VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS

Veterans Health Administration

Audit of
Medical Care
Collections Fund Billing
of VA-Provided Care

August 30, 2012
11-00333-254

ACRONYMS AND ABBREVIATIONS

CBO	Chief Business Office
CPAC	Consolidated Patient Account Center
GAO	Government Accountability Office
ICB	Insurance Capture Buffer
MCCF	Medical Care Collections Fund
OIG	Office of Inspector General
RNB	Reasons Not Billable
VHA	Veterans Health Administration
VistA	Veterans Health Information Systems and Technology Architecture

Report Highlights: Audit of VHA's Medical Care Collections Fund Billing of VA-Provided Care

Why We Did This Audit

We conducted this audit to determine the extent to which Veterans Health Administration's (VHA) Medical Care Collections Fund program effectively identified third-party billing opportunities for VA-provided medical care. Specifically, whether VHA's unbilled patient encounters on its Reasons Not Billable Report were billable. This audit follows up the *Audit of Medical Care Collections Fund Billing for Non-VA Care* (Report No. 10-02494-176, May 25, 2011) which determined that VA had missed opportunities to increase third-party revenue by $110.4 million annually or $552 million over 5 years.

What We Found

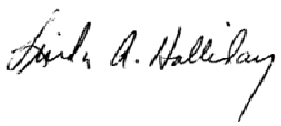
According to VHA it has significantly improved its third-party revenue collections program as evidenced by a 43 percent improvement from $1.3 billion in FY 2007 to $1.8 billion in FY 2011. However, we found that some improvement opportunities still exist. VHA did not effectively identify VA-provided episodes of care that could increase third-party revenue collection and consistently identify veterans with third-party insurance. This occurred because VHA lacked a mechanism to assess the dollar value thresholds of VA-provided care to review and an effective review policy on unbilled episodes of care. Additionally, VHA did not adequately monitor insurance identification performance, lacked adequate policies and procedures, and did not sufficiently train staff on identification of third-party insurance. As a result, we estimate that VHA missed opportunities to increase third-party revenue by at least $152 million annually and without actions to improve billing processes could miss an estimated $760 million over the next 5 years.

What We Recommended

We recommended that the Under Secretary for Health conduct an assessment of the current Reasons Not Billable review process, implement an effective monitoring program, provide additional guidance on identification of third-party insurance, and provide training to clinical administrative staff on third-party insurance identification policies and procedures.

Agency Comments

The Under Secretary for Health agreed with our finding, recommendations, and monetary benefits, and plans to complete corrective actions by March 2013. VHA's Chief Business Office will focus on high dollar accounts, monitor insurance identification, develop policies and procedures, and provide training. We consider these planned actions acceptable, and we will follow up on their implementation. Appendix E contains the full text of the comments from the Under Secretary for Health.



LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

This audit determined the extent to which the Veterans Health Administration's (VHA) Medical Care Collections Fund (MCCF) program effectively identified third-party billing opportunities for VA-provided medical care.

MCCF Program

VHA is authorized to bill third-party health insurance for covered health care provided to veterans at VA and non-VA medical facilities. The MCCF program recovers costs of medical care that VA provides to patients who have coverage under a private health insurance policy. A veteran may have coverage under a personal or spouse's insurance policy. VA considers a veteran's health care billable if the treatment is non-service-connected and the third-party health insurance policy covers the treatment.

Program Revenues

VHA reported MCCF collections for FY 2010 totaled $2.8 billion, of which third-party collections amounted to $1.9 billion. In FY 2011, VA had MCCF collections of $2.7 billion with $1.8 billion in third-party collections. In the past 5 years, MCCF collections have increased over $530 million or 25 percent, while third-party revenue has increased by 43 percent during the same period from $1.3 billion to $1.8 billion. According to one VHA official, this increase is evidence of significant improvements in their third-party revenue collection program.

Prior Audits

The VA Office of Inspector General (OIG) issued a report, *Audit of Medical Care Collections Fund Billing for Non-VA Care*, which concluded that VHA missed opportunities to increase MCCF revenue by not billing third-party insurers for 46 percent of billable fee care claims. This occurred because VHA did not have an effective process to identify billable fee claims and lacked a system of controls to maximize the generation of MCCF fee care revenue. As a result, VHA could have increased third-party revenue by $110.4 million annually or by $552 million over the next 5 years. This audit was designed to follow up our previous report and review the MCCF's program identification of third-party billing opportunities for VA-provided care.

Organization and Functions

VA medical facilities have been responsible for all MCCF revenue operations. VHA is currently establishing seven Consolidated Patient Accounting Centers (CPACs) throughout the United States to standardize revenue processes, integrate best practices, and enhance operational efficiency. During FY 2010, one CPAC, the Mid-Atlantic, was fully operational. The Mid-South, North Central, and Florida-Caribbean CPAC were fully operational in FY 2011. The remaining three CPACs are expected to be operational in FY 2012. VHA's Chief Business Office (CBO) is responsible for the MCCF program at both CPAC and non-CPAC facilities.

RESULTS AND RECOMMENDATIONS

Finding VHA Could Increase Third-Party Insurance Revenue for VA-Provided Care

VHA did not effectively identify VA-provided episodes of care that could increase revenue collection and did not consistently identify veterans with third-party insurance. This occurred because of the following program weaknesses.

- Lack of a mechanism to assess the dollar value thresholds of VA-provided care to review unbilled episodes of care
- Ineffective review policy on unbilled episodes of care
- Inadequate monitoring of insurance identification performance
- Lack of insurance identification policies and procedures
- Inadequate staff training on identification of third-party insurance

We estimate that VHA missed opportunities to increase third-party revenue by at least $152 million annually and without actions to address these program weaknesses could potentially miss opportunities for billing care valued at an estimated $760 million over the next 5 years.[1]

Reasons Not Billable Report

According to VHA, it has implemented a number of improvement efforts to improve billing practices, such as the use of automated tools to monitor the timeliness and efficiency of bills prepared. One report that assists with determining why care was potentially not billed is The Reasons Not Billable (RNB) report; a list of unbilled patient encounters and corresponding RNB codes that describe the reason the encounter was not billable. A patient encounter is a single item of medical care, such as a primary care visit, an x-ray, or a laboratory test. The RNB report consists of 92 standardized codes, which are not specific to a particular type of service, such as prosthetics, pharmacy, inpatient, or outpatient care. VA typically bills third-party insurance based on an episode of care, which may be made up of one or more patient encounters. Appendix B provides a more detailed definition of an episode of care.

[1] The $152 million is the lower limit of a 90% confidence interval around the estimate for all potential missed revenue opportunities identified. It is not equal to the lower limit of estimates of the separate projections for RNB review and insurance identification potential missed revenue opportunities presented later in the report. See Appendix C for detailed descriptions and tables of statistical estimates.

RNB codes are assigned to patient encounters by revenue staff, utilization review staff, or automatically by the Veterans Health Information Systems and Technology Architecture (VistA). VHA policy requires facility revenue supervisors to monitor the RNB report to ensure that the reason for not billing a particular patient encounter is accurate. This ensures that VHA is not missing opportunities to bill third-party insurance and increase VHA's revenue collections. In June 2008, the Government Accountability Office (GAO) recommended that VHA conduct monthly reviews of the RNB report and address issues involving inadequate medical documentation for third-party billing.[2] As a result, VHA identified 10 of 92 specific RNB codes that facility revenue supervisors are to review monthly. According to CBO officials, most of these codes provide reasons for not billing patient encounters associated with medical documentation issues that are easily correctable and present a high likelihood of revenue recovery. Appendix A provides a list of the 10 RNB codes.

RNB Review of High Dollar Value Care Often Missed

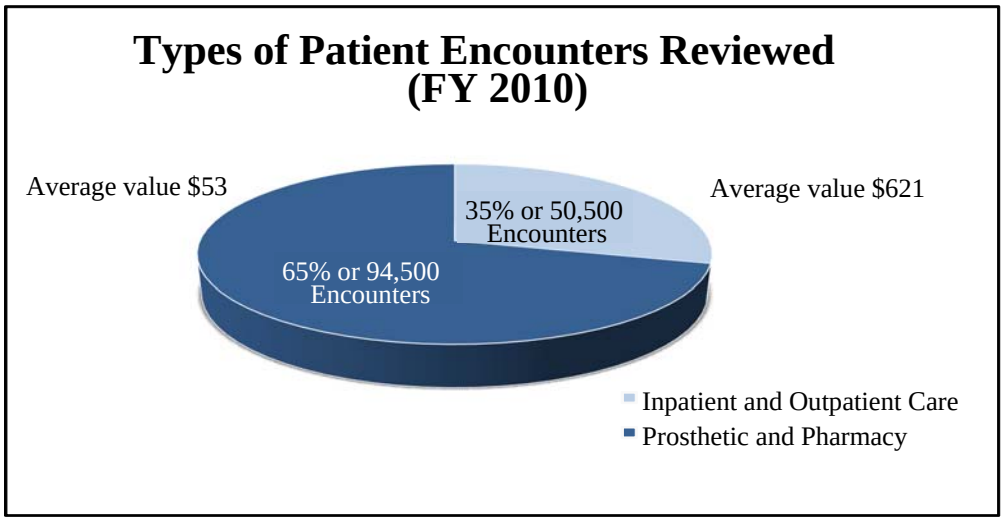
VA medical facility revenue staff missed an estimated 1.5 million opportunities to bill third-party insurance for VA-provided care or 9 percent of over 16 million unbilled episodes of care on the FY 2010 RNB report.[3] VHA's RNB review process does not focus on reviewing patient encounters that have high revenue potential. VHA's review process selected patient encounters that were generally associated with medical documentation issues. This process resulted in many reviews of episodes of care with low revenue potential, such as prosthetic and pharmacy services. The 8 VA medical facilities we reviewed had approximately 94,500 prosthetic and pharmacy patient encounters with an average value of $53. This represented 65 percent of nearly 145,000 total patient encounters reviewed in FY 2010 by the 8 facilities. The remaining 35 percent or 50,500 patient encounters were inpatient and outpatient services that had an average value of $621.

[2] GAO Report, *Ineffective Controls Over Medical Center Billings and Collections Limit Revenue From Third-Party Insurance Companies*, GAO-08-675, June 10, 2008.

[3] The RNB report is only consolidated once a year by CBO for nationwide reporting purposes. FY 2010 RNB data was the most current available for this audit.

Figure 1 summarizes the results of our analysis of the eight facilities' RNB reviews for FY 2010.

Figure 1



Source: OIG analysis of FY 2010 RNB reviews at eight selected audit sites.

Reviews Not Efficient

VHA could improve revenue staffs' work efficiency by focusing reviews on high dollar value patient encounters. In FY 2010, the RNB report had approximately 21 million inpatient and outpatient encounters that were identified as unbilled. This represented $13.1 billion dollars in unbilled VA-provided care. The current 10 RNB codes represented $1.7 billion (13 percent) of the $13.1 billion in inpatient and outpatient unbilled episodes of care. To illustrate the potential opportunity to increase productivity and efficiency, revenue staff would have to identify 12 prosthetic or pharmacy patient encounters at an average cost of $53 to approximately equal the revenue return of identifying 1 inpatient or outpatient patient encounter that had an average value of $621.

Reasons Why High-Value Episodes of Care Were Not Reviewed

Revenue staff did not review high dollar value patient encounters because VHA did not identify and evaluate the potential to achieve the maximum revenue while minimizing work effort. A well-developed assessment would identify the dollar value thresholds of VA-provided care to review in order to maximize VHA's third-party revenue collections. The 8 facilities had almost 2 million unbilled patient encounters on the FY 2010 RNB report which totaled nearly $1.7 billion in unbilled medical services. The majority of this unbilled amount on the RNB report was attributable to a small number of high-value patient encounters.

Table 1 summarizes the distribution of unbilled patient encounters at the eight sites we visited.

Table 1

Distribution of Unbilled Patient Encounters at Eight Sites

Patient Encounter Unbilled Value ($)	Patient Encounters (Thousands)	% of Patient Encounters	Unbilled Amount (Millions)	% of Unbilled Amount
Over 100,000	2	0%	$1,010	60%
Over 10,000 to 100,000	9	0%	$284	17%
Over 1,000 to 10,000	69	4%	$193	12%
Over 500 to 1,000	101	5%	$69	4%
500 or less	1,789	91%	$115	7%
Totals:	1,970	100%	$1,672	100%

Source: VHA FY 2010 RNB data

If the 8 facilities had focused their review of 145,000 RNB patient encounters with the highest dollar value, they would have reviewed over $1.5 billion (92 percent) of the nearly $1.7 billion of unbilled inpatient and outpatient medical services. However, the 8 facilities selected patient encounters focused on just 10 RNB codes that represented 13 percent of potential billing opportunities. The current policy prevents many high dollar value patient encounters from being chosen because the emphasis is on the RNB code rather than the value of the patient encounter. The following example illustrates this issue.

> A veteran was admitted to a VA medical facility for inpatient cardiovascular treatment. The VA physician stated the care provided was nonservice-connected. The episode was incorrectly assigned an RNB code "Service-Connection," thus the medical facility did not bill the veteran's third-party insurer. Further, this RNB code was not among the group selected for review by the revenue supervisor resulting in the medical facility missing an opportunity to bill the veteran's third-party insurer $233,373 for the provided care. If this facility had focused on high dollar value patient encounters when performing monthly reviews of the RNB report, the billing opportunity may not have been missed.

Effect of Not Identifying Billable Episodes of Care

As a result, we estimate that VHA missed 1.5 million opportunities to increase revenue or 9 percent of over 16 million unbilled episodes of VA-provided care in FY 2010. These missed opportunities represent at least $56 million in potential revenue or $280 million over the next 5 years.

Table 2 summarizes the results of our assessment of missed billing opportunities.

Table 2

Estimated FY 2010 Review Errors (in millions)			
Missed Billing Opportunities	**Unbilled Episodes of Care**	**Error Rate**	**Potential Third-Party Revenue Opportunity**
1.5	**16**	**9%**	**$56**

Source: VA OIG statistical analysis of missed billing opportunities.

Identifying Veterans with Insurance Inconsistent

VHA needs to improve their process of identifying veterans with third-party insurance. We estimate VA medical facility revenue staff did not bill approximately 400,000 or 3 percent of over 16 million unbilled episodes of care because veterans or their spouses' insurance policies were not identified at the time of treatment or within the insurance billing time frame. VHA does have a contractor who can identify insurance coverage post-visit by matching veterans with health carrier data. According to CBO officials, the data available for matching within the contractor's database does not include information from all third-party insurers. Federal law permits VA to bill a veteran's or their spouse's health insurance for care provided at VA and non-VA medical facilities. Generally, most insurance policies have filing time limits governing the time in which a provider may submit a claim. The time limit is normally 1 year or less from the date of care.

Insurance Identification Process

Third-party insurance information is gathered from a variety of sources and at various points in the medical care delivery process, such as the time the veteran submits an application for health benefit enrollment, directly from the veteran during appointment check-in, or during pre-registration contact with the veteran prior to the time of his or her appointment.

VHA uses the Insurance Capture Buffer (ICB) system to ensure that they have current veteran insurance information recorded in VistA. During appointment check-in or pre-registration contact with the veteran, the ICB system prompts clinical administrative staff to request third-party insurance information if the veteran's insurance information has not been verified or changed within the past 180 days. The ICB system allows facility officials to generate management exception reports that list veterans with scheduled appointments at specific clinics whose insurance information has not been verified within the past 180 days. VistA insurance files are updated once the veteran's insurance information is verified or changed.

ICB Management Exception Report Not Used Effectively

The ICB system identified more than 1.2 million appointments for insurance review at the 8 sites in FY 2010. VA medical facility revenue staff at the 8 sites we visited did not review over 530,000 (43 percent) of the 1.2 million appointments selected for insurance review in FY 2010.

Table 3 shows the exception rates (missed identification opportunities) identified at the eight sample sites.

Table 3

Exception Rates at Eight Sample Sites			
Site	**Appointments Selected for Insurance Review**	**Missed Insurance Reviews**	**Exception Rate**
1	244,269	75,688	31%
2	138,994	73,212	53%
3	141,908	11,187	8%
4	83,894	15,311	18%
5	262,708	204,322	78%
6	104,948	8,431	8%
7	124,204	70,773	57%
8	125,867	71,667	57%
Totals:	**1,226,792**	**530,591**	**43%**

Source: VA OIG statistical analysis of exception rates.

Lack of Written Policies and Procedures

None of the eight facilities had documented policies or procedures on how the ICB exception management report was to be used within their clinics and other veteran check-in access points. The current VHA policy lacks sufficient guidance for medical facilities to develop adequate local policy on ICB exception performance standards or monitoring procedures. Two facilities had more effective management oversight of the insurance identification process, such as the VA medical facility director receiving daily reports from the Chief of Medical Administration on exception rates and what actions were taken to improve performance. These two locations produced the lowest exception rates of eight percent. However at the remaining six locations, there was little evidence that insurance identification performance was adequately monitored during the course of normal operations. The following is an example of a missed billing opportunity when clinical administrative staff did not identify a veteran's insurance policy in time to bill several episodes of VA-provided care:

> A veteran received emergency outpatient treatment for abdominal pain on June 28, 2010. During FY 2010, the veteran had clinic visits when administrative staff missed opportunities to inquire about the veteran's insurance status. On January 11, 2011, the medical

facility's administrative staff identified the veteran had insurance. The veteran's policy had been active since April 1, 2009. However, the policy had a 6-month time limit from time of care when a third-party bill for care could be submitted. Because the veteran's policy was not identified earlier in the billing review process, VA was unable to bill for this June 2010 episode of care valued at $2,340 and three other episodes of care valued at $2,897 in FY 2010.

Reasons Why Identifying Veterans With Insurance Was Inconsistent

VHA missed opportunities to identify veterans who had third-party insurance because of a lack of an effective monitoring program, adequate guidance on developing medical facility policy and procedures on the use of the ICB exception management report, and adequate training of clinical administrative staff. The GAO's *Standards for Internal Control in the Federal Government* states that controls are an integral part of an organization's planning, implementing, reviewing and accounting for government resources, and achieving effective results. Management controls, such as monitoring of operations, establishing policies and procedures, and ensuring a trained staff, are fundamental requirements in the Federal Government.

VHA missed opportunities to identify third-party insurance because of the lack of effective monitoring throughout the course of normal operations. We found little evidence that clinical and revenue supervisors at the VA medical facilities were monitoring insurance identification performance. An effective monitoring system would distinguish clinics that are performing well and clinics that need additional support in identifying veterans' third-party insurance. Another reason missed opportunities to identify third-party insurance occurred was the lack of adequate VHA guidance for medical facilities to develop insurance identification policies and procedures, such as standards and protocols on the use of the ICB system's management exception report.

VHA also missed opportunities to identify third-party insurance because of inadequate staff training. Most sites provided training to clinical administrative staff on ICB software functionality but did not adequately cover topics, such as types of insurance policies that may be billed or how to discuss third-party insurance with veterans. To encourage veterans to share their insurance information with VA, it is important that staff requesting insurance information be able to inform the veteran why the information is needed and how increasing third-party revenue helps provide more services to additional veterans.

Effect of Not Identifying Veterans With Third-Party Insurance

As a result of not consistently identifying veterans with third-party insurance coverage, VHA's MCCF program missed opportunities to maximize revenue for VA-provided care. We estimate that VHA missed approximately 400,000 opportunities to increase revenue or 3 percent of over 16 million unbilled episodes of VA-provided care in FY 2010. These missed opportunities represent at least $44 million in potential revenue or approximately $220 million over the next 5 years.

Table 4 summarizes the results of our assessment.

Table 4

Estimated FY 2010 Insurance Errors (in millions)			
Missed Billing Opportunities	**Unbilled Episodes of Care**	**Error Rate**	**Potential Third-Party Revenue Opportunity**
0.4	16	3%	$44

Source: VA OIG statistical analysis of missed opportunities to identify third-party insurance.

Conclusion

By ensuring high dollar value unbilled medical care is adequately reviewed and veterans with third-party insurance coverage are identified, VHA has the opportunity to significantly increase annual MCCF revenue collections. These improvements will improve VHA's capability to serve the growing demand for medical services among our nation's long-established veterans and those veterans who have recently served and who are currently serving our nation and generally result in making the review processes more efficient.

Recommendations

1. We recommended that the Under Secretary for Health implement a mechanism to assess the current Reasons Not Billable review policy and procedures to ensure the Veterans Health Administration maximizes billing opportunities to increase third-party revenue for VA-provided care.
2. We recommended that the Under Secretary for Health implement an effective mechanism to monitor insurance identification.
3. We recommended that the Under Secretary for Health provide additional guidance on the identification of third-party insurance to ensure medical facilities develop insurance identification policies and procedures.
4. We recommended that the Under Secretary for Health provide training to clinical administrative staff to ensure they understand third-party insurance identification policies and procedures.

Management Comments and OIG Response

The Under Secretary for Health agreed with our finding, recommendations, and monetary benefits, and provided responsive implementation plans to address our recommendations. VHA's CBO will develop an RNB

stratification method focused on high dollar accounts as opposed to specific RNB codes. Assessment of RNB episodes of care will include determining dollar thresholds or volume of high dollar inpatient and outpatient RNB accounts to be reviewed monthly. VHA will also provide training and monitor insurance identification, and require VHA's Office of Compliance and Business Integrity to create a process to audit the development of CBO and local third party insurance identification policies and procedures and ensure that training has been provided.

We consider these planned actions acceptable, and we will follow up on their implementation. Appendix E contains the full text of the comments from the Under Secretary for Health

Appendix A Background

Third-Party Revenue Cycle

The first step in the third-party revenue cycle is for clinical administrative staff to identify veterans with insurance coverage. After VA provides medical care, revenue staff reviews each encounter to determine if insurance coverage exists and utilization review staff determines whether the care is eligible for third-party billing. Medical specialists code the billable encounters and billing staff process the encounter for third-party collection. Under the CPAC model, VA medical facility staff identifies veterans with third-party insurance and code potential third-party insurance claims. CPAC staff located either at the VA medical facility or at the central CPAC facility performs insurance verification, utilization reviews, and billing and revenue collection functions. Figure 2 illustrates the third-party revenue cycle.

Figure 2

Third-Party Revenue Cycle

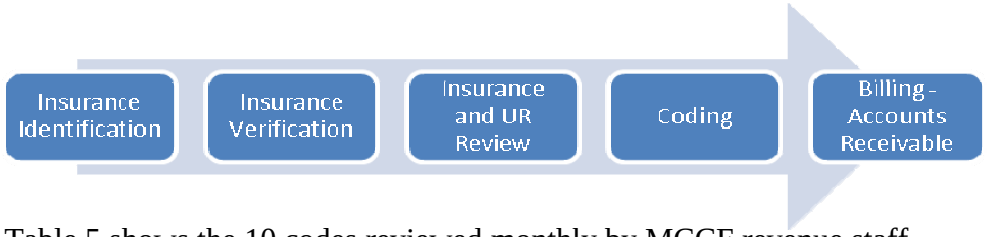


Table 5 shows the 10 codes reviewed monthly by MCCF revenue staff.

Table 5

RNB Codes Mandated for Review Under Current Policy

RNB Codes	Unbilled Amount (Millions)
Coverage cancelled	$112
Credentialing issue	$7
Filing timeframe not met	$146
Needs service connection determination	$12
No documentation	$23
Other (miscellaneous)	$1,237
Other compliance	$101
Pre-certification not obtained	$17
Resident supervision not met	$10
Prescription authorization not obtained	$1
Total:	**$1,666**

Source: VHA CBO

Appendix B Scope and Methodology

Audit Scope

We conducted our audit work from May 2011 through June 2012. We selected a statistical sample of 825 episodes of care from our audit universe of all inpatient and outpatient VA-provided encounters listed on the RNB report during FY 2010.

Methodology

Our review was limited to those activities relating to identification of VA-provided medical care that were potentially billable to third-party insurance. We identified and reviewed applicable Federal laws and regulations, previous OIG and GAO audits, and VHA policies related to the MCCF program. In addition, we interviewed CBO, Veterans Integrated Service Network, VA medical facility officials, and facility insurance and revenue staff. We obtained relevant documentation at eight randomly selected VA medical facilities. We evaluated the processes and local procedures used to identify potentially billable third-party insurance and related controls.

We used cluster sampling to estimate missed revenue and to minimize the number of encounters reviewed at each site. The VA medical facility was the cluster and the sampling unit consisted of VA-provided inpatient and outpatient encounters during FY 2010. We selected two CPAC sites and six non-CPAC sites for our review. All of these steps were performed in consultation with the statistician for the OIG Office of Audits and Evaluations. Table 6 lists the eight selected VA medical facilities.

Table 6

Medical Facilities Selected

Facility Name	Facility Location	CPAC Affiliation
VA Palo Alto Health Care System	Palo Alto, CA	Non-CPAC
G. V. (Sonny) Montgomery VA Medical Center	Jackson, MS	Non-CPAC
VA Health Care Upstate New York	Albany, NY	Non-CPAC
Atlanta VA Medical Center	Decatur, GA	Mid-Atlantic
St. Louis VA Medical Center	St. Louis, MO	Non-CPAC
Martinsburg VA Medical Center	Martinsburg, WV	Mid-Atlantic
Dayton VA Medical Center	Dayton, OH	Non-CPAC
Southern Arizona VA Health Care System	Tucson, AZ	Non-CPAC

Source: VA OIG random sample selection performed in consultation with statistician for Office of Audits and Evaluations.

The audit universe consisted of episodes of care from 30 of 92 RNB codes valued at over $11.9 billion, which represented 91 percent of the dollars reported as unbillable on RNB reports provided by CBO. The 30 codes were selected based on their risk of potential revenue loss based on the amount of unbilled medical services in each code. Title 38 of the United States Code §1710 defines an episode of care to be from the first day of hospital care until the point of discharge. There is no corresponding definition of an episode of care for outpatient services. We chose to define an episode of care for outpatient services as all medical services received by a patient in a single day. For example, a patient who has a primary care appointment and then is sent to the laboratory for a test and radiology for an x-ray would have three patient encounters but only one billable outpatient episode of care.

We based our definition of a billable claim on Title 38 of the United States Code §1729, which defines a veteran's care as billable if the care was non-service connected and the care was covered under the veteran's third-party insurance.

We determined whether revenue staff had properly billed third-party insurers and the reasons revenue staff did not bill each episode of care. We considered the claim to be in error if the episode of care was not related to the veteran's service-connected disability, the veteran had third-party insurance coverage for the care provided, and VA did not bill the third-party insurer. We reviewed each resulting error with revenue staff at each VA medical facility. The facility revenue staff agreed with each error used to calculate our error rate and cost savings.

To calculate missed revenue, we determined the reasonable charge for each treatment code identified in each station's VistA Charge Master file. We then calculated VA's expected reimbursement by multiplying the resulting charge by CBO's FYs 2010, 2011, and 2012 average third-party collection rates of 34.7, 31.2, and 31.9 percent, respectively. FY 2012 third-party average rate of collection is based on billings and collections from October 2011 through April 2012. FYs 2013 and 2014 amounts were calculated using the FY 2012 third-party collection rate of 31.9 percent.

Data Reliability

We used computer-processed data from VistA to determine veteran service-connected condition and third-party insurance coverage for a statistical sample of episodes of care listed on the RNB report from eight VA medical facilities during FY 2010. To determine the reliability of data concerning veterans' service-connected condition, we compared the service-connected condition information of 30 sample encounters to the veterans' records maintained by the Veterans Benefits Administration. We found no significant discrepancies and concluded the service-connected data were sufficiently reliable for the audit objective.

To determine the reliability of veterans' insurance information used in our review, we assessed procedures used by revenue staff to verify veterans' insurance policy coverage. We also compared veterans' insurance data for 80 sample claims with insurance documentation identified by the 8 VA medical facilities. We found no significant discrepancies and concluded the insurance information was sufficiently reliable for the audit objective.

Government Audit Standards

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Statistical Sampling Methodology

Approach

To evaluate the extent to which VHA effectively identified third-party billing opportunities for VA-provided medical care, we selected a representative sample of 825 episodes of care from the FY 2010 RNB report. We selected 825 patient encounters and bundled other patient encounters that occurred on the same day of the selected item to create a single episode of care. The 825 episodes of care came from 1,566 patient encounters.

Population

The population consisted of more than 16 million inpatient and outpatient encounters on the RNB report for VA-provided care from October 1, 2009, through September 30, 2010, valued at over $11.9 billion.

Sampling Design

We conducted a two-stage sample of all claims identified in our population. The first stage consisted of randomly selected VA medical facilities, and the second stage consisted of inpatient and outpatient encounters with the selected 30 RNB codes. We selected a sample of eight medical facilities using probability proportional to value of inpatient and outpatient patient encounters in each facility's FY 2010 RNB report.

In the second stage of the sample, we stratified the claims into three categories—high-, medium-, and low-value claims. High-value claims were over $400,000, medium-value claims were $400,000 to $5,000, and low-value claims were less than $5,000.

Projections and Margins of Error

We based our calculations of the margins of error on a 90 percent confidence interval. If we repeated this audit with multiple samples, the confidence intervals would differ from each sample, but include the true population value 90 percent of the time. The first estimate is missed third-party billing opportunities as a percentage of all episodes of VA-provided inpatient and outpatient medical care in the audit universe. Our review of 825 episodes of care found 88 that were billable.

Table 7, on the next page, shows the estimated number of third-party billing opportunities related to RNB review errors, insurance identification errors, and the total number of episodes of care.

Table 7

Estimated Number of Third Party Billing Opportunities					
Category	**Episodes of Care**	**Margin of Error**	**90% Confidence Interval**		**Sample**
			Lower Limit	**Upper Limit**	
RNB Review Errors	1,512,590	592,134	920,456	2,104,724	62
Insurance Errors	397,491	218,957	178,535	616,448	26
Total Episodes of Care	16,075,075	264,746	15,810,329	16,339,820	825

Source: VA OIG statistical analysis of missed third-party billing opportunities.

Table 8 shows the corresponding error rate.

Table 8

Estimated Error Rate of Missed Third-Party Billing Opportunities					
Category	Percentage of Missed Opportunities	Margin of Error	90% Confidence Interval		Sample
			Lower Limit	Upper Limit	
RNB Review	9.4	3.7	5.7	13.2	62
Insurance Identification	2.5	1.4	1.1	3.8	26

Source: VA OIG statistical analysis of missed third-party billing opportunities.

The estimates in Table 9, on the next page, are an extrapolation of the reasonable charges applied to each billable medical procedure code for the 825 episodes of care and the potential revenue missed. The Lower Limit column shows that VHA could have billed at least $471 million during the period.

Table 9

Estimated Billable Value for FY 10 (in millions)				
Category	Midpoint Billable Projection	Margin of Error	90% Confidence Interval	
			Lower Limit	Upper Limit
RNB Review	$733	$559	$174	$1,290
Insurance Identification	$379	$243	$136	$623
All Billing Opportunities	$1,110	$639	$471	$1,750

Source: VA OIG statistical analysis of missed third-party billing opportunities.

To create an estimate of potential revenue, we multiplied the billable projected amounts using the lower 90 percent limit for each type of missed billing opportunity by the FYs 2010, 2011, and 2012 average collection rates of 34.7, 31.2, and 31.9 percent, respectively. This resulted in a potential monetary benefit of $152 million or $760 million over a 5 year period for all missed billing opportunities identified. In the categories of RNB review and insurance identification missed billing opportunities, the annual estimates were $56 million and $44 million respectively, and $280 and $220 million over 5 years.

Table 10 shows the potential revenue associated with the missed billing opportunities identified in this report using the lower limit of the 90 percent confidence interval. The lower limit of all missed billing opportunities estimate does not equal the sum of the two lower limits for RNB review and insurance identification potential revenue estimates. This is because these are three independent sample estimates.

Table 10

Potential Revenue Using Lower Limit (millions)							
Category	FY 10	FY 11	FY 12	FY 13	FY 14	Avg. Yearly Rate	5 Year Total
RNB Review	$60	$54	$56	$56	$56	$56	$280
Insurance Identification	$47	$42	$43	$43	$43	$44	$220
All Missed Billing Opportunities	$163	$147	$150	$150	$150	$152	$760

Source: VA OIG statistical analysis of missed third-party billing opportunities.

Table 11 shows the potential revenue associated with the missed billing opportunities identified in this report using the midpoint of the 90 percent confidence interval. In the categories of RNB review and insurance identification missed billing opportunities the annual estimates were $237 million and $122 million, respectively and approximately $1.2 billion and $610 million over 5 years. The midpoint of all missed billing opportunities estimate of approximately $1.8 billion equals the sum of the midpoint estimates for RNB review and insurance identification potential revenue estimates.

Table 11

Potential Revenue Using Midpoint (millions)							
Category	FY 10	FY 11	FY 12	FY 13	FY 14	Avg. Yearly Rate	5 Year Total
RNB Review	$254	$228	$234	$234	$234	$237	$1,185
Insurance Identification	$131	$118	$121	$121	$121	$122	$610
All Missed Billing Opportunities	$385	$346	$355	$355	$355	$359	$1,795

Source: VA OIG statistical analysis of missed third-party billing opportunities.

Appendix D Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Reassess the current RNB review process to ensure VHA maximizes billing opportunities to increase third-party revenue over 5 years.	$280 million	$0
2	Implement an insurance identification monitoring program to increase third-party revenue over 5 years.	$220 million	$0
	Total:	**$760 million**[4]	**$0**

[4] The 5 year projected potential monetary benefits are based upon the lower limit of a 90 percent confidence interval. As illustrated in the Table 10, the lower limit of the total does not equal the sum of the two lower limits for RNB Review and insurance identification. This is because these are three independent sample estimates. The midpoint of the confidence intervals for the RNB Review and insurance identification do sum to the midpoint for the total.

Appendix E Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: July 30, 2012

From: Under Secretary for Health (10)

Subj: Office of Inspector General, Office of Audits and Evaluations Draft Report, Audit of Medical Care Collections Fund (MCCF) Billing of VA-Provided Care (VAIQ 7253893)

To: Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed the draft report and concur with the recommendations and the $152 million (M) in potential additional annual revenue collections. Attached is the action plan that addresses the recommendations.

2. The Veterans Health Administration (VHA) has significantly improved our third-party collections program as evidenced by a 43 percent increase in revenues from fiscal year (FY) 2007 ($1.26 billion (B)) to FY 2011 ($1.80B). VHA has achieved this improvement by tackling multiple elements across the revenue cycle, such as accurate insurance identification and verification, authorization, utilization management, claims processing, accounts receivable, and payor relations. The report identified $152M of potential collectable revenue, or 7.8 percent of FY 2011 total collections of third-party revenue.

3. VHA is committed to continuing success in achieving expected revenue collection results through deployment of seven industry best-practice Consolidated Patient Account Centers (CPAC). These billing and collections centers will be completed by the end of FY 2012, or 1 year earlier than required by Public Law 110-387. Central to the success of the CPAC model is deployment of standard operating processes, intensive staff training, and greater accountability for results. While the Office of Inspector General identified potential opportunities through use of a single work driver (Reasons Not Billed Report), I believe our overall results demonstrate substantial improvements have been made in revenue operations in order to ensure funding is available to treat Veterans requiring medical care and service in VHA.

Page 2.

Office of Inspector General, Office of Audits and Evaluations Draft Report,
Audit of Medical Care Collections Fund (MCCF) Billing of VA-Provided Care
(VAIQ 7253893)

4. Thank you for the opportunity to review ant draft report. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10AR) at (202) 461-7014.

Robert A. Petzel, M.D.

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan

OIG Draft Report, OIG Draft Report, Audit of Medical Care Collections Fund Billing of VA-Provided Care (VAIQ 7253893)

Date of Draft Report: July 2, 2012

Recommendations/ Actions	Status	Completion Date

Recommendation 1: We recommend that the Under Secretary for Health implement a mechanism to assess the current Reasons Not Billable review policy and procedures to ensure the Veterans Health Administration maximizes billing opportunities to increase third-party revenue for VA provided care.

VHA Comments

Concur

VHA's Chief Business Office (CBO) will determine a Reasons Not Billable (RNB) stratification method focused on high dollar accounts as opposed to specific RNBs. Assessment will include determining dollar thresholds or volume of high dollar inpatient and outpatient RNB accounts to be reviewed monthly. CBO will determine monthly review process based on approved RNB stratification method and assign responsibility to appropriate staff.

In process September 30, 2012

CBO will review and align current RNB Directives and policies in support of the approved RNB stratification process focused on the highest value of missed billing opportunities.

In process December 31, 2012

CBO will conduct system-wide training in support of the revised policies for all staff who participate in the RNB review process.

In process March 31, 2013

In response to CBO corrective actions, VHA's Office of Compliance and Business Integrity (CBI) will:

- Develop a national performance improvement metric to report the volume and estimated value of unbilled services;
- Publish quarterly RNB performance results for each VHA medical facility and Consolidated Patient Account Center (CPAC) on the CBI Metrics Dashboard; and
- Provide monthly reports of this data to CBO, VHA Veterans Integrated Service Networks (VISN), and responsible CBI staff to enhance local monitoring and performance improvement efforts.

In process March 31, 2013

Recommendation 2: We recommend that the Under Secretary for Health implement an effective mechanism to monitor insurance identification.

VHA Comments

Concur

VHA's CBO provided Department of Veterans Affairs medical center (VAMC) staff with the tools to monitor insurance identification using the Insurance Capture Buffer (ICB) exception reports. National software was released in December 2009 with a requirement for full installation by April 2010. To support additional training on the monitoring of this activity, CBO conducted one training session "Overview of ICB Reports" on June 13, 2012, and will provide another session "In-depth Review of all ICB Reports" on July 11, 2012 , which is the eInsurance National Support Call. This session will provide step-by-step instruction on how to run and read the reports. This information will also be posted on the CBO Web site.

In response to CBO corrective actions to implement an effective mechanism to monitor insurance identification, CBI will:

- Create a standard process to audit insurance identification by September 2012;
- Test the process by December 2012; and
- Fully implement the process by March 2013.

In process March 31, 2013

Recommendation 3: We recommend that the Under Secretary for Health provide additional guidance on the identification of third-party insurance to ensure medical facilities develop insurance identification policies and procedures.

VHA Comments

Concur

VHA Directive 2011-003, Patient Information Collection Management (PICM), was published January 28, 2011. This policy specifies the VISNs and VAMCs as responsible parties for ensuring demographic and insurance information is captured, updated, and monitored. This Directive also mandates a PICM Coordinator be designated for each VAMC to oversee PICM activities, functions, and reports.

Completed

VHA Handbook 1601C.01, Requesting and Verifying Insurance Information from Third-Party Payers, dated February 22, 2012, was issued to VAMCs March 7, 2012. This Handbook provides information on mandated procedures for requesting and verifying insurance information of third-party payers along with identifying the electronic methods for data collection and verification that must be used by VA Health Care Facilities (HCF) and CPAC. Finally, this Handbook also outlines the general information VHA personnel must have prior to initiating a third-party payer contact to request and verify insurance information.

Completed

The "ICB Purchasing Scanners" job aid was updated in January 2012, and posted on CBO Web site home page, CBO Question & Answer Database and Veterans Health Information Systems and Technological Architecture (VistA) University, distributed March 2012. This document contains a listing of ID Card Scanners with known ICB compatibility and the procedural steps in obtaining additional scanners.

Completed

In response to CBO corrective actions, CBI will create a process for local CBI Officers to verify whether local VAMCs developed insurance identification policies and procedures. CBI will report activity to local Compliance Committee and in CBI's Compliance Inquiry Reporting and Tracking System (CIRTS).

In process March 30, 2013

Recommendation 4: We recommend that the Under Secretary for Health provide training to clinical administrative staff to ensure they understand third-party insurance identification policies and procedures.

VHA Comments

Concur

The "ICB Purchasing Scanners" job aid was updated in January 2012, and posted on CBO Web site home page, CBO Question & Answer Database and Veterans Health Information Systems and Technological Architecture (VistA) University, distributed March 2012. This document contains a listing of ID Card Scanners with known ICB compatibility, and the procedural steps in obtaining additional scanners.

Completed

VHA's CBO Business Development (BD) Office provided ICB Entry Clerk training with live meeting August 2, 2011; August 18, 2011; and September 14, 2011. Additional ICB Entry Clerk national training sessions were presented on May 15, 2012; May 22, 2012; and June 6, 2012. Training is also available through the VA Training Management System (TMS), Course 9350.

Completed

VHA's CBO BD Office will redistribute VHA Directive 2011-003 to all Business Information Managers and instruct the BIMs to provide the names of the VAMC Patient Information Management Coordinators for inclusion in the VHA Electronic Insurance Identification & Verification Contacts Mailgroup. This mailgroup is utilized to communicate updates and new guidance related to the insurance capture process, as well as ongoing training opportunities that are available for front-end staff. The VHA Electronic Insurance Identification & Verification Contacts Mailgroup contains a variety of other VHA mail groups and individuals to ensure wide distribution of materials and information.

In process September 30, 2012

VHA's CBO BD Office will:

- Provide reminders of the availability of VistA University for training information on all National eInsurance Support Calls;
- Provide ten additional ICB job aids to be posted on VistA University for each access; and
- Create a Revenue Cycle Enhancement Team (RCET) Tip of the Month document for distributing information about ICB Intake Training.

In process September 30, 2012

In response to CBO corrective actions, CBI will create a process for local CBI Officers to audit CBO third party insurance identification training and report training activity to the local Compliance Committee and in CBI's CIRTS.

In process March 31, 2013

Veterans Health Administration
July 2012

Appendix F Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Matthew Rutter, Director Beverly Carter Lee Giesbrecht Barry Johnson Issa Ndiaye Melinda Toom Orlando Velásquez Nelvy Viguera Butler Sherry Ware Theresa Zoun

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