



Highlights of [GAO-08-675](#), a report to congressional requesters

Why GAO Did This Study

GAO previously reported that continuing problems in billing and collection processes at the Department of Veterans Affairs (VA) impaired VA's ability to maximize revenue from private (third-party) insurance companies. VA has undertaken several initiatives to address these weaknesses. GAO was asked to perform a follow-up audit to (1) evaluate VA billing controls, (2) assess VA-wide controls for collections, (3) determine the effectiveness of VA-wide oversight, and (4) provide information on the status of key VA improvement initiatives. GAO performed case study analyses of the third-party billing function, statistically tested controls over collections, and reviewed current oversight policies and procedures. GAO also reviewed and summarized VA information on the status of key management initiatives to enhance third-party revenue.

What GAO Recommends

GAO makes seven recommendations to improve VA's third-party billing and collection processes, including actions to improve (1) third-party billings, (2) follow up on unpaid amounts, and (3) management oversight of billing and collections. VA concurred with all seven recommendations and noted steps it is taking to address them. VA also expressed concerns with how GAO characterized its revenue enhancement and management oversight. GAO continues to believe its report overall fairly characterizes VA's actions to date.

To view the full product, including the scope and methodology, click on [GAO-08-675](#). For more information, contact Kay Daly, Acting Director, at (202) 512-9095 or dalykl@gao.gov.

VA HEALTH CARE

Ineffective Controls over Medical Center Billings and Collections Limit Revenue from Third-Party Insurance Companies

What GAO Found

GAO's case study analysis of unbilled patient encounters at 18 medical centers, including 10 medical centers with low billing performance and 8 medical centers under VA's Consolidated Patient Account Centers (CPAC) initiative considered to be high performers, found documentation, coding, and billing errors and inadequate management oversight for approximately \$1.7 billion deemed unbillable in fiscal year 2007. Although some medical services are unbillable, such as service-connected treatment, management has not validated reasons for related unbilled amounts of about \$1.4 billion to assure that all billable costs are charged to third-party insurers. Because insurers will not accept improperly coded bills and they generally will not pay bills received more than 1 year after the date that medical services were provided, it is important that coding for medical services is accurate and timely. The 10 case study medical centers reported average days to bill ranging from 109 days to 146 days in fiscal year 2007 and significant coding and billing errors and other problems that accounted for over \$254 million, or 21 percent, of the \$1.2 billion in unbilled medical services costs. Although GAO determined that CPAC officials performed a more thorough review of billings, GAO's analysis of unbilled amounts for the 8 CPAC centers found problems that accounted for \$37.5 million, or about 7 percent, of the \$508.7 million in unbilled medical services costs.

In addition, GAO's VA-wide statistical tests of collections follow-up on unpaid third-party bills of \$250 or more identified significant control failures related to timely follow-up and documentation of contacts with third-party insurers on outstanding receivables. VA guidance requires medical center accounts receivable staff to make up to three follow-up contacts, as necessary, on outstanding third-party receivables. As shown in the table, GAO's tests identified high failure rates VA-wide as well as for CPAC and non-CPAC medical centers related to the requirement for timely follow up with third-party insurers on unpaid amounts. GAO's tests also found high failure rates associated with the lack of documentation of follow-up contacts.

Estimated Control Failures on Timely Follow-up on Unpaid Bills of \$250 or More

Required follow-up	VA-wide centers	CPAC centers	Non-CPAC centers
Initial	69%	36%	71%
Second	44%	23%	45%
Third	20%	22%	17%

Source: GAO tests of a VA-wide random probability sample.

Note: Failure rates are based on the lower bound of a two-sided, 95 percent confidence interval.

VA lacks policies and procedures and a full range of standardized reports for effective management oversight of VA-wide third-party billing and collection operations. Further, although VA management has undertaken several initiatives to enhance third-party revenue, many of these initiatives are open-ended or will not be implemented for several years. Until these shortcomings are addressed, VA will continue to fall short of its goal to maximize third-party revenue, thereby placing a higher burden on taxpayers.