DOCUMENT RESUME

03496 - [A2653833]

[Inappropriate Billing by the Veterans Administration for Electron Microscopy Services to Non-Veterans]. HRD-77-148; B-133044. September 16, 1977. 5 pp.

Report to Max Cleland, Administrator of Veteran Affairs, Veterans Administration; by Gregory J. Ahart, Director, Human Resources Div.

Issue Area: Health Programs: Federal Government Control of Costs Through Direct Delivery Programs (1216).
Contact: Human Resources Div.
Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).
Organization Concerned: Veterans Administration: VA Hospital, Gainesville, FL; Veterans Administration: VA Hospital, Miami, FL; Veterans Administration: VA Hospital, Tampa, FL.
Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs.
Authority: 38 U.S.C. 5053. VA Department of Medicine and Surgery Manual G-12, M-1, part I.

Three Veterans Administration (VA) hospitals in Florida were evaluated to determine how much of the electron microscopy services were performed on non-veteran patient specimens in calendar year 1976 and whether fees were collected for the services. Findings/Conclusions: About 55 percent of the electron microscopy services performed in calendar year 1976 by the diagnostic units at the Miami, Tampa, and Gainesville VA hospitals were on specimens from non-VA patients in community hospitals. The VA hospitals had written agreements for sharing services with some of the non-VA hospitals, but were performing most of the electron microscopy services without benefit of a sharing agreement. The three VA hospitals lost about $102,000 in revenue in 1976 because they either did not bill community hospitals or they billed at rates less than those required by VA regulations. In some instances, billings were not made even though sharing agreements establishing reimbursement procedures and rates had been negotiated. In addition, some community hospitals that had received free services from VA had billed either Medicare or their patient's private insurance companies for the studies. Recommendations: The Administrator of Veteran Affairs should reemphasize to all VA medical facilities the need to follow established statutory and regulatory requirements for recovering the cost of all medical services furnished to non-VA patients. He should also direct all VA medical facilities which furnished electron microscopy or any other services to or on behalf of non-VA patients in 1976 to establish the appropriate unit costs and to bill the patients or medical facilities for those services. (SW)

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION
B-133044

SEP 16 1977

The Honorable Max Cleland
Administrator of Veterans Affairs
Veterans Administration

Dear Mr. Cleland:

During a General Accounting Office review of the utilization and distribution of electron microscopes (EMs) in selected Veterans Administration (VA) hospitals, we observed that three hospitals in VA Medical District 12--Miami, Tampa, and Gainesville, Florida--lost about $102,000 in revenue during calendar year 1976 because they either did not bill or did not bill at the appropriate rates for EM diagnostic services furnished to non-Federal hospitals. Although we did not develop information on billing practices and procedures of VA hospitals in other VA medical districts, we believe that this problem may not be limited just to District 12 hospitals, nor to just EM services. Thus, because of the possibility that the Government could be losing substantial amounts of revenue, we are bringing this situation to your attention for corrective action. A separate report is being prepared on the overall results of our review of electron microscopes.

AUTHORITY FOR PROVIDING SERVICES
TO NON-VA MEDICAL FACILITIES

Statutory authority for VA hospitals to enter into agreements for sharing services and facilities with other hospitals, medical schools, or medical facilities is contained in 38 U.S.C. 5053. The statute requires that VA be reimbursed for services provided under such sharing agreements. Specifically, 38 U.S.C. 5053(b) states that:

> "Arrangements entered into * * * shall provide for reciprocal reimbursement based on a charge which covers the full cost of services rendered, supplies used, and including normal depreciation and amortization costs of equipment."

V[illegible] [illegible] sharing specialized medical resources are discussed [illegible]ations (VA's Department of Medicine and Surgery Manual M-1, Part I), which state that VA may join with non-VA hc[illegible] in a cooperative effort by establishing

HRD-77-148
(40130)

mutual use and exchange of use agreements. These regulations require also that VA charge for the resources used for rendering specialized medical services to non-VA medical facilities.

Furthermore, VA regulations (Part V, VA Controller Policy Manual) describe how costs are to be developed for billing non-VA facilities receiving specialized medical services. Specifically, the regulations state that the costs will be those shown on the hospital's Report of Medical Care Distribution Accounts (RCS 14-4). This quarterly report includes all direct and indirect cost elements for each laboratory service, including EM services. Local VA hospital and VA central office overhead charges also are included in the total costs shown on the report. The unit cost for each of the specialized medical services is then determined by dividing the total costs by the number of units produced by the service (i.e., number of specimens studied by the EM unit).

EXTENT OF PROVIDING EM SERVICES TO NON-VA MEDICAL FACILITIES

About 55 percent of the electron microscopy services performed in calendar year 1976 by the diagnostic units at the Miami, Tampa, and Gainesville VA hospitals were on specimens from non-VA patients in community hospitals. The VA hospitals had written sharing agreements with some of the non-VA hospitals, but were performing most of the electron microscopy services without benefit of a sharing agreement.

In calendar year 1976, the Miami VA hospital had written sharing agreements with 19 medical facilities, but it provided electron microscopy services to 19 other facilities with which it had no sharing agreements. During 1976, the Tampa VA hospital furnished electron microscopy services to 12 community hospital and laboratories, but had no sharing agreements before December 1976 when it entered into an agreement with a large community hospital. The Gainesville VA hospital provided electron microscopy services to five community hospitals, all under sharing agreements.

LOST REVENUE TO THREE VA HOSPITALS

The Miami, Tampa, and Gainesville VA hospitals lost about $102,000 in revenue in 1976 because they either did not bill community hospitals for EM services performed on non-VA specimens or they billed at rates less than those required by VA regulations. In some instances, billings were not made even though sharing agreements establishing reimbursement procedures and rates had been negotiated.

The following table summarizes the number of non-VA patient specimens studied at each hospital, the amount of revenue received and the amount of revenue lost by the Federal Government due to lack of billings and/or underbillings for electron microscopy services.

Schedule of EM Services Performed on Non VA Patient Specimens and Fees Collected in 1976

VA hospital	Number non-VA patients specimens studied	Amount billed		Amount that should have been billed		Lost revenue
		Unit cost	Total	Unit cost	Total	
Miami	43	[a/]$138.00	$ 5,934.00	[b/]$191.03	$ 8,214.29	$ 2,280.29
Miami	285	-	-	b/191.03	54,443.55	54,443.55
Tampa	106	-	-	214.66	22,753.96	22,753.96
Gainesville	111	237.00	26,307.00	237.00	26,307.00	-
Gainesville	96	-	-	237.00	22,752.00	22,752.00
Total			$32,241.00		$134,470.80	$102,229.80

a/ This is the sharing agreement unit cost for electron microscopic studies only. If immunofluorescence studies are also performed on the specimens, the sharing agreement unit cost is $200--$138 for EM and $62 for immunofluorescence.

b/ This is the 1976 actual unit cost for EM studies only, computed after adjustments were made in the 1976 direct costs as shown on the RCS 14-4 reports. (Additional costs, not readily identifiable from available records, were incurred in some instances where immunofluorescence studies were also performed on the specimens.) Inaccurate workload and staffing data had been entered into the computer which resulted in a lower unit cost. This low but incurrate cost figure was used to negotiate the EM unit price of $138 which was included in the sharing agreements.

Of the 285 studies not billed by the Miami hospital, 277 were of specimens received from community medical facilities which had no sharing agreements with VA. The EM Program Director at the Miami hospital said he was unaware that VA could bill for services that were not performed under a formal sharing agreement. He added that the eight remaining specimens were from hospitals with a sharing agreement but were not billed through oversight. Billings for 43 additional studies were understated by about $53 each because the hospital used inaccurate personnel costs and workload data in computing the sharing agreement unit cost.

The Tampa VA hospital's EM Program Director said that he, too, was unaware that VA could bill for services provided without a sharing agreement, and that this was the reason he did not bill community hospitals for the 106 specimens studied by his unit.

The Gainesville EM Program Director said that billings were made for studies of all specimens received from non-Federal hospitals except for 96 that he used in teaching or research. He said he believed it was inappropriate for him to bill for specimens used for these purposes. He added, however, that a diagnosis was requested by and prepared for the patient's physician on each of these 96 specimens.

In addition, we found that some community hospitals that had received "free" EM studies from VA had billed either Medicare or their patient's private insurance companies for the studies. We traced a limited sample of 20 VA-provided EM studies to patient records at the community hospitals and found that the hospitals had submitted bills for 5 of the 20 studies--Medicare had been billed for two studies and private insurance companies had been billed for the other three.

Weaknesses in VA billing procedures were discussed with the hospital directors and fiscal officers at all three hospitals. These officials agreed that billings should have been prepared for all EM services provided to non-VA beneficiaries. They said that action would be taken by the hospitals to (1) bill for EM services already provided but not yet billed and (2) establish procedures to assure that appropriate billings are made in the future.

We also obtained informal comments on our findings from VA central office officials. These officials generally agreed with our findings. We were also advised that, on July 7, 1977, the Regionalization and Sharing staff, through the Associate Deputy Chief Medical Director for Operations, notified the Miami VA hospital that no authority exists to provide EM services to

community hospitals in the absence of a sharing agreement except for humanitarian reasons. However, since such services were provided, an implied contract exists, and is sufficient basis for billing those community hospitals that received such services.

CONCLUSIONS AND RECOMMENDATIONS

The Miami, Tampa, and Gainesville VA hospitals were not following the governing regulations which require that they recover the cost of EM services furnished to non-Federal facilities. If these hospitals had billed for all EM services at the appropriate rates, the Government would have realized about $102,000 in additional revenue in 1976. Because of these weaknesses in billing procedures, we recommend that you

--reemphasize to all VA medical facilities the need to follow established statutory and regulatory requirements for recovering the cost of all medical services furnished to non-VA patients, and

--direct all VA medical facilities which furnished EM or any other services to or on behalf of non-VA patients in 1976 to establish the appropriate unit costs and to bill the recipient patients/medical facilities for those services.

- - - -

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to send a written statement explaining what he has done about our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House Committees on Appropriations, the Budget, Government Operations, and Veterans' Affairs; the Senate Committees on the Budget, Governmental Affairs, and Veterans' Affairs; the Senate Appropriations Subcommittee on HUD-Independent Agencies; and to the Director, Office of Management and Budget.

We would appreciate being informed on any actions taken or planned on the matters discussed in this report.

Sincerely yours,

Gregory J. Ahart
Director