



Highlights of [GAO-03-740T](#), a testimony before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

The Department of Veterans Affairs (VA) collects health insurance payments, known as third-party collections, for veterans' health care conditions it treats that are not a result of injuries or illnesses incurred or aggravated during military service. In September 1999, VA adopted a new fee schedule, called "reasonable charges," that it anticipated would increase revenues from third-party collections.

In January 2003, GAO reported on VA's third-party collection efforts and problems in collections operations for fiscal year 2002 as well as VA's initiatives to improve collections (*VA Health Care: Third-Party Collections Rising as VA Continues to Address Problems in Its Collections Operations*, [[GAO-03-145](#), Jan. 31, 2003]). GAO was asked to discuss its findings and update third-party collection amounts and agency plans to improve collections.

[www.gao.gov/cgi-bin/getrpt?GAO-03-740T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-740T).

To view the full testimony click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101.

## VA HEALTH CARE

# VA Increases Third-Party Collections as It Addresses Problems in Its Collections Operations

## What GAO Found

VA's fiscal year 2002 third-party collections rose by 32 percent over fiscal year 2001 collections, to \$687 million, and available data for the first half of fiscal year 2003 show that \$386 million has been collected so far. The increase in collections reflects VA's improved ability to manage the larger billing volume and more itemized bills required under its new fee schedule. VA managers in three regional health care networks attributed billings increases to a reduction of billing backlogs and improved collections processes, such as better medical documentation prepared by physicians, more complete identification of billable care by coders, and more bills prepared per biller.

Although collections are increasing, operational problems, such as missed billing opportunities, persist and continue to limit the amount VA collects. VA has been implementing the action items in its Revenue Cycle Improvement Plan of September 2001 that are designed to address operational problems, such as unidentified insurance for some patients, insufficient documentation of services for billing, shortages of billing staff, and insufficient pursuit of accounts receivable. VA reported in April 2003 that 10 of 24 action items are complete; 7 are scheduled for implementation by the end of 2003; and the remaining actions will begin in 2004 with full implementation expected in 2005 or 2006. These dates are behind VA's original schedule. In addition, the Chief Business Office, established in May 2002, has developed a new approach that combines the action items with additional initiatives.

Given the growing demand for care, especially from higher-income veterans, it is important that VA resolve its operational problems and sustain its commitment to maximizing third-party collections. It is also important for VA to develop a reliable estimate of uncollected dollars and a complete measure of its collections costs. Without this information, VA cannot evaluate its effectiveness in supplementing its medical care appropriation with third-party dollars.