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TRICARE
MANAGEMENT ACTIVITY

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The TRICARE Management Activity has authorized the following addition(s)/revision(s).

CHANGE TITLE: **STATISTICAL SAMPLING**

CONREQ: 14819

PAGE CHANGE(S): See page 2.

SUMMARY OF CHANGE(S): This change provides the contractor Program Integrity Units with guidelines for conducting statistical sampling for overpayment.

EFFECTIVE AND IMPLEMENTATION DATE: Upon direction of the Contracting Officer.

Reta M. Michak
Director, Operations Division

ATTACHMENT(S): **7 PAGES**
DISTRIBUTION: **6010.51-M**

WHEN PRESCRIBED ACTION HAS BEEN TAKEN, FILE THIS TRANSMITTAL WITH BASIC DOCUMENT.

REMOVE PAGE(S)	**INSERT PAGE(S)**
CHAPTER 14	
Addendum A, pages 21 through 26	Addendum A, pages 21 through 27

FIGURE 14-A-16 STATISTICAL SAMPLING FOR OVERPAYMENT DETERMINATIONS AND IDENTIFICATION OF PROBABLE FALSE CLAIMS

In each case where the purpose is to determine the probable scope and extent of overpayments, regardless of how the overpayment was incurred, *a simple random sample shall be drawn from the universe of claims. This universe shall exclude denied claims where TRICARE paid zero dollars. Only netted records shall be used.*

This primary sample shall be selected using a random number generator with a known seed number. Using a known non-zero seed number is critical, as it will provide for the reproduction of the same set of random numbers with the same sample and universe size.

The sample size shall be calculated using the following parameters:

- *90% confidence level*
- *10% precision level*
- *50% occurrence rate (if there is no established rate of occurrence), or an estimate of the occurrence rate from a previously documented statistically valid analysis (by a Federal health care entitlement program) of the units of audit (e.g., same provider, same procedures, same time period) of the possible fraudulent practice.*

An oversample of 20% shall always be *randomly selected from the entire universe and audited with the primary sample at* the beginning of an audit.

In all claim audits using statistical techniques to extrapolate findings of a sample to a universe of claims, the audit addresses the average overpayment per claim as the single unit of measurement. The claim and the explanation of benefits are the evidentiary documents which demonstrate the billed services submitted by a provider or beneficiary and the payments made to a provider or beneficiary. The claim is compared to the contents of the medical record to validate whether a service was provided, whether it was provided at the level billed, whether it was provided by the authorized provider shown on the claim, or any other *information* which may be relevant to *identify* a dollar loss to the Government. This information shall be recorded on a *summary* spreadsheet generated by *Microsoft® Excel*, or compatible software with a *.xls* file extension for compatibility with other widely used spreadsheet software. Each claim in the sample *shall be listed on the summary spreadsheet and the* overpayment *totaled*. *When n*o overpayment *exists, the* claim *shall appear on the summary spreadsheet with* zero *listed as the overpayment*.

Each claim of the audited oversample shall also be included with the case, either as part of the summary spreadsheet or as part of a separate spreadsheet.

The overpayments *shall be* expressed in dollars and cents. The total *shall* then *be* summed and divided by the number of claims in the sample (remembering that claims with no overpayments are shown in the column to be summed as zero). The product is the average mean overpayment per claim in the sample. The average mean overpayment per claim in the sample *shall be* multiplied by the number of claims in the universe from which the sample *and oversample* was taken, and this product expressed in dollars and cents is the *extrapolated* dollar loss to the Government.

FIGURE 14-A-16 STATISTICAL SAMPLING FOR OVERPAYMENT DETERMINATIONS AND IDENTIFICATION OF PROBABLE FALSE CLAIMS (CONTINUED)

DETERMINING EXTRAPOLATION AMOUNT AND VALIDATING THE AUDIT FINDINGS

It is necessary to calculate the standard deviation, standard error of the mean, and sampling error. The contractor shall have the electronic capability to accomplish these calculations and shall execute the computations according to the methodology provided in the following paragraphs.

In the sample technique discussed in the previous section, if the sample has been properly designed and selected, and the universe approximates a normal distribution appropriately, there are 90 chances in 100 that the claim overpayments will fall within the range of the arithmetical mean plus or minus 1.645 times the calculated standard deviation. Additional values shall be calculated as well, to determine the validity of the overpayment estimates.

Calculating the standard deviation of the sample: *The standard deviation, which is expressed in dollars and cents, shall be determined using the following steps:*

1. *Calculate the difference between each claim observation and the average mean overpayment.*
2. *Square each of the calculated differences.*
3. *Sum the Squares of the differences for all of the claim observations.*
4. *Divide the Sum of the Squares by the number of observations in the sample.*
   (Note: When the sample size is less than 40, Divide the Sum of the Squares by the number of observations minus one.)
5. *Take the Square Root of the Divided Sum of the Squares.*

Calculating the standard error of the mean: *The standard error of the mean shall be calculated by dividing the standard deviation by the square root of the sample size.*

Calculating the sampling error and overpayment estimate range: *The sampling error shall be calculated by multiplying the standard error of the mean by the "Z" score (for a 90% confidence level the "Z" score is 1.645. The "Z" score changes as the confidence level changes).*

Calculating the precision value: *The precision value, expressed in dollars and cents, shall be calculated by multiplying the sampling error by the number of claims in the universe.*

Calculating the overpayment estimates: *The overpayment point estimate was calculated above by multiplying the average mean of overpayment per claim by the number of claims in the universe. The high and low (plus or minus) estimates of overpayments shall be calculated respectively by adding and by subtracting the precision value from the overpayment point estimate. The overpayment estimates shall be expressed in dollars and cents.*

Calculating the sample precision percentage: *The sample precision percentage shall be calculated by dividing the precision value by the overpayment point estimate. The desired precision percentage is 10% or less for tight precision, with approximately 20% or more representing low precision.*

Testing the validity of the sample and the overpayment estimates:

1. *If the standard deviation is greater than two times the arithmetic mean, this is an indicator that the sample does not demonstrate the confidence level required for validity.*
2. *If the high estimate of overpayments is greater than the universe amount or the low estimate of overpayments is less than zero, then the computed overpayment amount shall not be used.*

FIGURE 14-A-16 STATISTICAL SAMPLING FOR OVERPAYMENT DETERMINATIONS AND IDENTIFICATION OF PROBABLE FALSE CLAIMS (CONTINUED)

3. *When high precision is not achieved, the lower overpayment estimate shall be used as the amount of overpayment demanded, as opposed to the point estimate. This procedure yields a conservative demand amount for recovery that is very likely less than the true amount of overpayment, and it allows a reasonable recovery without requiring the tight precision that might be needed to support a demand for the point estimate.*

ALTERNATE SAMPLING METHODS

If the tests for the validity of the sample and overpayment estimates are not met, it may be an indicator that the universe should be stratified, or other techniques should be used. If this is the case, consult with TMA PI. If there are services subject*ed* to audit where there are large differences in payment*s (*e.g., surgical and medical*)*, there will *likely* be a *need* to stratify the *universe in*to two or more separate categories *for separate sample selection*. *When stratification is necessary and after consulting with TMA PI, p*lease seek consultation for such sample techniques from a *qualified* statistician.

The standard reference for auditing with samples is the Handbook of *Sampling* for Auditing and Accounting, Third Edition, by Herbert Arkin, McGraw-Hill Book Company, copyright 1984.

FIGURE 14-A-17 QUARTERLY FRAUD/ABUSE REPORT

REPORTING PERIOD ENDED _____,

The TRICARE Fraud and Abuse Case Report, TMA Form 435, will be completed on every case opened for initial investigation of potential fraud or abuse. The following information, which is essentially the same as on Form 435, will be submitted to the Program Integrity Office, TRICARE Management Activity (TMA), within 45 days of the last day of each calendar quarter.

A. Case Workload Report

Number of open pending cases beginning of quarter	
Add-number of new cases opened during quarter (Opened Case: A case requiring special review for possible fraud or abuse)	+
Less-number of cases closed during quarter (Closed Case: A case for which the potential fraud or abuse issue has been resolved and final action has been taken)	-
Equals number of cases pending end of quarter	
Number of cases referred to the TMA Program Integrity Office during quarter	
Total number of pending cases at the TMA Program Integrity Office	

B. Categorical Information on Cases Closed During this Quarter

CLASSIFICATION OF SUBJECT	NUMBER OF CASES
Beneficiary	
Physician	
General Practice	
Surgeon	
Psychiatrist	
Obstetrician	
Internal Medicine	
Anesthesiologist	
Dentist	
Other (Specify)	
Psychologist	
Podiatrist	
Hospital	
Acute General	
Psychiatric	
Other (Specify)	
Skilled Nursing Facility	
Residential Treatment Center	
Specialized Treatment Facility	

FIGURE 14-A-17 QUARTERLY FRAUD/ABUSE REPORT (CONTINUED)

REPORTING PERIOD ENDED _____,		
Clinic, Group Practice		
Laboratory		
Medical Supplier		
Ambulance Service		
Registered Nurse		
Clinical Social Worker		
Marriage, Family and Pastoral Counselor		
Mental Health Counselor		
Chiropractor		
Occupational Therapist		
Physical Therapist		
Others		
Total		
POTENTIAL FRAUD OR ABUSE ISSUES--REPORT MANAGED CARE & TRICARE SEPARATELY, AS FOLLOWS		
ISSUE - POTENTIAL ABUSE	**NUMBER OF CASES**	**TOTAL DOLLAR AMOUNT BY ISSUE**
Waiver of beneficiary cost-shares		$
Improper billing practices		$
Services Not Medically Necessary		$
Overutilization		$
Failure to File Claims (Provider)		$
Billing Administrative Charge for Filing Claims		$
Quality of Care		$
Other (Specify)		$
ISSUE -- POTENTIAL FRAUD -- REPORT AS FOLLOWS	**NUMBER OF CASES**	**TOTAL DOLLAR AMOUNT BY ISSUE**
Billing for Services Not Rendered		$
Misrepresenting Services/Diagnosis		$
Altering Bill/Receipt		$
Falsifying Records/Documents		$
Kickbacks/Rebates		$
Eligibility		$
Embezzlement		$
Forgery of Check		$
Other Health Insurance		$
Misrepresentation of Credentials		$

FIGURE 14-A-17 QUARTERLY FRAUD/ABUSE REPORT (CONTINUED)

REPORTING PERIOD ENDED _____,	
Breach of Provider Participation Agreement	$
Balance Billing Limitation	$
Misrepresenting Patient	$
Misrepresenting Provider	$
Other (Specify)	$
Total	$

FRAUD OR ABUSE REFERRAL SOURCE -- REPORT AS FOLLOWS	NUMBER OF CASES
Beneficiary/Sponsor	
Clerical Identification	
Prepayment Review	
Postpayment Review	
Health Benefits Advisor	
Provider of Care	
Medical Review (Third Level)	
Media	
DEERS	
TMA	
DCIS	
Other Contractor	
OHI	
Public/anonymous	
Other (Specify)	

DISPOSITION OF FRAUD AND ABUSE CASES -- REPORT AS FOLLOWS	NUMBER OF CASES
Place on Prepayment Review	
Provider Consultation	
Referred for Medical Review	
Referred to the TMA Program Integrity Office	
Case dismissed (no issue)	
Referred to Licensing Board	
Denied Payment	
Recouped Funds	
Referred to Contractor Recoupment Section	
Referred to the TMA Recoupment Section	
Provider Sanctioned (terminated or excluded)	
Other (specify)	

FIGURE 14-A-17 QUARTERLY FRAUD/ABUSE REPORT (CONTINUED)

REPORTING PERIOD ENDED _____,	
DOLLAR AMOUNT REPORT	DOLLAR AMOUNT
Actual monies saved this quarter:	$
Recoupments	$
Claim Denials (Partial and Full)	$

RECOUPMENT ACTION				
BENEFICIARY/ PROVIDER NAME	SSN/EIN	REQUESTED RECOUPMENT	RECEIVED THIS QUARTER	RECEIVED TO DATE
		$	$	$
		$	$	$
		$	$	$
		$	$	$