

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Review of  
Alleged Payment Issues  
at the Kerrville VA Hospital  
in Kerrville, Texas*

September 28, 2017  
16-02151-320

# ACRONYMS

CFO	Chief Financial Officer
CFR	Code of Federal Regulations
FY	Fiscal Year
NVC	Non-VA Care
OCC	Office of Community Care
OIG	Office of Inspector General
PRMC	Peterson Regional Medical Center
STVHCS	South Texas Veterans Health Care System
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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# Highlights: Review of Alleged Payment Issues at the Kerrville VA Hospital in Kerrville, TX

## Why We Did This Review

The Office of Inspector General received a complaint from a veteran in February 2016 alleging that Peterson Regional Medical Center (PRMC) in Kerrville, TX, canceled his sleep study appointment. The complaint alleged that PRMC canceled the appointment because VA owed PRMC more than \$2 million and PRMC was no longer accepting VA referrals for non-VA Care (NVC) as a result.

Our objective was to determine whether PRMC canceled the veteran's scheduled sleep study because of non-payment by VA and whether PRMC limited veterans' access to NVC. To achieve this objective, we reviewed VA payments to PRMC and measured access for other Kerrville veterans utilizing PRMC.

## What We Found

There was insufficient evidence to substantiate the allegation that PRMC canceled the veteran's scheduled sleep study because of non-payment by VA, or that PRMC limited other veterans' access to care. There were conflicting stories as to why the veteran's scheduled sleep study was canceled. PRMC denied it was because VA owed PRMC approximately \$2 million for unpaid services and we did not find any evidence to the contrary.

However, we did find that PRMC improperly informed the veteran that he might be responsible for payment if VA did not pay. This was improper because the veteran's sleep study was pre-authorized

under the NVC program and VA has exclusive payment responsibility for treatment provided under this program.

There was no evidence that VA owed PRMC \$2 million for unpaid services. PRMC billed the VA nearly \$2.9 million for NVC. Of the \$2.9 million billed, VA paid nearly \$92,200 of emergency claims, valued at nearly \$1.3 million, and nearly \$14,100 of non-emergency claims, valued at nearly \$62,600, based on eligibility requirements. Emergency claims valued at nearly \$1.4 million and non-emergency claims valued at nearly \$106,900 were returned because the veteran did not meet eligibility requirements.

PRMC continued to accept patients through the NVC program. PRMC increased the monthly number of veterans receiving care from 47 to 75 from October 1, 2015 through March 31, 2016.

PRMC is the only non-VA hospital located in Kerrville and is a critical provider of community care to veterans. While we found lack of evidence that PRMC denied services to veterans, the inaccurate threat of potential liability for costs of care could discourage veterans from seeking treatment in the community.

## What We Recommended

The director of the South Texas Veterans Health Care System (STVHCS) should instruct PRMC to stop advising veterans that they could be liable for pre-authorized NVC.

## Agency Comments

The director of the STVHCS concurred with our findings and recommendation and stated that STVHCS would implement the recommendation by August 31, 2017. We will monitor STVHCS' progress and follow up on the implementation of our recommendation until the proposed action is completed.



LARRY M. REINKEMEYER  
Assistant Inspector General  
for Audits and Evaluations

# TABLE OF CONTENTS

Introduction.....	1
Results and Recommendation.....	2
Finding	Peterson Regional Medical Center Risks Limiting Access to Non-VA Care.....2
	Recommendation.....5
Appendix A	Scope and Methodology.....6
Appendix B	Non-VA Care Eligibility Criteria.....7
Appendix C	Management Comments.....9
Appendix D	OIG Contact and Staff Acknowledgments.....10
Appendix E	Report Distribution .....11

## INTRODUCTION

### **Objective**

In February 2016, a veteran complained to the Office of Inspector General that Peterson Regional Medical Center (PRMC) in Kerrville, TX, canceled his sleep study appointment. The complaint alleged that PRMC canceled the appointment because VA owed more than \$2 million and PRMC was no longer accepting VA referrals as a result. Our objective was to determine whether PRMC canceled the veteran's scheduled sleep study because of non-payment by VA and whether PRMC limited veterans' access to non-VA care (NVC). To achieve this objective, we reviewed VA payments to PRMC and measured veterans' access at PRMC.

### **Kerrville VA Hospital**

Kerrville VA Hospital is a component of the South Texas Veterans Health Care System (STVHCS) and its management team is located in San Antonio, TX.<sup>1</sup> Kerrville VA Hospital provides urgent care for veterans in the area but does not have an emergency room to meet veterans' needs outside of normal facility operating hours. Many veterans seek treatment at PRMC because it is the only local medical facility with a 24-hour emergency room.

### **Authorization of NVC**

The Veterans Health Administration (VHA) cannot authorize treatment in advance when a veteran receives emergency care. VHA's Office of Community Care (OCC) is responsible for notifying STVHCS when claims are received for unauthorized treatment. The STVHCS NVC staff verifies the veteran's eligibility and creates an authorization if NVC eligibility requirements are met. See Appendix B for NVC eligibility requirements.

In the case of pre-authorized non-emergency care, a VA clinician will create an NVC consult recommending a veteran receive care in the community. A VA clinician with approval authority will review the request to determine if the veteran meets clinical criteria for pre-authorized care. STVHCS NVC staff verifies the veteran's eligibility and creates an authorization after the request has been approved by the authorizing clinical official.

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<sup>1</sup> Because Kerrville VA Hospital leadership is located within STVHCS, we used the term STVHCS when referring to Kerrville VA Hospital and its operations.

## RESULTS AND RECOMMENDATION

### **Finding**      **Peterson Regional Medical Center Risks Limiting Access to Non-VA Care**

There was insufficient evidence to substantiate the allegation that PRMC canceled the veteran's scheduled sleep study because of non-payment by VA, nor that PRMC limited other veterans' access to care. Based on claims received by VA from October 1, 2015 through March 31, 2016, PRMC billed VA nearly \$2.9 million for NVC. After determination of eligibility and appropriate rates were applied, records show that VA paid about \$92,200 for emergency care claims (valued at nearly \$1.3 million) and about \$14,100 for non-emergency care claims. Of the remaining approximately \$1.5 million, claims valued at about \$1,487,000 were returned to PRMC because the veteran did not meet eligibility requirements and claims valued at about \$52,400 were held for processing.

PRMC stated they informed the veteran he might be liable for the cost of his treatment. The veteran's sleep study was pre-authorized under NVC, and VA has exclusive payment responsibility for the treatment provided under this program. The threat of potential liability for pre-authorized non-VA care could discourage veterans from seeking treatment from community providers.

#### ***What We Did***

We interviewed the veteran and reviewed his medical records to determine whether his sleep study appointment had been canceled. We visited the STVHCS where Kerrville VA Hospital's leadership and the majority of supervisory staff are located. We interviewed the chief of staff, chief financial officer (CFO), and NVC and claims processing staff. We obtained and reviewed claims status reports and other administrative documents. In addition to visiting PRMC, we spoke with the CFO and the senior director of revenue cycle. We obtained data including aging reports, email correspondence with STVHCS staff, and invoices. We interviewed OCC fiscal staff and management officials who were responsible for providing oversight and guidance over the NVC Program.

#### ***Allegation of Canceled Sleep Study***

The veteran's assertion that PRMC staff had contacted him to cancel his sleep study appointment could not be confirmed. The veteran and PRMC gave conflicting accounts as to which party canceled the appointment during phone contact on February 9, 2016.

On September 15, 2015, STVHCS staff authorized NVC for the veteran's sleep study. The veteran scheduled a sleep study appointment with PRMC for February 12, 2016. There were conflicting accounts as to why the veteran's sleep study was canceled. According to PRMC's senior director of revenue cycle, the cancellation of the sleep study was not because VA owed

PRMC approximately \$2 million for unpaid services. We did not find any evidence to the contrary. PRMC's senior director of revenue cycle stated that PRMC staff contacted the veteran on February 9, 2016 to pre-register him for the sleep study. The veteran chose to pursue treatment through TRICARE and his appointment was canceled after PRMC informed the veteran he may be financially liable for the cost of treatment if VA did not pay for the care within 90 days.<sup>2</sup> PRMC's senior director of revenue cycle stated PRMC's policy was to tell veterans that they or their insurance would be billed if VA did not pay within 90 days.

PRMC staff improperly advised the veteran regarding potential liability for the cost of the sleep study. The sleep study had been pre-authorized under the NVC Program. Authorizations for NVC outpatient care explicitly state that VA is the primary and exclusive payer and that the NVC provider may not bill the veteran or any other party for any portion of the care.<sup>3</sup>

We recommended that the Director of STVHCS instruct PRMC to stop advising veterans that they may be liable for pre-authorized care.

***PRMC Did Not  
Limit Access  
to Care***

A review of patient visits from October 1, 2015 through March 31, 2016 determined that PRMC continued to accept patients through the NVC program. The overall number of veterans receiving care at PRMC increased from 47 to 75 per month during this period. The increasing trend of veterans receiving care at PRMC indicates that veterans' access to care was not limited during the time of the allegation. The following chart shows the number of unique patient visits to PRMC by month from October 1, 2015 through March 31, 2016.

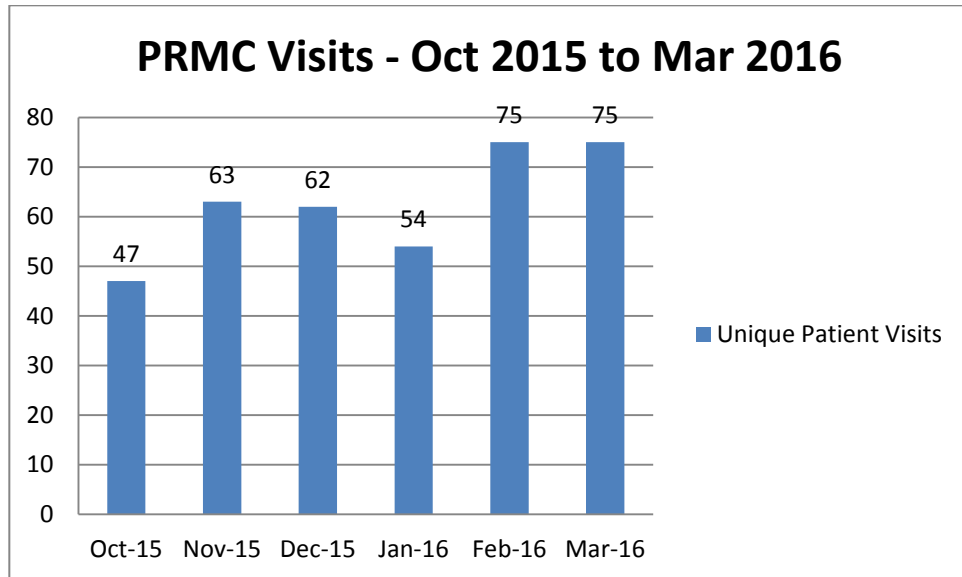
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<sup>2</sup> TRICARE is the health care program for uniformed service members and their families around the world. It is managed by the Defense Health Agency under leadership of the Assistant Secretary of Defense.

<sup>3</sup> VA payer exclusivity does not apply under the Veterans Choice Program. Under the Veterans Choice Program, VA is considered a secondary payer to any other private insurance the veteran may have.



**Unique PRMC  
Emergency  
and Non-  
Emergency  
Patient Visits**



Source: VHA Corporate Data Warehouse as of June 20, 2016

**PRMC  
Charges for  
NVC**

The 484 PRMC medical claims received by STVHCS from October 1, 2015 through March 31, 2016 totaled nearly \$2.9 million.<sup>4</sup> The majority of PRMC's claims (410 of the 484) were for emergency care.

As of March 7, 2017, OCC staff:

- Paid nearly \$92,200 for 198 of 410 claims (48 percent), valued at nearly \$1.3 million after NVC rates were applied.<sup>5</sup> These claims met NVC program eligibility requirements.
- Returned 210 of the 410 claims (51 percent) to PRMC, valued at nearly \$1.4 million, because the veteran did not meet NVC eligibility requirements for emergency care or because PRMC claims contained issues like coding errors or duplicate charges. For example, one veteran's claim was denied because the veteran had an option to seek treatment at a VA facility. Based on the Veterans Millennium Health Care and Benefits Act (Mill Bill), a claim is only eligible if a VA facility was unavailable.
- Held two of the 410 claims (less than 1 percent) valued at over \$52,400 for processing.

The remaining 74 of the 484 claims (15 percent) were for non-emergency care.

<sup>4</sup> PRMC claims were for non-contract NVC and were not authorized under the Veterans Choice Program.

<sup>5</sup> Due to one missing point in VA's data system, the amount paid could potentially be more than the amount reported.

As of March 7, 2017, we determined that OCC staff:

- Paid nearly \$14,100 for 27 of the 74 claims (36 percent), valued at nearly \$62,600 after NVC rates were applied.
- Returned 47 of the 74 claims (64 percent), valued at nearly \$106,900 to PRMC.

***Effect of  
Advisement***

PRMC is the only non-VA hospital in Kerrville that provides general medical and surgical services. It is a critical provider of community care to veterans in the area. While we found a lack of evidence that PRMC denied services to veterans, advising veterans that they may be financially liable for pre-authorized care could discourage them from seeking treatment in Kerrville.

***Conclusion***

There was insufficient evidence to substantiate the allegation that PRMC canceled a veteran's scheduled sleep study, nor could we substantiate that PRMC limited veterans' access to NVC. We did confirm PRMC was advising veterans they may be liable for pre-authorized NVC. Until STVHCS notifies PRMC to discontinue this advice, there is a risk that veterans will be discouraged from seeking NVC at this facility.

**Recommendation**

1. We recommended the director of the STVHCS instruct PRMC to stop advising veterans that they may be liable for pre-authorized NVC.

***Agency  
Comments***

The director of the STVHCS concurred with our findings and recommendation and stated that STVHCS would implement the recommendation by August 31, 2017. The director of STVHCS's entire verbatim response is located in Appendix C.

***OIG Response***

We will monitor STVHCS' progress and follow up on the implementation of our recommendation until the proposed action is completed.

## Appendix A Scope and Methodology

### **Scope and Methodology**

We conducted our review from March 2016 through April 2017. We assessed VHA policies and procedures associated with NVC and payment records relevant to the allegation. Our review included interviews with the veteran, with STVHCS management responsible for providing guidance and oversight, and with OCC staff responsible for claims payment. We reviewed the veteran's medical records; analyzed 484 emergency and non-emergency claims received for NVC at PRMC from October 1, 2015 through March 31, 2016; and identified the number of patient visits to PRMC during our period of review to determine whether PRMC canceled the veteran's scheduled sleep study because of non-payment by VA and whether it limited other veterans' access to care.

### **Data Reliability**

The OIG Data Analysis Section obtained Fee Basis Claims System (FBCS) data from VHA's Corporate Data Warehouse (CDW) to assess the merits of the allegation. The CDW is a national repository of data from several VHA clinical and administrative systems. We used the universe of 484 emergency and non-emergency claims received from October 1, 2015 through March 31, 2016. We validated dates of service and total charges for 30 judgmentally selected claims with invoices from PRMC to assess the accuracy of CDW data. We confirmed data on the selected claims with source documents and concluded that the data we obtained were sufficiently accurate and valid.

We also obtained patient visit data from the CDW that showed the number of veterans who received care at PRMC from October 1, 2015 through March 31, 2016. To test the reliability of patient visit data, we validated dates of service for 10 judgmentally selected claims with invoices from PRMC. We were able to confirm that the patient visit data were sufficiently reliable for the purposes of our analysis and findings.

### **Government Standards**

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix B Non-VA Care Eligibility Criteria

### Authorized<sup>6</sup>

**Qualifying Criteria:** Pre-authorized care is emergent AND notified within 72 hours of admission

**Admin Criteria:** ONE of the following administrative criteria must be met:

OUTPATIENT:

- VA referred
- Treatment for service-connected disability or treatment of condition aggravating a service-connected disability
- Rated permanent and total disability
- Participated in vocational rehabilitation program
- Received care in community nursing home
- Incurred during authorized travel
- Received service-connected disability rating of 50 percent or more
- Received aid and attendance
- Deemed housebound

INPATIENT:

- VA referred
- Treatment for service-connected disability or treatment of condition aggravating a service-connected disability
- Rated permanent and total disability
- Participated in vocational rehabilitation program
- Received care from community nursing home
- Incurred during authorized travel
- Woman veteran

**Clinical Criteria:** Emergent/urgent and VA unavailable

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<sup>6</sup> Applicable laws include: 38 USC 1703, 38 Code of Federal Regulations (CFR) 17.38, 38 CFR 17.52-54, and 38 CFR 17.120.

**Unauthorized**<sup>7</sup>

**Qualifying Criteria:** Emergent AND no notification within 72 hours from admission

**Admin Criteria:** ONE of the following administrative criteria must be met for both inpatient and outpatient:

- Treatment for service-connected disability or treatment of condition aggravating a service-connected disability
- Rated permanent and total disability
- Participating in vocational rehabilitation program

**Clinical Criteria:** Emergent by prudent layperson and VA unavailable

**Mill Bill**<sup>8</sup>

**Qualifying Criteria:** Emergent (notification is not a factor)

**Admin Criteria:** ALL of the following administrative criteria must be met for both inpatient and outpatient:

- Enrolled in VHA Health Care System
- Received care under 38 U.S.C. §17 within preceding 24 months
- Veteran is financially liable
- No coverage or entitlement to health plan
- No other payer – exception: Can pay secondary with third-party payers
- Exhausted all payer sources

**Clinical Criteria:** Emergent, VA unavailable, and provided in emergent care facility

*Source: OCC Eligibility Matrix*

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<sup>7</sup> Applicable laws include: 38 USC 1728 and 38 CFR 17.120.

<sup>8</sup> The Veterans Millennium Health Care and Benefits Act (Mill Bill), enacted in 1999, provides a safety net for veterans who receive emergency care related to nonservice-connected conditions from NVC providers.

## Appendix C Management Comments

### Department of Veterans Affairs Memorandum

Date: August 14, 2017

From: Director (671/00), STVHCS; 7400 Merton Minter Blvd.; San Antonio, TX 78229-4404

Subj: Draft Report, Review of Alleged Payment Issues at Kerrville Hospital  
Project: 2016-02151-R8-0118

To: Network Director, VA Heart of Texas Health Care Network; Arlington, TX (10N17)

Thru: Acting Associate Director (001)  
Chief of Staff (11)  
Chief, Fiscal Service (04)

1. The South Texas Veterans Health Care System (STVHCS) concurs with the recommendation stated in the OIG Report referenced in the subject line of this memo.
2. STVHCS will send a letter to Peterson Regional Medical Center with information regarding proper non-VA care billing and payments by August 31, 2017.
3. For additional information, please contact Amjed S. Baghdadi, MHA/MBA, FACHE, CPHQ, CLSSBB, Chief, Quality Management Officer, South Texas Veterans Health Care System, at 210-617-5205.

(Original signed by)

Robert M. Walton

*For accessibility, the format of the original memo has been modified to fit in this document.*

## Appendix D **OIG Contact and Staff Acknowledgments**

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Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Matthew Rutter, Director Sophia Demco Todd Groothuis Melinda Toom

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## Appendix E Report Distribution

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