

October 25, 2012

**VHA MANAGERIAL COST ACCOUNTING SYSTEM
(DECISION SUPPORT SYSTEM (DSS))**

1. PURPOSE: This Veterans Health Administration (VHA) Directive mandates use of the VHA Decision Support System (DSS) to meet the Federal Government's Managerial Cost Accounting (MCA) requirements, and it defines DSS data timeliness guidelines and certification requirements. **AUTHORITY: Chief Financial Officers Act of 1990 (Public Law 101-576) and Title 38 United States Code 1729A.**

2. BACKGROUND

a. Department of Veterans Affairs (VA) Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance (Para 050502) requires that the Under Secretary for Health and the VHA Chief Financial Officer (CFO) annually certify to the VA CFO that VHA complies with the MCA requirements as stated in the publication (see subpar. 5a). These requirements include compliance with the Statement of Federal Financial Accounting Standards (SFFAS), No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government; and SFFAS No. 7, Accounting for Revenue and Other Financing Sources, that require Federal reporting entities to accumulate and report the costs of their activities on a regular basis. SFFAS No. 4 specifically requires agencies of the Federal Government to:

- (1) Perform cost accounting and implement cost accounting procedures,
- (2) Identify cost products and services by responsibility segments,
- (3) Capture the full cost of products and services,
- (4) Include inter-entity costs as part of full costs, and
- (5) Select and consistently use an acceptable costing methodology.

b. VHA implemented DSS to meet the preceding reporting requirements. In 1998, the Acting Under Secretary for Health approved DSS as VHA's designated MCA system (see subpar. 5d). The information derived from DSS provides VA managers with comparable cost and clinical information for use in making clinical decisions, managing workload, and controlling medical care costs.

c. DSS has been certified as meeting all mandatory requirements specified by the Government Accountability Office (GAO) as published in the Joint Financial Improvements Program (JFMIP) Managerial Cost Accounting System Requirements. VA Financial Policies

THIS VHA DIRECTIVE EXPIRES OCTOBER 31, 2017

VHA DIRECTIVE 2012-031

October 25, 2012

and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance, states that DSS, if properly implemented and used (including the inclusion of full costs), satisfies all of these requirements. Therefore, any facility with a fully functional DSS system that produces timely (i.e., current year) data is able to certify compliance with these requirements. Facilities whose DSS system is not functional or who cannot produce timely data may be unable to certify compliance.

d. Definitions

(1) **Budget Formulation.** Budget formulation means that the inpatient and outpatient costs are provided in detail for both fixed and variable categories for program performance analysis of long-term and short-term planning scenarios.

(2) **Budget Allocation.** Budget allocation is the distribution of funds according to plans set forth in the formulation process. VHA uses the Veterans Equitable Resource Allocation (VERA) methodology to allocate funds in accordance with patient care practices. VERA has included elements of DSS since fiscal year 2001, and continues to include DSS patient costing as the data source for developing the allocations. Currently, DSS provides all patient cost information used for VERA including the calculations for high-cost patients.

(3) **Budget Execution.** Budget execution is the process by which resources are directed toward achieving the agency's objectives. DSS is used to track this process. Costs are displayed at various levels in DSS as Direct or Indirect and Fixed or Variable. Inpatient costs are viewable by Treating Specialties or Diagnostic Related Groups. Outpatient costs are viewable at the clinic stop level. The DSS database also provides costs at the intermediate product level (e.g., cost of a specific laboratory test or primary care visit). All cost information in DSS is reconciled to the VA Financial Management System by the facility staff.

(4) **Prices for Sharing Agreements.** The Chief Financial Officer Act of 1990 (see subpar. 5f) requires a bi-annual review of fees, royalties, rents, and other charges imposed by VA for services and things of value it provides. It makes recommendations on revising those charges to reflect changes in cost. *NOTE: VA Financial Policies and Procedures, Volume XIII, Chapter 4, Charges and Full Cost Recovery, states that DSS provides the information needed for facilities to certify compliance with this requirement.*

(5) **Cost to Collect Revenues.** To capture the full cost in the collection process for the Medical Care Collections Fund, VHA requires the use of DSS. Costs are fragmented organizationally at facilities and Veterans Integrated Service Networks (VISN) in VHA cost centers with many collateral duties. However, DSS provides the capability to provide the cost of the collection function to include all elements of cost.

3. POLICY: It is VHA policy that budget formulation, budget allocation, budget execution, determining prices for sharing agreements, and calculating costs to collect revenues must be conducted using DSS cost and workload information; all VHA reports displaying cost and workload information must use DSS-based data.

4. ACTION

a. **Under Secretary for Health.** In accordance with VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance, the Under Secretary for Health annually certifies that VHA is in compliance with all Federal Managerial Cost Accounting requirements.

b. **VHA Chief Financial Officer (CFO).** The VHA CFO serves as the executive sponsor for the DSS Program and annually certifies to the Under Secretary for Health that the VHA Office of Finance uses DSS information to support:

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

c. **VHA Office of Finance Decision Support Office (DSO) (10A3D).** DSO is responsible for:

(1) Serving as the DSS program office with responsibility for operation and maintenance of DSS.

(2) Preparing all recurring and ad hoc reports required for senior VHA leadership to satisfy internal and external queries for MCA data and information.

(3) Populating and maintaining the DSS Reports Web site (see subpar. 5g) as a means of disseminating MCA data and information reports to all levels of VHA.

(4) Assisting the VISNs and VA facilities with ongoing training that allows them to process data within the established guidelines.

(5) Annually providing detailed instructions for VA facility certification of DSS records.

d. **VISN Director.** Each VISN Director must annually certify to the VHA CFO and Under Secretary for Health that the VISN uses DSS information to support:

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

e. **VISN Chief Financial Officer.** Each VISN CFO must annually certify to the VISN Director, VHA CFO, and the Under Secretary for Health, that the VISN uses DSS information to support:

VHA DIRECTIVE 2012-031

October 25, 2012

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

f. **Facility Director.** Each facility Director is responsible for:

(1) Providing an annual certification of their DSS records to the VHA CFO, through their respective VISN CFO and VISN Director, in accordance with published instructions from VHA CFO.

(2) Ensuring that DSS financial data is processed no more than 10 working days after the end of the month and clinical data no more than 20 working days after the end of the month, so VHA can meet cost reporting requirements of external bodies such as Congress, GAO, and the Office of Management and Budget.

(3) Providing dedicated DSS facility team staffing and other resources required to meet this Directive.

5. REFERENCES: The following references are available at:

<http://www.va.gov/finance/policy/pubs/volumeXIII.asp> and

http://vaww.dss.med.va.gov/programdocs/pd_fedregs.asp. *NOTE: This is an internal Web site and is not available to the public.*

a. VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance.

b. FASAB, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

c. FASAB, SFFAS No. 7, Accounting for Revenue and Other Financing Sources.

d. Memo from VHA CFO, Requirements for a VHA Cost Accounting System, November 6, 1998.

e. System Requirements for Managerial Cost Accounting, published by JFMIP.

f. GAO, CFO Act of 1990.

g. DSS Reports Web site: <https://dssreports.va.gov/>. *NOTE: This is an internal Web site and is not available to the public.*

h. VA Financial Policies and Procedures, Volume XIII, Chapter 3, Managerial Cost Accounting.

i. VA Financial Policies and Procedures, Volume XIII, Chapter 4, Charges and Full Cost Recovery.

j. Current VHA policy on reporting the cost to collect medical care cost funds.

6. FOLLOW-UP RESPONSIBILITY: The Associate Chief Financial Officer, Decision Support Office (10A3D), is responsible for the contents of this Directive. Questions may be addressed at 202-461-6638.

7. RESCISSIONS: VHA Directive 2006-020, VHA Managerial Cost Accounting System, dated April 25, 2006, is rescinded. This VHA Directive expires October 31, 2017.

Robert A. Petzel, M.D.
Under Secretary for Health

DISTRIBUTION: E-mailed to the VHA Publications Distribution List 10/31/2012