



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

VHA Did Not Effectively
Manage Appeals of
Non-VA Care Claims



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Executive Summary

When a veteran receives care at a non-VA facility, the veteran or provider can file with the Veterans Health Administration (VHA) Office of Community Care (OCC) for reimbursement of the costs. If claims processors inappropriately deny reimbursement claims, veterans may face substantial, undue financial burdens.

An earlier VA Office of Inspector General (OIG) audit addressed issues in the claims process for non-VA emergency care claims decisions.¹ It also identified a significant risk that the OCC Payment Operations and Management (POM) directorate was not effectively monitoring veterans' appeals of non-VA care claims decisions.² The OIG conducted this audit to determine whether the OCC POM effectively managed and processed claimants' appeals of non-VA care claims decisions.³ The audit focused on the time before the Veterans Appeals Improvement and Modernization Act of 2017 (Appeals Modernization Act) took effect on February 19, 2019, and on the OCC POM's readiness to transition to the new appeals process.⁴

Before the Appeals Modernization Act, claimants had to mail their appeals of denied non-VA care claims to POM for initial review and did not have the option of sending their appeals directly to the Board of Veterans' Appeals. The Appeals Modernization Act provides veterans with three options for the initial appeal of denied non-VA care claims on or after the effective date of the act, as opposed to the one initial option during the previous appeals process. Under appeals modernization, veterans can choose to send their appeals to POM for either a higher-level review or a supplemental claim decision, or veterans and providers can send them directly to the Board of Veterans' Appeals.

What the Audit Found

The audit team found significant deficiencies with POM's management of appeals of non-VA care claims prior to the implementation of the Appeals Modernization Act. First, OCC POM did not know the extent of unprocessed appeals that were unaccounted for and stored in file cabinets, boxes, and bins at POM facilities. Second, OCC leaders lacked effective oversight of the appeals function, and POM leaders had not clearly defined the roles and responsibilities of the appeals

¹ VA Office of Inspector General, *Non-VA Emergency Care Claims Inappropriately Denied and Rejected*, 18-00469-150, August 6, 2019.

² The OCC Claims Adjudication and Reimbursement directorate became the Payment Operations and Management directorate in July 2019.

³ Claimants are veterans or providers who submit non-VA care claims. POM is responsible for processing more than 90 percent of all VHA appeals. Other VHA programs, including Rehabilitation and Prosthetic Services, Enrollment and Eligibility, Income Verification, and Beneficiary Travel are responsible for the remaining VHA appeals.

⁴ Veterans Appeals Improvement and Modernization Act of 2017, Pub. L. No. 115-55, 131 Stat. 1105-1128 (2017).

manager. Finally, VHA was not fully prepared for appeals modernization, including developing and implementing all the required procedures for the new appeals process.

Due to the time-sensitive nature of appeals processing, the audit team made OCC and POM leaders aware of the issues identified while the audit was ongoing. This included alerting the appeals manager in January 2019 to unaccounted-for appeal documents identified at multiple site visits from November 2018 through January 2019. Later, in April 2019, the team communicated additional issues to OCC and POM leaders, including that appeals were mailed to facilities that did not have staff assigned to process them and that POM staff had not added appeals to the Veterans Appeals Control and Locator System (VACOLS).⁵

Received Appeals Sat Unprocessed in File Cabinets, Boxes, and Bins at Various POM Facilities

POM facility staff did not effectively manage pending appeals, as POM did not request that staff use a standard system of record to track and monitor appeals until July 2018. This meant that POM could not reliably determine how many claim decisions veterans and providers appealed or how many appeals its staff completed. In late 2017, following the enactment of the Appeals Modernization Act, VHA and OCC leaders sought to identify POM's appeals workload. Subsequently, an issue briefing document outlined concerns that VHA field offices were not accurately capturing appeals data and that this created a data integrity issue for both the Board of Veterans' Appeals and VHA.

From November 2018 through February 2019, the audit team conducted site visits to 10 POM facilities, covering all five OCC regions, to determine each facility's procedures for receiving and processing POM appeals, and the extent to which these facilities tracked and monitored appeals. During site visits, the audit team counted documents identified as potential unprocessed appeals and reviewed local appeals-tracking spreadsheets. The team also conducted about 70 interviews of POM staff, supervisors, leaders, and other VHA personnel.

According to OCC data, POM processed about eight million non-VA emergency care claims during fiscal year 2018 and denied over 900,000 of those claims. As of February 2019, VACOLS data that POM provided showed POM had 13,935 appeals, of which the audit team determined just over 12,000 were pending. The audit team visited 10 POM facilities—out of more than 80 total POM facilities—and identified, in conjunction with POM staff, more than 8,800 other potential appeal documents in file cabinets, boxes, cubicles, and mail rooms that POM staff had not accounted for. POM staff at these facilities indicated that these documents were potential unprocessed appeals that they had not recorded in VACOLS. The audit team subsequently notified the POM appeals manager that it identified unaccounted-for appeals during site visits.

⁵ In June 2018, the then deputy under secretary for health for operations and management released a memo in which VA mandated VACOLS be the appeals system of record for VHA.

The appeals manager said he was not aware that some facilities received appeals and stored them in boxes and file cabinets rather than processing them.

As of February 2019, about a year and a half after the Appeals Modernization Act was signed into law in August 2017, the audit team concluded that POM had not completely or accurately identified its pending appeals, which left veterans at risk of becoming financially liable for any wrongfully denied non-VA care claims.

POM facilities did not effectively identify incoming appeals, and some facilities did not process appeals or record them in the system of record. Claim denial letters instructed veterans and non-VA care providers to mail their appeals to a facility, such as a VA medical facility or a POM facility. However, three of the 10 POM facilities the audit team visited did not have sufficient staff assigned to process appeals. Specifically, two of these three POM facilities did not have any appeals staff. One of the three had one employee who said he processed only a few appeals per month as a collateral duty. Instead of transferring the appeals to another POM facility, these facilities stored appeals because staff said POM did not provide guidance that instructed the facilities on how to manage the appeals they received. At one POM facility, the audit team identified more than 160 unaccounted-for documents dated 2014 that POM facility staff identified as potential unprocessed appeals.

According to an internal POM document, POM planned to consolidate 82 locations into about 13 locations. However, as POM continued to consolidate its appeals function, POM did not ensure claim denial letters were updated to instruct claimants to mail their appeals to consolidated appeals-processing facilities once the nonconsolidated facilities stopped processing appeals. Furthermore, the audit team discovered that POM leaders had not effectively identified the facilities that received appeals but did not process them and were not aware that these facilities stored unprocessed appeals rather than processing them. This is consistent with the data available in VACOLS, which show that the over 12,000 unprocessed appeals recorded in the system were pending an average of 710 days. VACOLS did not contain information necessary to calculate the percentage of overturned claims. In general, the value of claims ranged widely from less than \$10 to more than \$100,000.

Following the OIG's interim briefing to the OCC and POM in April 2019, the OCC delivery operations executive director told the audit team that POM has made progress in managing appeals over the past several months and stated that the appeals manager conducted multiple site visits to help mitigate issues with current appeals and plan for future appeals processing. The OIG has not verified the effectiveness of these stated actions.

Appeals Management Lacked Oversight from VHA and OCC

In February 2018, after the Appeals Modernization Act was enacted and VHA discovered it did not have strong oversight of appeals, the VHA deputy chief of staff issued a memo that tasked the OCC with accurately identifying its pending appeals inventory; streamlining and revising

directives, processes, and workflows; and creating a new process to reduce and eliminate the existing backlog. The VHA memo assigned management and oversight responsibilities to the then OCC delivery operations executive director. Specifically, the memo required the executive director to “clearly define roles and responsibilities throughout the appeals process and standardize timeliness.” In April 2018, the then OCC delivery operations executive director sent an email to POM senior leaders that stated, “I need a dedicated [POM] appeals project manager appointed today.” The then POM deputy director responded that POM had an appeals manager. However, the appeals manager was operating without an effective plan, as POM leaders did not define the appeals manager’s roles and responsibilities for overseeing the appeals function. The OCC delivery operations executive director who was assigned management and oversight responsibilities by the VHA deputy chief of staff retired in June 2018. The OCC subsequently assigned an acting executive director, then refilled this executive position in March 2019.

When POM does not effectively identify and process claimants’ appeals, POM leaders are left with an incomplete and inaccurate awareness of the appeals their staff have received and need to process, and veterans are at risk of becoming financially liable for wrongfully denied non-VA care claims.

VHA Was Not Fully Prepared for Appeals Modernization

The Appeals Modernization Act became effective on February 19, 2019, and was intended to provide veterans with three options to appeal denied claims. The audit team concluded that POM was not fully prepared to implement the new appeals process for the following reasons:

- Not all POM appeals processors had access to the new appeals-processing system.
- POM had not fully developed and implemented all required procedures.

In preparation for the Appeals Modernization Act, the VA Secretary was required to submit a Comprehensive Plan for Processing of Legacy Appeals and Implementing the New Appeals System (Comprehensive Plan) to Congress every 90 days.⁶ The November 2018 Comprehensive Plan indicated that VHA had completed a comprehensive assessment of its appeals-processing resources and would continue to assess needed resources. However, POM could not have effectively assessed its appeals staffing needs without first determining the extent to which its current staff processed appeals and the extent of its appeals workload.

Furthermore, most POM staff designated to process appeals did not have access to Caseflow, VA’s new appeals management system of record, when the new appeals process took effect in February 2019. In August 2019, the POM director said only seven POM employees had access to Caseflow, whereas internal POM documentation showed that, as of February 2019, POM had

⁶ The periodic submissions updated Congress on VA’s and VHA’s readiness to implement the new appeals process in February 2019.

83 legal administrative specialists assigned to process appeals and nine appeals supervisors. The POM director said POM had attempted to gain access to Caseflow starting in the fall of 2018.

A VHA Office of Regulatory and Administrative Affairs director and a regulatory specialist said VHA did not receive access to Caseflow before the February 2019 implementation date because VHA was not consistently involved in discussions regarding the Caseflow system and did not participate in testing the system. VHA Office of Regulatory and Administrative Affairs staff said they voiced concerns to the VA's Office of General Counsel regarding their lack of preparedness with Caseflow but stated that the office was less concerned about VHA's readiness to implement the new appeals process because it represented a smaller portion of the appeals inventory than did the Veterans Benefits Administration. An Office of General Counsel attorney stated that, while VHA staff did raise concerns to the Office of General Counsel about their readiness to implement appeals modernization, VHA staff indicated they could initially handle the appeals manually. This Office of General Counsel attorney also stated that this was "not an optimal or long-term solution," but "given the comparatively small number of appeals handled by VHA, this was seen as a viable prospect that would allow certification and implementation to move forward."

POM developed general process flowcharts for the new appeals-processing lanes but did not fully develop and implement all required procedures for the new appeals process. Specifically, as of February 2019, the appeals manager said POM continued to develop standard operating procedures for the new appeals process, and therefore had not provided the policies or procedures to its facilities for managing appeals under the new process or system. POM also had not implemented a timeliness metric for processing appeals. If POM does not implement effective procedures for the new appeals process, veterans and providers will likely continue to experience appeals-processing delays.

What the OIG Recommended

The audit team concluded that VHA and the OCC POM directorate failed to provide effective oversight of appeals management and processing before and after implementation of the Appeals Modernization Act. VHA did not effectively prepare for the new appeals process and faces significant challenges in identifying and processing existing and incoming appeals.

The OIG made eight recommendations to improve the overall appeals management process, including identifying and processing existing appeals, ensuring incoming appeals are directed to and received by facilities that will process the appeals, providing staff clear policies and procedures, and ensuring appropriate staff gain access and use the appeals system of record.

Management Comments

The executive in charge, Office of the Under Secretary for Health, concurred with Recommendations 1–5, 7, and 8, and concurred in principle with Recommendation 6. The executive in charge provided acceptable corrective action plans for each recommendation. The OIG will monitor implementation of planned actions and will close the recommendations when VA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified.



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Abbreviations

FY	fiscal year
OCC	Office of Community Care
OIG	Office of Inspector General
POM	Payment Operations and Management
VACOLS	Veterans Appeals Control and Locator System
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network



Introduction

When a veteran receives care at a non-VA facility, a claim can be filed with the Veterans Health Administration (VHA) Office of Community Care (OCC) for reimbursement of the non-VA care costs. The claimant requesting payment or reimbursement may be the provider of care, the veteran who paid for the treatment, or a person or organization that paid for such treatment on behalf of the veteran. When claims for reimbursement are denied by claims processors in the OCC Payment Operations and Management (POM) directorate, claimants can appeal the decision.⁷ Prior to February 19, 2019, the OCC POM directorate processed these appeals and made the initial decision on the appeals. If claimants disagreed with POM's initial appeal decision, they had the option for a subsequent appeal to the Board of Veterans' Appeals. As of February 19, 2019, claimants could continue to send their initial appeals to POM to process and decide on them, or they could bypass POM's initial review of their appeals by sending them directly to the Board of Veterans' Appeals to process and decide on them. This audit focused on whether POM effectively processed and managed non-VA care claim appeals prior to the effective date of the Veterans Appeals Improvement and Modernization Act of 2017 (Appeals Modernization Act), but it did not assess whether POM made accurate decisions on the appeals.

The VA Office of Inspector General (OIG) initiated this audit based on issues identified during an earlier audit of non-VA emergency care claims processing.⁸ Although that earlier audit focused on claims processing decisions, the audit team identified a significant risk that POM was not effectively monitoring veterans' appeals of those claim decisions. This presented a risk that appeals of inappropriately denied claims would not be reviewed. When non-VA care claims are denied, non-VA facilities and providers can bill veterans for some or all the costs of the services provided. As a result, inappropriately denied non-VA care claims present a risk of substantial, undue financial burden on veterans.

The OIG conducted this audit to determine whether the OCC POM directorate effectively managed and processed claimants' appeals of non-VA care claims decisions. To conduct the audit, the audit team gained an understanding of POM's structure and how it processed non-VA care claims and appeals. The audit focused on the time before the Appeals Modernization Act took effect on February 19, 2019, and on the OCC POM's readiness to transition to the new appeals process.

⁷ The OCC Claims Adjudication and Reimbursement directorate became the Payment Operations and Management directorate in July 2019.

⁸ VA Office of Inspector General, *Non-VA Emergency Care Claims Inappropriately Denied and Rejected*, 18-00469-150, August 6, 2019.

Structure of POM

The VA deputy under secretary for health for community care leads VHA’s OCC, which supports veterans who obtain medical care and services through non-VA providers. The OCC’s Delivery Operations staff manage all programs that allow veterans and their family members to receive care and services outside of VA, including the programs that pay for such care. Delivery Operations includes POM.

POM personnel process payments of claims for medical care obtained outside of VA and process appeals of claims they denied. POM’s organizational structure to manage non-VA care claims processing is divided into five geographical regions.⁹ Each of the five regions has a regional officer who reports to the director and deputy director of POM. Throughout the regions, POM has VA community care managers who report to their respective regional officer. POM staff in the five regions are located either at geographically consolidated sites or at VHA medical facilities.

Figure 1 depicts the oversight and operational structure of POM during the scope of this audit.

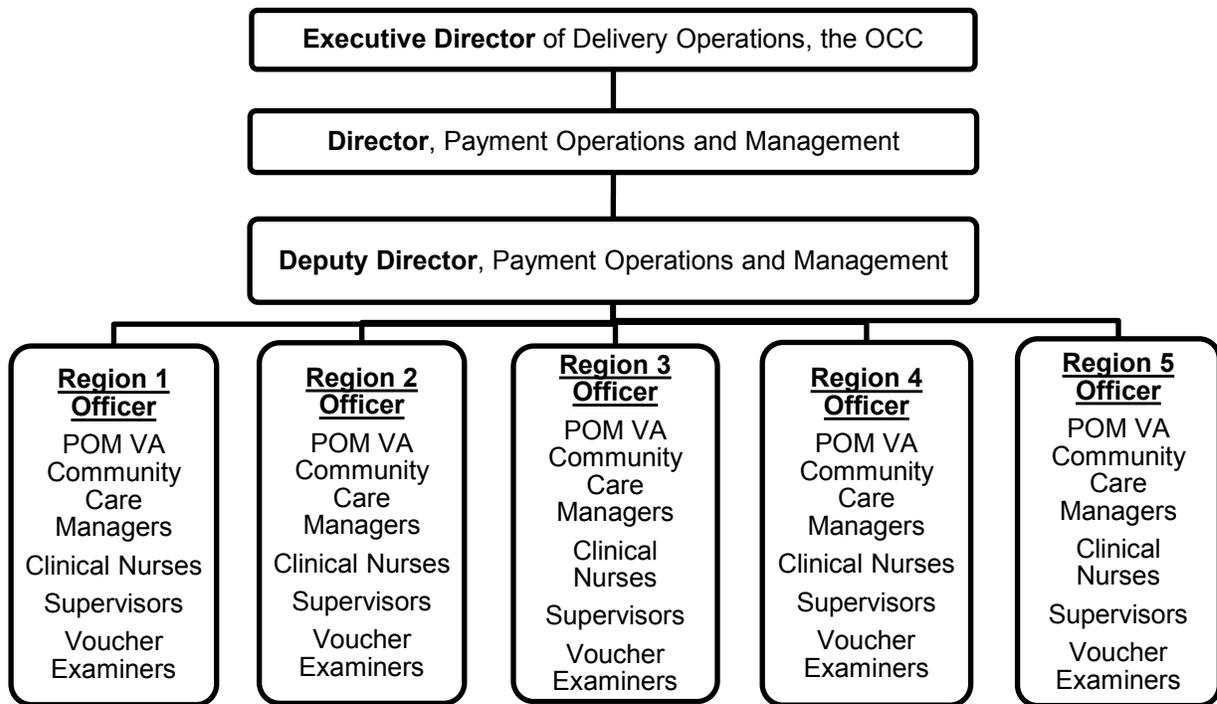


Figure 1. VHA OCC’s Payment Operations and Management organizational chart

Source: OIG analysis of the OCC POM’s organizational chart for fiscal year (FY) 2017 and FY 2018

⁹ The OCC’s five geographical regions are divided by Veterans Integrated Service Networks (VISN). Region 1 includes VISNs in the Northeast (1, 2, 3, 4, 10 and 11); Region 2 includes VISNs in the East (5, 6, 7, and 8); Region 3 includes VISNs in the Midwest (9, 12, 15, and 16); Region 4 includes VISNs in the North and South (17, 18, 19, and 23); and Region 5 includes VISNs in the West (20, 21, and 22).

As of February 2019, POM staff worked in more than 80 facilities nationwide. POM is responsible for processing more than 90 percent of all VHA appeals, with Rehabilitation and Prosthetic Services, Enrollment and Eligibility, Income Verification, and Beneficiary Travel responsible for the remaining 10 percent.

POM's Process for Reviewing Non-VA Care Claims

A veteran or provider may submit a claim for non-VA care either electronically or in paper form. POM processing staff receive electronic claims through the Fee Basis Claims System, the official claims processing system of record for all non-VA care claims adjudication. When a claimant submits a paper claim, POM processing staff sort, scan, and upload the claim and associated information into the Fee Basis Claims System.¹⁰ Furthermore, POM processing staff verify claim information, assign a payment authority, and link the claim to any applicable prior authorizations for care on file in a veteran's electronic health record. Once claims are in the Fee Basis Claims System, voucher examiners can start processing the claims.

Voucher examiners processing a claim research the veteran's health records and document information for claim adjudication, such as the date of veteran enrollment in VHA services, dates of service, administrative eligibility requirements, and the date the veteran or provider filed the claim with VA. Voucher examiners use this information to determine whether they should approve, reject, or deny the claim. When they deny a claim, examiners send the claimant a claim denial letter. The voucher examiner may deny or reject the claim based on a claim's failure to meet administrative eligibilities, or if instructed by clinical staff that the claim does not meet clinical eligibilities.

A claim is denied when there is not a basis for a payment. A claim may also be rejected, which means that it cannot be decided until the claimant provides additional or corrected information.¹¹ A rejected claim is sent to the claimant to provide the needed information for a decision, and a decision will be rendered when there is sufficient information. In contrast, when POM denies a claim, the veteran or provider can file an appeal within one year from the date of the denial letter. Non-VA facilities and providers may have billed veterans for some or all the costs of the non-VA care services after POM denied the claim, which could cause significant stress and undue financial hardship on the veteran.

The Nature of Processing VHA Appeals Before Appeals Modernization

Any claimant—which could be veterans or providers who submitted non-VA care medical claims to VHA for reimbursement—who disagrees with the POM decision to deny a claim can

¹⁰ Processing staff consist of lead voucher examiners, voucher examiners, program support clerks, and in some cases, contract staff.

¹¹ 38 C.F.R. § 17.1000-17.1008 (2009).

contact a POM facility by letter to appeal the denied claim. Claimants mail their appeals to the address listed on the claim denial letters, which may be their local VA medical facility or a POM facility. The claimant has one year to appeal the initial decision of the claim.

Once a POM facility that processes appeals receives the appeal, POM staff are to review the appeal to determine whether they should overturn the claim decision. Once POM appeals staff decide on the appeal, they either approve the claim or mail a VA Form 9, “Appeal to Board of Veterans’ Appeals,” and a Statement of Case to the claimant that describes the facts, laws, regulations, and reasons used to make the decision. If the claimant disagrees with POM’s decision to uphold the denial and wants the Board of Veterans’ Appeals to review the appeal, the claimant must complete and return the VA Form 9 to the appropriate POM facility within 60 days.

POM’s Appeals Review Process After Appeals Modernization

The Appeals Modernization Act was enacted on August 23, 2017, and implemented on February 19, 2019. Veterans or providers whose claims POM staff denied on or after February 19, 2019, can choose to have their appeals processed through the following review lanes:

- **Higher-Level Review**—A veteran may request an entirely new review of the claim by a more experienced adjudicator at a POM facility but may not submit new evidence. A claimant who disagrees with POM’s higher-level review decision may choose to resubmit the appeal through the supplemental claim lane or to the Board of Veterans’ Appeals.
- **Supplemental Claim**—A veteran may submit additional evidence to POM to support the claim and POM will process and decide on the appeal based on the new evidence. A claimant who disagrees with POM’s supplemental claim decision may choose to resubmit the appeal through the higher-level review lane or to the Board of Veterans’ Appeals.
- **Appeal to the Board of Veterans’ Appeals**—A veteran or provider who opts to appeal a decision to the Board of Veterans’ Appeals can choose direct review, evidence submission, or hearing. The mission of the Board of Veterans’ Appeals is to conduct hearings and decide appeals properly and in a timely manner. A claimant who disagrees with the Board of Veterans’ Appeals’ decision may choose to resubmit the appeal through the supplemental claim lane.

POM's Consolidation Efforts

According to an internal POM document, POM planned to consolidate 82 locations into 13 locations by February 2021, including about five primary hubs and eight secondary spokes. POM is consolidating its sites to increase oversight, standardization, and localized specialization. POM plans to increase its appeals staff levels from about 91 employees to about 125 employees by 2020. According to the POM appeals manager, POM plans to consolidate its appeals function to around three to five facilities.

Results and Recommendations

Finding 1: POM Did Not Effectively Manage Veteran and Provider Appeals of Non-VA Care Claims Decisions

The audit team found significant deficiencies with POM's management of appeals of non-VA care claims decisions prior to the implementation of the Appeals Modernization Act. POM did not effectively process the appeals that veterans and providers submitted after POM denied their claims for non-VA care reimbursement. Some facilities the audit team visited had thousands of potential unprocessed appeals in file cabinets, boxes, cubicles, and mail rooms, while other facilities attempted to track and monitor appeals by way of locally developed spreadsheets. POM did not effectively communicate guidance that instructed facility staff on how to manage the appeals they received, or how facilities should record their appeals workload in the Veterans Appeals Control and Locator System (VACOLS) when their facility did not have appeals processors.¹² When POM does not effectively identify and process claimants' appeals, veterans are at risk of becoming financially liable for wrongfully denied non-VA care claims.

According to an internal POM document, POM planned to consolidate 82 locations into about 13 locations. During the consolidation process and as some facilities stopped processing appeals, claim denial letters were not generally updated to instruct veterans and non-VA care providers to send their appeals to a POM facility that processed appeals. Veterans and providers who mailed appeals to POM facilities that did not process appeals were at risk of significant delays in receiving a response to their appeals, or of not having them processed at all.

The audit team identified unaccounted-for and unprocessed appeals in boxes, bins, and file cabinets at eight of the 10 facilities it visited. These appeals were not included in an appeals system of record. The audit team's site visits revealed that staff at three of the 10 POM facilities did not process the appeals they received.

POM did not establish effective policies to receive and process appeals, and until April 2018, did not designate an appeals manager to oversee its appeals process and ensure POM facility staff used a standard system of record. In February 2018, after the Appeals Modernization Act was enacted and VHA discovered it did not have strong oversight of appeals, the VHA deputy chief of staff issued a memo that assigned management and oversight responsibilities to the then OCC delivery operations executive director.

As of February 2019, facilities still had not effectively identified and recorded their pending appeals workload in VACOLS, leaving POM leaders with an incomplete and inaccurate awareness of the appeals their staff had received and needed to process. This presented a risk that

¹² In June 2018, the then deputy under secretary for health for operations and management released a memo in which VA mandated VACOLS be the appeals system of record for VHA.

an unknown number of appeals previously submitted by veterans and non-VA care providers were unanswered and potentially lost or discarded.

What the OIG Did

The audit team conducted interviews with VHA and POM leaders involved in the management and oversight of VHA appeals for non-VA care claims, and POM personnel such as legal administrative specialists and voucher examiners. The audit team conducted site visits to 10 consolidated and nonconsolidated POM facilities to learn of and observe the appeals process, counted documents identified as potential unprocessed appeals, and reviewed local appeals tracking spreadsheets.¹³ The 10 facilities the audit team selected included all five OCC regions and both consolidated and nonconsolidated facilities. The audit team selected two facilities based on information learned during interviews at the consolidated sites.

Due to the time-sensitive nature of appeals processing, the audit team made OCC and POM leaders aware of the issues identified while the audit was ongoing. This included alerting the appeals manager in January 2019 to unaccounted-for appeal documents identified at multiple site visits from November 2018 through January 2019. Later, in April 2019, the team communicated additional issues to OCC and POM leaders, including that appeals were mailed to facilities that did not have staff assigned to process them and that POM staff had not added appeals to VACOLS.

VHA Questioned the Completeness of the Appeals Workload in 2017

OCC and POM leaders prioritized processing non-VA care claims to reduce a backlog of unprocessed claims more than 30 days old. POM leaders said they did not prioritize appeals processing.

In September 2017, POM discussed the need to collect appeals data in response to the Appeals Modernization Act.¹⁴ In October 2017, the then VHA executive in charge requested a meeting with VA leaders regarding the inventory of VHA appeals and how they are tracked. Subsequently, an issue briefing document outlined concerns that VHA field offices were not accurately capturing appeals data and were not entering pending appeals workload data in VACOLS. The issue briefing document included a finding that VHA was not tracking appeals data as required, which created a “data integrity issue for both the Board [Board of Veterans’

¹³ The audit team conducted site visits from November 2018 through February 2019 to the following locations: Atlanta, Georgia (Region 3); Bonham, Texas (Region 4); Helena, Montana (Region 4); Jackson, Mississippi (Region 3); Jamaica Plain, Massachusetts (Region 1); Kansas City, Missouri (Region 2); Loma Linda, California (Region 4); Memphis, Tennessee (Region 3); Orlando, Florida (Region 3); and Tampa, Florida (Region 3).

¹⁴ Veterans Appeals Improvement and Modernization Act of 2017, Pub. L. 115-55, 131 Stat. 1105-1128 (2017).

Appeals] and VHA.” The audit team determined that VHA’s ineffective tracking of pending appeals presented a significant risk of lost appeals and appeals-processing delays.

VHA and POM made efforts to identify and collect the pending appeals inventory after the Appeals Modernization Act was signed into law, as shown in the timeline in Figure 2.

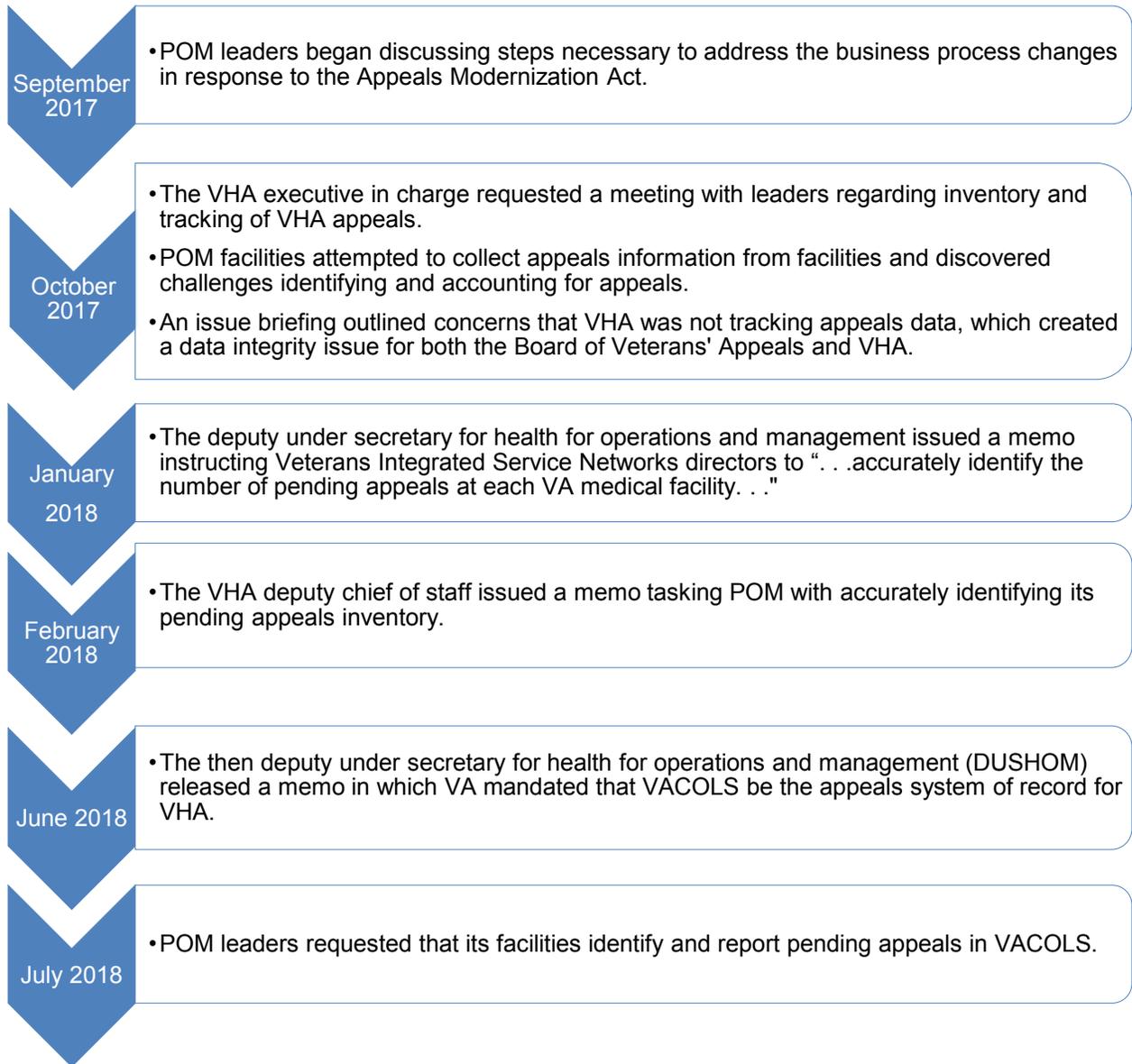


Figure 2. VHA appeals activity timeline from September 2017 through July 2018

Source: OIG analysis of email correspondence and interviews with POM staff, and VA memos

As of February 2019, about a year and a half after the Appeals Modernization Act was signed into law, POM had not completely or accurately identified its pending appeals. POM did not effectively communicate guidance that instructed facility staff on how to manage the appeals they received, or how facilities should record their appeals workload in VACOLS when their

facility did not have appeals processors. The Appeals Modernization Act prompted VHA to task POM to identify, record, and manage its appeals workload so it could effectively plan for the new appeals process. Prior to the Appeals Modernization Act, VHA was only required to track appeals in VACOLS that were sent to the Board of Veterans' Appeals. POM facilities did not use a standardized appeals system of record, including VACOLS, to track all appeals until POM requested that staff record appeals in VACOLS in July 2018. The pending appeals leave veterans at risk of becoming financially liable for wrongfully denied non-VA care claims.

POM facilities did not effectively identify incoming appeals, and some facilities did not have sufficient staff assigned to process appeals or record them in VACOLS. Specifically, two of the visited facilities did not have any appeals staff, and another facility had one employee who said he processed only a few appeals per month as a collateral duty. Veterans and providers generally mailed appeals to VHA facilities. VHA staff had to identify the appeals received by the mail room and provide the appeals to appeals-processing staff, and then POM requested these staff record these appeals in VACOLS.

Figure 3 illustrates VACOLS data for eight of the 10 facilities the audit team visited. VACOLS data indicated that these eight facilities had only about 3,320 pending appeals. At these eight facilities, the audit team and POM staff identified more than 8,800 other potential appeal documents that POM staff had not accounted for. POM staff indicated these appeals remained unprocessed and unrecorded in VACOLS. The audit team counted documents or sets of documents that POM facility staff identified as potential unprocessed appeals, or that the audit team found in file cabinets, boxes, or bins that were labeled appeals.¹⁵

These appeals will likely remain unprocessed until POM assigns staff at those facilities to process them, or until POM transfers the appeals to a different POM facility that has staff to process them. The audit team identified fewer than 10 unaccounted-for potential appeal documents during site visits to the other two facilities. Each of the 10 facilities received appeals even though three of the facilities did not have sufficient staff assigned to process them.

¹⁵ Due to the unorganized manner of appeals and correspondence at some POM facilities, it was possible that nonappeals records, such as additional support for a rejected claim, may have also been included in the counted potential appeal records. The audit team viewed the documents to identify indications that the records counted were appeals, such as when the words “appeal” or “notice of disagreement” appeared in the document. The audit team applied due diligence and a conservative approach when assessing the number of potential appeals.

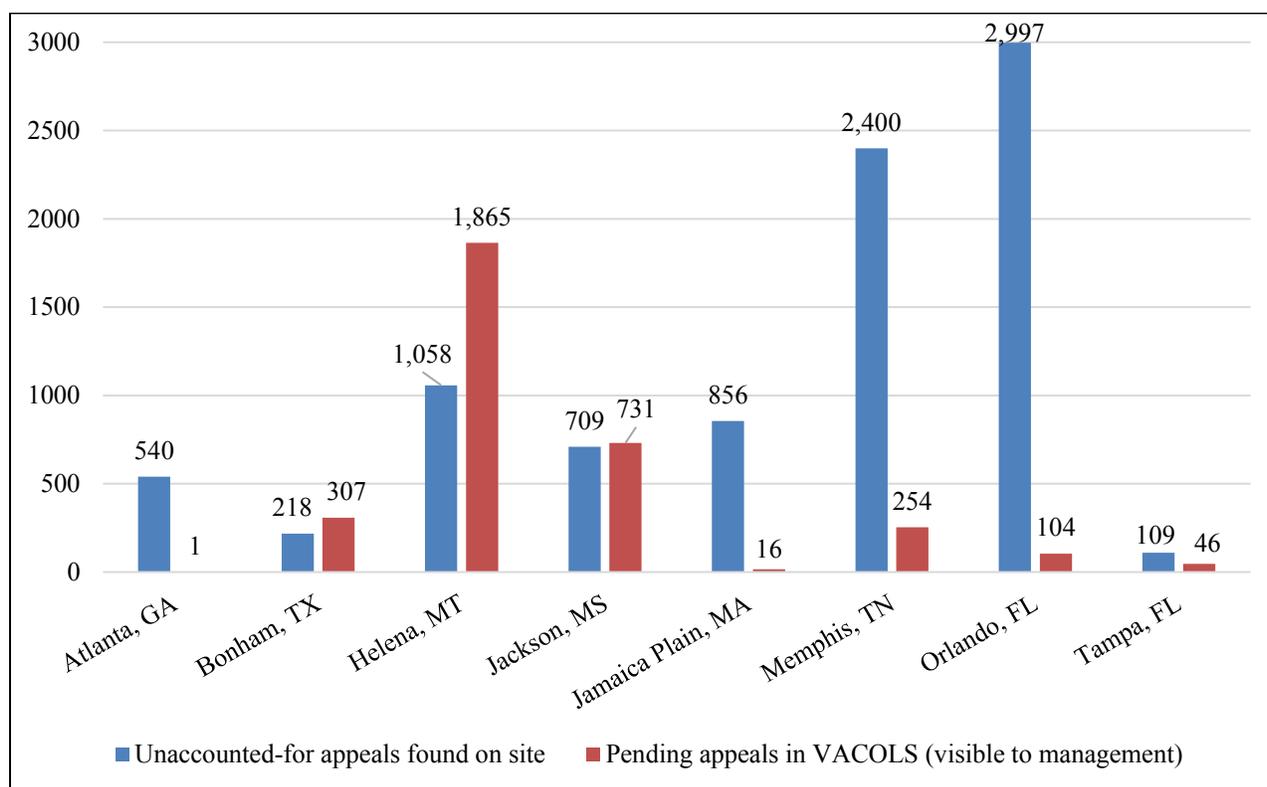


Figure 3. Additional unprocessed appeals that were not recorded in VACOLS, compared to the pending appeals data recorded in VACOLS

Source: OIG manual count of appeals on-site and analysis of VACOLS data, February 2019

POM leaders did not know how many appeals were completed before using VACOLS, as they generally did not record and maintain the appeals workload in a standardized system of record. Even once VHA implemented VACOLS in June 2018, POM facilities did not always use VACOLS to track and monitor the new appeals they received, which made VACOLS data incomplete and inaccurate. POM leaders need to know the number of completed appeals so they can effectively assess how long the appeals took to process, whether appeals processors were productive, and the number of appeals processors needed to manage the appeals inventory.

Received Appeals Sat Unprocessed in File Cabinets, Boxes, and Bins at Some POM Facilities, Precluding an Inventory

Claim denial letters instructed veterans and non-VA care providers to mail their appeals to a VA medical facility or a POM facility. However, as POM continued to consolidate its appeals function, POM did not ensure claim denial letters were updated to instruct claimants to mail their appeals to consolidated appeals-processing facilities once the nonconsolidated facilities stopped processing appeals. Instead, claim denial letters sometimes instructed veterans and non-VA care providers to mail their appeals to a POM facility that did not process appeals, such as the VA medical facility or a POM facility that did not have staff assigned to process appeals. The POM

appeals manager said that, while POM had not finalized a plan to consolidate how POM would receive appeals, he envisioned having one location where claimants initially mailed appeals, and then staff would distribute them to the consolidated appeals-processing facilities. While POM had a plan to consolidate its facilities, POM did not detail how it planned to update denial letter addresses throughout the consolidation process. POM's ineffective controls over its pending appeals workload present a risk that non-appeals-processing staff who receive appeals could mishandle the appeals, and the appeals could go undetected by POM leaders, POM facility supervisors, and appeals-processing staff.

The audit team's site visits revealed that three of the 10 POM facilities visited received appeals but did not process them. Instead of transferring the appeals to a POM facility that could process them, the facilities kept and stored appeals in file cabinets, boxes, and bins. Staff at these facilities told the audit team that POM did not provide them instructions on how to manage the appeals they received. Through interviews at POM facilities that did process appeals, the audit team learned that a program analyst, legal administrative specialists, and other POM employees recorded appeals in VACOLS.

The audit team took steps to understand the extent of the appeals that POM staff did not properly manage:

- The POM facility located in Orlando, Florida, only processed a few appeals per month as a collateral duty, according to the program management officer. The program management officer said the Orlando POM facility never had a dedicated appeals processor, but it did have a few employees who processed appeals as a collateral duty until the last employee left in July 2018. The program management officer also stated the Orlando VA medical facility mail room staff received incoming mail, identified potential POM appeals, and placed the appeals in bins and boxes. The program management officer retrieved and organized the appeals. At the time of the site visit in November 2018, the audit team counted about 3,000 documents that the program management officer and mail room staff identified as potential unprocessed appeals. The oldest appeal document was dated 2015. In addition, the audit team identified 30 bins and 12 boxes of unopened mail in the mail room, which could have also contained appeals.¹⁶

¹⁶ The unknown documents contained in the 30 bins and 12 boxes were not included in the audit team's count of unprocessed appeals because facility staff had not yet determined whether this mail contained appeals, and it was unknown how old the documents were.



Figure 4. Left: Documents identified by Orlando, Florida, POM staff as appeals, located in the mail room
Right: Appeals in boxes in the corner of the POM office

Source: VA OIG; photos taken during site visit to the Orlando POM facility on November 29, 2018

- The POM facility located in Memphis, Tennessee, also received appeals, but did not have staff assigned to process them. A POM supervisor said the Memphis POM facility had not had staff assigned to process appeals in about three years. POM staff identified appeals from incoming mail and stored them in file cabinets, bins, boxes, and in and on top of desks at their facility. At the time of its site visit in December 2018, the audit team counted about 2,400 unaccounted-for documents that POM facility staff identified as potential unprocessed appeals. Of those, more than 160 were dated 2014.

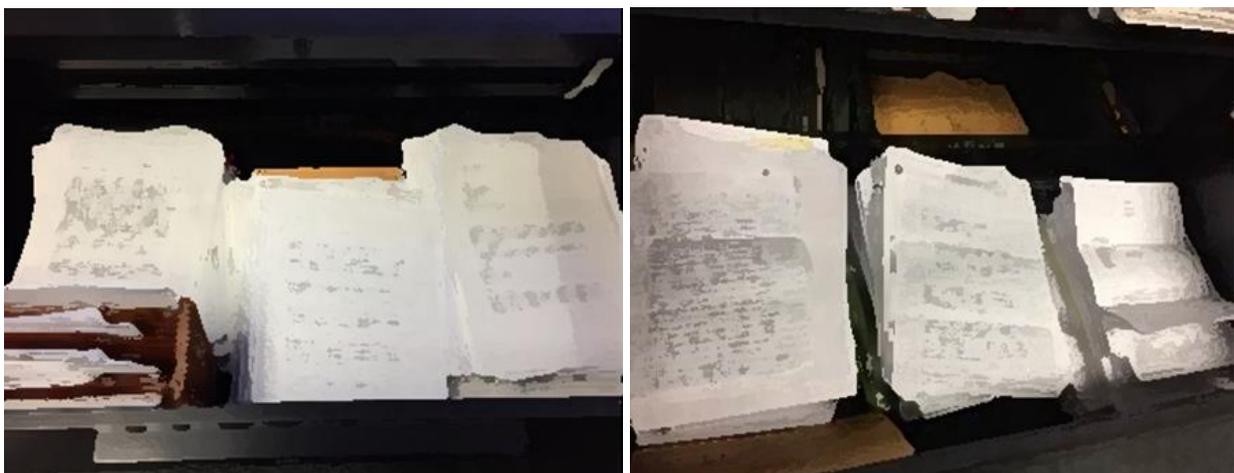


Figure 5. Unaccounted-for documents identified by Memphis, Tennessee, POM staff as appeals, located in a file cabinet. Left: The appeals on top of the three stacks are dated June 2013, March 2015, and April 2017.
Right: Three stacks of appeals found in a file cabinet. The appeals on top of two of these stacks are both dated August 2018, and the appeal on top of the other stack did not contain a date on the first page.

Source: VA OIG; photos taken during site visit to the Memphis POM facility on December 19, 2018

- The POM facility located in Atlanta, Georgia, also received appeals, though the facility supervisory program analyst said the facility did not assign staff to process them. The analyst stated the facility identified their pending appeals. However, the analyst stated staff had not scanned in or processed the appeals, and they were not sure when they would be processed or who at the facility would process them. At the time of the site visit in February 2019, the audit team counted more than 500 documents that Atlanta POM facility staff identified as potential unprocessed appeals.

In January 2019, audit team members notified the POM appeals manager that they had identified unaccounted-for appeals during their completed site visits. The POM appeals manager said he was not aware that some facilities received appeals and stored them in boxes and file cabinets rather than processing them. POM leaders had not effectively identified facilities that received appeals and whether those facilities had staff assigned to process appeals. POM also did not have controls in place to ensure appeals were sent or transferred to facilities that did have staff assigned to process appeals. The appeals manager said POM did not currently have a mechanism for accepting, or a plan to accept, appeals electronically. The appeals manager said POM would like to improve how it receives appeals by consolidating where veterans and providers submitted their appeals, but POM had not developed a plan to implement this change.

POM leaders did not establish an effective plan to consolidate appeals-processing functions or provide instruction to nonconsolidated facilities that did not have appeals processors on how to manage appeals that were received at their facilities. As previously noted, POM planned to consolidate 82 locations into about 13 locations. POM leaders said they were not backfilling appeals processors at facilities that would not be one of the designated consolidated sites. For example, a POM supervisor said the Memphis POM facility continued to receive appeals even though it had not had staff assigned to process appeals in about three years. The POM appeals manager also said POM did not have a plan to replace the appeals processors who had left the nonconsolidated facilities. Despite the Memphis POM facility receiving, storing, and not processing the appeals it received in about three years, POM did not have a plan to process those appeals. Furthermore, the POM appeals manager said he was unaware of this situation at the Memphis POM facility.

The audit team determined that POM leaders generally did not communicate to staff how to manage appeals sent to non-appeals-processing sites. As a result, veterans and providers who mailed appeals to these facilities were at risk of significant delays in receiving a response to their appeals, or of not having them processed at all.

Although the audit team concluded that VACOLS data underrepresented the number of appeals nationwide, VACOLS could calculate the elapsed time of appeals that were recorded in the system. VACOLS contained over 12,000 unprocessed appeals as of February 2019, and on

average, claimants nationwide were waiting more than 710 days from the date of the appeal for POM to process their appeals.

Neither POM leaders nor audit team members were able to determine the average cost of an appeal or the extent to which appeals processors overturned claims. VACOLS did not contain information necessary to calculate the percentage of overturned claims. In general, the value of claims ranged widely from less than \$10 to more than \$100,000.

Recommendations 1 and 2 address the need for VHA to ensure that POM identifies its facilities that receive appeals but do not have staff assigned to process appeals, and then promptly transfers unprocessed appeals from those facilities to a POM appeals-processing facility to ensure they are processed. The recommendations also include that POM updates communications to direct claimants to submit appeals to its facilities with designated appeals-processing staff.

Appeals Management Lacked Oversight from VHA and OCC

In February 2018, after the Appeals Modernization Act was enacted and VHA discovered it did not have strong oversight of appeals, the VHA deputy chief of staff issued a memo that tasked OCC with accurately identifying its pending appeals inventory; streamlining and revising directives, processes, and workflows; and creating a new process to reduce and eliminate the existing backlog. The VHA memo assigned management and oversight responsibilities to the then OCC delivery operations executive director.¹⁷ Specifically, the memo required the director to “clearly define roles and responsibilities throughout the appeals process; and, standardize timeliness.” The OCC delivery operations executive director was also responsible for identifying program office leads to assist with the development and implementation of a plan to address the requirements in the memo.

In April 2018, the then OCC delivery operations executive director sent an email to POM senior leaders that stated, “I need a dedicated CAR [POM] appeals project manager appointed today.” The then POM deputy director responded that CAR had an appeals manager. However, the appeals manager was operating without an effective plan, as POM leaders had not defined the appeals manager’s roles and responsibilities for overseeing the appeals function. The Government Accountability Office’s *Standards for Internal Control in the Federal Government* states that management should define responsibilities, assign key roles, and delegate authority to achieve the entity’s objectives.

The then OCC delivery operations executive director who was assigned management and oversight responsibilities by the VHA deputy chief of staff retired in June 2018 before

¹⁷ POM is a directorate under the OCC’s Delivery Operations.

implementing the assigned appeals tasks. The OCC subsequently assigned an acting executive director, then filled the executive position in March 2019.

Recommendation 3 addresses the need for VHA to clearly define the roles and responsibilities of an accountable OCC official to oversee POM's appeals function.

Appeals-Processing Procedures Were Lacking and Not Effectively Communicated

The appeals manager told the audit team that POM facility staff did not use standardized tools to track and monitor appeals before July 2018, when POM required facilities to use VACOLS. The POM director said appeals were not a priority because POM focused on processing the non-VA care claims.

POM did not have effective policies for managing and processing appeals, including appeals-processing timeliness metrics and clearly defined roles and responsibilities. The OCC did have an operational guidebook for processing appeals, and POM documents indicated POM had conducted routine national calls regarding appeals management since October 2018. However, POM staff that the audit team interviewed were generally not aware of the guidebook or any other policies or procedures related to receiving, reviewing, and processing appeals. For example, a POM program management officer stated that learning to process appeals was only through on-the-job training. Furthermore, the guidebook did not specifically state who would be responsible for performing each step of the appeals process, did not reference or provide guidance related to VACOLS, and did not provide appeals-processing timeliness metrics. A POM leader stated that POM developed an appeals-processing timeliness metric of 120 days, but the audit team found that as of August 2019, POM had not implemented this standard.

Prior to November 2017, POM used staff such as voucher examiners to process appeals as a collateral duty. According to a POM administrative officer, POM created a legal administrative specialist position in November 2017 to manage its appeals workload. The audit team found during interviews with legal administrative specialists that they also performed collateral duties unrelated to appeals, such as answering customer service calls from veterans and providers and responding to congressional inquiries. For example, two legal administrative specialists at one POM facility said they completed nonappeals work and had not processed appeals during their first year as legal administrative specialists.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that managers should document policies in the appropriate level of detail to allow them to effectively monitor the control activity. Managers should also communicate to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities. Because POM lacked effective policies and procedures for processing appeals, facilities lacked standardized tracking and monitoring methods.

Recommendation 4 addresses VHA's need to ensure POM implements and communicates effective policies and procedures for POM staff to promptly process their pending appeals workload.

POM Did Not Effectively Use a System of Record to Process Appeals

In 2008, VHA issued a directive that required VHA's Chief Business Office to record appeals that were sent to the Board of Veterans' Appeals in VACOLS. This directive did not address how staff should track and monitor all other appeals that were not sent to the Board of Veterans' Appeals. A POM program analyst said POM facility staff were not provided clear guidance on how to record their appeals workload in a system of record.

Before the June 2018 memo where the deputy under secretary for health for operations and management stated that VHA was implementing VACOLS, POM's appeals monitoring was ad hoc. For example, in response to the appeals data call for nonclinical health benefit appeals in January 2018, a regional officer stated in an email, "As you all know, we do not have a system to log appeals. In some cases, we will have to create this log. I just want to be clear that it may be difficult to complete this task in some locations."

A June 2018 memo from the deputy under secretary for health for operations and management stated, "The Board of Veterans Appeals will provide three online VACOLS training sessions during the week of June 18-22 [2018]." The memo stated that this training was mandatory for employees who process appeals. A POM legal administrative specialist said the Board of Veterans' Appeals sent an email to POM staff to sign up for the virtual training. POM could not confirm whether its appeals processors attended the VACOLS training.

The following are examples of two facilities that received appeals, but did not effectively use VACOLS:

- In November 2018, a Tampa POM legal administrative specialist said the Orlando POM facility had not added about 500 appeals to VACOLS from its local spreadsheets. An Orlando POM program analyst who was responsible for adding the appeals said she still needed to add about 280 appeals from her local spreadsheet. An Orlando POM program management officer said that before October 2018, the facility did not have staff who knew how to add appeals to VACOLS.
- The Jackson POM supervisor said staff did not document appeals in VACOLS from July through December 2018. The Jackson POM supervisor said staff focused during this period on deleting nonappeals from VACOLS. Based on VACOLS data from September and December 2018, the overall number of appeals in VACOLS for this facility increased by three. The Jackson POM supervisor was not aware of

how their appeals workload fluctuated during this period and said she did not understand why their appeals inventory would have increased in VACOLS.

Some facilities attempted to record and monitor their appeals in locally developed and maintained spreadsheets, instead of recording appeals in VACOLS. The audit team found these spreadsheets varied among facilities and were not transparent to POM leaders.

POM Lacked Controls and Oversight of VACOLS Appeals Data

According to the VACOLS data POM provided, the number of records in VACOLS decreased by about 4,300 from September 2018 to February 2019. According to the appeals manager, the decrease occurred when POM facility staff completed some appeals or when staff deleted records that were not appeals of denied claims, such as rejections, from VACOLS.¹⁸ POM facility staff initially added some nonappeals records to VACOLS because they did not first determine whether the document was an appeal of a denied claim. VACOLS data did not specify the reason why line items were removed from the system.

Table 1 lists the number of records in VACOLS on different dates.

Table 1. Records in VACOLS Extracts

VACOLS extract date	Number of records
September 2018	18,211
December 2018	16,586
January 2019	15,116
February 2019	13,935

Source: OIG analysis of VACOLS data that POM provided in September 2018, December 2018, January 2019, and February 2019

POM did not have controls in place to ensure facility staff did not inappropriately delete VACOLS records. The appeals manager did not know the extent to which POM facility staff deleted records, for what reasons, or whether POM staff deleted appeals in error. This presents a risk that POM staff inappropriately deleted pending veteran and provider appeals from VACOLS.

Recommendation 5 addresses the need for VHA to ensure POM completely and accurately identifies and records its pending appeals inventory in a standard system of record and

¹⁸ When a claim is denied, it will not be paid for reasons such as the patient is not a veteran or does not meet legal entitlement requirements. A claim may also be rejected for reasons such as when required documentation is not submitted with the claim. Rejections may be resubmitted.

implements controls to effectively maintain the pending appeals inventory in the system of record.

Conclusion

The audit team concluded that VHA and the OCC POM directorate failed to provide effective oversight of appeals management and processing and faces significant challenges in identifying and processing existing and incoming appeals. As of February 2019, facilities still had not effectively identified and recorded their pending appeals workload in VACOLS, leaving POM leaders with an incomplete and inaccurate awareness of the appeals their staff had received and needed to process. This presents a risk that an unknown number of appeals previously submitted by veterans and non-VA care providers were unanswered and potentially lost or discarded.

Recommendations 1–5

The OIG recommended the under secretary for health¹⁹

1. Ensure the Payment Operations and Management directorate identifies its facilities that receive appeals but do not have sufficient staff assigned to process them, and then promptly transfers unprocessed appeals from those facilities to a Payment Operations and Management appeals-processing facility to ensure they are processed,
2. Ensure the Payment Operations and Management directorate updates communications to direct claimants to submit appeals to its facilities with designated appeals-processing staff,
3. Clearly define the roles and responsibilities of an accountable OCC official to oversee the Payment Operations and Management directorate's appeals function,
4. Ensure the Payment Operations and Management directorate implements and communicates effective policies and procedures for its staff to promptly process their pending appeals workload, and
5. Ensure the Payment Operations and Management directorate completely and accurately identifies and records its pending appeals inventory in a standard system of record and implements controls to effectively maintain the pending appeals inventory in the system of record.

¹⁹ Recommendations directed to the under secretary for health were submitted to the executive in charge, who has the authority to perform the functions and duties of the under secretary for health.

Management Comments

The executive in charge, Office of the Under Secretary for Health, concurred with Recommendations 1–5 and provided acceptable action plans for the recommendations. In response to Recommendation 1, the executive in charge reported VHA has been transitioning from 82 decentralized locations to five centralized locations, that the transition is intended to ensure greater standardization and efficiency, and that full implementation is expected by 2021. The executive in charge reported that appeals workload from select decentralized locations has been transferred to a centralized location. In response to Recommendation 2, the executive in charge reported that once transition to a centralized processing location occurs, claimants affected by the change will be informed that appeals should be sent to the centralized appeals processing location.

In response to Recommendation 3, the executive in charge reported that the executive director of delivery operations has overall accountability for POM, including appeals, and that POM assigned an appeals program manager to oversee its appeals function and modernization initiatives and to develop an appeals product line and plan. The executive in charge reported that the appeals program manager position is responsible for the overall performance and monitoring of appeals processing activities at each of the regionally based centers. In response to Recommendation 4, the executive in charge reported that POM has been revising and improving appeals-related policies and procedures; enhancing staff communications and trainings to improve processing performance; and enhancing appeals-handling controls to incorporate a stronger emphasis on consistency, accuracy, and timeliness of processing and decision-making. The executive in charge reported that POM has also implemented recurring national appeals staff calls to communicate policy and procedure changes.

In response to Recommendation 5, the executive in charge reported that POM completed a major upload of appeals information previously tracked manually at each appeals-processing site, which allowed for a more accurate count of appeals inventory and backlog, and for monitoring of progress toward goals. The executive in charge also stated that POM developed controls and monitoring reports to track VACOLS usage compliance, monitor inventory, assist in identifying outliers for follow up, and assist processing centers in meeting timeliness and quality standards.

OIG Response

The executive in charge's comments and corrective action plans are responsive to the intent of the recommendations. The OIG will monitor implementation of planned actions and will close the recommendations when VHA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified.

Finding 2: VHA Was Not Fully Prepared for Appeals Modernization

The vast majority of VHA appeals have been the responsibility of POM, and POM had not effectively managed its appeals. The Appeals Modernization Act, which was signed into law on August 23, 2017, and became effective on February 19, 2019, prompted VHA to task POM to identify, record, and manage its pending appeals.

In preparation for the Appeals Modernization Act, the VA Secretary was required to submit a Comprehensive Plan for Processing of Legacy Appeals and Implementing the New Appeals System (comprehensive plan) to Congress every 90 days. The periodic submissions updated Congress on VA's and VHA's readiness to implement the new appeals process in February 2019.²⁰ The comprehensive plans were to include updates on the processing of pending appeals, implementation of the new appeals system, timely processing under the new appeals system, and performance monitoring metrics and goals under the new appeals system.

The Appeals Modernization Act provides veterans with three options to appeal denied claims on or after the effective date of the act, as opposed to only one initial option during the previous appeals process. Specifically, under appeals modernization, the veteran can choose whether to have a claim reviewed by a more experienced POM claims adjudicator, to submit additional evidence to POM for review, or the veteran or provider can choose to bypass POM and send the appeal directly to the Board of Veterans' Appeals.

Prior to appeals modernization, a claimant who disagreed with POM's decision to deny a claim contacted a POM facility or local VA medical facility by letter to appeal the denied claim. Once a POM facility that processed appeals received an appeal, appeals staff reviewed the initial claim to determine whether to uphold or overturn the claim decision. If the claimant disagreed with POM's decision to uphold the denial, only then could the claimant resubmit the appeal to the Board of Veterans' Appeals.

In response to the Appeals Modernization Act, POM staff would need access to process appeals in Caseflow, VA's new appeals management system of record, when the new appeals process took effect in February 2019. As of August 2019, the POM director said only seven POM employees had access to Caseflow. According to the POM appeals manager, the Board of Veterans' Appeals did not provide POM "an opportunity to weigh in on business requirements or participate in the development of the new system." In April 2019, the OCC delivery operations executive director stated POM would continue to develop all required procedures for the new appeals process. If POM does not fully develop and implement effective procedures for the new appeals process, veterans and providers will likely continue to experience appeals-processing delays.

According to the November 2018 Comprehensive Plan, VHA completed a comprehensive assessment of its appeals-processing resources. However, POM could not have effectively

²⁰ Veterans Appeals Improvement and Modernization Act of 2017, Pub. L. 115-55, 131 Stat. 1105-1128.

assessed its appeals staffing needs without first determining the extent to which its current staff processed appeals and the extent of its appeals workload. Identifying the appropriate number of appeals processors is important to make sure veterans and providers receive appeal decisions in a timely manner.

What the OIG Did

The audit team conducted interviews with VHA, OCC, and POM staff who were involved in the transition to the new appeals process. The audit team reviewed VA's comprehensive plans to determine whether VHA complied with Appeals Modernization Act requirements and accurately reported its progress toward implementing the new process. The audit team reviewed documentation POM used to support analyses and conclusions made in the comprehensive plans.

Transition to the Appeals Modernization Act

According to the appeals manager, appealed claims denied on or after the date the Appeals Modernization Act became effective, February 19, 2019, would fall under the new appeals system. In response to the Appeals Modernization Act, POM staff would need access to the new appeals-processing system of record and would need to learn how to process appeals under the new system. As of April 2019, POM was not fully prepared to implement the new appeals process for the following reasons:

- Not all POM appeals processors had access to the new appeals-processing system.
- POM had not fully developed and implemented all required procedures.

POM Did Not Have Access to the New Appeals-Processing System

VHA was not ready to implement the new appeals process when the Appeals Modernization Act went into effect in February 2019. The VA Secretary submitted comprehensive plans to Congress every 90 days that stated VA's and VHA's progress toward being ready to implement the new appeals process in February 2019. These comprehensive plans included the processing of appeals of decisions on legacy claims that the Secretary considers pending; implementing the new appeals system; timely processing under the new appeals system; and monitoring the implementation of the new appeals system, including metrics and goals. According to a VHA regulatory and administrative affairs specialist, the OCC delivery operations executive director was responsible for developing plans to comply with Appeals Modernization Act requirements and documenting VHA's progress toward completing those requirements in the comprehensive plans.

The November 2018 Comprehensive Plan stated

Integration of VHA appeals tracking data into Caseflow will facilitate analysis of supplemental claim and higher-level review volume, inventory, and timeliness.

VHA managers will have the data necessary to adjust staffing and priorities as needed to maintain timely processing of post-decision reviews in the modernized system . . . By the end of calendar year 2018, all users who need access to Caseflow to complete Appeals Modernization Act appeals will have that access.

Yet, as of August 2019, the POM director said only seven POM employees had access to Caseflow and POM was developing required procedures for the new appeals process. Based on internal POM documentation, as of February 2019 POM had nine appeals supervisors and 83 legal administrative specialists who would need to use Caseflow. The POM director said POM had attempted to gain access to Caseflow starting in the fall of 2018.

According to the VHA Office of Regulatory and Administrative Affairs director and a regulatory specialist, VHA did not receive access to Caseflow before the February 2019 implementation date. They stated POM was not consistently involved in discussions regarding the Caseflow system and did not participate in testing the system. VHA Office of Regulatory and Administrative Affairs staff said they voiced concerns to the VA's Office of General Counsel regarding their lack of preparedness with Caseflow, but stated that VA's Office of General Counsel was less concerned about VHA's readiness to implement the new appeals process because it represented such a small portion of appeals compared to the Veterans Benefits Administration's appeals inventory.²¹ An Office of General Counsel attorney stated that, while VHA did raise concerns to the Office of General Counsel about its readiness to implement appeals modernization, VHA indicated it could initially handle the appeals manually. The Office of General Counsel attorney also stated that this was "not an optimal or long-term solution," but "given the comparatively small number of appeals handled by VHA, this was seen as a viable prospect that would allow certification and implementation to move forward."

VHA needs to verify that all appeals processors obtain prompt access to Caseflow and that all appeals processors receive training on how to effectively use the new appeals system. To avoid a repeat of the problems with VACOLS, POM leaders must be able to use Caseflow to accurately identify the appeals inventory, determine whether appeals are processed timely, and analyze staffing needs.

Access, however, may not be all that is needed. A VHA Office of Regulatory and Administrative Affairs specialist said the Caseflow system did not provide VHA users with important information, such as the benefit that is under consideration, the facility that processed the appeal, and the facility that has jurisdiction over the appeal, and did not effectively identify the claimant who submitted the appeal.

²¹ POM is responsible for processing more than 90 percent of all VHA appeals, with Rehabilitation and Prosthetic Services, Enrollment and Eligibility, Income Verification, and Beneficiary Travel responsible for the remaining 10 percent.

Recommendation 6 addresses the need for VHA to ensure that all POM appeals processors receive prompt access to Caseflow and that Caseflow is updated to include fields that VHA users need to effectively manage and track claimants' appeals.

POM Did Not Fully Develop and Implement All Required Procedures

The Appeals Modernization Act required that the VA Secretary submit a certification to Congress that included whether VA had the procedures to “carry out the new appeals system” and “timely address appeals under the new appeals system.” In February 2018, the VHA deputy chief of staff tasked VHA and the OCC with revising and streamlining “VHA directives, processes and workflows to create an unbiased, consistent, timely and thorough new process” that would comply with the Appeals Modernization Act.

The November 2018 Comprehensive Plan included the following statements:

- “VHA is partnering with the Office of General Counsel (OGC) and the Board [of Veterans' Appeals] to identify and address policy and regulation gaps or inconsistencies that would hamper implementation of the new system and will resolve those issues prior to Appeals Modernization Act implementation.”
- POM was developing procedures to make sure staff focused solely on appeals.

POM developed general process flowcharts for the new appeals-processing lanes but did not fully develop and implement all required procedures for the new appeals process. As of February 2019, the appeals manager said POM was still developing procedures for the new appeals process and that it had not provided policies or procedures to its facilities for managing appeals under the new process or system. POM had developed, but not implemented, timeliness metrics for processing appeals. POM leaders need to fully implement policies and procedures for the new appeals process so that staff can effectively process appeals. Without these timeliness metrics and new appeals procedures, veterans and providers could experience additional delays with their appeals decisions or POM staff could inappropriately process their appeals.

The November 2018 Comprehensive Plan stated

VHA is working with OGC, the Board [Board of Veterans' Appeals], and VBA [Veterans Benefits Administration] to determine new system requirements and metrics, as well as processes to continue to address the legacy inventory. Once the revised processes and corresponding metrics have been developed, VHA can more accurately project productivity.

The Veterans Benefits Administration's goal is to complete its review of appeals in an average of 125 days. A POM leader stated that POM developed an appeals-processing timeliness metric of 120 days, but the audit team found that as of August 2019, POM had not implemented this

standard. If POM does not implement a timeliness metric for processing appeals and ensure POM’s appeals processors are meeting the metric, veterans will be at risk of being held liable for bills VA should have paid. According to February 2019 VACOLS data that POM provided, over 12,000 unprocessed appeals were recorded in the system. The audit team determined these unprocessed appeals were pending an average of 710 days.

Recommendation 7 addresses VHA’s need to implement and communicate effective policies and procedures for processing and managing appeals under the new process to all POM staff, including timeliness standards.

Incomplete Appeals Data Did Not Enable POM Leaders to Make Informed Staffing Decisions

Because it did not know its appeals inventory, POM did not effectively assess staffing needs for processing appeals. Identifying the appropriate number of appeals processors is important to ensure veterans and providers receive appeal decisions in a timely manner.

POM leaders did not know, for example, how many appeals processors POM had or how many appeals each processor completed. POM provided the audit team a list of appeals processors, but the audit team determined that not all staff on the list processed appeals. POM did not effectively identify the extent to which each facility processed appeals, or whether appeals processors already on staff could keep up with the appeals workload.

The November 2018 Comprehensive Plan included the following statements, which the audit team found were not actually completed as reported by the VA Secretary to Congress:

Table 2. Gaps the Audit Team Found in November 2018 Comprehensive Plan Statements about Staffing

Statement in comprehensive plan	What the audit team found
“VHA completed a comprehensive assessment of the resources currently processing appeals and continues to assess resources needed to manage and process legacy claims and transition to the new system.”	POM did not provide evidence it completed a comprehensive assessment of the resources currently processing appeals.
OCC POM “is developing a plan to ensure. . . newly hired OCC/CAR [POM] staff will now be dedicated to appeals processing only, . . . with no collateral duties.” OCC POM “will perform ongoing reviews to remove collateral duties from current appeals staff whenever possible.”	POM did not provide evidence of this plan or that it conducted these reviews.

Statement in comprehensive plan	What the audit team found
OCC POM “will be using current and future appeals data and time studies to better determine the volume of FTEs [full-time equivalents] needed to manage the inventory of appeals.”	POM did not provide evidence that it conducted these time studies. The audit team determined POM could not effectively assess resources needed to process pending appeals when it did not know its inventory of pending appeals, how many appeals it received during a certain period, or how long it took POM staff to process appeals.

Source: VA’s November 2018 Comprehensive Plan, and VA OIG’s analysis of interviews and internal documents

The POM appeals manager said POM used VACOLS data to determine the pending appeals workload. However, the audit team found that POM had not effectively identified and recorded its appeals workload in VACOLS, which meant POM could not effectively determine whether the number of appeals processors could keep pace with processing the appeals workload or whether it needed additional appeals processors.

As of February 2019, the VACOLS data that POM provided, which the audit team determined were significantly understated, indicated POM had a total of about 13,935 appeals. The audit team determined 12,036 of the appeals were pending (86 percent).²² Table 3 shows the number of appeals and the number of those that POM still needed to process, according to VACOLS data as of February 2019.

Table 3. Appeals in VACOLS Nationwide

Year the appeal was submitted	Total appeals	Pending appeals	Percent pending (rounded)
Prior to 2001	66	3	5
2001–2005	187	39	21
2006–2010	320	21	7
2011–2015	2,039	1,590	78
2016	2,948	2,810	95
2017	4,084	3,734	91
2018	3,980	3,547	89
2019	311	292	94
As of February 2019	13,935	12,036	86

Source: OIG analysis of VACOLS data, February 2019

²² The OCC’s Informatics and Data Analytics Office reported that POM processed about eight million non-VA emergency care claims during FY 2018, and of those, POM staff denied about 906,400 (11 percent).

The audit team and POM staff identified more than 8,800 potential appeals that were unprocessed and not included in VACOLS at just eight facilities the audit team visited, out of POM's more than 80 total facilities, and concluded the VACOLS data were understated. According to a VHA Office of Regulatory and Administrative Affairs leader, VACOLS data were not reliable because appeals processors self-reported the data in VACOLS before they verified each was an actual appeal, likely did not include all pending appeals, and included nonappeal records.

Despite VACOLS containing incomplete and inaccurate appeals data, the POM appeals manager said POM used it to determine appeals workloads and determine how long processing appeals took. POM also could not reliably determine how many claims decisions veterans and providers appealed or how many appeals its staff completed during any specific period. If POM does not know how many appeals it receives on a routine basis, it cannot determine the number of appeals processors needed. Identifying the appropriate number of appeals processors is important to ensure veterans and providers receive appeals decisions in a timely manner.

Recommendation 8 addresses the need for VHA to ensure POM completes a comprehensive assessment of its appeals workforce and inventory, and then reevaluates its appeals staffing needs.

Conclusion

The audit team concluded that VHA and the OCC POM directorate failed to provide effective oversight of appeals management and processing before and after implementation of the Appeals Modernization Act. As of April 2019, POM was not fully prepared to implement the new appeals process because not all POM appeals processors had access to the new appeals-processing system, and because POM had not fully developed and implemented all required procedures. POM developed general process flowcharts for the new appeals-processing lanes but did not fully develop and implement all required procedures for the new appeals process. If POM does not implement effective procedures for the new appeals process, veterans and providers will likely continue to experience appeals-processing delays.

Recommendations 6–8

The OIG recommended the under secretary for health

6. Ensure all Payment Operations and Management directorate appeals processors obtain access to Caseflow promptly, and that Caseflow includes fields that are necessary to effectively manage Payment Operations and Management appeals;
7. Ensure the Payment Operations and Management directorate implements and communicates to all staff effective policies and procedures for processing and

managing appeals under the new appeals process, including timeliness standards;
and

8. Ensure the Payment Operations and Management directorate completes a comprehensive assessment of its appeals workforce and inventory, and then reevaluates its appeals staffing needs.

Management Comments

The executive in charge, Office of the Under Secretary for Health, concurred in principle with Recommendation 6, concurred with Recommendations 7 and 8, and provided acceptable action plans for each recommendation. In response to Recommendation 6, the executive in charge reported that POM will work with staff from VA's Office of Information Technology, the Veterans Benefits Administration, and the Board of Veterans' Appeals to address this recommendation. The executive in charge reported that POM has submitted a request for enhancing Caseflow and has provided input on requirements and modifications needed for VHA appeals and will continue to monitor and follow up on the need.

In response to Recommendation 7, the executive in charge reported that POM has been revising and improving appeals-related policies and procedures; enhancing staff communications and trainings to improve processing performance; and enhancing appeals handling controls to incorporate a stronger emphasis on consistency, accuracy, and timeliness of processing and decision-making. In response to Recommendation 8, the executive in charge reiterated POM's plan to transition operations, including appeals workload, to regionally based centralized processing centers. The executive in charge reported that POM continues to regularly monitor each location's workload and performance and stated that once appeals modernization, including system of record changes, are fully implemented, staffing for those future needs will be assessed.

OIG Response

The executive in charge's comments and corrective action plans are responsive to the intent of the recommendations. The OIG will monitor implementation of planned actions and will close the recommendations when VHA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified.

Appendix A: Scope and Methodology

Scope

The audit team performed audit work from October 2018 through August 2019. The audit scope was nationwide and focused on non-VA care claims appeals-processing activities and oversight by the OCC POM from fiscal year 2017 through March 2019.

Methodology

This audit focused on the management of POM appeals by assessing oversight, resource allocation, and processing activities. The audit team completed the following actions:

- Identified and reviewed applicable laws, regulations, policies, procedures, and guidelines pertaining to non-VA care claims appeals.
- Conducted about 70 interviews of POM leaders, regional officers, managers, supervisors, staff responsible for processing non-VA care claims appeals, and other VHA personnel.
- Assessed nationwide appeals data to determine the number of pending appeals, the oldest pending appeals, and the average time it took POM to process appeals.
- Conducted site visits to 10 facilities, covering all five OCC Regions. Selected sites included both consolidated and nonconsolidated sites:
 - Region 1: Jamaica Plain, Massachusetts
 - Region 2: Tampa, Florida; Orlando, Florida; Atlanta, Georgia
 - Region 3: Jackson, Mississippi; Memphis, Tennessee; Kansas City, Missouri
 - Region 4: Bonham, Texas; Helena, Montana
 - Region 5: Loma Linda, California
- Identified and reviewed nationwide staffing levels for appeals supervisors and processors, including relevant support staff assisting with appeals for the 10 sites the team visited.
- Reviewed relevant VA email records.
- Conducted observations and interviews at each POM facility the audit team visited to determine the facility's procedures for receiving, processing, and overseeing the management of POM appeals. During site visits, the audit team assessed the extent to which these facilities tracked and monitored appeals, counted documents identified as potential unprocessed appeals, and reviewed local appeals tracking spreadsheets.

Fraud Assessment

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The audit team exercised due diligence in staying alert to any fraud indicators, including taking the following actions:

- Interviewed POM staff, reviewed email records, conducted observations of facilities, and reviewed local appeals-tracking spreadsheets for potentially fraudulent activities within the scope of the audit
- Solicited the OIG's Office of Investigations to determine if there were any ongoing cases involving processing non-VA care claim appeals

The audit team did not identify any instances of fraud during this audit.

Data Reliability

The audit team used computer-processed data from VA's VACOLS. To test for reliability, the audit team determined whether any data were missing from key fields in VACOLS such as appeal IDs, station IDs, and various dates. The audit team also assessed whether the data contained obvious duplications of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. However, the audit team could not completely assess the reliability of VACOLS data because not all VACOLS data were tracked in other systems. Furthermore, the audit team requested source documentation from POM personnel to verify the accuracy of the VACOLS data, but staff could not provide complete supporting documentation for all VACOLS data fields. Therefore, the audit team concluded they could not sufficiently rely on VACOLS data, and instead attributed related results and conclusions to VACOLS.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix B: Management Comments

Department of Veterans Affairs Memorandum

Date: OCT 02 2019

From: Executive in Charge, Office of the Under Secretary for Health (10)

Subj: OIG Draft Report, VHA Did Not Effectively Manage Appeals of Non-VA Care Claims (VIEWS 01461560)

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

1. Thank you for the opportunity to review and comment on the Office Inspector General (OIG) draft report, VHA Did Not Effectively Manage Appeals of Non-VA Care Claims.
2. I concur with OIG's recommendations 1- 5, 7 and 8. I concur in principle with recommendation 6.
3. If you have any questions, please email Karen Rasmussen, M.D., Director, GAO OIG Accountability Liaison Office at VHA10EGGOALAction@va.gov.

(Original signed by)

Richard A. Stone, M.D.

Attachments

VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan

OIG Draft Report: VHA Did Not Effectively Manage Appeals of Non-VA Care Claims

Date of Draft Report: August 15, 2019

Recommendations/ Actions	Status	Target Completion Date
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The OIG recommends the Under Secretary for Health:

Recommendation 1: Ensures the Claims Adjudication and Reimbursement Directorate identifies its facilities that receive appeals but do not have sufficient staff assigned to process them and then promptly transfers unprocessed appeals from those facilities to a Claims Adjudication and Reimbursement appeals-processing facility to ensure they are processed.

VHA Comments: Concur

Since 2018, the Office of Community Care’s Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), has been implementing major organizational, process and system improvements to ensure more effective tracking as well as the accurate and timely processing of health care claims appeals. In its October 2018 Strategic Plan, POM described its plan to transition operations, including appeals workload to regionally-based centralized processing centers. This centralization plan transitions processing at 82 locations to one of 5 regional hubs or 8 spokes. Part of the strategic plan includes the creation of an appeals product line and a specific, detailed appeals plan. This plan includes assignment of dedicated appeals staff including, Appeals Supervisor at each regional center responsible for overseeing appeals operations at the regional level and Legal Administrative Specialist who process appeals. POM has appointed a Program Manager to oversee and direct policy and performance.

Transition to this new organizational model is intended to ensure greater standardization of appeals processes Nationwide, maximize staffing efficiencies, and ensure more consistent and timelier appeals processing and decision-making. Full implementation is expected by 2021 and is well underway. Appeals workload from select decentralized locations has been transferred to a regional center.

Staffing has been assessed and determined to be sufficient at this time to address current appeals volumes. This determination is based on the average current workload received versus the current volume of appeals being processed. POM Program Manager continues to regularly monitor each location’s workload and performance, communicating results and expectations to regional managers and supervisors. Should the staffing or performance conditions change adversely, POM will reprioritize or move to transition the location’s workload more quickly or add more appeals staff. It should be noted that since August 2018, POM has achieved a 45 percent reduction in the overall backlog of appeals. POM attributes this backlog reduction to staffing a dedicated appeals team and improvements made in training, education, systems access, efficiency, and more regular communications with field staff on appeals related topics.

POM has adopted an incremental approach towards implementation to ensure a proper and methodical transition of all appeals documentation and records to a centralized location and to minimize disruptions at sites transferring its workload. Documented procedures and ongoing staff communications guide the transition process. Provisions are also in place to monitor for timely transfers of any newly received

appeals documents once transition is completed. As centralization progresses and workload volume increase, POM will continue to adjust its staffing levels to meet workload demands.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Appeals plan outlining appeals organization model and transformation plan
- Updated standard operating procedure with instruction to decentralized sites regarding routing of appeals to centralized processing centers
- Appeals workload assessment that details each POM facility that receives appeals, and whether each facility has appeals staff in place to process the existing and incoming appeals
- Documentation demonstrating that appeals from locations that do not have appeals staff was promptly transferred to facilities with appeals staff for processing

Status:	Target Completion Date:
In Progress	December 2019

Recommendation 2: Ensures the Claims Adjudication and Reimbursement Directorate updates communications to direct claimants to submit appeals to its facilities with designated appeals processing staff.

VHA Comments: Concur

Since 2018, the Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), has been implementing major organizational, process and system improvements to ensure more effective tracking as well as the accurate and timely processing of health care claims appeals. In its October 2018 Strategic Plan, POM described its plan to transition operations, including appeals workload to regionally-based centralized processing centers. This centralization plan transitions processing at 82 locations to one of 5 regional hubs or 8 spokes. Part of the strategic plan includes the creation of an appeals product line and a specific, detailed appeals plan. Transition to this new organizational model is intended to ensure greater standardization of appeals processes Nationwide, maximize staffing efficiencies, and ensure more consistent and timelier appeals processing and decision-making.

Once transition to a centralized processing center occurs, claimants affected by the change will be informed that appeals should be sent to the established centralized appeals processing center.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Evidence of communication informing claimants that the appeals processing location has changed
- Timeline of full implementation of POM's transition to the new organizational model, and evidence of incremental transition to centralized processing centers

Status:	Target Completion Date:
In Progress	December 2019

Recommendation 3: Clearly defines the roles and responsibilities of an accountable VHA official to oversee the Claims Adjudication and Reimbursement Directorate's appeals function.

VHA Comments: Concur

In April 2018, the Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), assigned an Appeals Program Manager to oversee the appeals function, modernization initiatives and to develop an appeals product line and plan. The position is responsible for the overall performance and monitoring of appeals processing activities at each of the regionally-based centers. Located in the POM Program Office, this position reports to the POM Director. The Executive Director of Delivery Operations has overall accountability for POM including appeals.

POM has also created dedicated Appeals Supervisor at each regional center responsible for managing regional appeals operations and supervising the Legal Administrative Specialist. The Appeals Supervisors report through the regional leadership structure to the Deputy Director of POM.

To demonstrate completion of this recommendation VHA will provide the following documentation:

- Appeals plan, including organization model and roles and responsibilities of Appeals Managers, and of the Executive Director of Delivery Operations as it relates to appeals oversight

Status:

Target Completion Date:

In Progress

December 2019

Recommendation 4: Ensures the Claim Adjudication and Reimbursement Directorate implements and communicates effective policies and procedures for its staff to promptly process their pending appeals workload.

VHA Comments: Concur

The Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), has revised and improved appeals related policies and procedures and enhanced staff communications and trainings to improve processing performance, enhance appeals handling controls and to incorporate a stronger emphasis on consistency, accuracy and timeliness of processing and decision-making.

POM has also implemented recurring national appeals staff calls to communicate policy and procedure changes as well as to discuss issues related to workload and processing performance. In past calls, process flow maps, standard operating procedures and user guides were reviewed and discussed. A designated mail group was created to facilitate ongoing knowledge sharing and provide timely answers to appeals processing questions.

Multiple training sessions have been delivered nationally and individually to each region's appeals staff. One such training focused on use of the Veterans Appeals Control and Locator System (VACOLS). This training included reference to a user guide, discussion of new entries to the software, and offered a detailed guide on closing an appeal case. Training has proven effective. There has been an increase in the system's use and resolution of multiple cases demonstrates that staff were able to accurately identify appeals. POM will continue to provide continuous trainings, emails, and guidance on the proper use of the VACOLS.

As the Appeals Modernization initiative continues, POM will incorporate and communicate changes in policies and procedures to guide all appeals and impacted staff.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Updated Appeals Standard Operating Procedures and Guides
- Evidence of recurring National Appeals Call

Status: In Progress Target Completion Date: December 2019

Recommendation 5: Ensures Claims Adjudication and Reimbursement Directorate completely and accurately identifies and records its pending appeals inventory in a standard system of record and implement controls to effectively maintain their pending appeals inventory in the system of record.

VHA Comments: Concur

The Veterans Appeals Control and Locator System (VACOLS) has been used by VHA as the designated system of record for appeals since 2012. In July 2018, the Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), expanded its use of VACOLS in several ways.

First, usage is now required by Legal Administrative Specialists. Prior to this implementation, appeals were entered into VACOLS at the time the records were sent to the Board of Veterans Appeals. This expansion has allowed POM to track appeals earlier in their life cycle and in a more automated way.

Second, POM completed a major upload of appeals information previously tracked manually at each appeal processing site. This allows for a more accurate count of appeals inventory, backlog and monitoring of progress toward goals. As of August 2019, total appeals inventory was reduced by 45 percent.

Third, POM developed controls and monitoring reports, or Report Cards, to track VACOLS usage compliance, monitor inventory, assist in identifying outliers for follow-up and assist processing centers in meeting timeliness and quality standards (Attachment A). Guidance on use of the Report Card are in development.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Legacy Appeals Report Card (Spreadsheet provided electronically)
- Guidance on use of Report Cards
- Documentation demonstrating that POM identified and recorded in the system of record previously unaccounted for appeals inventory, at each POM location
- Standard operating procedure or guidance communicated to appeals staff related to appropriately maintaining (adding and removing) appeals in the system of record

Status: In Progress Target Completion Date: December 2019

Recommendation 6: Ensures all Claims Adjudication and Reimbursement Directorate appeals processors obtain access to Caseflow promptly, and that Caseflow includes fields that are necessary to effectively manage Claims Adjudication and Reimbursement appeals.

VHA Comments: Concur in principle

The Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), will work with staff from the VA Office of Information Technology (OIT), the Veterans Benefits Administration (VBA) and the Board of Veterans Appeals (BVA) to address this recommendation. POM is not the business owner of the Caseflow software but must work through and with these organizations to complete the actions needed. POM has submitted a request for enhancing Caseflow and has provided input on requirements and modifications needed for healthcare

claims adjudication and reimbursement appeals. Likewise, POM has completed a request for Caseflow access that will allow appeals processors to use the system. At this point in time, VHA has completed our part in initiating and specifying the actions needed. While it appears that action is being taken on our requests, their completion is dependent on the support of VA OIT, VBA and BVA. VHA will continue to monitor and follow-up on these requests with these organizations as necessary.

Until Caseflow access, training and system enhancements are completed, POM will continue to utilize the Healthcare Appeals Tool (HAT) to manage appeals associated with Appeals Modernization. The HAT is an interim technology solution currently used by POM appeals staff to improve efficiency and tracking of appeals associated with modernization.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Evidence of requests for Caseflow access for appeals processors
- Evidence of system modification requests and communication with other VA offices to ensure Caseflow will be enhanced to include fields needed by VHA

Status:	Target Completion Date:
In Progress	January 2020

Recommendation 7: Ensures the Claims Adjudication and Reimbursement Directorate implements and communicates to all staff effective policies and procedures for processing and managing appeals under the new appeals process, including timeliness standards.

VHA Comments: Concur

As part of its Appeals Modernization initiative, which began in 2018, the Office of Community Care's Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), has been revising and improving appeals related policies and procedures and enhancing staff communications and trainings to improve processing performance, enhance appeals handling controls and to incorporate a stronger emphasis on consistency, accuracy and timeliness of processing and decision-making.

As indicated in our response to recommendation 4, POM has implemented recurring national appeals staff calls to communicate policy and procedure changes as well as to discuss issues related to workload and processing performance. During these calls, process flow maps, standard operating procedures and user guides are reviewed and discussed.

While not prescribed by policy or directive, POM sets appeals processing timeliness standards to align with VBA timeliness standards. Appeals timeliness standards are utilized in all reporting to communicate backlog versus inventory and is being communicated with POM Managers and appeals staff.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Appeals Standard Operating Procedure and Guides, to include timeliness standards
- Appeals Inventory and Timeliness reports
- Evidence of recurring National Appeals Call

Status:	Target Completion Date:
In Progress	December 2019

Recommendation 8: Ensures the Claims Adjudication and Reimbursement Directorate completes a comprehensive assessment of its appeals workforce and inventory, and then reevaluates its appeals staffing needs.

VHA Comments: Concur

Since 2018, the Office of Community Care’s Claims Adjudication and Reimbursement Directorate, now referred to as Payment Operations and Management (POM), has been implementing major organizational, process and system improvements to ensure more effective tracking as well as the accurate and timely processing of health care claims appeals. In its October 2018 Strategic Plan, POM described its plan to transition operations, including appeals workload to regionally-based centralized processing centers. This centralization plan transitions processing at 82 locations to one of 5 regional hubs or 8 spokes. Part of the strategic plan includes the creation of an appeals product line and a specific, detailed appeals plan. This plan includes assignment of dedicated appeals staff including, Appeals Supervisor at each regional center responsible for overseeing appeals operations at the regional level and Legal Administrative Specialist who process appeals. POM has appointed a Program Manager to oversee and direct policy and performance. Transition to this new organizational model is intended to ensure greater standardization of appeals processes Nationwide, maximize staffing efficiencies, and ensure more consistent and timelier appeals processing and decision-making.

The plan is a result of discussions and assessments focused on complete modernization of appeals processing.

Staffing has been assessed and determined to be sufficient at this time to address current appeals volumes. This determination is based on the average current workload received versus the current volume of appeals being processed. POM Program Manager continues to regularly monitor each location’s workload and performance, communicating results and expectations to regional managers and supervisors. Should the staffing or performance conditions change adversely, POM will reprioritize, move to transition the location’s workload more quickly or add additional staff.

Since implementation of appeals into VACOLS and the development of monitoring reports, assessment of inventory, backlog, appeals received to processed trends, and matching staffing to workload has improved for legacy appeals processing. Once appeals modernization, including system of record changes are fully implemented, staffing for those future needs will be assessed.

To demonstrate completion of this recommendation, VHA will provide the following documentation:

- Appeals plan outlining the future state appeals organization model, including staffing
- Evidence demonstrating the comprehensive assessment of staffing needs, based on complete appeals workload/demand and appeals processing productivity
- Listing of appeals processing staff at each POM facility, including the average number of appeals they process per month
- Documentation of current appeals workload and average number of claims received per month at each POM facility

Status:

Target Completion Date:

In Progress

December 2019

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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