

# VA HEALTH CARE

## Guidance Needed for Determining the Cost to Collect from Veterans and Private Health Insurers



Highlights of [GAO-04-938](#), a report to the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

### Why GAO Did This Study

During a May 2003 subcommittee hearing, questions were raised about the accuracy of the Department of Veterans Affairs' (VA) reported costs for collecting payments from veterans and private health insurers for its Medical Care Collections Fund (MCCF). The subcommittee also had questions about VA's practice of using third-party collections to satisfy veterans' first-party debt. GAO's objectives were to determine: (1) the accuracy of VA's reported cost for collecting first- and third-party payments from veterans and private health insurers, and (2) how VA's practice of satisfying first-party debt with third-party payments affects the collections process.

### What GAO Recommends

GAO recommends that the Secretary provide guidance for standardizing and consistently applying across VA the accounting of costs associated with collecting payments from veterans and private health insurers. GAO believes its previous suggestion to Congress—that it consider clarifying the cost recovery provisions of title 38 of the U.S. Code to direct VA to collect copayments from patients regardless of any amounts recovered from private health insurance except in instances where the insurer pays the full cost of VA care—is still valid. In commenting on a draft of this report, VA concurred with our recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-04-938](http://www.gao.gov/cgi-bin/getrpt?GAO-04-938).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101.

### What GAO Found

VA has not provided guidance to its Chief Business Office and Veterans Integrated Service Networks (VISN) for accounting for the costs associated with collecting payments from veterans and private health insurers. As a result, GAO found that the Chief Business Office and VISNs excluded some costs associated with collecting first- and third-party payments. In addition, GAO found inconsistencies in the way VISNs allocate these costs. Consequently, VA's reported costs to collect are inaccurate.

**Inconsistencies in VISN Allocation of Costs by Revenue Cycle Activity, May 2004**

VISN	Location	MCCF revenue cycle activities							
		Patient registration	Insurance identification	Insurance verification	Pre-certification and certification	Continued stay reviews	Coding and documentation	Bill creation	Collection correspondence and inquiries
1	Bedford, MA	●	●	●	○	○	○	●	●
2	Albany, NY	○	●	●	●	○	○	●	●
3	Bronx, NY	○	●	●	●	○	○	●	●
4	Pittsburgh, PA	●	●	●	●	○	○	●	●
5	Linthicum, MD	○	●	●	●	○	○	●	●
6	Durham, NC	●	●	●	●	○	○	●	●
7	Duluth, GA	●	●	●	●	○	○	●	●
8	Bay Pines, FL	●	○	●	●	○	○	●	●
9	Nashville, TN	●	○	●	○	○	○	●	●
10	Cincinnati, OH	●	○	●	●	○	○	●	●
11	Ann Arbor, MI	●	○	○	●	○	○	●	●
12	Hines, IL	●	●	●	○	○	○	●	●
15	Kansas City, MO	○	○	●	○	○	○	●	●
16	Jackson, MS	●	○	●	●	○	○	●	●
17	Arlington, TX	○	●	●	○	○	○	●	●
18	Mesa, AZ	○	○	●	●	○	○	●	●
19	Glendale, CO	●	○	●	●	○	○	●	●
20	Portland, OR	●	●	●	●	○	○	●	●
21	Mare Island, CA	○	○	●	○	○	○	●	●
22	Long Beach, CA	●	○	●	●	○	○	●	●
23	Minneapolis, MN	●	●	●	●	○	○	●	●

● All costs for activity allocated to field office cost center  
 ● Some costs for activity allocated to field office cost center  
 ○ No costs for activity allocated to field office cost center  
 Source: GAO analysis of VA VISN data.

VA's practice of satisfying—or paying for—first-party, or veterans' copayment debt, with collections from third-party insurers has resulted in a reduction in overall collections and increased administrative expenses due to the reconciliation process. VA has taken the position that payments made from third-party insurers should be used to satisfy veterans' first-party debt. The law and legislative history are not clear on whether third-party collections can be used for this purpose.