

December 15, 2004

REPORTING MEDICAL CARE COST FUNDS COST TO COLLECT

1. PURPOSE: This Veterans Health Administration (VHA) Directive provides operational policy for the accounting of costs associated with the billing and collecting of payments for health care services from certain veterans and private health insurers.

2. BACKGROUND

a. The Consolidated Omnibus Budget Reconciliation Act, dated April 7, 1986, Public Law 99-272, authorized the Department of Veterans Affairs (VA) to seek reimbursement from third-party health insurers for the cost of medical care furnished to insured non-service connected veterans treated at VA facilities and to create the Means Test co-payment. The Budget Reconciliation Act of 1990, dated November 5, 1990, Public Law 101-508, established the Medical Care Cost Recovery (MCCR) revolving fund, allowing MCCR funds to be used to supplement medical care facility operational expenses and further established that certain veterans would be charged applicable per diem and co-payments for medical services, hospitalization, nursing home care, and medications. The Veterans Reconciliation Act of 1997, dated August 6, 1997, Public Law 105-33, further extended billing to insurance carriers for non-service connected care for service connected veterans. *NOTE: Applicable first-party and associated third-party charges can be found at <http://vaww.va.gov/cbo>.*

(1) In an effort to measure VHA revenue activities and performance against health care industry norms, a series of new measures have been formulated for internal and external reporting purposes. One of those metrics, Cost to Collect, has been cited by external oversight bodies as being unreliable due to inconsistent reporting practices across VHA. To address those inconsistencies and improve validity of the metric the following operational policy will apply.

(2) Two sets of statutory guidelines, the Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government and Standard No. 7, Accounting for Revenue and Other Financing Sources and Concepts for reconciling Budgetary and Financial Accounting require Federal reporting entities to accumulate and report the costs of their activities on a regular basis. In order to meet these statutory reporting requirements VHA has implemented the Decision Support System (DSS) which has been certified as meeting all mandatory requirements as issued by the General Accountability Office (GAO) in the Joint Financial Management Improvement Program (JFMIP) Managerial Cost Accounting System Requirements. Further, in 1998, the Acting Under Secretary for Health approved DSS as the designated VHA Managerial Cost Accounting System.

b. To bill and collect co-payments from veterans and health insurance carriers, the following activities have been identified as core functions fundamental to both billing and collection processes:

(1) Patient Registration.

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- (2) Insurance Identification.
- (3) Insurance Verification.
- (4) Pre-certification and Certification.
- (5) Continued Stay Reviews.
- (6) Coding and Documentation.
- (7) Bill Creation.
- (8) Claims Correspondence and Inquiries.
- (9) Accounts Receivable Follow-up.
- (10) Payment Processing.
- (11) Collection Correspondence and Inquiries.
- (12) Referral of Indebtedness.
- (13) Appeals.

c. In past years, reported Costs to Collect figures have been limited to those costs specifically charged to VA Cost Centers **8951** (VA Central Office) and **8957** (field activities). For Fiscal Year (FY) 2005, VA Cost Center 8951 (VA Central Office) is replaced by 8051 and there are two new VA Cost Centers for field activities : 8411 and 8457; 8457 was established to replace 8957. The definitions for these Cost Centers are:

(1) **VHA Cost Center 8457. Revenue Cycle Activity (Formerly titled Medical Care Cost Fund (MCCF) Field Stations and numbered 8957).** Personal services and other costs associated with revenue cycle activity.

(a) A is insurance identification, verification, preauthorization, continued stay reviews and appeals;

(b) B is coding of inpatient professional fees and outpatient visits;

(c) C is bill generation, validation, follow-up, and collection;

(d) D is 1st Party Customer Service; and

(e) E is the charge back from the Austin Automation Center (AAC) for Consolidated Co-payment Processing (CCP) and for Lockbox, First-Party (LBX).

(2) **VHA Cost Center 8411. Business Office Operations (Formerly titled Office of the Chief of Medical Administration).** Personal services and other costs associated with the Business Office functions, including Contractual and Fee Services, Medical Information and records activities, intake and related activities, costs associated with mail and messenger activities, forms and paperwork management, publications, etc., exclude costs of revenue cycle activities that are captured in cost center 8457. **NOTE:** *Inpatient coding (other than Inpatient Professional Fees) is included in Cost Center 8411.*

3. POLICY: It is VHA policy that the DSS must be utilized to provide the base cost information in developing the cost to collect associated with collecting payments from veterans and private health insurers.

4. ACTION: The Medical Center Director, or designee, is responsible for:

a. Ensuring the proportionate amount of staff's time devoted to MCCF will be identified and mapped in DSS to the Account Level Budgeter (ALB) Cost Center 957001 for MCCF.

(1) Since several of the collection processes are collateral duties and not charged to VA cost center 8457 (e.g., utilization review and admissions), VHA must use the functionality of DSS to record the full cost to collect and will map cost based on the attached guidance (see Att. B) from VA cost centers to the DSS ALB cost center 957001. DSS provides the mechanism to provide the cost of the collection function inclusive of all elements of cost.

(2) MCCF costs that are in Central Office's VA cost center 8051 will be sent to facilities in DSS MAIN reported as account 2500950. The Decision Support Office does this transaction for all facilities. No facility action is necessary.

b. Ensuring that other costs mapped to the ALB cost center 957001 for MCCF include:

(1) Austin Automation Center (AAC) franchise fund charges for cost of consolidated co-payments processing and lockbox, first party are proportionately charged to the MCCF ALB cost center code 957001. An AAC charge back report is available on the web at <http://vaww.franchisefund.med.va.gov/aac/aacNew.htm> to assist facilities in determining the MCCF share of the total charge.

(2) The MCCF field station cost identified in VA Cost Center 8457 continues to be mapped 100 percent to DSS ALB Cost Center 957001 for MCCF.

c. Facilities must process the monthly ALB within the annual published guidelines from the Decision Support Office (175).

5. REFERENCES

a. System Requirements for Managerial Cost Accounting, published by JFMIP, February 1998.

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b. Office of Finance Bulletin Office of Inspector General (OIG)C2.03, Self Certification Compliance with Federal Financial Accounting Standards numbers 4 and 7 for VHA stations, dated February 2001.

c. Memo from VHA Chief Financial Officer (CFO), Subject: Requirements for a VHA Cost Accounting System, dated November 1998.

d. VA Handbook 4560.1, Cost Accounting Handbook.

e. GAO-04-938 VA's Cost to Collect First- and Third-Party Payments.

6. FOLLOW-UP RESPONSIBILITY: The Decision Support System Office (175) and the Chief Business Office (16) are responsible for the contents of this Directive. Questions need to be referred to (781) 275-9175 or (202) 254-0406.

7. RECISSION: None. This VHA Directive expires December 31, 2009.

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Attachments

DISTRIBUTION: CO: E-mailed 12/16/04
FLD: VISN, MA, DO, OC, OCRO, and 200 – E-mailed 12/16/04

ATTACHMENT A

FUNCTION

BUDGET OBJECT CODE (BOC)

Function	Typical Budget Object Code
I. Intake	
1). Patient Registration	Usually cost center 8411 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel General Schedule (GS) 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility.
2). Insurance Identification	
3). Insurance Verification	
4). Pre-registration	
II. Utilization Review	
5). Pre-certification and Certification	Usually cost center 8419 and 1061 for Sub Object Code for Registered Nurses.
6). Continued Stay Reviews	
7). Medical Appeals	
III Coding	
8). Inpatient Coding	Usually cost center 8457 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility. For outsourcing - 2580 BOC Non-Medical Contracts and Agreements with Institutions and Organizations, 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
9). Professional fee coding	
10). Outpatient coding	
IV. Billing	
11). Claims Validation	Usually cost center 8457 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility. For outsourcing - 2580 BOC Non-Medical Contracts and Agreements with Institutions and Organizations, 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
12). Revenue Cycle bill Generation	
13). Third-Party Claims	
V. Collections	
14). Rev. Cycle Accounts Receivable Activity	Usually cost center 8457 and/or 8421 for agent cashier 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility
15). Payment processing Including agent cashier time	
16). Austin Automation Center (AAC) chargeback for LBX (lockbox, first-party)	Usually cost center 8470 and 2510 BOC for Data Processing Services and Information Technology Support Services.
17). AAC chargeback for Consolidated Co-payment Processing (CCP)	Usually cost center 8470 and 2510 BOC for Data Processing Services and Information Technology Support Services.
18). First-party customer service	Usually cost center 8411 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility
19). Collections Correspondence and inquiry	Usually cost center 8411 and/or 8457 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1101 BOC for regular pay - 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility

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20). Referral of Indebtedness	Usually cost center 8411 and/or 8457 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility
21). Third-party technical appeals for underpayments and denials	Usually cost center 8411, 8457 or 8421 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel(file clerk, and other clerical type personnel GS 4-6), 1001Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility
22). Utilization review appeals denials for medical reasons	Usually cost center 8419, 8411, or 8421 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel(file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility
VI. Other Support Functions	
23). Compliance activity	Usually cost center 8432 and 1061 for Sub Object Code for Registered Nurses or 1101 BOC for regular pay - 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility.
24). Travel related to revenue cycle	Usually cost center 8457 and 2103 BOC (Employee Training or Temporary Duty Travel) 2104 BOC (Employee Administrative Travel) 2120 (Beneficiary Travel)
25). Training related to revenue cycle	Usually cost center 8457 and 2584 BOC Contract Agreement (training – outside the Government), 2583 BOC Contract Agreement (training- within the Government), 2580 BOC Non- Medical Contracts and Agreements with Institutions and Organizations. 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
26). Direct supervision of Rev Cycle VA medical center and Veterans Integrated Services Networks	Usually cost center 8457, 8421, or 8411 and 1101and 1001 Sub Object Code for Administrative Personnel not otherwise Classified.
27). Business Implementation Manager costs	Usually cost center 8411, 8457 or 8421 and 1001 Sub Object Code for Administrative Personnel not otherwise Classified.

ATTACHMENT B

**DECISION SUPPORT SYSTEM (DSS) MAPPING INSTRUCTIONS FOR RECORDING
THE COST TO COLLECT FIRST- PARTY AND THIRD-PARTY PAYMENTS**

1. BACKGROUND. The Department of Veterans Affairs (VA) has been cited for not reporting all (full) costs that it incurs in collecting first-party and third-party payments. In past years, the cost reported has been limited to those costs specifically charged to VA cost centers 8950-8956, 8958-8959 (VA Central Office), and/or 8957 (field activities). In Fiscal Year (FY) 2005 new VA Cost Center 8457 is established to replace 8957.

a. The definition for VHA Cost Center 8457, Revenue Cycle Activity (Formerly titled MCCF Field Stations and numbered 8957) is personal services and other costs associated with revenue cycle activity.

(a) A is insurance identification, verification, preauthorization, continued stay reviews and appeals;

(b) B is coding of inpatient professional fees and outpatient visits;

(c) C is bill generation, validation, follow-up, and collection;

(d) D is 1st Party Customer Service; and

(e) E is the charge back from the Austin Automation Center (AAC) for Consolidated Co-payment Processing (CCP) and for Lockbox, First-Party (LBX).

b. Since much of the collection process is still collateral duties and not charged to 8457 (e.g., utilization review and admissions) VHA will use the functionality of Decision Support System (DSS) to record the full cost to collect. Facility DSS teams must map cost based on the attached guidance from VA cost centers to the DSS Account Level Budgeter (ALB) Cost Center 957001.

c. Further, Medical Care Cost Funds (MCCF) costs that were previously combined in National and Central Office costs will be sent to facilities in DSS MAIN reported as account 2500950. These costs are to be mapped directly to DSS ALB 957001.

2. Specific VA costs that should be mapped to DSS ALB 957001 MCCR beginning in FY 2005.

a. **Franchise Fund Cost from Austin Automation Center (AAC).** Included in each facilities AAC bill are charges that are directly related to MCCR.

(1) Specifically, the costs are:

(a) Consolidated Co-payments Processing (CCP); and

(b) Lockbox, First-Party.

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(2) Most facilities charge the entire AAC bill to VA Cost Center 8470, but some facilities use other VA Cost Centers. DSS site teams need to consult with their local Finance Offices to determine what the VA Cost Center and the amount their facility is charging for the AAC bill to be mapped to ALB Cost Center 957001 MCCR. *NOTE: To assist sites in determining the MCCR share of the total charge, there is an AAC charge back report on the web at: <http://vawww.franchisefund.med.va.gov/aac/aacNew.htm>.*

b. **Finance Services.** Currently, all finance staff in VA Cost Center 8421 are mapped in DSS to ALB Cost Center 421001. DSS site teams need to consult with their local Finance Offices to determine the amount of cost in VA Cost Center 8421 that is devoted to MCCR, such as cashier and accounting activities. These are to be mapped to ALB cost center 957001 MCCR.

c. **Insurance Identification.** Currently, this process is performed at the point of service by Business Office Operations service personnel charged to the VA Cost Center 8411. These duties are collateral to areas, such as admissions. DSS site teams need to collaborate with the Health Administration Service staff to determine the amount of VA Cost Center 8411 Business Office and 8286 Ambulatory Care Administration which need to be mapped to ALB Cost Center 957001 MCCR.

d. **Utilization Review.** Facility staff performing a utilization review are charged to VA Cost Center 8419. DSS site teams need to collaborate with Utilization Review and Finance staff to determine the amount of cost in VA Cost Center 8419, which is for UR nurses contacting insurance carriers or performing continued stay reviews. These costs are to be mapped to ALB cost center 957001. Note that at some facilities UR costs pertaining to MCCR are directly costed to cost center 8457; all costs for VA cost center 8457 will continue to be mapped to ALB cost center 957001 MCCR.

e. **Compliance Program Office.** Facility staff that develop, implement and monitor compliance related policies and procedures are charged to VA cost center 8432. Site teams need to collaborate with their local Compliance and MCCF offices to determine the amount of cost that is related to the monitoring of laws and regulations that are related to the collection of first-party and third-party payments. These costs are to be mapped to DSS ALB 957001.

f. **Central Office and National Program Support.** Currently, facilities receive monthly the amounts of Central Office and national program overhead support for inclusion in their DSS costs. Starting in FY 2005, the costs from VA cost center 8051 is to be segregated out and provided by Decision Support Office (DSO) to DSS site teams as account 2500950. This account is the facility's share of Central Office and national support to MCCR and is to be mapped to DSS ALB 957001 in the National Program Allocation VA Conversion (NPRA VCNV) Mapping table.

g. **VA Cost Center 8457 MCCF Field Stations.** Costs in VA cost center 8457 are to be continued to be mapped 100 percent to DSS ALB cost center 957001.