



## VA HEALTH CARE

### Ineffective Medical Center Controls Resulted in Inappropriate Billing and Collection Practices

Highlights of [GAO-10-152T](#), testimony before the Subcommittee on Health, Committee on Veterans' Affairs, House of Representatives

#### Why GAO Did This Study

GAO was asked to testify on billing practices of the Department of Veterans Affairs (VA). GAO previously reported that continuing problems in billing and collection processes at VA impaired its ability to maximize revenue from private insurance companies (third-party insurers). In June 2008, GAO reported on its follow-up review that (1) evaluated VA billing controls, (2) assessed VA-wide controls for collections, and (3) determined the effectiveness of VA oversight over third-party billings and collections.

To perform the review, GAO conducted case-study analyses of the third-party billing function at 18 medical centers, statistically tested controls over collections VA-wide, and reviewed current oversight policies and procedures. GAO reported the results of this review in GAO-08-675.

#### What GAO Recommends

In its June 2008 report, GAO made 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 was taking to address them. GAO will follow-up to determine whether, and if so, to what extent, VA has taken action to address our recommendations.

[View GAO-10-152T or key components.](#)  
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#### What GAO Found

In June 2008, GAO reported that its case-study analysis of unbilled patient services 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 that resulted in unbilled amounts. The total amount that VA had categorized as unbillable in fiscal year 2007 for these 18 case-study medical centers was approximately \$1.7 billion. Although some medical services are not billable, such as service-connected treatment, management had not validated reasons for related unbilled amounts of about \$1.4 billion to assure that all billable costs are charged to third-party insurers.

GAO also found excessive time to bill and coding errors. The 10 non-CPAC medical centers reported average days to bill ranging from 109 days to 146 days in fiscal year 2007, compared to VA's goal of 60 days, and significant coding and billing errors and other problems that totaled over \$254 million or 21 percent of the total in unbilled medical services costs at those centers. 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 total unbilled medical services costs.

GAO's June 2008 report identified significant percentages of cases where required follow-up was not done. These are considered to be control failures. VA guidance requires medical center accounts receivable staff to make up to three follow-up contacts, as necessary, on outstanding third-party insurer unpaid bills, which were \$600 million as of September 2007. As shown in the table below, GAO's statistical tests of a random sample of fiscal year 2007 third-party bills identified high control-failure rates related to the requirement for initial, second, and third follow-ups with third-party insurers on unpaid amounts.

Estimated Control Failures on Timely Follow-up on Unpaid Bills			
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 analysis of VA data.

Notes: Tests are of a VA-wide random-probability sample of third-party accounts-receivable data. Failure rates are based on the lower bound of GAO's two-sided, 95 percent confidence interval.

GAO also reported in June 2008 that VA lacked 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 strengthen processes and controls and enhance third-party revenue, many of these initiatives are open-ended or will not be implemented for several years.