

GAO

Report to the Ranking Minority
Member, Committee on Veterans'
Affairs, U.S. Senate

March 1990

VA HEALTH CARE

Medical Centers Need to Improve Collection of Veterans' Copayments





Human Resources Division

B-238822

March 28, 1990

The Honorable Frank H. Murkowski
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

Dear Senator Murkowski:

The Veterans' Health-Care Amendments of 1986 (P.L. 99-272) require the Department of Veterans Affairs (VA) to collect a fee, commonly referred to as a copayment, from certain veterans who receive health care at its facilities. This requirement applies to any veteran who has income or assets above prescribed amounts, unless he or she has a service-connected disability or other special circumstances.¹ At your request, we assessed whether VA implemented a cost-effective process for billing and collecting copayments.²

VA operates 172 hospitals and 233 outpatient clinics, most of which are organized into 159 medical centers. These centers provided about 1.1 million inpatient stays and 21.5 million outpatient visits during fiscal year 1988, at a cost of about \$10.2 billion. The centers reported that in fiscal year 1988 less than 3 percent of the veterans receiving health care owed copayments and almost \$10 million was collected. Copayment rates in that year were \$25 a visit for outpatient care and \$540 for the first 90 days of inpatient care. Using a questionnaire,³ we obtained information from the 159 medical centers on their collection activities during fiscal years 1987 and 1988—the first 2 years after the act's passage. During visits to five centers, we interviewed officials and reviewed records of randomly selected veterans who received inpatient or outpatient care during the first 6 months of fiscal year 1988. We also reviewed VA's copayment policies and procedures and interviewed VA headquarters officials and representatives of private health care providers, including the Healthcare Financial Management Association.⁴

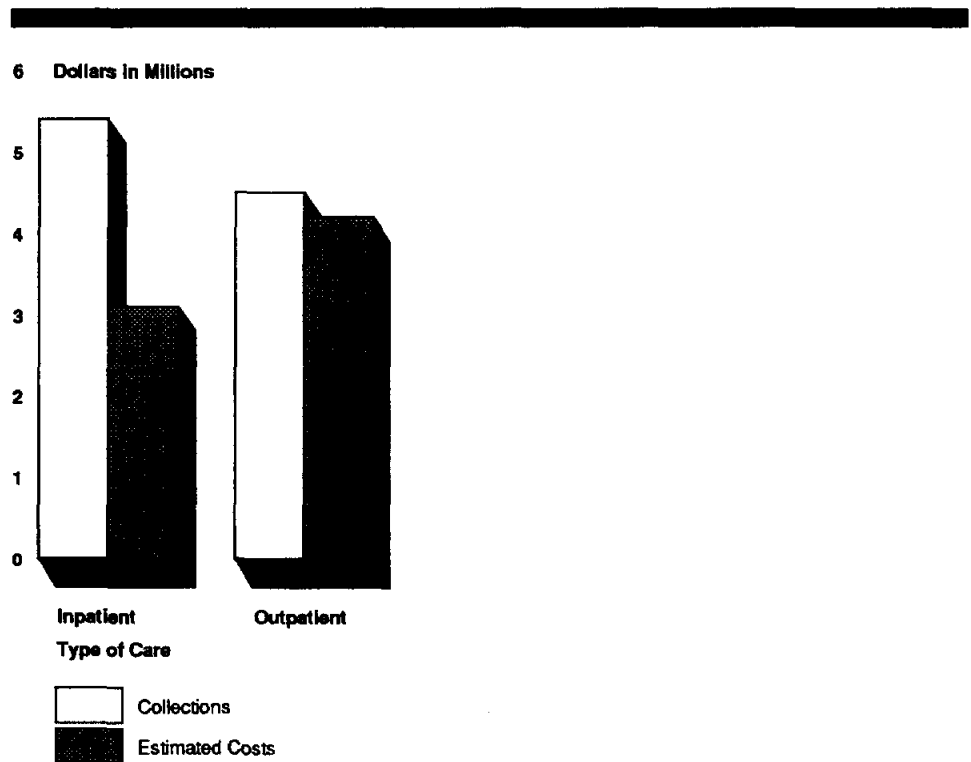
¹The income threshold for a veteran without dependents was \$21,111 in calendar year 1988. It increased \$5,278 for the first dependent and \$1,055 for each additional dependent. Appendix I lists the special circumstances under which veterans whose incomes exceed these thresholds would not owe copayments.

²The portion of the request relating to collections from third party insurers is discussed in VA Health Care: Better Procedures Needed to Maximize Collections from Health Insurers (GAO/HRD-90-64, Apr. 1990).

³Appendixes IV and V contain selected responses to the questionnaire.

⁴This association provides information on effective billing procedures to hospitals nationwide.

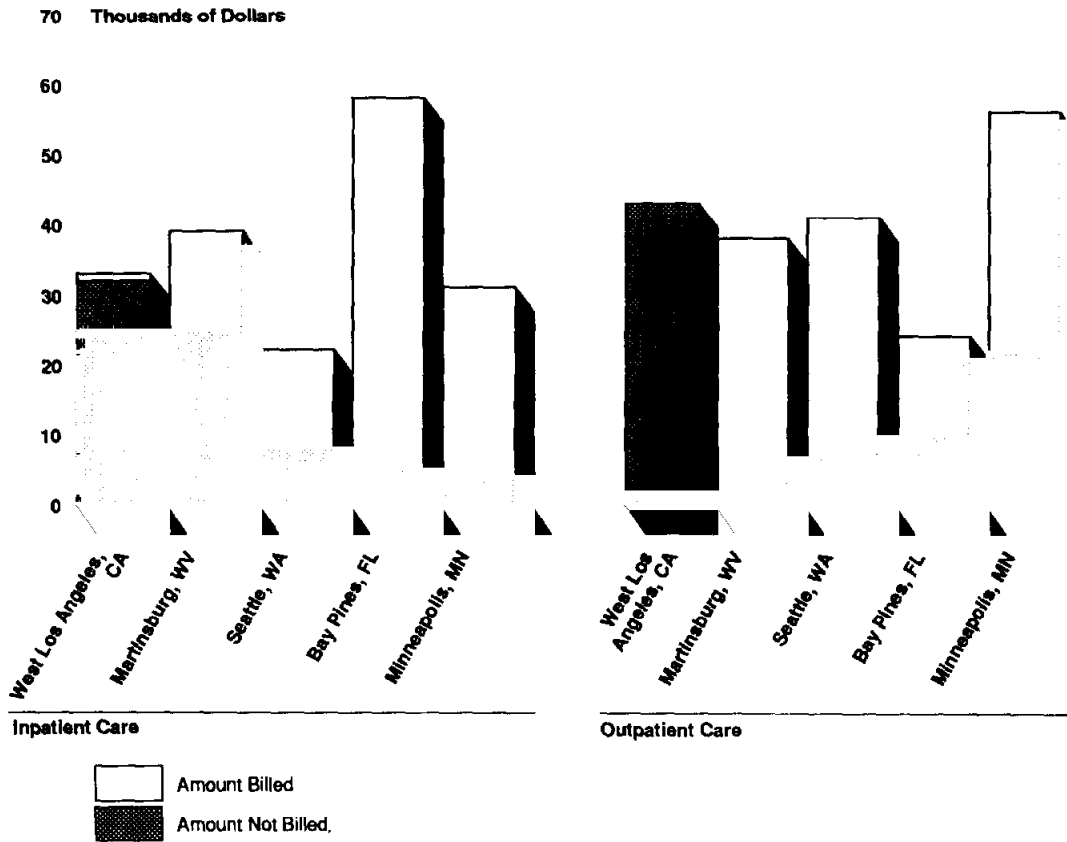
Figure 1: Medical Centers' Collections and Estimated Costs for the Copayment Recovery Effort (Fiscal Year 1988)



Medical Centers Should Have Collected Significantly More

Although the five medical centers we visited should have collected an estimated \$386,000 during the first 6 months of fiscal year 1988, they collected only about \$188,000. Most of the unpaid copayments resulted from the centers' failure to bill veterans for amounts owed, as figure 2 shows.

Figure 3: Estimated Value of Copayments Billed and Not Billed at Five Centers Visited (Oct. 1987-Mar. 1988)



Many Veterans Did Not Pay Amounts Billed

At the five centers, veterans had not paid about \$23,900 (22 percent) of the copayments billed for inpatient care and \$15,300 (13 percent) of the copayments billed for outpatient care. Officials at these centers cited several reasons for the unpaid bills: veterans could not be located, they refused to pay, or they stated they could not afford to pay. Nationwide, 112 other centers, in responding to our questionnaire, said they had often or very often encountered similar difficulties. Additional information on the reasons for centers' collection problems is shown in appendix V.

The Healthcare Financial Management Association recommends that hospitals attempt to collect amounts owed before patients are discharged—a practice that private sector hospitals normally adopt. Officials at four of the five centers did not encourage veterans to pay their copayment while receiving care at the center. They said, however, that payments would be accepted if veterans wished to pay while still at the center. Similar policies were reported by 133 other centers.

Conclusions

VA should help its centers improve their billing and collection practices through changes that will both increase copayment collections and reduce collection costs. One such change would be for VA to adopt an approach similar to that followed in many private hospitals, that is, collecting from or making payment arrangements with patients before they leave the center.

VA's adoption of such an approach would reduce or eliminate many of the labor-intensive and time-consuming tasks now experienced by staffs responsible for collecting copayments. In addition, many of the collection difficulties—such as centers' inability to locate obligated veterans—should be minimized and timeliness of billings should be less of an issue.

Recommendation to the Secretary of Veterans Affairs

We recommend that the Secretary require VA medical centers to collect copayments from veterans or make payment arrangements while veterans are still at the centers.

Agency Comments

VA commented on a draft of this report on March 8, 1990 (see app. VI). The Department agreed with our recommendation and stated that actions are already underway to improve the process and increase copayment billings and collections from veterans before they depart VA health care facilities. Actions the Department said it was taking included

- Convening a medical care costs recovery task force, charged with developing a strategy to improve identification, billing, and collection procedures.
- Reporting the veteran copayment collection system as a material weakness in its 1989 Federal Managers' Financial Integrity Act report. The

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Abbreviations

VA Department of Veterans Affairs

Scope and Methodology

We visited five medical centers to assess the effectiveness of VA's efforts to collect copayments from veterans. We judgmentally selected the centers to gain a mix of key operational and performance factors. Table II.1 provides information on two of the factors: size (number of beds) and collections per average daily occupied bed¹ for the five centers visited.

Table II.1: Total Copayment Collections and Collections Per Average Occupied Bed for the Five Centers Visited (Fiscal Year 1988)

Ranked in order of collections per bed

Medical center	Total collections	Average number of daily occupied beds	Collections per average daily occupied bed
Minneapolis, MN	\$286,152	484	\$591
Martinsburg, WV	115,026	287	401
Seattle, WA	53,027	290	183
Bay Pines, FL	83,108	473	176
West Los Angeles, CA	17,039	824	21
Total (5 centers)	\$554,352	2,358	\$235
Total (all 159 centers)	\$9,884,358	52,111	\$190

At each of the five medical centers visited, we interviewed officials in the Office of the Director, Medical Administration Service, and Fiscal Service to discuss the process for billing and collecting from veterans. We also discussed factors that aided or impeded the centers' recovery efforts.

To assess each center's billing and collection procedures, we reviewed medical and administrative records for a random sample of about 30 veterans subject to copayments from each of two universes:

- Veterans discharged from inpatient care between October 1, 1987, and March 31, 1988.
- Veterans provided outpatient care between October 1, 1987, and March 31, 1988.

For those veterans sampled, we documented (1) whether the medical centers billed for all copayments owed and sent the bills in a timely manner, (2) how much the centers collected, and (3) why centers collected less than the full amount. We used our sample results to estimate the value of copayments for inpatient and outpatient care not billed by the medical centers. Because our estimates are based on samples, there

¹We used collections per average daily occupied bed rather than total collections because this incorporated the size of the center into the evaluation of its collection performance.

Estimated Value of Copayments Not Billed, Billed, and Collected for Care Provided to Veterans Subject to Copayments (Oct. 1, 1987-Mar. 31, 1988)

The following tables show, for each of the five medical centers we visited, the estimated amounts of copayments (1) not billed, (2) billed, and (3) collected for care provided to veterans during the first 6 months of fiscal year 1988. Because these figures are estimated using the results from our reviews of samples of veterans who received care during the period, there are sampling errors. The chances are 95 out of 100 that the true value for the population of veterans lies within the confidence interval shown.

Table III.1: Veterans Receiving Inpatient Care

	Estimate	Confidence level	
Bay Pines:			
Not billed	\$4,697	\$946	\$10,410
Billed	53,474	43,232	63,716
Collected	37,212	25,387	49,037
Martinsburg:			
Not billed	\$24,860	\$12,327	\$37,393
Billed	13,978	4,903	23,053
Collected	11,441	3,052	19,830
Minneapolis:			
Not billed	\$3,905	\$2,052	\$6,361
Billed	27,395	24,507	30,283
Collected	25,425	22,108	28,742
Seattle:			
Not billed	\$8,408	\$5,711	\$11,105
Billed	13,532	10,820	16,244
Collected	10,411	7,799	13,023
West Los Angeles:			
Not billed	\$31,676	\$29,166	\$34,186
Billed	1,044	473	2,557
Collected	1,044	473	2,557
Total:			
Not billed	\$73,547	\$59,079 ^a	\$88,015 ^a
Billed	109,442	95,096 ^a	123,748 ^a
Collected	85,533	70,357 ^a	100,709 ^a

^aThese figures are the range for the estimated total, not the sum of the values listed for the individual medical centers.

Factors Affecting Recoveries

In our questionnaire, we asked medical centers to consider various factors that may influence how effectively the centers were able to recover copayments from veterans. Center officials indicated whether each factor was more than, about, or less than adequate to enable the center to effectively recover copayments from veterans.

Table IV.1: Factors Affecting Recoveries

Factor	More than adequate	About adequate	Less than adequate
Number of available staff	1	51	107
Computer software	6	71	76
Computer hardware	7	74	75
Veterans' cooperation with center efforts	9	97	48
Training center able to provide staff	9	103	46
Guidance from VA headquarters	3	112	44
District counsel's efforts to pursue referred cases	28	86	24
Staff's skills/experience	31	110	18

Note: The responses do not always add to 159 because not all centers answered each question.

Comments From the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

MAR 8 1990

Mr. David P. Baine
Director, Federal Health Care
Delivery Issues
U. S. General Accounting Office
Washington, DC 20548

Dear Mr. Baine:

I am pleased to respond to your January 19, 1990, draft report VA HEALTH CARE: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77). As the report states, VA has already begun to collect copayments from veterans. In addition, these collections exceed the costs of collection although this is a fundamentally new program for our facilities.

I recognize that more can be done to improve the collection process. I agree with your recommendation, and actions are already underway that should improve the process and increase copayment billings to and collections from veterans prior to their departing VA health care facilities. The actions being taken on your report are outlined in the enclosure.

Thank you for the opportunity to comment on this report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Edward J. Derwinski".

Edward J. Derwinski

Enclosure
EJD/jev

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Enclosure

DEPARTMENT OF VETERANS AFFAIRS COMMENTS ON THE
JANUARY 19, 1990, GAO DRAFT REPORT VA HEALTH CARE:
MEDICAL CENTERS NEED TO IMPROVE
COLLECTIONS OF VETERANS' COPAYMENTS

GAO recommends that I require VA medical centers to collect copayments from veterans or make payment arrangements while veterans are still at the centers receiving care.

I concur with the recommendation and have proposed a multifaceted plan to correct the situation.

The Department has listed this finding as a material weakness in VA's 1989 Federal Manager's Financial Integrity Act Report that tasks the Veterans Health Services and Research Administration (VHS&RA) to identify deficiencies and follow through with an action plan. We anticipate that the first results of this action will be completed by March 1990.

Additional efforts include:

- o The Department has convened a Medical Care Cost Recovery Task Force charged with developing a strategy to improve identification, billing, and collection procedures as quickly as possible.
- o We have proposed additional resources necessary to bill and collect properly in our 1991 budget legislation.
- o We recently completed an internal audit of copayment billing delays. As a result, we are considering several methods of patient control and more timely preparation of copayment bills.
- o We will request input from field stations to insure that our debt collection procedures are effective at the field station level once an accounts receivable module is installed at all stations. Installation is expected this calendar year.

Reasons a Center Might Have Difficulty Collecting From Veterans

In our questionnaire, we asked medical centers to consider the reasons they have experienced difficulty collecting from veterans. Center officials indicated how often they experienced difficulty collecting from veterans for each of the following reasons. One hundred twenty-five centers reported often having difficulty collecting from veterans.

Table V.1: Reasons a Center Might Have Difficulty Collecting From Veterans

Reason	Very often	Often	Sometimes	Rarely	Never
Veteran does not respond	51	42	59	6	1
Veteran claims he/she cannot afford to pay	22	49	70	16	2
Veteran cannot be located	14	21	66	56	2
Veteran refuses to pay	16	19	64	45	13
Veteran claims the amount billed is not reasonable	7	18	58	58	18
Other	4	7	4	2	1
Veteran has already paid maximum copayment amount at another VA medical center	0	0	11	59	89

Note: The responses do not always add to 159 because not all centers answered each question.

**Appendix III
 Estimated Value of Copayments Not Billed,
 Billed, and Collected for Care Provided to
 Veterans Subject to Copayments (Oct. 1,
 1987-Mar. 31, 1988)**

**Table III.2: Veterans Receiving
 Outpatient Care**

	Estimate	Confidence level	
Bay Pines:			
Not billed	\$9,525	\$3,654	\$15,396
Billed	13,547	9,595	17,499
Collected	11,853	7,861	15,845
Martinsburg:			
Not billed	\$2,467	\$461	\$4,473
Billed	35,853	26,083	45,623
Collected	34,467	24,463	44,471
Minneapolis:			
Not billed	\$22,420	\$9,819	\$35,021
Billed	34,220	22,377	46,063
Collected	31,270	19,797	42,743
Seattle:			
Not billed	\$7,383	\$2,251	\$12,515
Billed	34,461	11,336	57,586
Collected	25,230	7,951	42,509
West Los Angeles:			
Not billed	\$43,230	\$27,094	\$59,366
Billed	0	0	0
Collected	0	0	0
Total:			
Not billed	\$85,025	\$63,025 ^a	\$107,025 ^a
Billed	118,081	90,044 ^a	146,118 ^a
Collected	102,820	79,449 ^a	126,191 ^a

^aThese figures are the range for the estimated total, not the sum of the values listed for the individual medical centers.

Appendix II
Scope and Methodology

are sampling errors associated with them. We used a 95-percent confidence level for our estimates. All estimates are for the first 6 months of fiscal year 1988. Appendix III provides additional information about our projections.

Our review was performed from August 1988 to November 1989 in accordance with generally accepted government auditing standards.

Special Circumstances Under Which Veterans Do Not Owe Copayments

The Veterans' Health-Care Amendments of 1986 (38 U.S.C. 610), enacted in April 1986, provide that, regardless of income, veterans are not required to make copayments for health care received at a VA medical center if they meet one of the following special circumstances:

- have service-connected disabilities;
- are former prisoners of war;
- are veterans of World War I, the Spanish-American War, or the Mexican border period;
- incurred service-connected exposure to toxic substances or radiation;
- are eligible for VA care as a result of a judgment or settlement against the United States;
- are eligible for Medicaid; or
- are receiving a VA pension.

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report specifies responsibility for identifying deficiencies and developing an action plan.

- Completing an internal audit of copayment billing delays and considering several methods of patient control and more timely bill preparations.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies to the Secretary of Veterans Affairs and interested congressional committees. We will also make copies available to others upon request.

The report was prepared under the direction of David P. Baine, Director, Federal Health Care Delivery Issues. If you have any questions, you may contact him at (202) 275-6207. Other major contributors are listed in appendix VII.

Sincerely yours,

for 

Lawrence H. Thompson
Assistant Comptroller General

Although VA guidelines direct centers to bill veterans as soon as debts are identified, the five centers waited until after the veterans were discharged before starting the billing process. Overall, three of every four inpatient bills were sent more than 30 days after the veterans were discharged. There were also delays in billing for outpatient care. None of the inpatients or outpatients sampled at these centers paid before they left.

These delays appear to have contributed to veterans' nonpayment. Veterans in our sample who paid the full copayment had bills sent, on average, about 57 days after they were discharged. In contrast, those who did not pay had bills sent, on average, about 120 days after they were discharged. The average number of days from inpatient discharge to billing for sample veterans ranged from 56 days to 111 days at the five centers, as figure 4 shows.

Figure 4: Average Time Taken to Bill Inpatient Veterans Sampled (Oct. 1987-Mar. 1988)

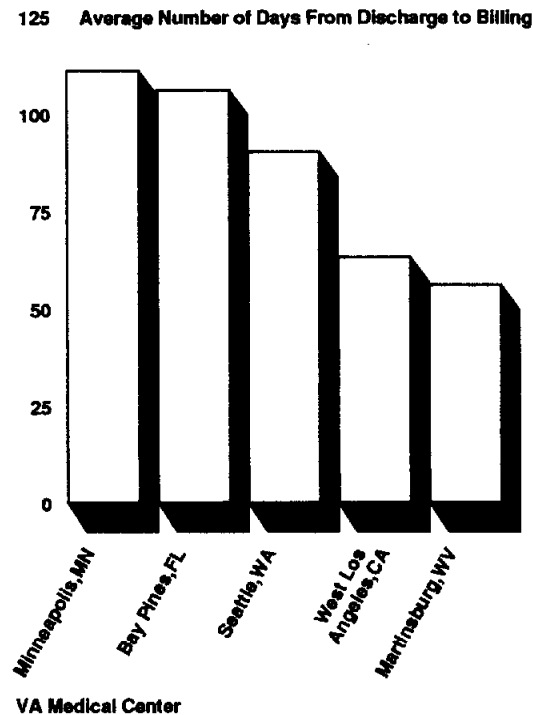
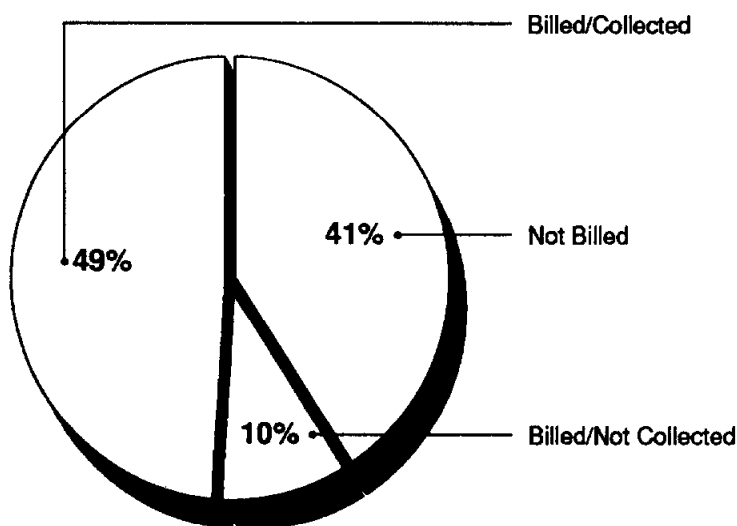


Figure 2: Estimated Value of Copayments Owed at Five Centers Visited (Oct. 1987-Mar. 1988)



The five centers had billing processes that were labor intensive and time consuming. Rather than billing veterans at the time the centers provided care, generally the admissions clerks prepared a monthly listing of veterans who owed copayments and then sent it to the billing clerks. To determine the amount owed, the billing clerks reviewed individual medical records and verified the type of care provided. These records had to be retrieved from storage and then returned. In addition to being costly, this approach contributed to the missed collections, as the following sections discuss.

Many Veterans Not Billed

The five centers did not bill veterans for an estimated \$158,500 in copayments—\$73,500 for inpatient care and \$85,000 for outpatient care. Because of weaknesses in procedures, billing clerks at four of the five centers were frequently not notified when veterans owed copayments. In some instances, veterans who owed copayments were not included on the billing lists. Officials at the fifth center, Seattle, assigned the copayment billing clerk to other duties for several months. Missed billings varied widely among the centers, as figure 3 shows.

Appendix II provides additional information on our scope and methodology.

Results in Brief

The 159 VA medical centers' collections exceeded costs, yielding a return of \$1.36 for each \$1 spent during fiscal year 1988. The centers' return for inpatient care was significantly higher than for outpatient care—\$1.74 compared to \$1.08.

The five medical centers we visited collected only about half of the copayments that veterans owed. This occurred primarily because the centers failed to bill these veterans. Some veterans, however, did not pay when billed. The bills were usually sent several weeks to months after care was provided, contributing to the centers' collection difficulties.

VA's Collections Exceeded Costs

During fiscal year 1988, VA centers collected about \$9.9 million from veterans at a cost of \$7.3 million, a net return of \$2.6 million. Collections for inpatient care accounted for most of this return, as figure 1 shows.³

³Medical centers report collections to VA headquarters monthly, but information is not maintained on collection costs. Using a questionnaire, we collected each center's estimate of staffing levels and time spent on copayment activities during a typical week in fiscal year 1988. We determined salary rates for the staff identified and used this information to estimate the centers' annual costs.

