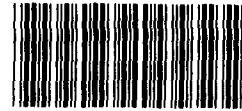
United States General Accounting Office 141617

GAO

Testimony



141617

For Release
on Delivery
Expected at
9:00 a.m. EDT
Wednesday,
June 20, 1990

VA Health Care
Cost Recoveries

Statement of
Edward A. Densmore, Director
Planning and Reporting
Human Resources Division

Before the
Subcommittee on Hospitals and
Health Care
Committee on Veterans' Affairs
House of Representatives

048777 / 141617

GAO/T-HRD-90-40

GAO Form 160 (12/87)

SUMMARY

GAO recently issued two reports on VA's efforts to implement the medical care cost recovery provisions of the Veterans' Health-Care Amendments of 1986. These provisions involve (1) collecting from insurers for the cost of health care provided to veterans without service-connected disabilities, and (2) collecting fees, generally referred to as copayments, from certain veterans who have income or assets above prescribed amounts.

GAO found that VA's collections exceeded its recovery costs. However, VA had the potential to collect substantially more than it did, perhaps another $223 million. Ineffective procedures and a reluctance to spend the resources needed to maximize recoveries contributed to missed collection opportunities.

GAO recommended that VA take a number of steps to maximize its health care cost recoveries from insurers and veterans. VA's top management responded quickly to GAO's recommendations by (1) developing a comprehensive plan to improve its recovery procedures and (2) proposing legislation to improve the financing of its insurance recovery efforts. GAO believes that, after a slow start, VA is now on the right road to realizing more fully its health care cost recovery potential.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Veterans Affairs' (VA) health care cost recoveries. As part of the Veterans' Health-Care Amendments of 1986, the Congress included two provisions to help reduce the federal budget deficit. First, the Congress authorized VA to collect from insurers for health care provided to veterans without service-connected disabilities. Second, the Congress required VA to collect fees, commonly known as copayments, from veterans who have income or assets above prescribed amounts, unless these veterans have service-connected disabilities or meet other specified conditions.

As you know, we recently issued two reports to Senator Murkowski discussing VA's efforts to implement the 1986 amendments.[1] These reports summarized the results of our work at six VA medical centers and our analysis of responses to a questionnaire that all 159 medical centers completed. Our work at the six centers included reviewing records of randomly selected veterans who received care during a 6-month period in fiscal year 1988.

---

[1] VA Health Care: Better Procedures Needed to Maximize Collections From Health Insurers (GAO/HRD-90-64, Apr. 6, 1990) and VA Health Care: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77, Mar. 28, 1990).

Our work showed that VA's collections exceeded its collection costs and, thereby, helped to slow the growth in the federal budget deficit. For example, VA medical centers collected about $100 million in fiscal year 1988 from health insurers at a cost of $8 million. However, the centers could have collected substantially more--perhaps an additional $223 million. VA's collections of copayments also exceeded costs in that year--about $10 million collected at a cost of $7 million. As with insurance recoveries, centers' collections should have been significantly higher than they were.

The cost recovery performance of the 159 centers varied widely. Ineffective procedures at most centers and a reluctance to use the resources needed to maximize recoveries contributed to missed collection opportunities. The centers struggled, in large part, because VA's top management delegated recovery responsibility to them, but failed to provide the direction and tools needed to get the job done right.

Given the substantial benefit to the government, we concluded that VA's top management should take a more active role in helping medical centers maximize collections from health insurers and veterans. To do this, we recommended that the Secretary of Veterans Affairs ensure that each medical center

-- develop effective procedures for identifying insured veterans and billing the insurers for all inpatient and outpatient care provided to these veterans,

-- develop better procedures for billing and collecting copayments from veterans, and

-- has sufficient resources to fully implement the insurance procedures.

The Secretary responded quickly to address these recommendations by (1) listing the recovery processes as material weaknesses in VA's Federal Managers' Financial Integrity Act report for fiscal year 1989, (2) establishing a top-level management team to develop a comprehensive plan for improving VA's recovery procedures, and (3) developing a legislative proposal to finance the insurance recovery efforts. We have met with VA's team and are encouraged with the progress it has made in developing a comprehensive improvement plan. In addition, we believe that the Secretary's legislative proposal offers a viable approach to providing centers with the resources needed to maximize their insurance recoveries.

Now, I would like to discuss the major problem areas in VA's recovery processes, as well as actions VA is taking to overcome them.

BETTER PROCEDURES NEEDED TO MAXIMIZE INSURANCE RECOVERIES

The centers we visited frequently failed to collect from insurers because they did not identify all veterans who had insurance. For example, we conducted a test of the centers' admission practices and found that they had missed at least 1 out of 7 insured veterans who received inpatient care. Center officials offered several explanations for missing insured veterans. These included (1) clerks failing to ask the right questions during routine admissions interviews or (2) veterans being confused or afraid that disclosures about insurance would jeopardize their admission to the centers. The centers could have identified these veterans if their procedures had included steps to verify the information veterans provided, such as reviewing administrative and medical records. Nationwide, about two-thirds of VA's medical centers reported to us that they did not verify veterans' statements about insurance coverage.

Even when the centers identified insured veterans, they did not always bill insurers. For example, the centers we visited failed to bill more than 30 percent of the potentially collectible costs. Centers missed billing opportunities because they relied on flawed manual systems to develop the necessary data to prepare the bills. Billing staffs were not notified that insured veterans were

discharged, and internal controls were inadequate to detect the missed billings.

In addition, the centers rarely processed bills promptly, resulting in additional lost revenues to the government. For example, only one of the centers we visited billed insurers within 30 days of providing inpatient care. Center officials said that billing staff sometimes had to wait for several weeks to several months for doctors to prepare medical discharge summaries, which billing staff need so that they can prepare insurance bills.

To overcome these problems, VA's new implementation plan has identified specific tasks needed to strengthen its medical care cost recovery processes. One such task is development of specific policies and procedures for identifying insured veterans and billing insurers. These revised policies and procedures will be incorporated into a comprehensive guidebook. Another task is to emphasize training for those employees with responsibilities for identifying insured veterans and for billing insurers.

VA's plan also includes a project to identify insured veterans who were provided care since January 1989, but whose insurance companies were not billed. VA estimates that it can recover over $200 million if this project is successful. It is important to understand that for the project to capture recoveries for care provided in 1989, VA must send the bills before the end of

calendar year 1990. This is because insurance policies generally contain provisions restricting the time within which providers may submit bills for payment.

BETTER PROCEDURES NEEDED TO MAXIMIZE COPAYMENT COLLECTIONS

The centers we visited collected only about half of the copayments that veterans owed. This occurred primarily because the centers failed to bill these veterans. As with insurance recoveries, weaknesses in procedures contributed to these missed billings. Most noticeably, billing clerks were not being notified when veterans owed copayments.

Some veterans, however, did not pay when billed. Several reasons were cited for the unpaid bills, including (1) veterans could not be located; (2) they refused to pay; or (3) they stated that they could not afford to pay. Nationwide, about two-thirds of VA's medical centers reported to us that they often encountered such problems.

The centers' delays in sending bills appears to have also contributed to veterans' nonpayment. For example, the centers we visited usually sent bills several weeks to several months after care was provided. Overall, the centers sent three of every four inpatient bills more than 30 days after the veterans were

discharged; the centers reported that no veterans paid before they left the centers.

We recommended that VA adopt an approach used in many private hospitals; that is, collecting from, or making payment arrangements with, patients before they leave the center. This would reduce VA's recovery costs as well as help to overcome many of the collection difficulties, such as the inability to locate obligated veterans. VA's top management team has completed its review of copayment billing delays and is considering several ways to increase copayment billing recoveries, including collecting from veterans before they leave the medical centers.

ADDITIONAL RESOURCES NEEDED TO IMPROVE RECOVERIES FROM INSURERS

Most medical centers did not commit the resources needed to recover costs from insurers. Currently, VA medical centers must use medical care funds to finance recovery efforts and return all amounts collected to the U.S. Treasury. As a result, center officials face a difficult choice: use limited resources to increase recovery efforts or use them to provide medical care to veterans. Nationwide, about two-thirds of the centers reported to us that the number of available staff was less than adequate to effectively recover costs from insurers. The situation is well described in the statement of one medical center director. He said

he would not increase the center's financial commitment to the recovery effort until he received additional resources.

In April 1990, VA proposed legislation to establish a special fund to pay for the necessary personnel and administrative costs of the insurance recovery effort. All collections would be deposited into this fund. VA will use the fund to cover its recovery costs up to a prescribed ceiling (currently proposed as $25 million) and return the remaining balance to the U.S. Treasury. This proposal would provide VA the flexibility to use a portion of its collections either to contract for services or utilize its own personnel. We believe that VA should actively pursue whichever alternative results in the lowest recovery costs and thereby allows the highest return to the Treasury.

\- - - - -

Mr. Chairman, as I indicated at the beginning of my statement, VA has the opportunity to significantly increase its health care cost recoveries. Although VA got off to a slow start, we are encouraged that it now appears to be on the right road to realize more fully its cost recovery potential. This progress would not have been possible, within such a short time, were it not for the leadership and commitment exhibited by VA's top management concerning this important issue.

This concludes my prepared statement. We will be pleased to answer your questions.