

September 8, 2005

REFUND OVERSIGHT POLICY

1. PURPOSE: This Veterans Health Administration (VHA) Directive establishes the policy for compliance oversight of refunds issued to third-party payers and veterans under the Medical Care Collection Fund (MCCF) Program, and associated business and processes.

2. BACKGROUND: VHA has not issued an official policy requiring compliance oversight or internal controls for MCCF refund activities at VHA facilities. Current guidance does not prescribe any internal control procedures necessary to ensure that refunds of collections received from veterans and third-party payers (insurance carriers) are appropriate and associated transactions are accurate.

3. POLICY: It is VHA policy that the Office of Compliance and Business Integrity (CBI) provides oversight for MCCF refund activities by monitoring all high-risk payments and ensuring quarterly reviews of all payments issued from MCCF accounts. *NOTE: A high-risk payment is defined as a refund transaction that either exceeds \$2,500 or was processed to refund collections recorded for 25 or more claims.*

4. ACTION

a. **Director, CBI.** The Director, CBI is responsible for:

(1) Providing guidance and training to medical center and network CBI Officers related to auditing and monitoring procedures for refunds and associated transactions.

(2) Maintaining a corporate database of causations and circumstances related to high-risk payments, known as the CBI Disbursement Auditing, Tracking, and Analysis (DATA) system.

(3) Providing corporate reports, on a quarterly basis, from the DATA system to the VHA Compliance Advisory Board (CAB), VHA Chief Business Office (CBO), VHA Chief Financial Office (CFO), Veterans Integrated Service Network (VISN) CFO, and the Executive Committee of the National Leadership Board (NLB).

(4) Sharing corporate data with VHA CBO, VHA CFO and VISN CFO, identifying educational opportunities, and recommending process improvements as necessary.

b. **VISN Director.** The VISN Director is responsible for ensuring that each facility within the network establishes and implements proper procedures for the oversight of MCCF refund activities.

c. **Facility Director.** The facility Director is responsible for:

THIS VHA DIRECTIVE EXPIRES SEPTEMBER 30, 2010

VHA DIRECTIVE 2005-039

September 8, 2005

(1) Ensuring that the facility CBI Officer enters accurate monitoring reports into the CBI DATA system within the time limits established in Attachment A.

(2) Ensuring that the Quarterly Management Refund Summary report from the CBI DATA system is reported by the CBI Officer to the facility CBI Committee on a quarterly basis.

(3) Ensuring compliance with the established nationally-approved transaction monitoring procedures listed in Attachment A.

d. **Facility CBI Officer.** The facility CBI Officer is responsible for:

(1) Monitoring refunds and entering refund data into the CBI DATA system.

(2) Completing the Quarterly Management Refund Summary report from the CBI DATA system and reporting the information to the facility CBI Committee quarterly. If, during any monthly or quarterly interval, medical center refunds exceed 5 percent of total collections for the interval, the CBI Officer must identify the cause and, if necessary, coordinate with the VISN or facility CBO to establish and implement a medical facility compliance action plan to remediate deficiencies.

5. REFERENCES

a. Title 31 United States Code 3302(b).

b. Title 31 United States Code 3325.

6. FOLLOW-UP RESPONSIBILITY: The Office of Compliance and Business Integrity (10B3) is responsible for the contents of this directive. Questions concerning this directive should be referred to (202) 501-1831.

7. RESCISSIONS: None. This VHA Directive expires September 30, 2010.

S/Jonathan Perlin, MD, PhD, MSHA, FACP
Under Secretary for Health

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ATTACHMENT A

**COMPLIANCE AND BUSINESS INTEGRITY (CBI) TRANSACTION MONITORING
PROCEDURES FOR REFUNDS**

1. The procedures outlined in paragraph 4 of this attachment must be followed when a CBI Officer has been notified of high-risk refund request from a first- or third-party or notified through the CBI Disbursement Auditing, Tracking, and Analysis (DATA) system of a high-risk refund transaction.
2. For the purposes of this Directive and the following procedures, refund transactions are defined as transactions recorded in general ledger account 1020 for the following funds: 528701, 528703, 528704, 528709, and related interest, administrative costs, court cost, and marshal fees (20X1807).
3. The CBI DATA system has been established to facilitate compliance monitoring of refund transactions at medical centers, and to serve as a repository for corporate data regarding high risk refunds. The system is web-based and can be accessed at the following Internet address: <http://vaww.vhaco.va.gov/cbi/cbidata> or at the CBI Web-site.
4. On the second day of each month, the DATA system is updated with refund transactions from the preceding month. Upon logging into the DATA system, CBI Officers are presented with a list of refunds exceeding \$2,500. For each transaction, the CBI Officer must:
 - a. Request a copy of the supporting documentation for the refund from the Chief, Fiscal Service, or designee, or Revenue Coordinator, or designee, at the medical center.
 - b. Examine the Standard Form (SF)-1047, Public Voucher for Refunds, noting the amounts disbursed, the date the voucher was certified, and any comments.
 - c. Review the Accounts Receivable Profile for the refunded transaction for automatic refunds processed in Veterans Health Information Systems and Technology Architecture (VistA).
 - d. Determine whether:
 - (1) The certifying official has sufficient delegation of authority established by memorandum from the medical center Chief, Fiscal Service; and
 - (2) A separation of duties conflict exists. A separation of duties conflict is determined to exist when the certifying official also has access to establish or cancel bills in VistA's Integrated Billing (IB) package.
 - e. Compare supporting documentation to the documentation checklist (Att. B). If documentation is missing, request the appropriate documents from the facility Revenue Coordinator, or designee.

VHA DIRECTIVE 2005-039

September 8, 2005

f. Examine supporting documentation. Answer the following questions: *NOTE: An optional worksheet is available on the CBI Website to assist in the review process.*

(1) Is (Are) the specific bill number(s) that is (are) being refunded identified?

(2) Does a review of the bill numbers on the detailed 215 report(s) match the amount and fund allocation on the SF-1047, Public Voucher for Refunds?

(3) What was the reason for the refund?

(4) Was the refund a result of a voluntary disclosure by the facility or was a request for refund received from a first- or third-party?

(a) If it was an external request, is the request attached?

(b) What was the date of the external request?

(c) What was the value of original request?

(5) How many bills did the refund affect? Examine the bills in the Third-Party Joint Inquiry (TPJI) option in VistA. Were comments entered by revenue staff indicating that the refund was processed and for what reason?

(6) Was a miscellaneous vendor code used by Fiscal Service to process the refund?

g. Verify that the basis for the refund is founded and accurately documented.

h. Verify that the amount of the refund is accurate.

5. The CBI Officer is required to complete and certify their reports in the DATA system no later than 60 days from the transaction date in the Financial Management System (FMS) or 30 days from the date that the refund transactions were posted in CBI DATA.

6. The CBI Officer is expected to communicate errors discovered during the transaction monitoring process to the facility Revenue Coordinator, Fiscal Officer, and compliance committee, and to follow-up to ensure that any errors noted are corrected.

7. If, during any given monthly or quarterly interval, medical center refunds exceed 5 percent of total collections for the interval, the CBI Officer must establish and implement a medical center compliance action plan to remediate deficiencies.

8. When a refund involves application of third party funds to first-party co-payments, the CBI Officer must review the veteran's account carefully to determine whether the payments were appropriately backed out, and the veteran's individual co-payment charges were increased or re-established in the correct amounts.

9. The CBI Officer must perform a random sampling and complete a review of refund transactions that do not meet the high-risk threshold criteria at least quarterly.

ATTACHMENT B

REFUND DOCUMENTATION CHECKLIST

For each refund, at minimum, the following documentation must be present:

1. Standard Form (SF)-1047, Public Voucher for Refund, or for automatic first party refunds, the Accounts Receivable Profile.
2. Copy of the receipt on which the original payment(s) was(were) processed.
3. Copy of the SF-215, deposit ticket or printout of detailed 215 report from Veterans Health Information Systems and Technology Architecture (VistA).
4. If the refund was the result of an insurance carrier request for refund, a copy of the refund request.
5. Copies or the Third-Party Joint Inquiry (TPJI) printouts of the bills from which collections were refunded. This should include comments related to the basis for the refund. In the case of a first-party refund, a Full Account Profile, Patient Payment History Report, and documentation of relevant Debtor Comments will suffice.

***NOTE:** If the above documentation does not substantiate the basis for the refund or the dollar amount, additional documentation may be requested by the Compliance & Business Integrity (CBI) Officer and subsequently appended to the refund documentation file.*