



Office of Inspector General

REVIEW OF MEANS TESTING AND INCOME VERIFICATION PROCEDURES

*Improved procedures can
prevent unnecessary income
verification, ensure compliance
with Privacy Act requirements
and increase MCCR collections.*

Report No.: 7R1-G01-096

Date: June 10, 1997

Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Health (10)

Review of Means Testing and Income Verification Procedures

1. The Office of Inspector General conducted a review of the Department of Veterans Affairs (VA) Veterans Health Administration's (VHA) income verification procedures for veterans reporting no income on their means test forms. The purpose of the review was to assess VHA's compliance with means test and Privacy Act requirements.
2. In accordance with Title 38, VA collects fees (co-payments) for medical care and medications provided certain veterans for non-service-connected (NSC) conditions. VA also collects from third party health insurers the cost of medical care furnished to insured veterans for treatment of NSC conditions. Each year veterans who may be subject to medical co-payments must provide VA with family income information (means test) and health insurance information. By signing their means test disclosures, veterans attest to the accuracy of the income information and certify receipt of a copy of the Privacy Act Statement. The Privacy Act Statement advises veterans that the income information they provide is subject to verification by computer matching with the records of the Internal Revenue Service (IRS) and the Social Security Administration (SSA). VHA facilities are required to retain signed means test forms in the veterans' administrative records.
3. Veterans must make co-payments if their families' annual incomes exceed statutory levels. Veterans with income below statutory levels are eligible to receive VHA medical care at no charge. The Health Eligibility Center (HEC) in Atlanta, GA, conducts computer matches with the IRS and SSA to verify veterans' reported incomes. The HEC relies on information gathered by each facility to determine which veterans are income matched. Generally, some veterans are exempt from co-payments and VHA income verification matching with the IRS and SSA if they receive compensation and pension (C&P) benefit payments or obtain certain medical services, such as Persian Gulf War Registry or C&P examinations.
4. For Fiscal Year (FY) 1996, HEC matched 726,758 veterans with the IRS and SSA and identified 106,029 veterans whose incomes exceeded statutory thresholds and were potentially responsible for making medical care co-payments. According to VHA facility means test records, 12,077 (11.4 percent) of the 106,029 veterans had reported zero income. We reviewed a 410 case statistical sample of the 12,077 matched cases and

found that, per VHA facility search, 87.6 percent had no signed means test documents in their files to attest to the accuracy of income information reported or certify receipt of the Privacy Act Statement. In most of the cases, these veterans were not actually means tested and consequently should not have been referred for income matching and verification. Further analysis of these cases showed VHA may not recover up to \$3.2 million in medical care costs and that the HEC's verification workload was unnecessarily increased because facility staff reported veterans as having no income.

5. Facility staff improperly entered zero income means test information in the veterans' computerized administrative records because (a) veterans' eligibility had been inaccurately coded or (b) veterans were not means tested at the time they received care. Instead of correcting the eligibility coding or acquiring means test information, facility staff entered zero income into the veterans' means test records in order to obtain workload credit for reported patient treatment. This condition needs to be corrected because zero income cases have grown considerably from 12,077 in 1996 to 17,807 in 1997.

6. By ensuring that signed means test forms are obtained for all veterans required to furnish income information, VHA can (a) document veterans' attestation of income and receipt of Privacy Act information before matching with the IRS and SSA, (b) increase Medical Care Cost Recovery (MCCR) collections by billing veterans and insurance carriers in a timely manner, and (c) improve the efficiency of HEC operations. By requiring the HEC to confirm zero income cases, the HEC can provide a safety net to prevent unnecessary income verification and ensure compliance with Privacy Act requirements.

7. We recommended that you improve compliance with means test and Privacy Act requirements, and increase MCCR collections by:

- a) Requiring VHA facilities to obtain, when required, signed means test information and Privacy Act disclosure forms.
- b) Requiring VISN Directors to conduct periodic reviews of zero income means test cases to determine compliance with Privacy Act requirements.
- c) Requiring the HEC to obtain confirmation from VHA facilities of a signed means test form before performing income verification work on cases with reported zero income.

8. You concurred with the findings, recommendations, and estimated monetary benefits. You also provided an acceptable implementation plan and we consider all issues resolved. However, we will follow up on the implementation of planned corrective actions.

For the Assistant Inspector General for Auditing

(Original signed by:)

THOMAS L. CARGILL, JR.

Director, Bedford Audit Operations Division

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RESULTS AND RECOMMENDATIONS

VHA Can Improve the Means Testing and Income Verification Procedures

Our review of the Department of Veterans Affairs (VA) Veterans Health Administration's (VHA) means testing and income verification procedures for veterans reporting no income showed that VHA's compliance with means test and Privacy Act requirements should be improved. VA's Fiscal Year (FY) 1996 income verification match with the Internal Revenue Service (IRS) and the Social Security Administration (SSA) identified 12,077 veterans whose reported income exceeded statutory thresholds but who VA identified as having no income and, as a result, were entitled to medical care at no cost. We reviewed a 410 case statistical sample of the 12,077 matched cases and found that (per VHA facility search) 87.6 percent did not have signed means test forms in their files to attest to the accuracy of income information reported or certify receipt of the Privacy Act Statement. In most of these cases, these veterans were not actually given a means test and Privacy Act Statement and, consequently should not have been referred for income verification. Further analysis of these cases, which had income reported which exceeded statutory limits, showed VHA may lose up to \$3.2 million in billable medical care costs and that the Health Eligibility Center's (HEC) verification workload was unnecessarily increased.

Medical facility staff improperly entered zero income information in the veterans' computerized administrative records because (a) veterans' eligibility had been inaccurately coded or (b) veterans were not means tested at the time they received care. Instead of correcting the eligibility coding or acquiring means test information, facility staff entered zero income into the veterans' means test records in order to obtain workload credit for the patient treatment provided.

By ensuring that signed means test forms are obtained for all veterans required to furnish income information, VHA can (a) document the veterans' attestation of income and receipt of Privacy Act information before matching with the IRS and SSA, (b) increase Medical Care Cost Recovery (MCCR) recoveries by billing veterans and insurance carriers in a timely manner, and (c) improve the efficiency of HEC operations. This condition needs to be corrected because zero income cases have grown considerably from 12,077 in 1996 to 17,807 in 1997.

Means Testing and Income Verification Procedures

In accordance with Title 38, VA collects fees (co-payments) for medical care and medications provided certain veterans for non-service-connected (NSC) conditions. VA also collects from third party health insurers the cost of medical

care furnished to insured veterans for treatment of NSC conditions. Each year veterans potentially subject to co-payments must provide VA with family income information (means test) and health insurance information. By signing their means test disclosures, veterans attest to the accuracy of the income information and certify receipt of a copy of the Privacy Act Statement. The Privacy Act Statement advises the veteran that income information they provide is subject to verification with the IRS and the SSA. VHA facilities are required to retain signed means test forms in the veterans' administrative records.

Veterans must make co-payments if their families' annual incomes exceed statutory levels. Veterans with income below statutory levels are eligible to receive VHA medical care at no cost. The HEC in Atlanta, GA, conducts automated matches with the IRS and SSA to verify veterans' reported incomes. The HEC relies on information gathered by each facility to determine which veterans are income matched. Generally, some veterans are exempt from co-payments and VHA income verification matching with the IRS and SSA if they receive compensation and pension (C&P) benefit payments or obtain certain medical services, such as Persian Gulf War Registry or C&P examinations.

For FY 1996, HEC matched the income reported for 726,758 veterans with IRS and SSA and identified 106,029 (14.6 percent) whose reported incomes exceeded statutory thresholds and, as a result, were potentially responsible for making medical care co-payments. Based on the information received as a result of HEC's income match with the IRS and SSA, over 85 percent of the means tested veterans receiving medical care at no cost, based on reported low income, were confirmed to have income below the statutory threshold. Therefore, we concluded that most veterans accurately report their incomes when given the opportunity to complete the income reporting form.

Means Testing Procedures Needed Improvement

According to VHA medical facility means test records, 12,077 (11.4 percent) of the 106,029 veterans had reported zero income. Our statistical review of 410 cases determined that 51 (12.4 percent) patients had signed their means test forms¹. However, VHA staff could not provide copies of signed means test forms in the remaining 359 (87.6 percent) of the 410 cases. As a result, VHA facilities did not retain required documentation that veterans attested to the accuracy of the income information and certified receipt of the Privacy Act Statement. We found that, in many cases, veterans had not been means tested or required to sign a means test form. Further review of the 410 cases showed that:

¹ Forty six veterans attested to zero income, while 5 reported income above statutory levels.

- 43 percent of the veterans' cases reviewed should not have been subject to income verification because they (1) were treated for nonbillable care such as Persian Gulf War Registry or C&P examinations, or (2) received no care at all. Because these cases were miscoded the income verification workload at HEC was also unnecessarily increased.

For example, a veteran was examined at a VHA facility in order to be added to the Persian Gulf War Registry. According to the facility, this was the only care provided to this veteran in 1994 and the care was not billable. However, the veteran was miscoded as receiving billable NSC care and staff subsequently entered zero income on his means test form which resulted in his income being inappropriately matched. When the IRS and SSA match reported the veteran's income was over the income threshold, HEC unnecessarily verified both the veteran's and spouse's incomes with their employers. The verified information was then referred back to the facility for billing. However, the facility identified the care received as nonbillable and did not bill the veteran.

- 46 percent were inappropriately classified by facility staff as entitled to medical care at no cost based on low income. Proper means testing of these veterans would have ensured that the NSC care they received was billed, and could have improved the efficiency of the HEC's operations by eliminating unnecessary verification of income case workload. We estimate that timely billings for co-payments and medical care to insurance carriers would have resulted in the collection of over \$3.2 million during 1994.

For example, during 1994 a veteran was hospitalized for 23 days and also received 3 episodes of outpatient care. The facility did not means test the veteran but entered zero income into his computerized administrative records. The HEC verified the veteran had income of \$59,522 for 1993 and should have been billed co-payments totaling \$1,034. The HEC also found the veteran had a health insurance carrier from whom \$18,900 could potentially have been recovered. If the means test had been properly conducted at the time medical care was provided, the veteran likely would have provided accurate information and VHA could have determined that the veteran was subject to co-payments, identified the health insurance carrier, and initiated collection in a timely manner. As a result of delaying billing actions until 2 years after care was provided, VHA's opportunity to recover billable costs from the health insurance carrier was lost and the potential of recovering the co-payment charges from the veteran was significantly diminished. Health insurance carriers generally will not pay claims when billing occurs 2 years after care was provided. We determined that VHA did not collect any payments from the

health insurance carrier and had only collected \$65 from the veteran as of March 5, 1997.

Improper Means Testing Reduced Collections

VHA needs to better document veterans' attestation of income and receipt of Privacy Act information before verification of income with the IRS and SSA. According to MCCR collection statistics, VHA lost the opportunity to collect approximately \$3.2 million because some veterans were erroneously identified as exempt from co-payments. Additionally, the HEC's workload was unnecessarily increased by about 10,500 cases, approximately 10 percent of the HEC's FY 1996 workload. This condition needs to be corrected because the number of zero income cases has grown considerably from 12,077 in 1996 to 17,807 in 1997. *(See Appendix III on pages 9 to 11 for more details regarding our projections.)*

Implementation of Centralized Data Collection Could Improve Means Testing Procedures

The Under Secretary for Health is reviewing a recommendation by VHA's Policy Board to implement a nationwide centralized data collection program for means tests. If the collection of data is centralized, means test information will be obtained by mail thereby allowing the veterans to complete income information in the privacy of their homes with their financial records available to them. Therefore, more accurate data should be obtained from the veterans and signed means test forms will be obtained prior to income verification. Centralization will also improve identifying proper eligibility for veterans. Upon approval by the Under Secretary, VHA management reports that implementation of the nationwide centralized data collection program could be accomplished by September 30, 1998.

The HEC Can Help Ensure Compliance with Privacy Act Requirements

Pending implementation of the centralized data collection program, the HEC can identify veterans with reported zero income means tests and obtain confirmation from VHA facilities of a signed means test form before performing income verification work. VHA facilities, by obtaining signed means test information from veterans referred by the HEC, can ensure billable care is identified and billed. In addition, this procedure will ensure compliance with Privacy Act requirements and prevent erroneous income verification.

Conclusion

By ensuring that staff obtain signed means tests for all veterans required to furnish income information, VHA can (a) document veterans' attestation of income and receipt of Privacy Act information before verification with the IRS and SSA, (b) increase MCCR collections by billing veterans and insurance carriers in a timely manner, and (c) reduce unnecessary verification workload at the HEC. By requiring the HEC to confirm reported instances of zero income cases, HEC can provide a safety net to prevent unnecessary income verification and ensure compliance with Privacy Act requirements.

Recommendations

We recommend that the Under Secretary for Health improve compliance with means test and Privacy Act requirements, and increase MCCR collections by:

1. Requiring VHA facilities to obtain, when required, signed means test information and Privacy Act disclosure forms.
2. Requiring VISN Directors to conduct periodic reviews of zero income means test cases to determine compliance with Privacy Act requirements.
3. Requiring the HEC to obtain confirmation from VHA facilities of a signed means test form before performing income verification work on cases with reported zero income.

Monetary impact associated with the recommendation is shown on Appendix IV on page 12.

Under Secretary for Health Comments

The Under Secretary concurred with the findings, recommendations, and estimated monetary impact. The Under Secretary also stated that VHA would monitor means test cases with reported incomes that fall between the means test threshold and the zero income level in order to address the full scope of the problem.

Implementation Plan

The Under Secretary provided an implementation plan which addressed each recommendation and included estimated target completion dates for taking corrective action. *(See Appendix V on pages 13-17 for the full text of the Under Secretary's comments.)*

Office of Inspector General Comments

The implementation plan is acceptable and we consider all issues resolved. However, we will follow up on the implementation of planned corrective actions.

BACKGROUND

In accordance with Title 38, U.S.C. 1710, 1712, 1722A and 1729, the Department of Veterans Affairs (VA) is required to collect fees (co-payments) for medical care and medications provided certain veterans for non-service-connected (NSC) conditions. The law also authorized VA to seek reimbursement from third party health insurers for the cost of medical care furnished to insured veterans for treatment of NSC conditions. Each year veterans potentially subject to co-payments must provide family income information (means test) and health insurance information to staff at each VA facility from which they apply for medical care. By signing their income verification means test forms, veterans attest to the accuracy of the income information and certify receipt of a copy of the Privacy Act Statement. The Privacy Act Statement advises the veteran that income information they provide is subject to verification with the records of the Internal Revenue Service (IRS) and the Social Security Administration (SSA). VHA facilities are required to keep a copy of the signed means test form in veterans' administrative records.

Veterans must make co-payments if their families' annual incomes reported on the means test exceed statutory levels. For example, a married veteran with a family annual income of over \$23,896 would be responsible for co-payments for treatment provided for NSC conditions. Veterans with income below statutory levels are eligible to receive VHA medical care at no cost based on low income. The Health Eligibility Center (HEC) in Atlanta, GA, conducts computer matches with the IRS and SSA to verify veterans' reported income. The HEC relies on means test information gathered by each facility to determine which veterans are income matched. The HEC program statistics indicate only 15 percent of veterans receiving free medical care based on low income have inaccurately reported their income. Generally, veterans are exempt from co-payments and VHA income verification matching with the IRS and SSA if they receive compensation and pension (C&P) benefit payments or obtain certain medical services such as Persian Gulf War Registry or C&P examinations.

OBJECTIVES, SCOPE and METHODOLOGY

Objectives

The purpose of the review was to assess the Veterans Health Administration's (VHA) compliance with means test and Privacy Act requirements.

Scope and Methodology

During Fiscal Year (FY) 1996, the Health Eligibility Center (HEC) in Atlanta, GA, matched 726,758 veterans with the records of the Internal Revenue Service (IRS) and the reported earned income records from the Social Security Administration (SSA). The match identified 106,029 veterans whose incomes exceeded statutory thresholds and were potentially responsible for making medical care co-payments. The review focused on 12,077 veterans whose VHA facility means test records indicated the veterans had reported zero income. Our review methodology included the following:

1. Reviewed the applicable VHA policy and procedures for means testing and income verification matching.
2. Discussed the scope and objectives of our review with VHA officials.
3. Reviewed and analyzed the HEC and Medical Care Cost Recovery workload statistics.
4. Statistically sampled 410 of the 12,077 zero income cases.
5. Requested means test forms from responsible VHA facilities.
6. Verified veterans eligibility status for VHA medical care.
7. Determined the amount of unbilled medical care veterans obtained based on their being categorized as eligible for care at no cost due to low income.
8. Briefed VHA program officials during the review process to discuss findings and proposed recommendations.

The review was conducted in accordance with government auditing standards for qualifications, independence, and due professional care.

DETAILS OF REVIEW

Sampling Plan and Results

Review Universe

We selected for review cases that were identified by the Health Eligibility Center (HEC) during Fiscal Year (FY) 1996 as veterans with incomes exceeding statutory thresholds but reporting no income on means tests. The audit universe consisted of 12,077 of the HEC cases.

Sample Design

The purpose of our case selection was to determine if veterans were appropriately means tested. The sample was based on an attribute sampling design at a 90 percent confidence level. We randomly sampled 410 cases from the 12,077 HEC universe.

Sample Results

Projected Cases Without Signed Forms

We found that 359 cases of the 410 cases sampled, per Veterans Health Administration (VHA) facility search, had no signed means test documents in their files to attest to the accuracy of income information reported or to certify receipt of the Privacy Act Statement. Projecting our sample results to the universe of cases, we estimate VHA did not have signed means test forms in 10,575 cases. These cases were inappropriately referred to the HEC for income matching. Our projection has a rate of occurrence of 87.561 percent, with a confidence interval of +/-318 cases resulting in a lower limit of 10,256 cases and an upper limit of 10,893 cases.

Population <u>Size</u>	Sample <u>Size</u>	Number Without <u>Signed Forms</u>	Percent Point <u>Estimate</u>	Number Point <u>Estimate</u>
12,077	410	359	87.561	10,575

Projected Cases Not Subject To Income Matching

We found that, in 176 cases of the 410 cases sampled, veterans were either (1) entitled to receive care at no cost because these individuals received medical care for treatment such as Persian Gulf War Registry or compensation & pension examinations, or (2) received no care at all. Projecting our sample results to the universe of cases, we estimate that VHA inappropriately matched 5,184 cases and the HEC's workload was unnecessarily increased. Our projection has a 90 percent confidence level and a confidence interval of +/-478 cases resulting in a lower limit of 4,707 cases and an upper limit of 5,662 cases.

<u>Population Size</u>	<u>Sample Size</u>	<u>Number/Percent Not Subject to Matching</u>	<u>Projected Number of Cases</u>
12,077	410	176 (42.93%)	5,184

Projected Cases Receiving Potentially Billable Care

We found, in 188 cases of the 410 sampled, veterans received potentially billable care, but were inappropriately classified by facility staff. We found in 19 of these cases veterans had health insurance carriers which should have been billed \$120,048. Projecting our sample results to the universe of cases, we estimate 5,538 veterans actually received care for which they were potentially billable. This projection has a confidence level of 90 percent and a confidence interval of +/-480, resulting in a lower limit of 5,057 cases and an upper limit of 6,018 cases. We also project that 560 veterans had billable health insurance. This projection has a confidence level of 90 percent and a confidence interval of +/-203, resulting in a lower limit of 357 cases and an upper limit of 762 cases.

<u>Population Size</u>	<u>Sample Size</u>	<u>Number/Percent of Potentially Billable Cases</u>	<u>Projected Number of Cases</u>	<u>Amount Billable Care</u>	<u>Projected Amount</u>
12,077	410	188 (45.85%)	5,538	\$79,373	\$2,338,011
12,077	410	19 (4.63%)	560	<u>120,048</u>	<u>3,536,134</u>
				<u>\$199,421</u>	<u>\$5,874,145</u>

Projected Amount of Lost MCCR Collections

By not conducting means tests appropriately, veterans were misclassified as entitled to care at no cost, and insurance carriers subject to billing for medical care were not identified. The HEC's income identification process was conducted 2 years after care was provided. Delaying collection until 2 years after the care was provided resulted in significantly diminished collectability. Veterans who could afford to pay for their care at the time it was furnished may subsequently have had changes in their financial situation (e.g., loss of job, retirement, or death) which would adversely impact on their ability to pay. Additionally, health insurance carriers generally will not pay claims when billing occurs 2 years after care was provided. According to Medical Care Cost Recovery (MCCR) program statistics for FY 1994, facilities who billed veterans co-payments when care was provided collected 83.62 percent of the amount billed (\$14,239,000/\$17,028,917). Additionally, facilities who billed insurance companies timely collected 37.37 percent of the amount billed (\$506,156,000/\$1,354,336,698). We applied MCCR program collection rates to the \$5.8 million of potentially billable care received by the 5,538 veterans in our 12,077 population. Because veterans and insurance carriers were not billed at the time care was provided, VHA facilities lost an opportunity to collect about \$3.2 million during 1994, as shown below:

	<u>Total Billable</u>	<u>MCCR Program Collection Rate²</u>	<u>Estimated Collectable if Timely Billed</u>
Co-payments	\$2,338,011	83.62%	\$1,955,045
Insurance	<u>3,536,134</u>	37.37%	<u>1,321,453</u>
Total	<u>\$5,874,145</u>		<u>\$3,276,498</u>

² Source: Medical Care Cost Recovery Strategic Direction & Business Plan 1996

APPENDIX IV

MONETARY BENEFITS **IN ACCORDANCE WITH IG ACT AMENDMENTS**

REPORT TITLE: Review of Means Testing and Income Verification Procedures

PROJECT NUMBER: 6R1-241

<u>Recommendation Number</u>	<u>Category/Explanation of Benefits</u>	<u>Better use of Funds</u>
	Better Use Of Funds	
a - c	Increased MCCR Collections: Improved Means Testing Procedures	\$3,276,498

MEMORANDUM FROM THE UNDER SECRETARY FOR HEALTH
DATED MAY 27, 1997

Department of
Veterans Affairs

Memorandum

Date: May 27, 1997

From: Under Secretary for Health (10/105E)

Subj: OIG Draft Report: **Review of Means Testing and Income Verification Procedures**

To: Assistant Inspector General for Auditing (52)

1. This report has been reviewed by appropriate VHA program officials and we concur in both the findings and recommendations. We also concur in your estimate of monetary benefits. Although we are in agreement with the premise of Recommendation (b), that periodic monitoring of zero income cases be conducted, we believe that the actual review function should be the responsibility of the individual facilities and the Health Eligibility Center (HEC) rather than of the VISN Directors, as you suggest.

2. While VHA shares your concerns about means test-related issues, particularly those associated with inconsistent and incorrect reporting of zero income cases, we believe that the report's focus on zero income ignores the potential for intentionally underreported incomes that fall between the means test threshold and the zero income level. Therefore, your recommended solution to monitor only zero income cases could fall far short of addressing the full scope of the problem. For that reason, we will take actions beyond those recommended in the report to also monitor cases falling somewhat short of the threshold. Appropriate automated screening protocols will be developed to assist in this review.

3. As you report, the HEC has recently completed a 1.5 year pilot project involving VHA facilities in North Carolina and the New England states. The project implemented and assessed a centrally-directed means testing process that transfers functional responsibility for all phases of means testing from the local facility to the HEC. Non-service connected and other lower service priority veterans were given the opportunity to respond to mailed data requests for financial, personal and health insurance coverage in the privacy of their own homes. Response to this process has been very positive and test results have shown that the HEC-coordinated efforts yield more accurate and complete information to support eligibility determination. VHA's Policy Board has subsequently approved the central data collection concept for nationwide application. Full implementation of this centralized process, which is expected to receive funding approval, is anticipated before the end of FY 1998. Significant reduction, if not full elimination, of discrepancies identified in your report should be the end result of this key administrative transition.

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4. In the interim period, however, we will continue to strongly emphasize the need for strengthened administrative accountability at the facility level. During the April 18 weekly conference call conducted by the Office of the Chief Network Officer, for example, issues identified in the report were discussed and medical facility top managers were reminded of their personal responsibility to assure that means test requirements are in full compliance. An Under Secretary for Health Information Letter reemphasizing the need to obtain required means test/Privacy Act documentation is also being developed and will be distributed to all VHA health care facilities. In addition, recognized design limitations in existing means test software will be re-assessed to determine the feasibility of technical modification.

5. As already stated, the HEC will also begin to regularly monitor all cases involving zero income designations and identify facility/VISN-specific patterns and trends. HEC staff will work closely with the facilities to resolve targeted problems and, at the same time, will keep VISN Directors apprised of facility compliance status. Confirmation of signed means test forms for reported zero income cases will be obtained as necessary from the facilities prior to initiation of the verification process, although we hope that with our strengthened controls, the numbers of these cases will diminish considerably.

6. Thank you for the opportunity to respond to this report. Your efforts have been very useful to us in prioritizing corrective actions. If additional information is required, please contact Paul C. Gibert, Jr., Director, Reports Review and Analysis (105E), Office of Policy, Planning and Performance (105).

(Original signed by MIKE HUGES for:)

Kenneth W. Kizer, M.D., M.P.H.

Attachment

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews

Name of Report: OIG Draft Report: *Review of Means Testing and Income*

Verification Procedures

Report Number: none

Date of Report: none

Recommendations/ Actions	Status	Completion Date
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We recommend that the Under Secretary for Health improve compliance with means test and Privacy Act requirements, and increase MCCR collections by:

- a) Requiring VHA facilities to obtain, when required, signed means test information and Privacy Act disclosure forms.**

Concur

As OIG reports, the Health Eligibility Center (HEC) has recently completed a 1.5 year pilot project in VHA's North Carolina and VISN 1 (New England) facilities that tested a centrally-administered means testing process. This centralized data collection program transfers responsibility for means testing functions from the local facility to the HEC. The program, which has been tested very successfully, enables non-service-connected and other lower service priority veterans to respond to mailed data requests for financial, personal and health insurance coverage in the privacy of their own homes, where documents are more readily available for easier, more accurate reference. Results of the pilot have affirmed that this HEC-coordinated system yields more accurate information to support eligibility determination and improves the collection of updated personal information and volume of signed means test forms to assure compliance with Privacy Act requirements. Because of these positive outcomes, VHA's Policy Board has approved the central data collection concept for application throughout the system. A budget request to support this initiative is currently being reviewed. If approval is granted as anticipated, phase in of the new system should begin by October 1, 1997. The actual initiation date, however, will be dependent upon the as yet undetermined administrative interface between the system and the developing enrollment process. Full implementation of the centralized data collection program, with anticipated completion before the end of FY 1998, should significantly eliminate acknowledged weaknesses raised in this report.

Page 2 Review of Means Testing and Income Verification Procedures

During the interim period, however, we agree that strengthened accountability at the facility level is imperative and steps have been identified to assure that corrective actions are taken. All VISN offices will be provided with a copy of this report and will re-emphasize to facility directors their personal responsibility for assuring that required means test processes are in full compliance. Issues identified in the report have already been discussed during a regularly scheduled weekly teleconference call (April 18) conducted by the Office of the Chief Network Officer (and attended by key managers from all VA medical facilities). In addition, an Under Secretary for Health Information Letter reemphasizing the need to obtain required signed means test/Privacy Act documentation is currently being developed and should be processed and distributed to all field facilities within the next 60 days. As reported in our responses to the following OIG recommendations, field compliance in fulfilling means test requirements will be closely monitored by the Health Administration Service and the HEC. If and when indicated, additional steps will be taken to communicate identified issues to the field.

We will also address another factor that probably contributes to inaccuracies in zero income reporting. Existing means test software is not designed to factor in special categories of non-service connected vets who are exempt from means testing - i.e., those receiving Compensation and Pension benefits, or veterans being treated for conditions relating to Agent Orange, service in the Persian Gulf, counseling for sexual trauma, etc. The software makes it impossible to register these patients and get workload credit without first filling in a means test value. Therefore, facilities might find that the only alternative is to enter the income at the zero level in order to not subject the patient to extensive data gathering and possible billing error. The Chief Information Officer will further assess this issue and determine the feasibility of modifying the current registration software to eliminate the means test requirement for veterans in these special treatment categories.

In Process or Planned July 1997 and Ongoing

b) Requiring VISN Directors to conduct periodic reviews of zero income means test cases to determine compliance with Privacy Act requirements.

Concur in Principle

Page 3 Review of Means Testing and Income Verification Procedures

VHA is in agreement that periodic reviews of zero income means test cases (and cases falling somewhat below the threshold, as well) should be conducted to assess facility compliance with all aspects of Privacy Act requirements. It is important, however, that the actual periodic reviews of zero income means test information be focused at the facility level. In addition, the HEC will begin to regularly monitor all cases involving zero income designations at regular intervals and identify facility patterns and trends that might develop. Feedback will be provided to the facilities and guidance in resolving problems will be provided as needed. VISN Directors will also be kept informed of their facilities' compliance status and will be requested to intervene in any situations that cannot be resolved at the facility level.

Planned

July 1997

c) Requiring the HEC to obtain confirmation from VHA facilities of a signed means test form before performing income verification work on cases with reported zero income.

Concur

In the interim period prior to anticipated implementation of the centralized data collection program, HEC will initiate review of all means test cases with reported zero income that are classified by HEC as discrepancies for verification purposes and request confirmation of the signed means test form from appropriate field facilities. All future zero income cases will also be routinely flagged. HEC will seek confirmation of the signed means test forms from the appropriate facilities. We anticipate, however, that with strengthened controls applied in the medical facilities, a notable drop in the number of unsigned/zero income-reported cases will be identified. HEC estimates, however, that implementation of this new monitoring process will involve an approximate annual resource expenditure of \$60,000.

Planned

September 1997

APPENDIX VI

FINAL REPORT DISTRIBUTION

VA Distribution

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