

**GAO**

United States General Accounting Office

Report to the Honorable  
Frank H. Murkowski, U.S. Senate

June 1992

# VA HEALTH CARE

## Copayment Exemption Procedures Should Be Improved



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**Human Resources Division**

B-248833

June 24, 1992

**The Honorable Frank H. Murkowski  
United States Senate**

Dear Senator Murkowski:

The Department of Veterans Affairs (VA) is supposed to collect a fee, or copayment, whenever it provides health care to certain veterans who have incomes above prescribed amounts. Vietnam veterans, however, are exempt from the copayment requirement when they are treated for a medical condition possibly related to exposure to Agent Orange.<sup>1</sup> At your request, we examined how VA determined the copayment exemption status of veterans who claim Agent Orange exposure.

The Veterans Health Administration (VHA) operates VA's health care system, which consists of 159 medical centers. In doing our work, we evaluated VHA's copayment policies and procedures and interviewed VHA officials. During visits to six medical centers, we obtained information on their Agent Orange exemption procedures and practices.

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**Results in Brief**

The six medical centers we visited were not adequately evaluating the copayment exemption status of Vietnam veterans claiming exposure to Agent Orange. Before the copayment is waived, VHA policy requires physicians to determine whether the conditions for which veterans seek medical care may be related to Agent Orange exposure. However, physicians at the six centers were not involved in copayment exemption decisions, because the VHA guidance on this policy requirement was unclear and misinterpreted by centers. Further compounding the problem, the software program used in the medical application process automatically prevented centers from making a copayment determination if veterans claimed Vietnam service and Agent Orange exposure.

The six medical centers' incorrect implementation of VHA's policy may have resulted in lost copayment revenues and unequal treatment of Vietnam veterans who claimed Agent Orange exposure. Five of the centers routinely exempted all veterans who claimed exposure, without determining whether they had medical conditions possibly related to Agent Orange. The other center routinely required all veterans who claimed exposure to comply with the copayment requirements, potentially

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<sup>1</sup>Agent Orange was the most widely used herbicide in Vietnam. It contained small amounts of a very toxic contaminant, TCDD (2,3,7,8-tetrachlorodibenzo-para-dioxin).

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depriving them of Agent Orange exemptions to which they were entitled. We estimate that, in 1989, the 159 centers could have collected as much as \$2 million more in copayments had physicians determined that treated conditions were not related to Agent Orange exposure.

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## Background

VHA operates the largest health care delivery system in the United States. Of its 171 hospitals and 240 outpatient clinics, most are organized into 159 medical centers. In fiscal year 1990, VHA spent about \$11.3 billion providing care to veterans, including about 1.1 million inpatient hospital stays and 22.6 million outpatient visits.

Veterans eligible for medical care are classified into two broad categories: those with disabilities resulting from their military service (service-connected) and those without such disabilities (non-service-connected). VA's disability compensation program, which is administered by the Veterans Benefits Administration, pays monthly benefits to veterans who were disabled by injury or disease during active military service. Benefit amounts are related to the residual effects of the injury or disease, as determined by the Veterans Benefits Administration. Generally, the monthly benefit amounts for 1991 ranged from \$80 for a 10-percent degree of disability to \$1,620 for a 100-percent disability rating. Veterans with service-connected disabilities are afforded the highest priority when seeking care at VHA medical centers.

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## VHA's Authority to Collect Copayments

The Veterans' Health-Care Amendments of 1986 (P.L. 99-272) require veterans who do not have disabilities resulting from their military service and have incomes above prescribed amounts to copay for VHA health care. For 1991, the income threshold for a veteran without dependents was \$18,171, increasing by \$3,634 for the first dependent and \$1,213 for each additional dependent. The copayment determination process does not apply to veterans who have VA-rated disabilities related to their military service. Veterans exempted from the copayment requirements include those who have not been determined to have VA-rated disabilities but who served in World War I or during the Mexican Border period, are former prisoners of war, are eligible for a VA pension or Medicaid, or have medical conditions possibly related to exposure to Agent Orange or ionizing radiation. Copayment rates in 1991 were \$628 for the first 90 days of inpatient hospital care and \$26 per visit for outpatient care.

The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508), enacted November 5, 1990, expanded VHA's authority to collect copayments. Nonexempt veterans must now pay an additional copayment fee of \$10 per day for inpatient hospital care and \$5 per day for nursing home care. Also, a \$2 prescription copayment is required of service-connected veterans rated less than 50 percent, when the prescription is for a non-service-connected condition, and of all non-service-connected veterans.

### VHA's Process for Determining Copayment Liability

Within VHA, the chief medical director has overall responsibility for establishing copayment policies and procedures and monitoring medical centers' performance. At each center, Medical Administration Service (admissions) staff have primary responsibility for determining veterans' copayment liability.

When veterans apply for care, the admissions staff first decides whether they have a special circumstance that would exempt them from the copayment requirement. For all nonexempt veterans, admissions staff must administer an income-based (means) test to determine whether they owe a copayment. To do this, staff require veterans to complete a financial disclosure form, which includes such information as veteran and spouse salaries, wages, pensions, and interest and dividend income.

During fiscal year 1989, admissions staff received about 2 million medical care applications from veterans without disabilities resulting from their military service. In almost 438,000 cases, admissions staff exempted veterans from the copayment determination process. Most exempt veterans received VA pension benefits or were exposed to Agent Orange, as table 1 shows.

**Table 1: Copayment Exemption Status of Veterans Applying for Care in Fiscal Year 1989**

Exemption category	Applications	
	Number	Percent <sup>a</sup>
VA pension	293,884	67.1
Agent Orange	92,331	21.1
Medicaid	25,410	5.8
World War I	16,538	3.8
Former prisoner of war	9,456	2.2
<b>Total</b>	<b>437,619</b>	<b>100.0</b>

<sup>a</sup>Percent of total applications for care from exempt veterans.

Of the 1.5 million nonexempt veterans, admissions staff determined that about 63,500 had incomes above the threshold amounts. The 159 medical centers collected about \$8.4 million from these veterans for health care received during fiscal year 1989.

## Scope and Methodology

To determine whether VHA medical centers appropriately granted Agent Orange exemptions, we visited six medical centers, which we judgmentally selected based on the number of Agent Orange exemptions, expressed as a percentage of the number of nonexempt veterans applying for care. The six centers were the two with the highest exemption rates (American Lake, Washington, and Fayetteville, North Carolina); the two with the lowest rates (Richmond, Virginia, and New York City, New York); and two with average rates (Phoenix, Arizona, and Pittsburgh, Pennsylvania). The six centers accounted for about 5 percent of the total Agent Orange exemptions nationwide.

At these centers, we reviewed medical center policies and procedures for administering Agent Orange exemptions. We also reviewed the administrative and medical records of a judgmentally selected sample of 137 veterans granted such exemptions who received medical care during calendar year 1989. We used 1989 because it was the latest year for which federal tax records were available when we conducted our review. We used tax records to assess the potential copayment liability of Vietnam veterans whom VHA exempted based on exposure to Agent Orange. This was necessary because VHA does not routinely collect income data from exempt veterans. Appendix I provides additional information on our scope and methodology.

## Medical Centers Improperly Exempted Vietnam Veterans From Copayment Requirements

Admissions staff at five of the six medical centers we visited routinely exempted Vietnam veterans from copayment requirements without requiring medical examinations. In 1987, VA's inspector general reported that seven other medical centers had not involved physicians in exemption decisions. Although the VHA chief medical director issued additional guidance to medical centers, the revised guidance did not clearly set out a procedure that centers should use to grant Agent Orange exemptions.

## Agent Orange Exemptions Should Be Based on Medical Evidence

Under VHA policy, admissions staff must determine whether a veteran served in Vietnam and ask if the veteran was exposed to Agent Orange. For such veterans, the admissions staff should request the examining

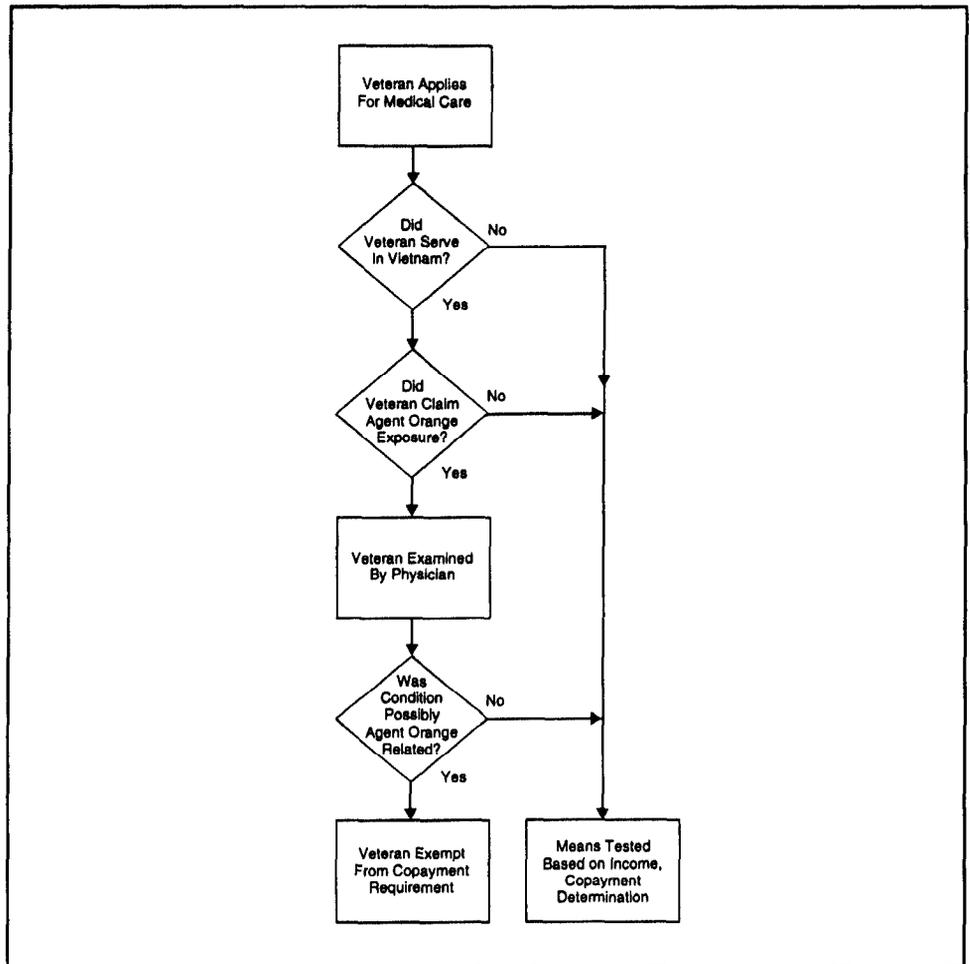
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physician to determine whether the veteran's current medical condition is possibly related to Agent Orange exposure.

Under VHA policy, examining physicians are to give the results of their medical evaluations to admissions staff, who ultimately make exemption decisions. Admissions staff may also use the medical results from the veteran's VHA Agent Orange Registry exam when they are evaluating a veteran's exemption status. VHA's Office of Environmental Medicine administers the registry, which is a separate process that VHA started in 1978 to assess possible health problems of veterans exposed to Agent Orange. As such, VHA would have to provide information to medical centers, when requested. Veterans do not have to be on the registry to be exempt from the copayment requirements. (See app. II for a description of the registry program.)

Admissions staff are supposed to exempt a veteran if the physician's examination shows that the veteran's condition is possibly related to Agent Orange exposure. If the examination finds that the veteran's condition is unrelated to such exposure, the staff are supposed to require the veteran to complete a financial disclosure form to establish possible copayment liability. Figure 1 shows the Agent Orange exemption process.

**Figure 1: VA Policy for Copayment Exemptions Based on Agent Orange Exposure**



VHA policy requires that admissions staff grant Agent Orange exemptions on a condition-specific basis. This means that VHA physicians should determine the effect of Agent Orange exposure with respect to each condition for which a veteran requests care. The Secretary of Veterans Affairs has determined that several types of cancers, including soft tissue sarcomas and lymphoma, and skin conditions, such as chloracne, are related to Agent Orange exposure. In addition, VA is studying several other types of conditions to determine their possible relationship to Agent Orange exposure. VHA's chief medical director has identified five categories of medical conditions that are usually not related to Agent Orange:

- congenital or developmental conditions (such as spinal bifida or scoliosis),
- conditions resulting from trauma (such as deformity or limitation of motion of an extremity),
- conditions having a specific and well-established etiology (such as tuberculosis or gout),
- common conditions having a well-recognized clinical course (such as inguinal hernia or acute appendicitis), and
- conditions that are known to have existed before military service.

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### Physicians Are Not Involved in Exemption Decisions

The six medical centers' operating procedures did not require VHA physicians to examine Vietnam veterans before copayment exemption decisions were made. Five centers routinely exempted all veterans who claimed Agent Orange exposure, regardless of whether their medical conditions were possibly related to this exposure. The sixth center required all veterans who claimed Agent Orange exposure to comply with the copayment requirements.

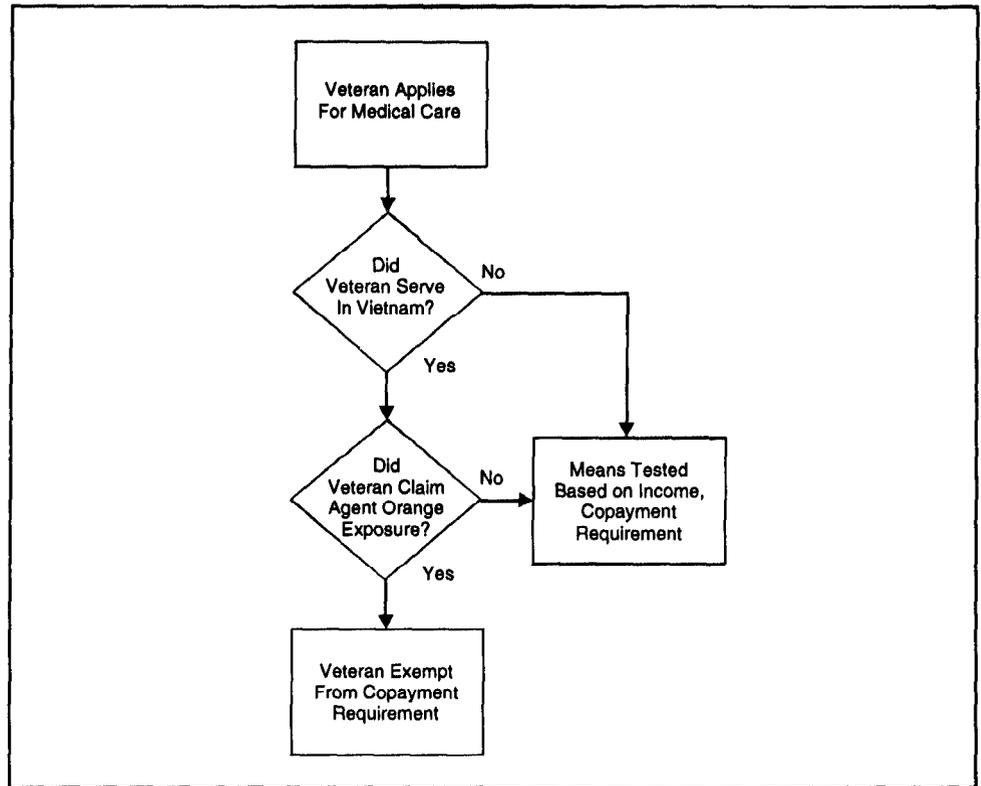
### Five Centers Routinely Exempted All Veterans Claiming Exposure

Admissions staff at five centers used the same procedures to evaluate the Agent Orange exemption status of Vietnam veterans. Basically, they exempted from the copayment requirement all veterans who claimed service in Vietnam and exposure to Agent Orange on their medical care applications.

Admissions staff were complying with the centers' local administrative procedures, which did not require physician involvement. VHA admission procedures were unclear in that they did not explicitly state that exemption decisions should be based on physicians' examination of veterans' medical conditions and their relationship to Agent Orange exposure. As a result, admissions staff interpreted VHA guidance to allow exemption decisions to be based solely on veterans' claims of exposure.

Admissions staff also believed that physician involvement was not required because the VHA software program that centers used in the medical care application process required admissions staff to only document a veteran's claim of exposure to Agent Orange and verify that the veteran served in Vietnam; it does not require them to document the examining physician's evaluation of the veteran's condition. Figure 2 depicts the exemption process used by the five centers.

**Figure 2: VA Medical Center Agent Orange Exemption Procedures**



Using these procedures, the five centers reported that they exempted 2,135 veterans who claimed exposure to Agent Orange when they applied for medical care. By not determining whether veterans' medical conditions were possibly related to Agent Orange exposure through a physician examination, the medical centers in effect granted blanket copayment exemption status for all treatable conditions. We reviewed the medical files of 137 of these veterans and found that 117, or about 85 percent, had medical conditions that appear similar to the types of conditions that VHA generally considers unrelated to Agent Orange exposure. For example:

- At one center, a veteran sought care for leg pain and claimed exposure to Agent Orange. The VHA physician's diagnosis was mild sciatic neuritis resulting from an unknown cause. This veteran would have owed a \$22 copayment for this outpatient visit had a VHA physician determined that his condition was unrelated to Agent Orange exposure. He would also owe a copayment for all future outpatient visits related to this condition.

- At another center, a veteran applied for care complaining of sharp chest pains and claimed exposure to Agent Orange. The examining VHA physician decided that the veteran should be admitted to the intensive care unit. VHA medical records showed that the veteran was given several diagnostic procedures. This veteran would have been liable for a \$564 inpatient copayment had a VHA physician determined that his condition was unrelated to Agent Orange exposure.

Without the results of medical center physicians' examinations, admissions staff could not accurately determine whether veterans exposed to Agent Orange were receiving care for conditions that were possibly related to such exposure.

### One Center Routinely Denied Exemption Status to All Veterans Claiming Exposure

The Richmond Medical Center admissions staff followed local operating procedures, which required staff to determine copayment liability for all veterans regardless of whether they claimed exposure on their medical care applications. According to admissions staff, Vietnam veterans claiming Agent Orange exposure could request a VHA physician to determine whether they have conditions that were possibly caused by such exposure and, if so, obtain a copayment exemption. However, staff said few veterans made such requests.

Admissions staff said that they had to modify the information provided to VHA's software to implement this local procedure. This is because admissions staff could not use the software program to make a copayment determination if a veteran claimed Vietnam service and Agent Orange exposure. Therefore, to complete a financial disclosure statement, admissions clerks had to enter information into the software program showing that the veteran did not have such exposure. After completing the financial statement, the clerks corrected the exposure question response to reflect the information the veteran provided; that is, he was a Vietnam veteran who claimed Agent Orange exposure.

This center reported that 101 veterans claimed exposure to Agent Orange when they applied for medical care in 1989. The admissions clerks completed financial disclosure statements for most of these veterans. Ten veterans reported income above the threshold levels, and the center billed at least six of them for copayments. However, physician examinations were not performed to determine whether these veterans had conditions possibly related to their exposure to Agent Orange, which would have exempted them from the copayment requirement.

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## Agent Orange Exemption Policy Misinterpreted

Admissions staff at medical centers have misinterpreted VHA's Agent Orange exemption policy since the 1986 amendments were first implemented. In 1987, VA's inspector general visited seven other medical centers and reported that admissions staff were exempting Vietnam veterans without physician involvement. VA's general counsel informed the inspector general that, in his opinion, a Vietnam veteran may be exempted from the copayment requirement only when a physician determines that care is needed for a condition that may have been caused by Agent Orange exposure. The general counsel stated that all Vietnam veterans cannot be assumed to be exempt from the copayment requirement based solely on claimed exposure to Agent Orange.

The inspector general recommended that VHA revise the exemption procedures to clarify that physicians are required to examine veterans claiming Agent Orange exposure. In March 1989, the chief medical director issued the following guidance to clarify VHA's policy on physical examinations and copayment exemptions for veterans exposed to Agent Orange:

"...All applicants who are not service connected, former POWs, veterans of WWI or the Mexican Border period, in receipt of VA pension, eligible for medicaid, or in need of care for a condition possibly related to either Agent Orange or to ionizing radiation must complete VA Form 10-10f, Financial Worksheet...The form is used to determine the veteran's attributable income..."

The revised guidance did not emphasize that (1) medical center physicians need to determine if medical conditions may be related to Agent Orange and (2) admissions staffs must apply the income test to veterans with conditions that physicians determine to be unrelated to Agent Orange. Furthermore, Medical Administration officials at the centers interpreted VHA's revised policy guidance to mean that veterans who served in Vietnam and claim exposure to Agent Orange are exempt from the means test.

In July 1989, several medical center officials raised questions regarding the eligibility status of Vietnam veterans claiming exposure to Agent Orange, because these centers were requiring Vietnam veterans to meet the copayment requirements, regardless of whether they claimed exposure. VHA's Environmental Medicine officials discussed the need for a VHA physician to determine whether the veterans' medical conditions are possibly related to exposure to Agent Orange.

The Environmental Medicine officials requested that VHA's Medical Administration officials also provide an opinion to clarify existing requirements, since they had primary responsibility for setting VHA policy regarding veterans' health care eligibility and copayment applicability. Although the Medical Administration officials did not provide the requested supplementary guidance, the Environmental Medicine officials, in October 1989, advised medical center officials that veterans are subject to the means test and copayment determination process, unless they have a condition that is possibly associated with exposure to Agent Orange.

### Potential Lost Copayment Revenues Due to Improper Agent Orange Exemptions

VHA medical centers' improper administration of the Agent Orange exemption requirements may be significantly reducing copayment revenues. More than 700 of the improperly exempted Vietnam veterans at five centers we visited had incomes exceeding the threshold levels, which would have made them liable for copayments if their care was for conditions unrelated to Agent Orange exposure. A similarly large proportion of Agent Orange exempt veterans at the other medical centers nationwide have incomes exceeding threshold levels. Copayment losses could also be occurring at these centers, if admissions staff are likewise exempting the veterans from copayments without obtaining adequate medical evidence and involving physicians.

### Medical Centers May Be Losing Copayment Revenue

At the five centers, 2,816 Vietnam veterans<sup>2</sup> who received medical care in 1989 were exempted from copayment requirements based on Agent Orange exposure. Of these 2,816 veterans, 730 (or about 26 percent) had incomes above the means test thresholds and were potentially liable for copayments, if they received care for conditions unrelated to Agent Orange exposure. We estimate that the five VHA medical centers could have collected as much as \$97,000 more in copayments for the year, if physicians had determined that treatable conditions were not related to Agent Orange exposure. (App. III shows additional information on potential lost copayment revenues by medical center.)

The other 153 medical centers, nationwide, may also be losing significant copayments. In 1989, medical centers exempted 50,930 veterans based on their claim of Agent Orange exposure. According to federal tax records, over 11,700 veterans (or about 23 percent) had incomes above the means test thresholds and would have been liable for copayments if they received

<sup>2</sup>Of the 2,816 veterans, 2,135 claimed Agent Orange exposure on their initial applications for care in 1989. According to medical center officials, the remaining veterans had initially applied for care before 1989, and were continuing to receive care in 1989.

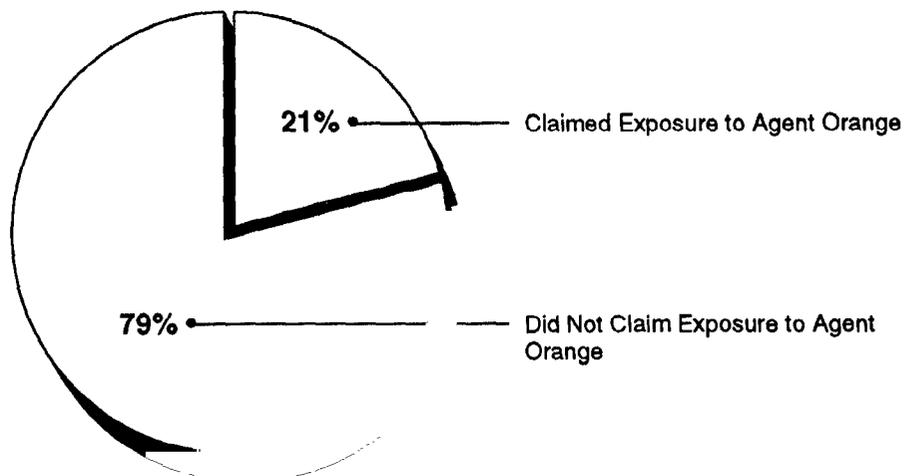
care for conditions unrelated to Agent Orange. We estimate that VHA medical centers could have potentially collected as much as \$1.9 million more in copayments for the year, had physicians determined that the care was for conditions unrelated to Agent Orange exposure. (See app. IV for a discussion of our estimating methodology and potential copayment liability calculations.)

### Significant Increases in Copayment Revenue Losses Are Possible

Lost copayment revenues resulting from improper exemption of Vietnam veterans claiming exposure to Agent Orange could be more substantial. Vietnam veterans who had not claimed Agent Orange exposure on prior VHA health care applications may claim exposure in the future. Furthermore, some of the 2.5 million Vietnam veterans who have not yet needed VHA health care likely will claim Agent Orange exposure when they apply at VHA medical centers.

Based on a review of medical care applications and Agent Orange exemption data for 10,687 Vietnam veterans who received care in 1989 at the six medical centers we visited, only 2,236 (or about 21 percent) claimed Agent Orange exposure, as shown in figure 3.

**Figure 3: Percentage of Vietnam Veterans Treated for Non-Service-Related Conditions Who Claimed Agent Orange Exposure (1989)**



Note: Percentages derived from a review of 10,687 non-service-connected Vietnam veterans who applied for care in 1989 at one of the six selected VA medical centers.

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The percentage of Vietnam veterans who applied for care and claimed Agent Orange exposure varied from 4 percent at the New York City Medical Center to about 82 percent at the Fayetteville Medical Center. (App. V shows the statistics for all six centers.) The remaining 8,451 veterans (or about 79 percent) did not claim exposure. However, these veterans could claim exposure to Agent Orange during a future visit to one of these medical centers and be granted an exemption under their current admissions procedures.

Improperly exempting veterans could result in substantial lost copayments, if the proportion of veterans having income above threshold levels approximates the rate (23 percent) for veterans who claimed exposure at these centers. Nationwide, of the 24,935 Vietnam veterans who received VHA inpatient medical care in 1989 for non-service-related conditions, only 10,157 (or about 41 percent) claimed exposure to Agent Orange and therefore were exempt from income testing. The other 14,778 (or about 59 percent) did not claim exposure. In the future, these veterans could claim exposure to Agent Orange, have incomes above the threshold levels, and receive care without copayment for conditions unrelated to Agent Orange exposure.

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## Conclusions

VHA did not adequately inform medical centers of its policy for making copayment exemption decisions for Vietnam veterans who claim exposure to Agent Orange. The six centers we visited did not involve physicians in these decisions because the guidance provided by VHA was unclear and misinterpreted by the centers. Because the guidance was subject to varying interpretations, it is likely that other centers have similarly misunderstood VHA's policy and, as a result, are using improper procedures. The software program used in the medical application process added to the problem. As now programmed, the process automatically prevents centers from making copayment determinations for veterans claiming Vietnam service and Agent Orange exposure.

VHA could collect significantly more copayment revenues if it clarified its guidance to ensure that medical centers exempted veterans only when physicians determined that their conditions may be related to Agent Orange exposure. Thousands of Vietnam veterans have incomes that exceed the thresholds for establishing copayment liability. These veterans may be receiving care for conditions unrelated to Agent Orange exposure yet avoiding the copayment liability.

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With more detailed guidance, VHA would also have greater assurance that medical centers make veterans' copayment exemption decisions on an equitable basis throughout the system. Now, centers are using locally developed criteria for deciding when to exempt veterans. As a result, a veteran's exemption status depends on the medical center visited rather than the medical condition requiring treatment. Thus, many veterans may be deprived of exemptions they are entitled to, while others receive exemptions they are not entitled to.

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## Recommendations

We recommend that the Secretary of Veterans Affairs provide specific guidance to medical centers on procedures for evaluating the exemption status of Vietnam veterans who claim exposure to Agent Orange. The medical centers should be instructed to

- exempt from copayment liability only Vietnam veterans whom VHA physicians determine to need treatment for conditions that may be related to Agent Orange exposure and
- determine the copayment liability of Vietnam veterans whom VHA physicians determine to need treatment for conditions unrelated to Agent Orange exposure.

We also recommend that the Secretary of Veterans Affairs direct the chief medical director to make the necessary changes to the software program used in the medical application process. These changes should ensure that it is consistent with the revised policy guidance for evaluating the copayment exemption status of Vietnam veterans.

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## Agency Comments

The Secretary of Veterans Affairs agreed that its physicians were not making Agent Orange copayment exemption determinations and concurred with our recommendations. He pointed out a number of actions that VHA was taking to ensure that physicians make the final determination regarding whether conditions for which Vietnam veterans seek care may be related to Agent Orange exposure. These actions include requiring all Vietnam veterans with non-service-connected disabilities who claim Agent Orange exposure to complete the means test when they apply for care. This procedural change will, in effect, put the onus on physicians to certify that veterans are exempt from copayment requirements. Otherwise, VHA will initiate billing for treatment.

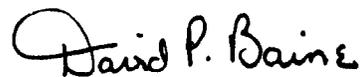
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The Secretary also pointed out that medical centers' problems stemmed from the statutory requirement that certain medical care eligibilities are defined not for the veteran, but for the veteran's specific medical care conditions. He noted that the VA Eligibility Reform Task Force is studying the administrative, medical, and policy implications of this requirement. We do not agree that medical centers' failure to properly process veterans' copayment exemptions should be attributed to existing statutory eligibility requirements. At the six centers we visited, medical center staff had determined that veterans were eligible to receive care under existing statutory requirements, but had failed to determine whether they had to copay for the care. As a result, the issue that required additional physician involvement focused solely on veterans' financial obligations for care received, and not on the veterans' eligibility to receive care. (See app. VI.)

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We are sending copies of this report to the Secretary of Veterans Affairs; the Director, Office of Management and Budget; and interested congressional committees. We will make copies available to others upon request. If you have any questions regarding this report, please contact me on (202) 512-7101. Major contributors to this report are listed in appendix VII.

Sincerely yours,



David P. Baine  
Director, Federal Health  
Care Delivery Issues

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**Abbreviations**

GAO	General Accounting Office
SSA	Social Security Administration
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

# Scope and Methodology

We reviewed VHA's policies and procedures for granting exemptions based on exposure to Agent Orange. We also interviewed VHA headquarters officials in its Medical Administration Service and Office of Environmental Medicine and Public Health to determine how medical centers were expected to implement the Agent Orange exemption requirements. However, evaluating VHA's Agent Orange Examination and Registry program or assessing the reliability of program information was not within the scope of this assignment. (A list of related GAO and VA products appears at the end of this report.)

We visited six VHA medical centers in 1991 to determine whether they were appropriately administering the medical care application process and granting Agent Orange exemptions. We judgmentally selected the six centers to gain a representative mix based on several operational factors. Table I.1 provides information on two of the factors: workload (number of applications from nonexempt veterans) and Agent Orange exemption rate. The exemption rate is expressed as the percentage of non-service-connected veterans granted Agent Orange exemptions relative to the total number of nonexempt veterans who applied for care in fiscal year 1989.

**Table I.1: Total Nonexempt Veteran Applications for Care and Agent Orange Exemption Rates for the Six Centers Visited (Fiscal Year 1989)**

Medical center	Number of nonexempt veteran applications	Number of Agent Orange exemptions	Agent Orange exemption rate (percent)
American Lake	66,606	1,289	19.51
Fayetteville	6,645	921	13.86
Phoenix	29,509	2,031	6.88
Pittsburgh	16,651	664	3.99
Richmond	19,856	39	.20
New York	23,291	0 <sup>a</sup>	0
<b>Total (6 centers)</b>	<b>102,558</b>	<b>4,944</b>	<b>4.82</b>
<b>Total (all facilities)</b>	<b>1,549,537</b>	<b>92,331</b>	<b>5.96</b>

<sup>a</sup>We obtained this information from VA's automated data base. During our fieldwork, the New York medical center officials estimated that they granted 370 to 500 exemptions which were inadvertently omitted from the center's report. That center's exemption rate would have ranged between 1.3 and 2.1 percent if these veterans had been included.

To help ensure that we visited medical centers with a sufficiently large number of veterans who required means testing, we considered only centers that received at least 5,000 applications from veterans with non-service-connected conditions in fiscal year 1989. We selected centers

with high, average, and low exemption rate percentages in order to determine whether exemption rate variances might be caused by differences in medical center policies or procedures. Finally, we selected medical centers that VA's inspector general did not visit during its 1987 review of means test and Agent Orange exemption procedures.

We visited the following six centers, two with the highest exemption rates, two with the lowest rates, and two with average rates, as follows:

- American Lake, Washington, and Fayetteville, North Carolina, had the two highest exemption rates, about 20 percent and 14 percent, respectively;
- Phoenix, Arizona, had an average exemption rate, about 7 percent, but a high number of Agent Orange exempted veterans and nonexempt veteran applications;
- Pittsburgh, Pennsylvania, had an average exemption rate of about 4 percent; and
- New York, New York, and Richmond, Virginia, had the two lowest exemption rates, both less than 1 percent.

At each of these six centers, we also reviewed the local policies, procedures, and program guidance on processing medical care applications and granting Agent Orange exemptions. We interviewed officials in the Office of the Director and Medical Administration Service to discuss the procedures for verifying Vietnam service and granting Agent Orange exemptions.

To evaluate medical center compliance with VHA policies and procedures for granting Agent Orange exemptions, we obtained a computer-generated list of exempt veterans who claimed exposure and received care in 1989. We determined through selected case file reviews and discussions with the chief, Medical Administration Service, and other officials whether VHA physicians examined veterans granted exemption status to assess whether their conditions were possibly related to Agent Orange exposure. To assess the reliability of computer-generated information, we reviewed a judgmental sample of medical center case files.

We reviewed medical record files for 137 Vietnam veterans who claimed Agent Orange exposure and were granted exemptions in 1989. This was done to develop information on the types of medical conditions affecting exempt veterans and requiring treatment at VHA medical centers. We also tried to determine whether their conditions appeared similar to the types of conditions that the VHA chief medical director has determined are not

related to Agent Orange exposure. The number of medical record files reviewed at each center is shown in table I.2.

**Table I.2: Medical Records Reviewed for Veterans Claiming Exposure to Agent Orange (1989)**

Medical center	Number of veterans claiming exposure to Agent Orange	Medical files reviewed	
		Number	Percent
American Lake	450	28	6.2
Fayetteville	539	39	7.2
Phoenix	711	35	4.9
Pittsburgh	311	13	4.2
New York City	124	22	17.7
<b>Total</b>	<b>2,135</b>	<b>137</b>	<b>6.4</b>

We obtained federal tax records for 53,930 Vietnam veterans who received either VHA inpatient hospital, outpatient clinic, or both types of care for presumably Agent Orange-related conditions in 1989. Over 75 percent of these veterans received outpatient care at one of VHA's clinics, while almost 25 percent also had an inpatient hospital stay, as shown in table I.3.

**Table I.3: Medical Care Provided to Veterans Claiming Agent Orange Exposure (1989)**

Type of VHA medical care	Veterans claiming exposure	
	Number	Percent
Inpatient hospital	13,413	24.9
Outpatient clinic	40,517	75.1
<b>Total</b>	<b>53,930</b>	<b>100.0</b>

Using federal tax records, we identified veterans who had incomes above the means test thresholds and may have been liable for copayments if they received care for conditions unrelated to Agent Orange. We obtained income reported on 1988 federal tax records for veterans exempted during 1989. Veterans' copayment liability is to be based on income for the calendar year preceding their application for VHA health care. We compared this income to VHA's 1989 income thresholds to estimate the potential copayment revenue. We determined the number of inpatient and outpatient care visits these veterans made in 1989, as well as the total number of days of care received. (For more detailed information on our estimating methodology, see app. IV.)

To verify that the veterans listed in VHA patient treatment records as receiving care in 1989 were the same veterans for whom we had obtained 1988 federal tax records, we compared their social security numbers,

names, and other personal identifiers with data maintained in the Social Security Administration's (SSA) Wire Third Party Query (verification) system. This system provides social security number verification, as well as retirement and disability benefit information. Although the Internal Revenue Service verifies the identifying numbers associated with federal tax records, SSA verification provides additional assurance that we have correctly matched VHA patient treatment data with the applicable federal tax records.

In a follow-on effort, we plan to match nonexempt veterans' means test information with federal tax records to determine whether there is potential unreported income that could generate additional copayment revenues. We will also assess VHA's policy and procedures for means testing nonexempt veterans.

Our review was performed from August 1990 to December 1991 in accordance with generally accepted government auditing standards.

# VHA's Agent Orange Examination and Registry Program

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In 1978, the Department of Veterans Affairs, Department of Medicine and Surgery, established a program to assist Vietnam veterans who were concerned about a possible relationship between Agent Orange exposure and subsequent health problems. As part of the program, a physician, known as an environmental physician, performs an examination of Vietnam veterans, which consists of four parts:

- An exposure history to determine when, where, and how the veteran was exposed to Agent Orange or other chemicals before, during, and after service in Vietnam.
- A medical history to document medical problems experienced by the veteran since the exposure.
- Laboratory tests, such as complete blood count, blood chemistries, urinalysis, and a chest X-ray.
- A physical examination of 21 body parts or systems focusing on those commonly affected by toxic chemicals.

VHA's Environmental Agents Service maintains the registry, which now contains the results of examinations of more than 200,000 Vietnam veterans.

# Maximum Potential Lost Copayments by Medical Centers (1989)

VHA medical center	Vietnam veterans claiming exposure	Veterans claiming exposure and exceeding thresholds	Maximum potential copayment revenues
American Lake	730	225	\$39,211
Fayetteville	797	235	20,064
New York	124	29	2,596
Phoenix	861	165	25,733
Pittsburgh	304	76	9,874
<b>Total</b>	<b>2,816</b>	<b>730</b>	<b>\$97,478</b>

# Agent Orange Exempt Veterans' Income and Estimating Methodology for Lost Copayment Revenues

VHA's patient treatment records show that 53,930 veterans claimed Agent Orange exposure during visits to its 159 medical centers in 1989. According to federal tax records, almost 47,000 (or about 87 percent) of these veterans had incomes totaling over \$870 million for 1988. This income information was obtained from third-party reports. The Internal Revenue Service validated the payees' social security numbers for accuracy. Table IV.1 lists the income amounts by type for these 47,000 exempted veterans.

**Table IV.1: Income for Veterans Claiming Agent Orange Exposure (1989)**

Type of Income	Amount	Percent of total
Wages	\$696,313,689	80.0
Pension	62,035,989	7.1
Nonemployee compensation	53,049,396	6.1
Social Security retirement	34,192,699	3.9
Other retirement benefits	13,170,041	1.5
Interest and dividends	11,857,088	1.4
<b>Total</b>	<b>\$870,618,902</b>	<b>100.0</b>

To estimate the potential copayment revenues, we generally followed VHA's standard copayment calculation procedures, except as noted below. Because veterans are entitled to 365 days of care at the copayment rates in effect at the veteran's application date, we would have to know this date to determine the applicable VHA rates. However, we could not identify the starting date for each veteran's 365-day period of care at 1988 rates using inpatient hospital care records. We realized that veterans who received VHA care in 1989 might still be entitled to medical care at the lower 1988 rates. Therefore, we used VHA's copayment billing rates for 1988, rather than those in effect for 1989. We used the first date the veteran received either VHA inpatient or outpatient care as the starting date for determining the first 90-day billing cycle. We aggregated potential copayment revenues, based on 90 days of hospital or nursing home care, into a maximum of four 90-day billing cycles for each veteran. However, we did not consider the potential copayments related to the 5-day billing cycle at the end of the 365-day care period. Consequently, our estimate of lost copayment revenues was intentionally conservative.

To verify that we had correctly identified the veterans who received care in 1989, according to VHA medical records, we compared their social security numbers and other identifying information with similar data maintained in SSA's Wire Third Party Query (verification) system. SSA uses this system to provide number verification, as well as retirement and

disability benefit information. To the extent that SSA verifies the social security number, name, and date of birth for the veterans we identify, we have reasonable assurance that the veteran received VHA medical care and another person did not receive care using the veteran's number. Furthermore, this approach also ensures that we correctly match veterans' federal tax records with their VHA medical care records.

In 1989, VHA medical centers nationwide exempted 53,930 veterans based on their medical care application claims of Agent Orange exposure. We submitted for SSA verification 13,413 (about 25 percent) of these records for veterans who received inpatient hospital care in 1989. We were able to verify the personal identifying information for 12,994 (about 97 percent) of these veterans. We did not submit for verification 40,517 records (about 75 percent) for veterans who received only outpatient care, because the VHA outpatient care file contained inadequate personal identifiers.

Matching these 12,994 veterans' records against federal tax records for 1988, we determined that the maximum potential copayment liability for 1,798 veterans whose 1988 incomes exceeded the copayment thresholds was about \$887,000, if they received inpatient care for conditions not possibly related to Agent Orange exposure.<sup>1</sup> Because we were able to verify the identifying data for about 97 percent of the veterans who received VHA hospital care, we have no reason to believe that the personal identifiers used on VHA's outpatient care file are not similarly accurate. Therefore, we matched the 40,517 veterans' records against federal tax records for veterans who received outpatient care and found that 10,588 (about 26 percent) had incomes that exceeded the copayment limits. We estimate that their maximum potential copayment liability would have been about \$1 million, if they received outpatient care for conditions not possibly related to Agent Orange exposure. In total, 12,386 veterans had incomes exceeding the copayment limits when you combine the 1,798 veterans who received inpatient care and the 10,588 veterans who received only outpatient care. Thus, we estimate that the maximum potential copayment revenues could have been as high as \$1.9 million.

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<sup>1</sup>We could not verify the personal identifying information for the remaining 419 veterans. Of these, 101 veterans had incomes above the copayment thresholds, and their potential copayment liability could have been as much as \$52,000, if they received care for conditions not possibly related to Agent Orange exposure.

# Most Nonexempt Vietnam Veterans Did Not Claim Exposure to Agent Orange

Of the 10,687 nonexempt Vietnam veterans who applied for care at the six selected medical centers, only 2,236 (or about 21 percent) claimed that they were exposed to Agent Orange. The number of Vietnam veterans not claiming Agent Orange exposure varied from 118 veterans at the Fayetteville medical center to 2,997 veterans at the New York medical center. Table V.1 shows the number of Vietnam veterans who claimed exposure to Agent Orange as compared to the total number of Vietnam veterans who applied for medical care at the selected medical centers.

**Table V.1: Percentage of Vietnam Veterans Claiming Agent Orange Exposure at Six Medical Centers (1989)**

Medical center	Number of veterans applying for medical care	Veterans claiming Agent Orange exposure	
		Number	Percent
American Lake	652	450	69
Fayetteville	657	539	82
Phoenix	2,840	711	25
Pittsburgh	1,418	311	22
Richmond	1,999	101	5
New York	3,121	124	4
<b>Total</b>	<b>10,687</b>	<b>2,236</b>	<b>21</b>

# Comments From the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

MAY 18 1992

Mr. David P. Baine  
Director, Federal Health Care  
Delivery Issues  
Human Resources Division  
U.S. General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Baine:

I have read your draft report, VA HEALTH CARE: Copayment Exemption Procedures Should Be Improved, GAO/HRD-92-77. I agree with your findings. I also agree with your conclusions and recommendations, which reflect current VA policy concerning copayment exemptions for Vietnam veterans who claim exposure to Agent Orange.

The Veterans Health Administration (VHA), in policy directives and during nationwide conference calls, has reminded all VA health care facilities of the Department's Agent Orange copayment exemption policy. They have advised that it is essential that physicians make the final determination as to whether or not Vietnam veteran's medical conditions may be related to Agent Orange exposure. Additionally, VHA is establishing internal controls to ensure that all nonservice-connected Vietnam veterans who respond affirmatively to the Agent Orange exposure question are means tested before being seen by a physician. The treating physician will be required to document whether the treatment provided is for a condition possibly related to Agent Orange exposure.

It should be pointed out that the problem at issue here stems from the statutory requirement that certain medical care eligibilities are defined not for the veteran but for specific medical conditions. The VA Eligibility Reform Task Force is studying the administrative, medical, and policy implications of this requirement.

The enclosure contains detailed information on the actions I have taken and plan to take to implement your recommendations. It also contains several editorial changes that should be made to your report. I appreciate the opportunity to comment on this report.

Sincerely yours,

Edward J. Derwinski

**Appendix VI  
Comments From the Department of  
Veterans Affairs**

DEPARTMENT OF VETERANS AFFAIRS COMMENTS TO  
GAO DRAFT REPORT, VA HEALTH CARE: Copayment Exemption  
Procedures Should Be Improved  
(GAO/HRD-92-77)

GAO recommends that I provide specific guidance to medical centers on procedures for evaluating the exemption status of Vietnam veterans who claim exposure to Agent Orange. I should instruct medical centers to:

- exempt from copayment liability only Vietnam veterans whom VHA physicians determine to need treatment for conditions that may be related to Agent Orange exposure, and
- determine the copayment liability of Vietnam veterans whom VHA physicians determine to need treatment for conditions unrelated to Agent Orange exposure.

Concur - GAO's basic finding was that VA physicians were not making Agent Orange copayment exemption determinations. At five facilities visited, this resulted in all veterans who claimed Agent Orange exposure to be exempted from copayments, regardless of whether the condition underlying their treatment was possibly related to Agent Orange. At the sixth facility GAO visited, all veterans who claimed Agent Orange exposure were determined liable for the copayments, without the benefit of physician determination of whether their medical condition possibly resulted from Agent Orange.

VHA has advised all VA health care facilities in policy directives and during nationwide conference calls that it is essential that physicians make the final eligibility determination as to whether or not conditions a Vietnam veteran presents may be related to Agent Orange exposure. I believe this will correct the basic condition, with both variations GAO identified. VHA is underscoring this policy by requiring all nonservice-connected Vietnam veterans to complete the means test at the time they complete the application for care. It will put the onus on physicians to certify that a veteran is exempt from copayment requirements or else billing for treatment will be initiated.

The report identifies an internal control deficiency through which one VAMC's admissions staff modified the information provided to their Decentralized Hospital Computer Program (DHCP) software in order to implement a local procedure to determine copayment liability for all veterans regardless of their status. Even if a veteran had claimed exposure to Agent Orange on the application for care, local policy required admissions staff to determine the copayment liability with no requirement for physician certification. DHCP changes, scheduled for January 1993, should

Appendix VI  
Comments From the Department of  
Veterans Affairs

eliminate this breach of internal controls. In the interim, the Chief Medical Director will provide VA medical facilities with a policy to capture copayment information manually until the new software package is released. All nonservice-connected Vietnam veterans who respond affirmatively to the exposure to Agent Orange question will be means tested before being seen by a physician. The treating physician will be required to document whether the treatment provided is for a condition possibly related to Agent Orange exposure. If the treatment is related, the copayment will be waived. If not, billing for the treatment will be initiated.

Additionally, we recommend that the following changes be made to the draft report:

Now on p. 2.

- a. On page 3, the next to the last sentence should read, "The copayment determination process does not apply to veterans who have VA-rated disabilities related to their military service." A veteran who is rated 0 percent service-connected does not receive VA compensation. However, these veterans are also not subject to the copayment requirements.

Now on p. 5.

- b. On page 7, delete the sentence that reads, "Admissions staff may also use information from VHA's Agent Orange Registry when they are evaluating a veteran's exemption status." The registry is located in VA Central Office, and most VA medical facilities do not have ready access to it as suggested by the statement.

Now on p. 6.

- c. On page 8, revise the critical pathway noting, "Was Condition Agent Orange Related," to "Was Condition Possibly Agent Orange Related".

Now on p. 6.

- d. On page 9, amend first paragraph, line 4 to read, "VA's Secretary..." These conditions, i.e., several types of cancers including soft tissue sarcomas and lymphoma, and skin conditions such as chloracne, were specifically designated by the Secretary as being related to Agent Orange exposure. They should not be confused with the five medical exclusions that could not be Agent Orange related, e.g., conditions with known etiologies, traumatic injuries, etc., identified by the CMD's office.

Now on p. 11.

- e. On page 15, revise paragraph 1, line 7, to read, "is possibly associated" versus "is not usually associated," which is an incorrect statement.

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# Major Contributors to This Report

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# Related Products

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VA Health Care: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77, Mar. 1990).

Audit of Means Test Implementation (VA-OIG-8AB-A99-005, Nov. 1987).

Agent Orange: VA Needs to Further Improve Its Examination and Registry Program (GAO/HRD-86-7, Jan. 1986).

VA's Agent Orange Examination Program: Actions Needed to More Effectively Address Veterans' Health Concerns (GAO/HRD-83-6, Oct. 1982).

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