Veterans Health Administration

Audit of Consolidated Patient Account Center Controls To Prevent Improper Billings for Service-Connected Conditions

August 9, 2017
16-00589-264
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Why We Did This Audit

In March 2015, the VA OIG received an allegation that Veterans Health Administration (VHA) Consolidated Patient Account Centers (CPAC) inappropriately billed veterans and third-party payers for treatment of service-connected (SC) conditions and used an automated system designed to bill by default. We determined whether CPAC controls ensured veterans and third-party payers were not billed for treatment of SC conditions.

What We Found

We substantiated the allegation that CPACs improperly billed veterans and third-party payers and used an automated system that billed by default. CPAC controls need strengthening to ensure veterans and third-party payers are not billed for treatment of SC conditions.

Of about 15.4 million bills VHA issued during FY 2015, we estimated approximately 1.7 million (11 percent) were improper bills for the treatment of SC conditions. Of the 1.7 million improper bills, approximately 623,000 were to veterans and approximately 1.0 million were to third-party payers.

This occurred because CPACs did not provide billing staff access to Veterans Benefits Management System (VBMS), establish procedures for review of prescriptions, conduct comprehensive quality assurance reviews of SC determinations, and provide consistent training to VA medical facility staff.

As a result, we estimated that during FY 2015, VHA improperly issued bills totaling about $15 million to veterans and approximately $295.6 million to third-party payers for treatment of SC conditions. We also estimated VHA inappropriately collected approximately $13.9 million from veterans and at least $13 million from third-party payers for the improper bills.

What We Recommended

We recommended the Under Secretary for Health statistically sample bills of SC veterans and assess other means to identify and refund erroneous bills. We also recommended the Under Secretary ensure CPAC billing staff receive read-only access to VBMS, review prescriptions for service connection, revise quality assurance reviews, and monitor changes and provide training for medical providers.

Agency Comments

The Under Secretary for Health concurred, or concurred in principle, with our recommendations, and provided action plans. We considered the plans acceptable and will follow up on their implementation.

LARRY M. REINKEMEYER
Assistant Inspector General for Audits and Evaluations
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INTRODUCTION

The Office of the Inspector General (OIG) received an allegation in March 2015 that Veterans Health Administration (VHA) Consolidated Patient Account Centers (CPAC) inappropriately billed veterans and third-party payers for treatment of service-connected (SC) conditions. The complainant also alleged this occurred because CPACs used an automated system designed to bill by default. This audit determined whether CPAC controls ensured veterans and third-party payers are not billed for treatment of SC conditions.

In accordance with Public Law 110-387, Veterans’ Mental Health and Other Care Improvements Act of 2008, October 10, 2008, VHA established seven regional CPACs from September 2009 through September 2012. The purpose of establishing CPACs was to conduct industry-modeled regionalized billing and collection activities. The law also required VHA to standardize and coordinate VA activities related to the revenue cycle for health care services furnished to veterans for non-SC medical conditions.

VHA reported that during FY 2015, VHA billed veterans about $1 billion and collected approximately $850 million from them. During the same year, VHA billed third-party payers approximately $7.2 billion for treatment and collected about $2.5 billion from them. VA may collect partial or full payment from a third-party payer under the terms of the applicable insurance policy or other agreement. Therefore, the amount VA collects from third-party payers may not always equal the amount billed. VHA reports collections as revenue, and uses these collections to support health care services for veterans at VA medical facilities. Since revenue collected is anticipated money in VHA’s budget, accurate reporting of revenues is important to avoid future budget shortfalls.

CPACs are aligned under VHA’s Revenue Operations, which focus on process standardization and provide technical expertise in revenue cycle management. VHA’s Revenue Operations is aligned under the Office of Community Care. The Office of the Deputy Under Secretary for Community Care supports patient care and delivery of health benefits, and provides executive program support to the Under Secretary for Health on health benefits administration programs, activities, development of administrative processes, policy, regulations, and directives associated with the delivery of VA health benefits programs.

1 An SC condition is an illness or injury incurred in or aggravated by military service. (38 Code of Federal Regulations Sections 3.303 and 3.306) If an SC condition causes or aggravates a non-SC condition, the non-SC condition is also SC. (38 Code of Federal Regulations Section 3.310)
RESULTS AND RECOMMENDATIONS

Finding  Veterans and Third-Party Payers Were Improperly Billed for Service-Connected Conditions

We substantiated the allegation that CPACs improperly billed veterans and third-party payers and used an automated system that billed by default. Of about 15.4 million bills VHA issued during FY 2015, we estimated approximately 1.7 million (11 percent) were improper bills for the treatment of SC conditions. Of the 1.7 million improper bills, approximately 623,000 were bills to veterans and approximately one million were bills to third-party payers. CPAC controls need strengthening to ensure veterans and third-party payers are not improperly billed for treatment of SC conditions. CPACs did not:

- Provide billing staff access to Veterans Benefits Management System (VBMS) SC information
- Establish procedures for review of prescriptions prior to generating bills to veterans
- Conductor comprehensive quality assurance reviews of SC determinations for veterans medical treatment
- Provide consistent training to VA medical facility staff responsible for making SC determinations for veterans’ medical treatment

As a result, we estimated that during FY 2015, VHA improperly issued bills totaling about $15 million to veterans and bills totaling approximately $295.6 million to third-party payers for treatment of SC conditions. We also estimated VHA inappropriately collected about $13.9 million from veterans and at least $13 million from third-party payers for the improper bills. Furthermore, VHA will incur processing costs to cancel the improper bills and issue refunds to veterans and third-party payers who had paid the improper bills.

Improper Bills

CPAC controls did not consistently prevent VHA from issuing improper bills to veterans and third-party payers for the treatment of SC conditions. The Code of Federal Regulations does not allow VHA to bill veterans or

2We used the conservative lower limit estimate of $13 million rather than the upper estimate of about $150 million that is discussed in our Statistical Sampling Methodology in Appendix C. The amount VA collects from third-party payers varies and is dependent upon the terms of the applicable insurance policy or other agreement. That is why there is a significant difference between the VA-billed amount of $295.6 million and the estimated $13 million inappropriately collected from third-party payers.
third-party payers for treatment of SC conditions or to bill veterans for prescriptions they received to treat SC conditions, or any condition when a veteran has an SC condition with a disability rating of 50 percent or higher.\(^3\)\(^4\)

Of the 210 sampled bills, 24 were improper since they were for the treatment of SC conditions.\(^5\) For 18 of the 24 bills, we made the initial determination they were improper. For the remaining six bills, CPAC staff determined they were improper prior to our review and CPACs canceled or refunded the bills. CPAC Directors agreed all 24 bills were improper.

Using our statistical sample results, we estimated that of 15.4 million bills VHA issued during FY 2015, approximately 1.7 million totaling about $310.5 million (11 percent) were improper since they were for the treatment of SC conditions. Of the estimated 1.7 million improper bills, approximately 623,000 were bills to veterans and approximately one million were bills to third-party payers. VHA will need to establish the amounts billed in error and initiate refunds to reimburse veterans and third-party payers. Table 1 summarizes the improper bills.

<table>
<thead>
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<th>Type</th>
<th>Bills</th>
<th>Amounts</th>
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</thead>
<tbody>
<tr>
<td>Veteran Bills</td>
<td>623,204</td>
<td>$14,961,588</td>
</tr>
<tr>
<td>Third-Party Payer Bills</td>
<td>1,037,292</td>
<td>$295,585,280</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,660,497</strong></td>
<td><strong>$310,546,868</strong></td>
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</table>

Source: VA OIG statistical projections based on review of FY 2015 bills sampled from VHA’s Corporate Data Warehouse

A key control for ensuring VHA does not improperly bill veterans and third-party payers is to ensure VA medical facility providers accurately label in VHA’s Computerized Patient Record System (CPRS) whether prescriptions or medical encounters are for the treatment of SC or non-SC conditions. VHA policy requires medical care providers to record the labels in CPRS.\(^6\) As a control, when VA medical facility providers label treatments as SC, CPAC policy requires Revenue Utilization Review (RUR) nurses to

\(^{3}\)38 Code of Federal Regulations Sections 17.101, 17.106 (a,1), 17.110 (c,1-2), and 17.108 (d,1).
\(^{4}\)The Veterans Benefits Administration provides disability ratings to veterans with SC conditions. These ratings are awarded in 10 percent increments, ranging from 0 percent to 100 percent.
\(^{5}\)Of the 24 improper bills, 23 were for treatments of SC conditions and one was for treating a non-SC condition for a veteran with an SC rating of 60 percent.
\(^{6}\)VHA Directive 1082, Patient Care Data Capture.
validate providers’ SC determinations for treatment. For SC validations, RUR nurses use information in VBMS, CPRS, or the Veterans Health Information Systems and Technology Architecture (VistA). VA systems are designed to automatically generate bills in the following situations:

- When providers label prescriptions as non-SC, VHA’s Electronic Claims Management Engine automatically generates and releases bills to third-party payers without an RUR review.
- Before billing copayments to veterans, VistA places all copayment charges on hold for 90 days, pending payments from third-party payers. CPACs do not review or validate these bills during the 90-day holding period. Depending on billed dollar amounts, CPACs follow up with third-party payers if payments have not been received during the 90-day period. When VA does not receive third-party payer payments within 90 days, VistA automatically generates and releases copayment bills to veterans.
- For veterans without third-party payers, VistA automatically generates and releases copayment bills to veterans, when applicable, for prescriptions labeled non-SC.

CPAC controls did not prevent improper pharmacy bills from being issued to veterans for treatment of SC conditions. We estimated VHA improperly issued about 600,000 pharmacy copayment bills to veterans during FY 2015. For the improper pharmacy bills we reviewed, the amounts ranged from $8 to $48 for prescriptions to treat various SC medical conditions, such as anxiety and conditions of the skeletal system. The following example highlights how VHA improperly billed an SC veteran for a prescription copayment.

On December 12, 2014, a VA medical facility filled a prescription for blood pressure control medicine to treat a veteran’s diabetes with hypertension. Although the veteran was SC for diabetes since April 23, 2001, the provider incorrectly labeled the prescription as non-SC. On December 26, 2014, VHA issued the veteran a $24 bill for the prescription copayment and on January 29, 2015, the CPAC collected the veteran’s payment. CPAC management agreed the prescription was to treat the veteran’s SC condition and the bill was

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7CPAC Policy P-007-01-01, Service Connection and Special Authority Eligibility Validation Review Process.
8The difference between our estimate of 623,000 total improper veteran bills and our estimate of 600,000 improper veteran pharmacy bills represents a possible population of about 23,000 improper veteran medical encounter bills. We did not discuss improper veteran medical encounter bills in this report because the number of improper medical encounter bills in our sample was too small to make precise estimates for this subgroup.
improper. On January 26, 2016, or about 365 days after collecting the payment, the CPAC issued the veteran a $24 refund.

CPAC policy stated RUR nurses are responsible for validating providers’ SC labels for treatment of SC veterans with 0 to 40 percent disability ratings. The following example illustrates an improper bill issued for a prescription used to treat a veteran’s SC condition.

**Example 2**

On August 6, 2015, a VA medical facility filled a prescription for pain medication to treat a veteran’s knee. The provider correctly labeled the prescription as SC. Although the veteran was rated 20 percent SC for impairment of the knee since July 11, 2002, on October 7, 2015, VHA issued the veteran a copayment bill of $8. On October 16, 2015, the CPAC collected payment from the veteran. CPAC management agreed the prescription was to treat the veteran’s SC condition and the bill was improper. CPAC officials stated that an RUR nurse did not review the bill before VHA issued the bill to the veteran. On December 15, 2015, or about 60 days after collecting payment, CPAC issued the veteran a refund.

CPAC controls did not prevent VHA from improperly issuing about 297,000 pharmacy bills to third-party payers during FY 2015. For the improper bills we reviewed, the amounts ranged from about $14 to $19 for prescriptions to treat various SC medical conditions, such as arthritis and heart disease. The following example highlights an improper pharmacy bill issued to a third-party payer.

**Example 3**

On February 9, 2015, a VA medical facility filled a prescription for blood pressure control medicine to treat a veteran’s coronary artery disease. The veteran was SC for this heart condition since March 20, 2013, and the medical examination notes stated the patient was taking the prescription for coronary artery disease. On February 10, 2015, VHA issued a third-party payer bill for about $14. Prior to our review, the CPAC had not collected the third-party payer payment. CPAC management agreed the prescription was to treat the veteran’s SC condition and the bill was improper. Therefore, CPAC canceled the bill.

CPAC controls also did not prevent improper medical encounter bills from being issued to third-party payers for treatment of veterans’ SC conditions. We estimated VHA improperly issued just over 740,000 bills for medical encounters of veterans’ SC conditions to third-party payers during FY 2015. For the improper bills reviewed, the amounts ranged from about $17 to $9.

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9CPAC Policy P-007-01-01, Service Connection and Special Authority Eligibility Validation Review Process.
$1,098 to treat various SC medical conditions, such as dysthymic (depression) disorder, diabetes mellitus, and hearing loss. We estimated that for about 600,000 of the 740,000 improper third-party payer bills, providers incorrectly labeled medical encounters as non-SC. The following example highlights a VA provider incorrectly labeling a medical encounter resulting in an improper third-party payer bill.

Example 4

On April 15, 2015, a veteran received psychiatric care at a VA medical facility. The medical notes stated the veteran discussed his SC post-traumatic stress disorder condition during treatment. The provider labeled the veteran’s medical encounter as non-SC although the veteran was SC for post-traumatic stress disorder since April 26, 2004. On May 12, 2015, VHA issued a third-party payer bill for about $23, and on May 20, 2015, the CPAC collected payment. CPAC management agreed the encounter was to treat the veteran’s SC condition and the bill was improper. On January 29, 2016, or about 250 days after collecting payment, the CPAC refunded the third-party payer about $23.

Reasons for Improper Bills

VHA issued improper bills to veterans and third-party payers for treating SC conditions because CPAC billing staff did not have access to VBMS and prescriptions were not reviewed prior to generating bills to veterans. Further, CPACs did not conduct comprehensive quality assurance reviews of SC determinations for veterans’ medical treatment or provide consistent training to VA medical facility staff responsible for making SC determinations for veterans’ medical treatment.

Lack of System Access

CPAC billing staff did not have access to VBMS to verify veterans’ SC conditions and determine whether medical encounters required RUR nurse SC determinations for medical treatment. The CPAC Billing Guidebook requires billing staff to use VistA to determine whether veterans have SC conditions and to verify RUR nurses have reviewed medical encounters for service connection. During our review, CPAC staff stated that VistA does not have current SC information for veterans, and it would be helpful to have access to other VA systems.

We found evidence that VistA SC information was not current. For example, for one of our sampled bills, as of February 2016 the veteran’s SC information had still not been updated in VistA to reflect an SC disability rating, provided almost two years earlier in a March 2014 rating decision. Providing billing staff VBMS read-only access to review SC information may help them more accurately determine if veterans have SC conditions and whether encounters require reviews by RUR nurses.

Inadequate Procedures

CPACs did not establish procedures to review on-hold veterans’ prescription copayment charges to make SC determinations for medical treatment prior to
Bill issuance. When VA providers labeled prescriptions as non-SC, VistA automatically generated veterans’ copayments and placed the charges on hold for 90 days pending payment from their third-party payer. During the 90-day hold period, CPACs had an opportunity to review charges to make SC determinations for medical treatment prior to generating veterans’ copayment bills. VHA should establish oversight procedures to review statistical samples of prescriptions for possible service connection, while charges are on hold, to prevent improper copayment billing to veterans.

CPACs lacked comprehensive quality assurance reviews to identify and monitor improper bills for treatment related to SC conditions. CPAC quality assurance staff were required to conduct 14 standardized reviews quarterly to determine if functional departments complied with standard processes and identified missed revenue opportunities. However, the quality assurance checklist did not include a review for improperly billing treatments related to veterans’ SC conditions. While the reviews included identifying whether RUR nurse SC validations were documented, the CPACs did not require reviews to determine whether the RUR nurse validations were accurate. CPACs should revise quality assurance reviews to evaluate whether RUR nurses correctly validate or make SC determinations for veterans’ medical treatment based upon staffing and workload for RUR nurses. In addition, the checklist did not include reviews of pharmacy bills. Since improper pharmacy bills included about 897,000 of the 1.7 million improper bills generated by CPACs (54 percent), a process to include pharmacy bills in CPAC quality assurance reviews should also be established.

CPACs did not provide consistent training to medical facility staff responsible for making SC determinations related to veterans’ medical treatment. VHA policy stated that RUR nurses were responsible for providing revenue training to VA medical facility staff, which included providing ongoing education and training for identified problems or concerns related to clinical issues. In addition, the CPAC RUR Nurse Guidebook stated RUR nurses should provide and document the training provided clinical providers and medical center staff at least quarterly.

According to CPAC Directors and RUR Nurse Managers, the total number of training sessions provided during FY 2015 by RUR nurses varied. The number of CPAC training sessions reported ranged from nine by one CPAC to 462 by another CPAC. RUR nurses did not consistently document the content of VA medical facility staff training sessions, and CPAC officials

10VHA Handbook 1601C.02, Revenue Utilization Review.
11CPAC Revenue Utilization Review Guidebook.
stated they did not track training provided. Since CPACs did not consistently document training, we could not confirm the accuracy of the reported number of training sessions or evaluate whether the content of the training specifically focused on SC determinations for medical treatment. To help ensure VHA does not improperly bill veterans and third-party payers, CPACs need to establish and document a systematic process for ongoing communication and training between VA clinical providers and medical facility staff and RUR nurses.

In addition, CPAC management needs to ensure RUR nurses provide the required training. CPAC policy and procedures did not require management oversight to ensure RUR nurses provide and document training to VA medical facility staff. RUR nurses are responsible for providing training to medical facility staff and documenting specific training classes, training dates, and medical facility staff participants using sign-in sheets or electronic registration.

Further, CPACs did not require RUR nurses to track and monitor providers’ SC determination errors. The Government Accountability Office’s Standards for Internal Control in the Federal Government requires Federal managers to establish activities to monitor performance measures and indicators. Monitoring activities could include tracking the number of incorrect provider labels identified by RUR nurses. If CPACs monitored and tracked incorrect SC labels, RUR nurses could provide more tailored training focusing on the most frequent types of incorrect SC determinations for medical treatment and medical facility staff who frequently make incorrect SC determinations.

We estimated that during FY 2015, VHA improperly issued bills totaling $15 million to veterans and bills totaling $295.6 million to third-party payers for treatment of SC conditions. We also estimated VHA inappropriately collected $13.9 million from veterans and at least $13 million from third-party payers for the improper bills. Further, VHA will incur processing costs to cancel the improper bills and issue refunds to veterans and third-party payers who had paid the improper bills.

CPAC controls did not prevent VHA from improperly billing veterans and third-party payers for treatment of veterans’ SC conditions. As a result, we estimated VHA issued improper bills totaling over $310 million to veterans and third-party payers during FY 2015. Although the $310 million represents a relatively small portion of the total $4.8 billion of CPAC bills, within an automated billing process, we found an 11 percent error rate and considered it excessive. By strengthening controls to prevent improper bills, CPACs will operate more efficiently and minimize the risk of erroneously collecting funds from veterans and third-party payers.
Recommendations

1. We recommended the Under Secretary for Health require Consolidated Patient Account Centers review a statistical sample of bills issued during fiscal years 2015 and 2016 for the treatment of service-connected veterans to identify erroneously billed amounts that require refunds, and use these results to address internal control deficiencies and assess what additional efforts can be taken to identify and refund erroneously billed amounts.

2. We recommended the Under Secretary for Health require Consolidated Patient Account Center management to provide billing staff read-only access to the Veterans Benefits Management System to identify potential service-connected bills that require review by Revenue Utilization Review nurses.

3. We recommended the Under Secretary for Health require Consolidated Patient Account Center management establish oversight procedures to review statistical samples of prescriptions prior to generating bills to veterans and to address any identified systemic or facility-specific billing problems.

4. We recommended the Under Secretary for Health require Consolidated Patient Account Center management to revise quality assurance reviews to include reviews of pharmacy bills and evaluate whether Revenue Utilization Review nurses correctly validate or make service-connection determinations for veterans’ medical treatment based upon staffing and workload.

5. We recommended the Under Secretary for Health require Consolidated Patient Account Center management to revise policy and procedure to require Consolidated Patient Account Center staff to adequately provide and document training for VA medical facility staff regarding specific service-connection determination errors.

6. We recommended the Under Secretary for Health require Consolidated Patient Account Center management to track and monitor incorrect medical provider service-connection determinations and coordinate training to ensure identified issues are appropriately addressed.

The Acting Under Secretary for Health concurred with Recommendations 1, 4, 5, and 6, and concurred in principle with Recommendations 2 and 3. VHA has agreed to study samples of FYs 2015–2017 billings for SC veterans to identify improper billings, third party bills to compare disability rating information in VistA and VBMS, and prescriptions on 90-day holds to assess improper bills. Based on the results of these studies, VHA will
implement controls to address identified deficiencies. VHA also issued a revised CPAC RUR Guidebook (version 3.1; January 11, 2017) and has agreed to monitor, track, and report changes made to “SC/SA determinations” and provide documented training to minimize provider service-connection determination errors.\(^{12}\) VHA requested closure of Recommendation 4. VHA corrected the 24 improper bills identified by the OIG’s audit.

**OIG Response**

The Acting Under Secretary for Health’s planned corrective actions are acceptable. We will monitor VHA’s progress and follow-up on the implementation of Recommendations 1, 2, and 3 until the proposed studies have been completed and any necessary corrective actions and controls have been implemented. We plan to keep Recommendation 4 open until VHA provides the latest version of the CPAC RUR Guidebook (Version 3.1, dated January 11, 2017). We will also follow up on Recommendations 5 and 6 after VHA provides supporting documentation for the discussed quality review tools and standardized tracking mechanism for provider education/training.

\(^{12}\) Service-connect/special authorization.
Appendix A  Background

In response to Public Law 110-387, from September 2009 through September 2012, VHA established seven regional CPACs to provide standardized and uniform revenue services across VHA’s Veterans Integrated Service Networks. CPAC staff are also based at VA medical facilities to support delivery of revenue-focused customer service to veterans. Table 2 shows locations and establishment dates for VHA’s seven CPACs.

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Date Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Atlantic</td>
<td>Asheville, NC</td>
<td>September 2009</td>
</tr>
<tr>
<td>North Central</td>
<td>Middleton, WI</td>
<td>May 2010</td>
</tr>
<tr>
<td>Mid-South</td>
<td>Smyrna, TN</td>
<td>September 2010</td>
</tr>
<tr>
<td>Florida/Caribbean</td>
<td>Orlando, FL</td>
<td>March 2011</td>
</tr>
<tr>
<td>North East</td>
<td>Lebanon, PA</td>
<td>September 2012</td>
</tr>
<tr>
<td>West</td>
<td>Las Vegas, NV</td>
<td>September 2012</td>
</tr>
<tr>
<td>Central Plains</td>
<td>Leavenworth, KS</td>
<td>September 2012</td>
</tr>
</tbody>
</table>

Source: CPAC FY 2014 Annual Report

The Code of Federal Regulations authorizes VA to recover reasonable charges from third-party payers for medical care and services provided for a non-SC condition through any VA facility to a veteran. Unless veterans have an SC condition with a disability rating of 50 percent or higher, they are responsible for paying the applicable copayments for prescriptions they receive to treat non-SC conditions. Generally, VA is not authorized to bill for treatment of SC conditions. However, VA may bill for treatment if the SC condition is determined to be re-injured or further aggravated by a compensable occupational injury or disease or the negligence or other legal wrong of a third person.

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1338 Code of Federal Regulations Sections 17.101, 17.106 (a,1 and a,2). Third-party payers include private health insurance carriers, workers’ compensation carriers, and automobile liability insurance carriers.
1438 Code of Federal Regulations Section 17.110 (b,1 and c,1).
1538 Code of Federal Regulations Section 17.101, 17.110 (c,1-2).
16VA Manual M-1, Part 1, Chapter 15.02, Section b (5).
Appendix B  Scope and Methodology

Scope

We conducted our audit work from December 2015 through May 2017. We focused on determining whether CPAC controls ensured veterans and third-party payers are not billed for treatment of SC conditions. The audit did not review VA medical facility controls related to the coding and billing of medical treatment because CPACs do not have responsibility over these controls. The audit covered a population of about 15.4 million pharmacy and medical encounter bills totaling approximately $4.8 billion during FY 2015 for medical treatment of veterans with SC conditions. The population did not include bills for medical treatment of veterans without SC conditions. We audited all seven CPACs.

We conducted on-site visits at the following four CPACs:

- Mid-Atlantic, Asheville, NC
- North Central, Middleton, WI
- West, Las Vegas, NV
- Central Plains, Leavenworth, KS

We conducted audit work remotely for the following three CPACs:

- Mid-South, Smyrna, TN
- Florida/Caribbean, Orlando, FL
- North East, Lebanon, PA

Methodology

To accomplish the audit objective, we reviewed applicable laws, regulations, VHA policies, and CPAC guidebooks. We also interviewed CPAC Program officials; management; and staff, including RUR nurses, Facility Revenue Technicians, and Financial Accounts Technicians. In addition, we interviewed staff from the CPAC Billing, Quality Assurance, and Veterans Services Departments.

We used statistical sampling to select bills to audit from a population of 15.4 million bills generated during FY 2015 totaling about $4.8 billion for medical treatment of veterans with SC conditions. The sample included 30 bills from each of the seven CPACs for a total of 210 bills. Appendix C provides details on the statistical sampling methodology.

For the sampled bills, to determine whether medical encounters or prescriptions were improperly billed, we reviewed bill statements, related VistA information, CPRS provider notes, and VBMS veteran SC rating. We used an OIG Healthcare Inspector to augment the clinical expertise needed to make determinations on whether billed treatments were related to specific
SC conditions. We also discussed identified improper bills with CPAC management and program officials.

**Fraud Assessment**

The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur. The audit team exercised due diligence in staying alert to any fraud indicators by taking actions, such as asking CPAC officials, management, and staff if they were aware of whether staff could alter labels on medical bills for themselves, family, or friends. During one of our site visits, we received an allegation of potential fraud from a CPAC employee. We referred the information to the OIG Office of Investigations.

**Data Reliability**

We used computer-processed data from VHA’s Corporate Data Warehouse, Veterans Service Network, VistA, CPRS, and the Compensation and Pension Record Interchange to accomplish the audit objective. To assess the reliability of the Corporate Data Warehouse data, we compared bills from Corporate Data Warehouse to an Accounts Receivable file in VistA. To assess the reliability of Veterans Service Network data, we compared Veterans Services Network veteran information for 100 sampled bills to veteran information in the Veterans Benefits Administration’s VBMS and the Share system.

To assess the reliability of VistA and CPRS documentation, we observed CPAC staff retrieving the information and ensured that they did not alter any information. In addition, for medical documentation, we gained access to Compensation and Pension Record Interchange and compared veteran’s information for 30 sampled bills to the Corporate Data Warehouse. We found no significant discrepancies and concluded the computer-processed data were sufficiently reliable to support our audit objective, conclusion, and recommendations.

**Government Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.
Appendix C  Statistical Sampling Methodology

To accomplish the audit objectives we reviewed a representative sample of medical bills from VHA’s seven CPACs. We used statistical sampling to estimate the extent of improper billing.

Population

To identify the audit population, we compared veteran names and Social Security numbers from VHA’s Corporate Data Warehouse for bills prepared during FY 2015 with names and Social Security numbers for veterans who were SC as of September 2015 from the Veterans Benefits Administration’s Veterans Service Network. The population was about 15.4 million bills totaling approximately $4.8 billion for treatment of veterans with SC conditions. The population included about 8.4 million pharmacy bills totaling approximately $327.8 million and about 6.9 million medical encounter bills totaling approximately $4.5 billion.

Sampling Design

We stratified the population by CPAC facility and the four strata shown in the table below. We selected a sample of 30 bills from each CPAC using proportional allocation for each of the strata for a total sample of 210 bills. Table 3 shows the four strata and details the sample bills reviewed and the population of bills associated with each stratum.

Table 3. Stratified Bill Populations

<table>
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<th>Strata</th>
<th>Sample Size</th>
<th>Population</th>
<th>Amount</th>
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<td>Pharmacy</td>
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<td>Veteran Copayments</td>
<td>63</td>
<td>4,751,783</td>
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<td>Third-Party Payers</td>
<td>40</td>
<td>3,677,784</td>
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<td>Subtotal</td>
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<td>Medical Encounters</td>
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<tr>
<td>Veteran Copayments</td>
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<td>349,356</td>
<td>$17,624,610</td>
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<tr>
<td>Third-Party Payers</td>
<td>93</td>
<td>6,585,436</td>
<td>$4,437,502,971</td>
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<tr>
<td>Subtotal</td>
<td>107</td>
<td>6,934,792</td>
<td>$4,455,127,581</td>
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<tr>
<td>Grand Total</td>
<td>210</td>
<td>15,364,359</td>
<td>$4,782,967,070</td>
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</table>

Source: OIG statistical analysis of FY 2015 bills from VHA’s Corporate Data Warehouse

Weights

We calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.
The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would differ for each sample, but would include the true population value 90 percent of the time.

Table 4 presents the projections, including the estimates, margins of error, lower 90 percent values, and upper 90 percent values. We used estimates throughout the report.

### Table 4. Statistical Projections (Improper Bills)

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate</th>
<th>Margin of Error</th>
<th>Lower 90 Percent</th>
<th>Upper 90 Percent</th>
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<tbody>
<tr>
<td>Bills</td>
<td>1,660,497</td>
<td>536,104</td>
<td>1,124,393</td>
<td>2,196,600</td>
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<td>Amounts</td>
<td>$310,546,868</td>
<td>$174,872,369</td>
<td>$135,674,499</td>
<td>$485,419,238</td>
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<tr>
<td>Percent</td>
<td>10.8%</td>
<td>3.5%</td>
<td>7.3%</td>
<td>14.3%</td>
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<tr>
<td>Veterans’ Bills</td>
<td>623,204</td>
<td>304,120</td>
<td>319,084</td>
<td>927,325</td>
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<tr>
<td>Amounts of Veterans’ Bills</td>
<td>$14,961,588</td>
<td>$8,894,205</td>
<td>$6,067,383</td>
<td>$23,855,794</td>
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<tr>
<td>Third-Party Payer Bills</td>
<td>1,037,292</td>
<td>441,495</td>
<td>595,797</td>
<td>1,478,787</td>
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<td>Amounts of Third-Party Payer Bills</td>
<td>$295,585,280</td>
<td>$174,646,038</td>
<td>$120,939,242</td>
<td>$470,231,318</td>
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<tr>
<td>Veterans’ Pharmacy Bills</td>
<td>599,692</td>
<td>301,626</td>
<td>298,067</td>
<td>901,318</td>
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<tr>
<td>Amounts</td>
<td>$13,125,030</td>
<td>$8,359,881</td>
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<tr>
<td>Third-Party Payer Bills</td>
<td>296,808</td>
<td>237,008</td>
<td>59,800</td>
<td>533,815</td>
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<td>Amounts of Pharmacy Bills</td>
<td>$10,433,116</td>
<td>$8,584,751</td>
<td>$1,848,364</td>
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<td>Medical Encounter Bills</td>
<td>740,485</td>
<td>372,485</td>
<td>368,000</td>
<td>1,112,970</td>
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<td>Amounts of Medical Encounter Bills</td>
<td>$285,152,164</td>
<td>$174,434,918</td>
<td>$110,717,246</td>
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<td>Bill Collections</td>
<td>562,810</td>
<td>302,294</td>
<td>260,516</td>
<td>865,103</td>
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<tr>
<td>Collected Veteran Bills</td>
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<td></td>
<td></td>
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<tr>
<td>Amounts Collected from Veterans</td>
<td>$13,895,769</td>
<td>$8,731,122</td>
<td>$5,164,647</td>
<td>$22,626,891</td>
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<tr>
<td>Collected Third-Party Payer Bills</td>
<td>597,274</td>
<td>342,514</td>
<td>254,760</td>
<td>939,787</td>
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<tr>
<td>Amounts Collected from Third-Party Payers</td>
<td>$81,538,563</td>
<td>$68,491,138</td>
<td>$13,047,425*</td>
<td>$150,029,701</td>
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*For this projection, because the sampling error was 30 percent or more of the estimate, we used the lower limit of the confidence interval as a conservative estimate.

Source: VA OIG statistical projections based on review of FY 2015 bills sampled from VHA’s Corporate Data Warehouse
Appendix D  Management Comments

Date:       June 30, 2017

From:      Acting Under Secretary for Health (10)

Subj:      OIG Draft Report, Audit of Consolidated Patient Account Center (CPAC) Controls to Prevent Improper Billings for Service-Connected Conditions (VAIQ 7799762)

To:        Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review the Office of Inspector General (OIG) draft report, Audit of Consolidated Patient Account Center (CPAC) Controls to Prevent Improper Billings for Service-Connected Conditions. I concur with recommendations 1, 4, 5 and 6 and concur in principle with recommendations 2 and 3. I provide the attached action plan to address these recommendations.

2. The Veterans Health Administration (VHA) appreciates OIG’s work to identify improper billings for service-connection/special authorization (SC/SA) conditions. VHA has corrected the 24 improper bills OIG identified in the draft report.

3. Ensuring Veterans and third-party insurance carriers are properly billed is a priority for VHA and we have numerous processes and internal controls in place to monitor and track appropriateness of our billing. VHA’s Office of Community Care, Revenue Operations conducts internal control audits and quality assurance reviews throughout all departments within CPACs.

4. As with all large billing businesses, billing errors occur. Kaiser Health News published a March 2016 report stating the “American Medical Association estimated that 7.1 percent of paid claims in 2013 contained an error” (Studies Find High Rates of Errors in Medical Billing). The Office of Community Care’s internal analysis using widely accepted industry standards, calculated the dollar amount VHA collected from improperly issued bills to Veterans to be 1.5 percent of total dollars billed.

5. The most effective way to eliminate billing errors is to remove the risk for human error in the billing process. We do that by automating as much of the process as possible. We would be very reluctant to bypass automated processes and build in manual processes that would likely increase the risk for human error.

6. We encourage Veterans or third-parties with questions about their bill to call the toll-free number on your bill to contact your local CPAC representative. CPAC staff are also located onsite at each VA Medical Center to assist Veterans with billing related questions in person.

7. If you have any questions, please email Karen Rasmussen, M.D., Director, Management Review Service at VHA10E1DMRSAction@va.gov.

(Original signed by:)

Poonam Alaigh, M.D.

Attachment

For accessibility, the format of the original documents in this appendix has been modified to fit in this document.
Audit of VHA’s CPAC Controls To Prevent Improper Billings for Service-Connected Conditions

Attachment

Veterans Health Administration (VHA)

Action Plan

OIG Draft Report: Audit of Consolidated Patient Account Center (CPAC) Controls to Prevent Improper Billings for Service-Connected Conditions

Date of Draft Report: May 16, 2017

Recommendation 1: We recommended the Under Secretary for Health require Consolidated Patient Account Centers review a statistical sample of bills issued during fiscal years 2015 and 2016 for the treatment of service-connected veterans to identify erroneously billed amounts which require refunds, and use these results to address internal control deficiencies and assess what additional efforts can be taken to identify and refund erroneously billed amounts.

VHA Comments: Concur.

The Veterans Health Administration’s (VHA) Office of Community Care concurs with this recommendation. The Office of Community Care will review a statistical sample for 2015, 2016, and 2017, conduct a root cause analysis, and incorporate controls around the deficiencies identified. It is important to us to ensure continued superior customer service when identifying improvement steps; therefore, upon completion of the review, we will assess all avenues available to properly identify Service Connected/Special Authority (SC/SA) treatment and prevent erroneously billing.

All refunds identified during the OIG review have been processed. Any refunds identified as a result of our additional review, will be processed timely.

We would like to share that the Office of Community Care calculated the SC/SA error rate for Veteran copayment and third-party bills to 3.8 percent of the total population of copayment and third-party charges generated in FY 2015 which compares favorably to industry standards.

At the completion of this action, the Office of Community Care will provide OIG with the results of the statistical sample and the corrective actions taken.

  Status: In progress  Target Completion Date: September 2017

Recommendation 2: We recommended the Under Secretary for Health require Consolidated Patient Account Center management to provide billing staff read-only access to Veterans Benefits Management System to identify potential service-connected bills that require review by Revenue Utilization Review nurses.

VHA Comments: Concur in principle.

We appreciate the OIG’s recommendation that billers need access to VBMS due to inconsistencies that may exist between Vista and VBMS. VA believes that we do not have enough data to understand the extent of potential discrepancies in our databases and whether access to VBMS would be beneficial to address these. To better understand this, we will conduct an internal study taking a random sample of third party bills and will have Revenue Utilization Review (RUR) nurses compare the rated disabilities in Vista to those in VBMS.

Our study will be conducted using a new sample of 210 third party bills. If the study’s outcome indicates that substantial discrepancies exist and that improvements are necessary, VA will do the following:
1. Update processes and internal controls documented in the Billing Guidebook

2. Update performance plans if applicable

3. Negotiate with Labor on this change.

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<tr>
<th>Status</th>
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</tr>
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<tbody>
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Recommendation 3: We recommended the Under Secretary for Health require Consolidated Patient Account Center management establish oversight procedures to review statistical samples of prescriptions prior to generating bills to veterans and to address any identified systemic or facility-specific billing problems.

VHA Comments: Concur in principle.

The Office of Community Care agrees that the 90 day hold period for prescription co-payments pending third party insurance payment gives VA an opportunity for additional verification of the SC/SA status. The process of assessing Veteran copayments is an automated process that starts when the provider enters the prescription. The provider makes the SC/SA determination at this time. Veteran copayments are generated automatically when a prescription is filled. CPAC billing staff do not intervene in this process, nor do they have the clinical expertise to do so. Over the next six months, the Office of Community Care will review statistical samples of the subset of prescriptions placed on 90 day hold and will assess the impact of this procedure on both volume and dollar value of improper bills. It is not clear whether new or different internal controls will result in substantial identification of improper bills. In the event VA derives a significant benefit of this new control, VA will consider permanent implementation.

At the completion of this action, the Office of Community Care will provide OIG with the results of the statistical sample and the corrective actions taken.

<table>
<thead>
<tr>
<th>Status</th>
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Recommendation 4: We recommended the USH require CPAC management to revise quality assurance reviews to include reviews of pharmacy bills and evaluate whether RUR Nurses correctly validate or make SC determinations for Veterans' medical treatment based on staffing and workload.

VHA Comments: Concur.

The Office of Community Care, Revenue Operations already has a Revenue Utilization Review (RUR) process (a quality assurance process) in place to evaluate the appropriateness of SC/SA reviews. The CPAC RUR Guidebook, recently updated in January 2017, contains Internal Control Number UR-A which provides for management oversight of the SC/SA validation requirements including prescriptions. RUR Internal Control Number UR-A also requires that the CPAC RUR manager/designee perform Quality Review monitoring. The RUR manager/designee uses standardized approved processes and Quality Review tools to conduct these reviews. The reviews are done monthly, or at other appropriate frequencies. The reviews are to be completed within 30 business days. Records of completed quality reviews are maintained in electronic and/or hard copy folders.

The Office of Community Care requests closure and will provide the OIG with the latest version of CPAC RUR Guidebook (Version 3.1, dated January 11, 2017) and Quality review tools.

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<th>Status</th>
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Recommendation 5: We recommended the USH require CPACs to revise policies and procedures to require management to ensure CPAC staff adequately provide and document training for VA medical facility staff regarding specific service-connection determination errors.

VHA Comments: Concur.

The Office of Community Care, Revenue Operations’ CPAC RUR Guidebook, version 3.1, dated January 11, 2017, contains Internal Control UR 4-A which provides a requirement and oversight for monthly education to clinical providers. Specifically, this internal control requires RUR Nurses to provide appropriate revenue education/training to applicable stakeholders such as clinical providers; medical center staff; and/or CPAC staff.

RUR Nurses can provide this education by committee participation, one-on-one, during staff meetings, new employee orientation or other venues as applicable. RUR Nurses offer this education at least monthly for clinical providers and as needed/requested for VAMC non-clinical staff. RUR Nurses must provide evidence that this requirement has been met by providing the schedule showing dates and times of meetings (e.g., calendar schedules or other similar record); documented evidence of attendance such as sign-in sheets, meeting minutes, email; description and/or copies of presentations or other training materials with an indication of when material was presented.

At completion of this action, the Office of Community Care will provide OIG with the following documentation:


2. A standardized tracking mechanism that captures provider education/training.

<table>
<thead>
<tr>
<th>Status</th>
<th>Target Completion Date</th>
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</thead>
<tbody>
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Recommendation 6: We recommended the Under Secretary for Health require Consolidated Patient Account Center management to track and monitor incorrect medical provider service-connection determinations and coordinate training to ensure identified issues are appropriately addressed.

VHA Comments: Concur.

The Office of Community Care will create a procedure for CPAC to monitor, track and report changes made to SC/SA determinations for distribution to Network Directors for action and to VHA’s Office of Compliance and Business Integrity for oversight as needed. As noted in Recommendation 5, Revenue Operations will be available to provide training as needed. In addition, Revenue Operations will make the SC/SA training modules available to Medical Centers for use by any providers who consistently disposition encounters incorrectly.

At completion of this action, the Office of Community Care will provide OIG with written documentation that the feedback was provided to Network Directors and VHA’s Office of Compliance and Business Integrity.

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## Appendix E  Contact and Staff Acknowledgments

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<tr>
<th>Contact</th>
<th>For more information about this report, please contact the Office of Inspector General at (202) 461-4720.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgments</td>
<td>Janet Mah, Acting Director</td>
</tr>
<tr>
<td></td>
<td>Oleksandr Babenko</td>
</tr>
<tr>
<td></td>
<td>Cherelle Claiborne</td>
</tr>
<tr>
<td></td>
<td>Lee Giesbrecht</td>
</tr>
<tr>
<td></td>
<td>Nathaniel Holman</td>
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<tr>
<td></td>
<td>Jessica Rodriguez</td>
</tr>
<tr>
<td></td>
<td>Brock Sittinger</td>
</tr>
<tr>
<td></td>
<td>Grisbell Soto</td>
</tr>
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<td></td>
<td>Kevin Veatch</td>
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Appendix F  Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
Office of Acquisition, Logistics, and Construction
Board of Veterans Appeals

Non-VA Distribution

Committee on Veterans’ Affairs
House Appropriations Subcommittee on Military Construction,
   Veterans Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans’ Affairs
Senate Appropriations Subcommittee on Military Construction,
   Veterans Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report is available on our website at www.va.gov/oig.