



Highlights of [GAO-04-967T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

In the face of growing demand for veterans' health care, GAO and the Department of Veterans Affairs Office of Inspector General (OIG) have raised concerns about the Veterans Health Administration's (VHA) ability to maximize its third-party collections to supplement its medical care appropriation. GAO has testified that inadequate patient intake procedures, insufficient documentation by physicians, a shortage of qualified billing coders, and insufficient automation diminished VA's collections. In turn, the OIG reported that VA missed opportunities to bill, had billing backlogs, and did inadequate follow-up on bills. While VA has made improvements in these areas, GAO was asked to review internal control activities over third-party billings and collections at selected medical centers to assess whether they were designed and implemented effectively.

GAO's report on this issue, GAO-04-739, released concurrently with this testimony, makes five recommendations to augment actions already underway to facilitate more timely billings and improve collection operations.

July 2004

VA MEDICAL CENTERS

Internal Control Weaknesses Impair Third-Party Collections

What GAO Found

VA has continued to take actions to reduce billing times and increase third-party collections. VA reported that its collections of third-party payments increased from \$540 million in fiscal year 2001 to \$804 million in fiscal year 2003. However, at the three medical centers visited, GAO found continuing weaknesses in the billings and collections processes that impair VA's ability to maximize the amount of dollars paid by third-party insurance companies. For example, the three medical centers did not always bill insurance companies in a timely manner. Medical center officials stated that inability to verify and update patients' third-party insurance, inadequate documentation to support billings, manual processes and workload continued to affect billing timeliness.

The detailed audit work at the three facilities GAO visited also revealed inconsistent compliance with follow-up procedures for collections. For example, collections were not always pursued in a timely manner and partial payments were accepted as payments in full, particularly for Medicare secondary insurance companies, rather than pursuing additional collections.

VA's current Revenue Action Plan (Plan) includes 16 actions designed to increase collections by improving and standardizing collections processes. Several of these actions are aimed at reducing billing times and backlogs. Specifically, medical centers are updating and verifying patients' insurance information and improving health care provider documentation. Further, hiring contractors to code and bill old cases is reducing backlogs. In addition to actions taken, VA has several other initiatives underway. For example, VA is taking action to enable Medicare secondary insurance companies to determine the correct reimbursement amount, which will strengthen VA's position to follow up on partial payments that it deems incorrect. Although implementation of the Plan could improve VA's operations and increase collections, many of its actions will not be completed until at least fiscal year 2005. As a result, it is too early to determine the extent to which actions in the Plan will address operational problems and increase collections.

www.gao.gov/cgi-bin/getrpt?GAO-04-967T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.