

**STATEMENT OF  
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OF THE  
DISABLED AMERICAN VETERANS  
BEFORE THE  
HOUSE VETERANS' AFFAIRS COMMITTEE  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
SEPTEMBER 20, 2001**

Mr. Chairman and Members of the Subcommittee:

On behalf of the more than one million members of the Disabled American Veterans (DAV) and its Auxiliary, we are pleased to express our views on the Department of Veterans Affairs (VA) Medical Care Collection Fund (MCCF) program.

The subcommittee indicated it would focus this hearing on examining the progress being made by the VA to improve its financial management regarding third-party payer collections. In 1986, Congress authorized legislation giving VA authority to bill private insurers for care provided to insured nonservice-connected veterans. In 1990, this authority was expanded to allow VA to collect for the treatment of nonservice-connected conditions of insured service-connected veterans. In 1997, Public Law 105-33 established the current MCCF and authorized VA to retain all collections from insurers as well as other revenues such as veterans' copayments and deductibles. Before the MCCF was established, VA was allowed to keep only enough collections to cover administrative collection costs and was required to deposit the remainder in the U.S. Treasury. This law also granted VA authority to begin billing reasonable charges versus reasonable costs for care. Reasonable charges are based on the amounts that insurers pay for the same care provided by private industry health care providers in a given geographic area.

The DAV, in concert with the *Independent Budget*, believes that it is the responsibility of the Federal government to fund the cost of veterans' health care. Therefore, we urge Congress to provide a sufficient medical care budget fully funded by appropriations. Although the VA has the legal authority to collect third-party payments for certain types of care, Congress should consider any funds derived from third-party collections as a supplement, not a substitute for appropriations. In the same vein, we are opposed to Congress and the Administration, using collections or projections of collection, to reduce appropriations.

Although VA has attempted to implement more effective billing practices and systems, it has historically been unable to meet its collection goals. The Government Accounting Office (GAO) reported in September 1999 that:

In fiscal year 1995, VA collected \$523 million from third-party insurers. Since then, the amount collected has declined every fiscal year and may decline again in the current fiscal year. Collections declined from \$523 million in fiscal year 1995 to \$495 million in fiscal year 1996, \$450 million in fiscal year 1997, and \$442 million in fiscal year 1998. As of August 31, 1999,

VA had collected \$388 million during fiscal year 1999. VA's average collections are about \$35 million per month, but it will have to collect \$54 million in September to equal fiscal year 1998's collections.

VA in fact did not meet its collection goals for fiscal years 1999 or 2000. We do however recognize that VA has made a concerted effort to improve financial management of third-party collections and that it has made some progress in this area since the last GAO report. Unfortunately, there are still many weaknesses in the program, and we believe much more needs to be done to improve billing and collections procedures. The VA Medical Administrative Service (MAS) personnel we contacted concerning this issue agreed that VA has made some headway since the inception of the program; however, they report that many facilities still have fundamental problems with patient intake, medical documentation, coding, and billing procedures. Disturbingly, we also continue to hear reports from service-connected disabled veterans indicating that VA is billing their insurance company for treatment of service-connected conditions. One DAV member stated he has repeatedly contacted the local VA facility concerning this problem, but it continues to happen.

GAO reported in its September 1999 report on VA medical care collections that:

Having accurate information on third party insurance, such as the type of policy and the types of services covered, patient copayments and deductibles, and preadmission certification requirements, is key to VA's MCCF program. Yet only 54 percent of VA facilities reported that their collection of health information was thorough by June 1999.

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VA's ability to accurately document the nonservice-connected care provided to insured veterans and assign the appropriate codes for billing purposes is essential to Veterans Health Administration's (VHA's) third-party collections program. VA can bill only for nonservice-connected care, and VA staff told us that sometimes the explanations provided for veterans' service-connected disabilities are not specific enough to help physicians determine whether the care they provide is related to service-connected conditions. About 20 percent of medical facilities did not report having procedures to validate whether treatment was for a nonservice-connected disability, and less than 70 percent had reported that they trained their staffs in converting the explanation of care provided into codes used to bill insurers.

Failure to properly document care can lead to missed opportunities to bill for care, overpayments by insurers, or denials of VA bills.

DAV wholeheartedly concurs with these findings. Additionally, VA field representatives we interviewed concerning the MCCF program confirmed these and other challenges.

Initially, sources pointed out that collecting accurate and complete information during the intake or interview process is key to all other components of the billing process. Therefore, it is most important that proper intake of insurance and other information is collected prior to or during the veteran's initial visit to the medical facility. They stressed how essential training was for administrative personnel and reinforcing the importance of gathering accurate and complete information from the veteran. We understand however, that these positions are rather low paying and that there is frequent turnover of these staff members who often seek better opportunities within the system. VA personnel also stressed the importance of continuing education as updates and changes occur in the system. They recommended that information be simplified so that administrative staff, clinicians, and veterans can understand the process and information provided.

Secondly, sources noted that following specific coding procedures and proper medical documentation of treatment by physicians are essential components to accurate billing. Inaccurate coding is likely to result in delayed or denied payment of claims for services rendered. VA personnel reported there is still a high rate of coding errors based on insufficient medical documentation and noted what complicates this matter is that physicians are often not properly trained and do not understand the importance of this step in the billing process. Additionally, they stated that clinicians frequently rotate in and out of the system and unlike the private sector are not held accountable for administrative infractions. There is little incentive for VA physicians to properly document treatment rendered unlike in the private sector where physicians who routinely neglect to record proper medical information don't get paid for the services they provided. There is no penalty or reward system in place in VA to encourage physicians to comply with proper documentation procedures.

Finally, MAS personnel noted that information technology issues are a critical component and that upgrades in information systems and software are necessary to streamline the process. They recommended that existing technology be upgraded to ensure all elements of the collections process are fully integrated. Sources also pointed out that having to follow-up with insurance companies is often time consuming and causes a burden on limited staff. Clerks are needed to perform many duties and often this step is turned over to a contractor. However, even with a contractor providing this service, staff routinely must finalize the process, simply creating another type of workload.

In conclusion, as funding shortfalls continue for veterans' health care, it is important that these and other problems associated with the collection of third party payments be resolved. The VHA must address these areas of concern in order to improve the MCCF program and ensure timely, accurate billing for third party collections. VA must develop a sound plan to effectively manage all aspects of the collection process and resolve weaknesses in the current program. Facility leadership and staff must comply with established policies and procedures and be held accountable for deficiencies. It is vital for VA to set standards and find a way to effectively disseminate information. Control and quality of information along with continued support of the program and oversight is key to solving many of the problems plaguing the MCCF program.

Clearly, VA faces many challenges concerning its fiscal responsibility and management of the MCCF program. Although we have shared our concerns about some the weaknesses of

the MCCF program and recommended improvements, we remain focused on sufficient appropriations for VA health care. We urge this Subcommittee to address the medical care appropriations in a straightforward manner by providing a realistic and adequate budget fully funded by appropriations. The Federal government should not rely on collections from veterans and their insurers to meet the nation's obligation to provide veterans' health care. Any third party collections secured by VA should be a supplement to, not a substitute for, appropriations. Finally, we would like to note for the record that delegates to our last National Convention in Miami Beach, Florida, July 28-August 2, 2001, passed DAV resolution No. 218 which calls for legislation to repeal all copayments for veterans' medical services and prescriptions.

The DAV sincerely appreciates the Subcommittee for holding this hearing and for its interest in improving benefits and services for our Nation's veterans. Thank you for the opportunity to present our views on the VA's MCCF program.