



# DEPARTMENT OF VETERANS AFFAIRS

## OFFICE OF INSPECTOR GENERAL

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FOR THE OFFICE OF AUDITS AND EVALUATIONS,  
OFFICE OF INSPECTOR GENERAL, US DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
COMMITTEE ON VETERANS' AFFAIRS, US HOUSE OF REPRESENTATIVES  
HEARING ON  
PENDING LEGISLATION  
JUNE 11, 2025

Chairwoman Kiggans, Ranking Member Ramirez, and members of the Subcommittee, thank you for the opportunity to testify on the independent oversight conducted by the Office of Inspector General (OIG) on the pause taken by the Veterans Health Administration (VHA) in using its Program Integrity Tool, which relates to one of the bills before you. Our testimony was requested by the subcommittee on this tool because the "FRAUD Act of 2025" requires VA "to use an information technology (IT) system to detect fraud, waste, and abuse" within community care claims, and the Program Integrity Tool has previously served this function in a limited capacity. The OIG's work has outlined the significant hindrances the Program Integrity Tool's pause has had on VHA's revenue collection processes and on the detection and mitigation of fraud and waste related to the delivery of community care.

Many of the bills under consideration also require VA to develop or improve IT systems. IT modernization has consistently been a [major management challenge for VA](#). The OIG has repeatedly conducted audits, reviews, and inspections that identify deficiencies in how VA plans, implements, and remediates identified weaknesses in these efforts. This statement, therefore, also touches on the OIG's oversight of many VA critical systems and modernization initiatives.

### **BACKGROUND**

The Program Integrity Tool is a system that consolidates data from multiple VA community care programs. It is a repository of post-payment claims. For revenue operations, VHA uses the data to determine if veterans or their private insurance companies should be billed for care that is not connected

to injuries or conditions related to their military service.<sup>1</sup> To support VHA's fraud and waste detection and mitigation efforts, data from the tool can be used to identify duplicate claim payments or indicators of potential fraud, such as payments to providers across different community care programs in different locations on the same day.

As detailed in this statement, VHA's Office of Integrity and Compliance, in collaboration with VA's Office of Information and Technology, paused operations of the Program Integrity Tool in February 2023, after becoming aware of ongoing issues with its database logic and unreliable data. The pause was intended to allow VHA time to evaluate the tool's processes, data, documentation, and underlying information technology system architecture, and to determine the cause of any data errors and identify improvement opportunities.

In July 2024, the OIG issued a management advisory memorandum to the under secretary for health to highlight the major impacts of the tool's pause on VHA's revenue collection processes, as well as on identifying fraud and waste related to community healthcare claims.<sup>2</sup> The memorandum provided VHA with information necessary to address the identified concerns. In its response, VA officials stated they had resumed using data from the Program Integrity Tool for revenue collection for community care claims but were still considering the path forward for the tool's oversight functions, including audit and compliance efforts. The information that follows highlights deficiencies identified with the tool's data integrity and accuracy and the impact of the pause on both VHA and the OIG's oversight work.

### **Community Care Provider Management**

Through the Veterans Community Care Program, VHA buys care from local providers for veterans through network contracts managed by two third-party administrators (TPAs). These TPAs develop and administer the network of community healthcare providers. TPAs are also responsible for paying those providers and then seeking reimbursement from VHA. When services are unavailable or insufficient to meet the needs of veterans through the network, however, VA medical facilities may directly establish veteran care agreements with area clinicians. VA also has Veteran Family Member Programs, for which VA shares the cost of certain community healthcare services for eligible family members. Finally,

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<sup>1</sup> Under 38 U.S.C. § 1729, the United States has a right to recover from third parties the cost of medical care and treatment furnished by the United States. In addition, 38 C.F.R. § 17.101, the Collection or Recovery by VA for Medical Care or Services Provided or Furnished to a Veteran for a Non-Service Connected Disability, provides for recovery from private insurance by VA for medical care that was unrelated to veterans' military service. VA is not able to recover the cost of medical care for veterans who do not have private health insurance.

<sup>2</sup> VA OIG, [\*The Pause of the Program Integrity Tool Is Impeding Community Care Revenue Collections and Related Oversight Operations\*](#), July 16, 2024. The OIG issues management advisory memoranda when exigent circumstances or areas of concern are identified by OIG hotline allegations or during its oversight work, particularly when immediate action by VA can help reduce further risk of harm to veterans or significant financial losses.

VHA's HealthShare Referral Manager generates referrals and forwards authorizations to community providers. The related claims and referral data from these systems flow into the Program Integrity Tool.

Typically, a community care provider submits a claim through the TPAs or VHA's electronic system or by paper after care is provided. The claim is then either paid for by TPAs for network providers (who are then reimbursed by VA) or by VA for facility direct care agreements. Once the claims are paid, VA then bills any copayment to the veteran, or the veteran's private health insurer if the care is unrelated to a service-connected condition.<sup>3</sup>

Several VA offices are involved in the payment for community care and collections from veterans and their insurers:

- VHA's Office of Integrated Veteran Care coordinates veterans' access to community care services by developing and overseeing contracts for veterans' healthcare services and payments to TPAs.
- VHA's Revenue Operations Division (within the Office of Finance) bills and collects from veterans and private insurers for copayment and coinsurance obligations through a centralized process that requires data from the Program Integrity Tool. Staff from VHA's Consolidated Patient Account Centers perform the billing and revenue collection operations for non-service-connected treatment using data from the tool.
- VHA's Office of Integrity and Compliance is the business owner of the Program Integrity Tool and uses its data for the prevention, detection, and mitigation of fraud, waste, and abuse.
- VA's Office of Information and Technology is responsible for developing, approving, and implementing system security baseline configurations for all VA data platforms and systems. Its staff oversee all data integrity issues and updates to the Program Integrity Tool, including a product manager that oversees the tool's day-to-day operations.

Those offices' data, which relate to community care claims, referrals, and the family member program, flow into the Program Integrity Tool from six different source systems:

**Community care claims** processing engages three payment systems:

1. The Plexis Claims Manager for older community care program claims
2. The Community Care Reimbursement System for more recent community care network claims

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<sup>3</sup> VHA will not charge a copayment for treating health conditions that are related to military service, catastrophic disabilities, or other specified factors.

3. The Electronic Claims Adjudication Management System for direct veteran care agreement claims

**Referrals** use a single system:

4. The VHA HealthShare Referral Manager moves data for community care referrals into the Program Integrity Tool.<sup>4</sup>

**Veteran Family Member Programs'** paid claims data flow to the tool from two systems:

5. The Customer Experience Manager
6. Claims Processing and Eligibility, a legacy system that processes older claims

The Program Integrity Tool then feeds all these data to VA's Corporate Data Warehouse, from which VHA's Revenue Operations Division can access the data to use for veteran and private insurer billing. The tool also provides information for the Office of Integrity and Compliance's oversight efforts.

## **PROGRAM INTEGRITY TOOL DEFECTS**

The Program Integrity Tool went offline on February 21, 2023, to address identified issues, including (1) claims being entered inaccurately, (2) a defective code that added outpatient data to inpatient claims, and (3) duplicate claims. VHA had detected some of these issues as early as January 2022.<sup>5</sup>

Officials from VHA's Office of Integrity and Compliance collaborated with the Office of Information and Technology to assess problems, resolve them, and develop system improvements. During the pause, the Program Integrity Tool could not be used for billing veterans and private insurers or to assist in the prevention, detection, and mitigation of fraud, waste, and abuse.

In addition, in November 2023, the Office of Information and Technology completed a review of the Program Integrity Tool and identified 18 defects in total, including eight high-priority issues and one critical issue with the Veteran Family Member Programs' claims data overwriting other claims data. For example, multiple claims were assigned the same claim identifier when each claim should have had a unique identifier. At that time, VHA reported it had begun upgrading the tool's servers, corrected the defective line of code associated with inpatient claims, and identified solutions for duplicate claims.

In July 2024, the OIG issued the management advisory memorandum that highlighted the major impacts of the tool's pause on VHA's revenue collection processes and oversight of community care claims.

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<sup>4</sup> VA uses the HealthShare Referral Manager to generate referrals and forward authorizations to community providers.

<sup>5</sup> The former VHA Office of Community Care's Division of Program Integrity was responsible for the Program Integrity Tool in January 2022 and discovered the problems. This responsibility was transferred to the Office of Integrity and Compliance in November 2022, following the establishment of VHA's Office of Integrated Veteran Care, and then moved permanently to VHA's Office of Integrity and Compliance in March 2023.

Also in July 2024, VHA officials told the OIG that they had brought the Program Integrity Tool back online on a limited basis for only revenue collection operations for community care claims.

The OIG had reported in 2022 on VHA's challenges billing private insurers for community care.<sup>6</sup> Because a fully functioning Program Integrity Tool was necessary for VHA to satisfy the intent of the open recommendations from that report, the OIG paused its regular quarterly follow-up (conducted on all recommendations from its oversight reports) while the tool was offline. In late 2024, OIG staff resumed follow-up on these open recommendations and VHA has been providing status updates on their efforts to ensure the Program Integrity Tool is fully operational. Recommendations 2 and 3 are still open that relate to (2) strengthening system controls to ensure complete and accurate claims information is transferred between applicable tools, systems, and patient files and (3) assessing whether there is sufficient staffing to process the anticipated volume of claims to be billed to veterans' private health insurers and make needed adjustments. The impacts of the pause and unresolved issues have been significant, as detailed in the following sections.

### **The Pause Precluded Revenue Operations from Timely Billing for Community Care**

Because VHA Revenue Operations use the tool's information to bill veterans and private insurers for copayments for community care, they had not been billed between February 2023 and July 2024, when VA resumed some functionality. During the period of the OIG's review, the Program Integrity Tool pause affected VHA's ability to collect potential revenue from veterans and private insurers for approximately 40 million community care network and veteran care agreement program claims that VHA paid to care providers.<sup>7</sup>

As the Program Integrity Tool returns to full functionality, Revenue Operations will have to resolve the backlog of paid claims to identify and bill veterans for copayments. VHA has acknowledged this may negatively affect veterans because they could receive copayment bills that are over a year old. Revenue Operations leaders told the OIG that they are working with VHA and the VA Office of General Counsel to implement a regulatory change allowing VA to apply for debt waivers on behalf of veterans when debts are accrued due to the fault of the agency. If approved, this regulatory change would help VA to avoid unnecessarily burdening veterans with substantial debts that accrued due to a faulty VA tool.

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<sup>6</sup> VA OIG, [\*VHA Continues to Face Challenges with Billing Private Insurers for Community Care\*](#), May 24, 2022.

<sup>7</sup> The OIG review of paid community care claim data from VA's Corporate Data Warehouse was conducted from February 1 2023, through January 31, 2024, for veteran care agreements, and from February 2, 2023, through February 1, 2024, for community care network claims. Additional community care claims would have been paid between March and July 2024 and are not included in the estimate. It is important to note that the actual payment of claims to providers has not been affected by the pause because, as mentioned earlier, the Program Integrity Tool receives claims following care provider payments. It does affect VA's revenue collection.

The OIG applied VHA's established collection-to-billing ratio for medical care collections to estimate the proportion of claims that would have been billable to insurance. This ratio approximates the average amount VHA will collect for each dollar billed to private insurers. The OIG estimated that the Program Integrity Tool's pause has resulted in approximately \$665.5 million in Revenue Operations collections that had not been recovered from February 1, 2023, through February 1, 2024. Since VHA has resumed using the tool, Revenue Operations must handle these older claims in addition to working on the new claims they will receive. Many of these delayed claims may exceed the deadlines for insurance companies to be required to reimburse VHA, further limiting VA's ability to make up the lost revenue.

### **The Pause Hindered the Prevention, Detection, and Mitigation of Fraud, Waste, and Abuse**

According to VHA Office of Integrity and Compliance officials, their oversight efforts for community care programs and for Veteran Family Member Programs' claims have been impeded by the Program Integrity Tool's pause. As for detecting healthcare provider fraud, waste, and abuse, the pause resulted in a halt to generating real-time views of behavioral indicators and patterns or to running data and reports to support investigations, research, and remediation. Although the Office of Integrity and Compliance said it had access to an archived version of the tool containing data before February 2023, VHA staff do not recommend using it due to errors related to the incorrect sequencing of data. Thus, VHA has been limited in its ability to support the investigation of ongoing fraud allegations and referrals. This means the Office of Integrity and Compliance will have a backlog of data to review for fraud, waste, and abuse detection, OIG referral, and mitigation efforts when the tool resumes operations that support oversight. The OIG understands VHA is still taking steps to bring the oversight functions back online or to replace the tool.

### **OTHER OIG OVERSIGHT OF VA SYSTEMS AND MODERNIZATION EFFORTS**

Issues with the Program Integrity Tool are symptomatic of the larger concern with VA's continued challenges with implementing complex modernization efforts. As our report on [VA's major management challenges](#) has stated, VA is undertaking massive efforts to upgrade or replace systems that are estimated to cost tens of billions of dollars and are interdependent—making implementation both costly and complex. The OIG encourages innovation and recommends enhancements to VA's infrastructure and systems through practical findings and recommendations. VA relies on countless systems to meet the needs of patients safely and promptly, to provide benefits and services to eligible recipients, and to support the strong stewardship of taxpayer dollars. Information system failures have contributed to breakdowns in a number of critical VA functions, including the new electronic health record system, financial reporting, disability benefit claims processing, and supply chain management, as well as appointment management, community care prescription requests, and personnel suitability



adjudications. The OIG has identified extensive breakdowns with upgrading or replacing these key systems and failures in strong stewardship of taxpayer dollars.<sup>8</sup>

VA's process deficiencies have typically included inadequate planning and requirements development, insufficient stakeholder engagement, failures to promptly fix known issues, and program management or coordination lapses. The results have been long delays, cost overruns, low user acceptance, and gaps in functionalities that make it more difficult for VA personnel to do their jobs. The OIG understands the complexity of these efforts and acknowledges the great lengths staff go to every day to develop work-arounds as needed. Below are a few examples of the OIG's oversight of VA modernization efforts.

The OIG has continued its work on the Electronic Health Record Modernization (EHRM) program. The EHRM is probably the largest contract in VA history and critical to continued patient safety and care. Since April 2020, the OIG has released [22 oversight publications](#) on VA's rollout of its electronic health record system that identified critical missteps and lack of remediation.<sup>9</sup> In several reports, the OIG highlighted a variety of barriers to implementation, including patient harm and safety concerns; pharmacy and medication management issues; inadequate cost estimates; an unreliable implementation schedule; difficulties with the patient appointment scheduling system; and reporting, training, and decision-making deficiencies. OIG reports also stressed the need for VA to make certain that the system is stable and can handle future growth without the kind of outages and service degradations previously experienced. OIG teams will also continue to monitor system improvements in areas such as supply chain management and appointment scheduling, with a keen focus on patient care and safety, VA staff's ability to efficiently do their jobs, and making the most effective use of taxpayer dollars.

Furthermore, the OIG has issued numerous reports in recent years that have identified deficiencies with inventory management of supplies and equipment, in part due to VA's continued reliance on various outdated systems. VA still uses more than 60 disparate systems to manage its supply chains, which include billions of dollars in medical supplies and equipment inventory. VA's medical facilities have long experienced barriers to accurately tracking inventory, purchasing, distribution, storage, and other supply chain functions, leading to operational breakdowns and the need for workarounds that sometimes

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<sup>8</sup> The following is a sample of the many recent VA OIG reports on VA systems and modernization efforts: VA OIG, [\*VBA's Special Monthly Compensation Calculator in the Veterans Benefits Management System for Rating Did Not Always Produce Accurate Results\*](#), May 29, 2025; VA OIG, [\*Community Care Network Outpatient Claim Payments Mostly Followed Contract Rates and Timelines, but VA Overpaid for Dental Services\*](#), February 20, 2025; VA OIG, [\*Improved Oversight Is Needed to Correct VISN-Identified Deficiencies in Medical Facilities' Supply Chain Management\*](#), September 12, 2024; VA OIG, [\*Lessons Learned for Improving the Integrated Financial and Acquisition Management System's Acquisition Module Deployment\*](#), July 10, 2024; VA OIG, [\*Ineffective Use and Oversight of Medical/Surgical Prime Vendor Program Led to Increased Spending\*](#), June 11, 2024; VA OIG, [\*Improvements Needed for VBA's Claims Automation Project\*](#), September 25, 2023; VA OIG, [\*Additional Actions Needed to Fully Implement and Assess the Impact of the Patient Referral Coordination Initiative\*](#), October 27, 2022.

<sup>9</sup> All other OIG reports may be found on the website at [All Reports](#).

lack compliance with VA policies and procedures. Recent attempts to modernize its antiquated system have been unsuccessful as VA continues to try to address these longstanding supply chain concerns.

## **CONCLUSION**

The OIG routinely scrutinizes the effectiveness of the leadership and quality management of VA operations that makes the most efficient use of taxpayer dollars. In a department the size of VA, with the nation's largest integrated public healthcare system, an aging infrastructure, and massive IT initiatives, the OIG must remain vigilant to all risks to veterans, their families, and survivors. This requires the use of sophisticated data analytics and modeling; being responsive to hotline contacts and other allegations of misconduct; and rigorous and continuous independent oversight. OIG staff monitor programs and operations for breakdowns in processes; noncompliance with mandates; failures to provide quality health care; and deficiencies in the delivery of benefits and services. In addition, the OIG advances accountability by conducting an expansive range of administrative and criminal investigations that include fraud, waste, and abuse of authority.

OIG oversight has spotlighted VA's IT system modernization efforts that have had persistent issues, typically including weaknesses in planning, failures to promptly fix known issues, and program management or coordination deficiencies. The problems identified with the Program Integrity Tool are a perfect example of this. While the tool was offline, VHA had limited ability to collect hundreds of millions of dollars of revenue from veterans' copayments or from private health insurers. VHA staff must grapple with a backlog of tens of millions of these community care claims that must be processed. Additionally, the Program Integrity Tool is still not being fully utilized for the prevention, detection, and mitigation of fraud, waste, and abuse for community care claims paid.

VHA will need to ensure that Revenue Operations has sufficient resources and processes to timely bill the backlog of community care claims now that the revenue operations to bill veterans and private insurers have been said to be resumed. It is also vital that the Office of Integrity and Compliance be ensured resources to perform timely fraud, waste, and abuse examinations of the backlog of community claims, to ensure the most efficient use of taxpayer dollars.

Madam Chair, this concludes my statement. I would be happy to answer any questions you or members of the subcommittee may have.