manual* (FAM) and *Foreign Affairs Handbook*.

OIG collected and analyzed related documentation and fiscal data for FYs 2004–2010 and interviewed officials from MED and RM/GFS. The audit survey was performed in accordance with generally accepted government auditing standards except that OIG did not assess the accuracy, completeness, and reliability of the fiscal data or documentation provided by MED and RM. However, conclusions and recommendations reached as a result of this survey were not dependent upon these data. Moreover, had the survey progressed into the audit implementation phase, the appropriate assessment of data quality would have been performed.

Based on the audit survey, OIG determined it was not prudent to proceed with the audit because of the relatively low dollar amounts involved. Because OIG did not go beyond the audit survey phase, it could not confirm what documentation was being maintained at posts. Instead, OIG relied on documentation and information provided by MED and RM officials and the guidance contained in the FAM. OIG also relied on MED to provide only those medical files relevant to the audit survey objective because of the sensitive nature of the information contained in those files. OIG provided a draft of this report to officials of MED, RM, and the Office of the Legal Adviser in June 2011.

### **Work Related to Internal Controls**

OIG performed procedures to gain an understanding of the internal control processes and procedures related to the areas surveyed at MED and at RM/GFS's Global Financial Operations Directorate, Accounts Receivable. Because the decision was made not to extend the audit beyond the survey phase, OIG did not test the adequacy of internal controls as implemented.

## Overseas Hospitalization Expenditures and Collections for FYs 2004-2008

As indicated in Table 1, expenditures for Department of State overseas hospitalizations for FYs 2004-2008 were \$26,829,627, while reimbursements (that is, collections) were \$23,890,000, or 89 percent of expenditures. Consequently, the net “cost” to the U.S. Government as a secondary payer for hospitalizations was \$2,939,627—some of this amount may yet be recouped—but this amount would be the Government’s net “cost” if, under a worst-case scenario, recoupment measures were totally unsuccessful.

**Table 1. Overseas Hospitalization Expenditures and Collections for FYs 2004-2008**

Fiscal Year	Expenditures	Collections	Secondary Payments by the Department.*	Secondary Payments as % of Expenditures
2004	\$ 4,502,829	\$ 3,760,000	\$ 742,829	16.50
2005	\$ 5,352,288	\$ 4,467,000	\$ 885,288	16.54
2006	\$ 4,855,373	\$ 4,236,000	\$ 619,373	12.76
2007	\$ 5,543,873	\$ 5,290,000	\$ 253,873	4.58
2008	\$ 6,575,264	\$ 6,137,000	\$ 438,264	6.67
Total	\$ 26,829,627	\$ 23,890,000	\$ 2,939,627	10.96
Average	\$ 5,365,925	\$ 4,778,000	\$ 587,925	10.96

\* Secondary payments include funds written off; turned over to the Department of the Treasury for collection, subject to payroll deductions; and still open. They also include costs incurred beyond those reimbursed by insurance providers.

Source: OIG analysis of data provided by the Office of Medical Services.

## Accounts Receivable Written Off, in Collection, and Still Open for FYs 2004-2008

Accounts receivable that were written off, turned over to the Department of the Treasury for collection, or subject to payroll deductions for FYs 2004–2008 totaled \$367,800. If recoupment measures were totally unsuccessful and the entire \$402,366 in accounts receivable that are still open, as shown in Table 2, were written off as uncollectible, the new total would be \$770,166.

**Table 2. Medical Accounts Receivable Written-Off, Turned Over to the Department of the Treasury for Collection, Subject to Payroll Deductions, or Still Open for FY’s 2004-2008**

Fiscal Year	Amount Expended	Written Off (WO)	Turned Over to the Department of the Treasury (T)	Payroll Deductions (PD)	Still Open (SO)	WO, T, PD, and SO as a % of Amount Expended
2004	\$ 4,502,829	\$ 41,000	\$ 3,500	\$ 9,000	\$ 55,000	2.41
2005	\$ 5,352,288	\$ 141,000	\$ 17,200	\$ 46,000	\$ 202,000	7.59
2006	\$ 4,855,373	\$ 1,200	\$ 14,600	\$ 18,000	\$ 47,000	1.66
2007	\$ 5,543,873	\$ 5,300	\$ 52,000	\$ 19,000	\$ 72,000	2.68
2008	\$ 6,575,264	\$ 0	\$ 0	\$ 0	\$ 26,366	0.40
Total	\$ 26,829,627	\$ 188,500	\$ 87,300	\$ 92,000	\$ 402,366	2.87
Average	\$ 5,365,925	\$ 37,700	\$ 17,460	\$ 18,400	\$ 80,473	2.87

Source: OIG analysis of data provided by the Office of Medical Services.

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**Attachment C**



**United States Department of State**

*Medical Director  
Department of State and the Foreign Service*

*Washington, D.C. 20520*

August 22, 2011

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**MEMORANDUM**

**TO:** OIG/ISP - Mr. Harold W. Geisel

**FROM:** MED - Thomas W. Yun, M.D.

**SUBJECT:** Draft Report on Audit Survey of Reimbursement to the  
Department of State for Overseas Hospitalization

During FY-2011, a team from your office, led by Mr. Basil Temkatin, audited MED's Hospitalization Funding Reimbursement program. Per your draft report dated June, 29, 2011, the following is MED's response to your recommendations:

**Recommendation 1**

OIG recommends that the Office of Medical Services (MED) consult with the Office of the Legal Advisor and the Office of Resource Management as appropriate to reconcile guidance in the Foreign Affairs Manual (FAM) (including 4 FAM 445, 4 FAM 492, 4 FAM 493, 16 FAM 524, and 4 FAM 530) with information in MED standard operating procedures and MED intranet guidance regarding overseas hospitalizations and reimbursements to eliminate contradictions and ambiguity. FAM and MED guidance should be updated accordingly."

**MED Response**

MED has reviewed OIG's Draft report, we realize some ambiguity with the guidance provided in 4 FAM 445 (Medical Expenses for American

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Employees and Eligible Family Members 9EFMS)), 4 FAM 492 (Debt Management), 4 FAM 493 (Collection Actions), 16 FAM 524 (Accountability for Payment of Medical Expenses), and 4 FAM 530 (This FAM does not exist). MED agrees that the various FAM regulations need reconciling. MED will work with Resource Management and the Office of the Legal Advisor to make sure reconciled information is available to patients.

**Recommendation 2:**

OIG recommends that the Office of Medical Services (MED) establish and implement a formal reimbursement rate target and policies and procedures to guide MED personnel in determining when to recommend to the Bureau of Resource Management that a medical account receivable be closed because the expected amount of reimbursement has been recovered.

**MED Response**

Based on work performed by a contractor, we have determined 80% is a reasonable amount of insurance receivable to expect when a patient is hospitalized overseas. We will use 80% as a benchmark to determine if an account should be closed, remain open, or should be forwarded to Resource Management for collection action.

**Recommendation 3:**

OIG recommends that the Office of Medical Services (MED) consult with the Office of the Legal Advisor to determine whether MED has the authority to collect copayments for overseas hospitalizations from employees and their eligible family members. If MED does have the authority, it should develop and implement policies and procedures to collect the copayments.”

**MED Response**

MED will seek guidance from the Office of the Legal Advisor and AFSA regarding whether MED has the authority to collect co-payments for overseas hospitalization.

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Attachment D



United States Department of State  
Washington, D.C. 20520

July 20, 2011

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MEMORANDUM

**TO:** OIG – Harold Geisel, OIG  
**FROM:** RM/EX – Philip J. Schlatter *ISO for RIS*  
**SUBJECT:** Draft Report on Audit Survey of Reimbursement to the Department of State for Overseas Hospitalizations

Thank you for the opportunity to comment on the Draft Report on Audit Survey of Reimbursement to the Department of State for Overseas Hospitalizations.

Resource Management has one comment concerning the Draft Report on Audit Survey of Reimbursement to the Department of State for Overseas Hospitalizations. Here's our recommended replacement for the third paragraph on page 3:

Using the information provided by the post, MED notifies the Bureau of Resource Management (RM) to establish an account receivable. RM then initiates a series of four notifications to the employee regarding reimbursement. The employee can contest the existence of the debt and request an internal administrative review by the Deputy Assistant Secretary for Global Financial Services or his or her designee. If an administrative review is completed and a determination is made that a valid debt exists, but the employee fails to make payment or approve payroll deductions, the debt is referred to Treasury for collection. Payroll deductions can only be instituted when the employee approves the deduction.

If you have any technical questions please contact Shari Clark, Managing Director, Global Financial Operations, GFS. All other questions should be directed to Tom Martin, RM/EX.

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