

July 29, 2008

REFUND POLICY

1. PURPOSE: This Veterans Health Administration (VHA) Directive provides policy for refunding payments received in error from both veterans and third-party payers (TPPs) under the Medical Care Collections Fund (MCCF) Program.

2. BACKGROUND: VHA Directive 2005-038 was originally issued to provide official policy and procedures for addressing refunds issued to veterans for copayment bills or to TPPs for insurance claims. This resulted in establishment of a consistent internal review process for local review of refund requests received and processed. It established proactive communication and coordination among VHA facilities and VHA Central Office operations of the potential liability of high dollar refund requests made by TPPs or agents acting on their behalf. This is an update to the original Directive and reflects new business oversight rules and provides additional clarification to further assist staff involved with the refund process. In addition, it provides specific guidance for communication, coordination and management of refund requests from TPPs (or veterans) of \$25,000 or more received by VHA facilities or VHA Central Office entities.

3. POLICY: It is VHA policy that VHA Central Office staff, Veterans Integrated Services Networks (VISNs) and facilities implement a standardized refund policy that encompasses the actions and tracking requirements documented in this Directive and associated attachments.

4. ACTION

a. **Chief Business Office (16).** The Chief Business Officer is responsible for:

(1) Notifying the Chief Financial Officer (CFO), Chief Compliance and Business Integrity Officer (CBI), and the Office of General Counsel (OGC) of all TPP refund requests described in Attachment C and providing any correspondence, documents, and facility analyses regarding the request(s).

(2) Reporting to the VHA Compliance Advisory Board on Program Office and field activities regarding TPP refund requests exceeding \$25,000 on a quarterly basis.

(3) Issuing guidance for facility revenue staff on routine management and processing of refund requests received as part of the daily business operations.

(4) Maintaining a continuum of communication and coordination, with CFO, CBI, and OGC throughout the review of refund requests and potential overpayments exceeding \$25,000.

(5) Providing assistance to facility revenue staff in evaluating potential refunds to TPPs to determine whether a valid overpayment exists and the amount due the TPP, if any.

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(6) Coordinating with CFO and CBI when a settlement agreement with a TPP is considered by OGC or Regional Counsel (RC).

(7) Ensuring that facility revenue staff receives proper training on VHA policy and procedures related to refund requests.

(8) Reviewing the results of Refund Oversight Program Audits and providing necessary follow-up with revenue staff.

b. **Office of Compliance and Business Integrity (10B3)**. The Chief Officer, Compliance and Business Integrity (CBI) is responsible for the oversight of the refunds process through management of the Compliance Disbursement, Auditing, Tracking and Analysis (DATA) System and for providing guidance to VISN and field Compliance Officers related to its use.

c. **VISN Director**. Each VISN Director is responsible for ensuring that each facility within the VISN establishes and implements proper procedures to review requests for refunds from both TPPs and veterans.

d. **Facility Director**. Each facility Director, or designee, is responsible for ensuring that:

(1) The facility Revenue Coordinator, or designee, the facility Fiscal Officer, or designee, and the Compliance and Business Integrity Officer (CBIO) are actively involved in the review process for refunds.

(2) Refund requests below \$5,000 (whether for a single or multiple claims) are reviewed and approved by the Revenue Coordinator or designee. Refund requests above \$5,000 (whether for a single or multiple claims) must be reviewed and approved by the facility Revenue Coordinator, or designee, and the Chief Fiscal Service, or designee.

(3) There is compliance with the established nationally-approved refund requirements listed in Attachment A.

(4) Accurate refunds are made from the appropriate accounts and documentation exists to support the refund using the following table for reference.

Receivable Type	Fund Collections Deposited	Fund Refunds Recorded
Third-party Reimbursable	36X528704	36X528704
First-party Medication Copayments	36X528701	36X528701
First-party Medical Care Copayments	36X528703	36X528703
Interest Paid on Receivables	36 1435	20X1807
Administrative Charges Paid on Receivables	36 3220	20X1807
Extended Care Copayments	36X528709	36X528709

Receivable Type	Fund Collections Deposited	Fund Refunds Recorded
Funds Deposited to Suspense	36F3875	36F3875
Marshall Fee and Court Cost	36 0869	36 0869
Treasury Offset Program (TOP) Fee	None	36X0160X4

a. Refunds from MCCF accounts are not issued until a thorough review of the request can be accomplished and documented. This may involve a review of veterans' eligibility, the claim that was submitted, the covered services under the insurance policy, amounts billed to and paid by insurance carriers and veterans, and the explanation of benefits, interest, administrative, or TOP fees (see Office of Finance (OF) Bulletin 07GA1.05, Final TOP Fees, dated August 6, 2007, for detailed information). If a refund is determined to be appropriate, proper documentation must be maintained to justify the refund. Similar actions must be taken if a refund is determined not to be due. Comments must be entered into VistA on all applicable receivables.

b. Interest payments submitted from TPPs, under the Fair Claims Practices requirements, are deposited into the General Fund Receipt account 36 1435, in accordance with Title 31 United States Code (U.S.C.) 3302(b) and Chapter 13, Section C, subparagraph 4a of the Government Accountability Office's (formerly known as the General Accounting Office) (GAO) Principles of Federal Appropriations Law. Therefore, subsequent refunds of interest payments are to be made out of the Treasury Miscellaneous Receipts account, 20X1807. *NOTE: There is no specific statutory authority to retain the interest payments for credit to the MCCF (5287) appropriation.*

c. Miscellaneous vendor codes (e.g., MISCN, MISCE, MISCTORT) are not used in the Financial Management System (FMS) when processing payments to TPPs.

d. TPPs are properly vendorized, and the vendor's Tax Identification Number (TIN) and demographic information is recorded in FMS in accordance with the Department of Veterans Affairs (VA) FMS Guidebook.

e. Regional Counsel staff is consulted in disputes over refunds which cannot be resolved at the station level.

f. If refund checks are returned to the VA facility, the guidance provided in the VHA Handbook 4800.14; Desk Guide to Third-party Payments, Refunds, Offsets, and Underpayments; and VHA Procedure Guide 1601C.04, is followed.

5. REFERENCES

- a. Title 31 U.S.C. 3302(b).
- b. Title 38 U.S.C. 1729A.
- c. GAO Principles of Federal Appropriations Law, Chapter 13, Section C, subparagraph 4a.

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- d. VHA Handbook 4800.14 and related Desk Guides.
- e. VHA Procedure Guide 1601C.04.
- f. OF Bulletin 07GA1.05, Treasury Offset Program (TOP) Fees.
- g. OF Bulletin 07GA1.06, VA Clearing and Deposit Funds Accounts Policy.
- h. VHA Desk Guide to Third-party Payer Overpayments, Refunds, Offsets, Underpayments, and Returned Checks.

6. FOLLOW-UP RESPONSIBILITY: The Chief Business Office (16) has the lead responsibility for the contents of this Directive. Questions concerning this Directive should be referred to (202) 254-0333.

7. RECISSIONS: VHA Directive 2005-038 is rescinded. This VHA Directive expires July 31, 2013.

Michael J. Kussman, MD, MS, MACP
Under Secretary for Health

Attachments

DISTRIBUTION: CO: E-mailed 7/31/08
FLD: VISN, MA, DO, OC, OCRO, and 200 – E-mailed 7/31/08

ATTACHMENT A

GENERAL BUSINESS RULES FOR PROCESSING TPP AND VETERAN REFUNDS

The following procedures must be followed when a request for a refund has been received from a third-party payer (TPP) or a veteran.

1. All requests for refunds received must be referred to the facility Revenue Coordinator, or designee.

a. There may be occasions when the Chief, Fiscal Service, or designee, and Utilization Review staff and the Compliance and Business Integrity Officer (CBIO) must be involved in the review process. An audit of the incoming request for refund includes, at minimum, a review of:

- (1) The applicable claims submission and supporting documentation,
- (2) Information regarding the covered services under the insurance policy,
- (3) The amount of reimbursement paid to the Department of Veterans Affairs (VA),
- (4) Any applicable copayments, and
- (5) The veteran's eligibility status.

b. If a refund to a TPP is determined to be appropriate, documentation in the Third-Party Joint Inquiry (TPJI) menu must be completed to record the actions that were taken to accomplish the refund. **NOTE:** *Comments entered into TPJI must include detailed information such as: contact names and dates, and specific outcomes.* Similar actions must be taken if a refund is determined not to be due the carrier. If the facility Revenue Coordinator's review results in an adjustment to the amount requested by the carrier, documentation in TPJI must be completed and applicable records retained to justify the amount refunded. If a refund to a patient is determined to be appropriate, similar comments must be entered into the Veterans Health Information System and Technology Architecture (VistA) Bill Comment Log, for all associated bills.

2. The Revenue Coordinator or designee must:

(a) Issue a letter to the TPP within 5 business days of receipt of the refund request acknowledging the request and stating that VA is currently reviewing and will provide a timely response to their request (for TPP refund requests) (see Att. E for a sample letter).

(b) Ensure that all hard copy documentation of refund requests is maintained in a file that may be periodically reviewed by the facility CBIO.

(c) Maintain a log of refund requests (see Att. F).

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(d) Verify, prior to refunds being sent to the TPP, through a review of TPJI comments and transactions that the TPP has not initiated an automatic offset to recoup the overpayment that is being refunded. If offset has been previously applied, notification must be sent to all parties involved.

3. Voluntary refunds initiated by VA facilities resulting from discovery of TPPs' overpayments, or bills prepared in error, must be reviewed and documented in the same manner as carrier initiated refund requests.

4. Every effort must be made to process refunds timely. The Regional Counsel is to be consulted, as necessary, in disputes over refunds which cannot be resolved at the station level.

5. Refund requests below \$5,000 (whether for a single or multiple claims) must be reviewed and approved by the facility Revenue Coordinator or designee. This review must be notated with the actions taken, the documentation reviewed, and disposition (approval or disapproval) of the request. Authorization by the designated reviewers is required prior to disbursement of funds.

6. Refund requests above \$5,000 (whether for a single or multiple claims) must be reviewed and approved by the facility Revenue Coordinator or designee, and the Chief, Fiscal Service or designee. This review must be notated with the actions taken, documentation reviewed, and disposition (approval or disapproval) of the request. Authorization by both designated reviewers is required prior to disbursement of funds.

7. The Chief, Fiscal Service is the authorized certifying official for the facility. The Chief of Fiscal Service may delegate specific authority to certify Medical Care Collection Fund (MCCF) refunds to MCCF staff. This delegation must be documented and a Delegation of Authority memorandum issued stating the specific dollar amount of the individual's authority.

8. When a refund request involves application of TPP funds toward a veteran's copayment, the MCCF activity at the facility must carefully research the application of the insurance payments to ensure that the payments are accurately adjusted from each receivable. If it is determined that the TPP is due a refund and there was an application of the payment toward the veteran's copayment, this may result in the veteran's copayment being re-established to cover all or a portion of the original offset amount.

9. The facility CBIO is responsible for:

a. Reviewing transactions by examining Standard Form (SF) 1047, Public Voucher for Refunds, noting the amounts disbursed, the date the voucher was certified, and any comments. For first-party refunds processed in VistA, the CBIO reviews the Accounts Receivable Profile for the refund transaction.

b. Determining 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. **NOTE:** *A separation of duties conflict is determined to exist when the certifying official also has access to establish or cancel bills in VistA. The certifying official must not have the IB AUTHORIZE, IB EDIT, IB CANCEL in VistA Integrated Billing (IB) or PRCADJ in VistA Accounts Receivable (PRCA) security keys. Office of Finance (OF) Bulletin 06GA1.04, Revision to Internal Control Guidelines dated September 28, 2006, states: "a. **Control Through Assignment of Duties of Employees.** Responsibility for assigned duties and functions should be appropriately segregated between authorization, performance, keeping of records, custody of resources, and review to provide suitable internal check on employee performance."*

ATTACHMENT B

SAMPLE MEMO FOR REQUESTING MCCF REFUNDS EXCEEDING \$5,000

DATE:

TO: Chief, Fiscal Service

FROM: VA Medical Center Revenue Coordinator

SUBJ: Request for a Medical Care Collections Fund (MCCF) Refund exceeding \$5,000

1. Disbursement is requested from the Medical Care Collections Fund (MCCF) to a veteran, insurance carrier, or health plan administrator. The disbursement is detailed as follows:

Payee: _____

Address: _____

Payment Allocation Detail:

Account	Amount (\$)
36X528701	
36X528703	
36X528704	
36X528709	
20X1807	
36F3875	
TOP Offset Fee: 36X0160X4	
Total	

Justification: _____

2. Supporting documentation, including copies of applicable Department of Veterans Affairs (VA) claims, veteran's insurance coverage information, related payments from veteran and/or insurance carrier, Standard Form (SF) 1047, Public Voucher for Refund, and other documentation, as appropriate, is attached for your review and consideration.

3. Review, comment, and approve or disapprove the preceding refund disbursement. Indicate your approval by dating and affixing your signature below and forwarding to the appropriate accounting staff to accomplish the necessary transactions for disbursement.

Fiscal Service Comments: _____

(Chief, Fiscal Service Approval)

(Date)

ATTACHMENT C

BUSINESS RULES FOR PROCESSING REFUNDS EXCEEDING \$25,000

1. In addition to procedures documented in Attachment A, facilities must utilize the following procedures for processing refunds of \$25,000 or greater:
2. Any Veterans Health Administration (VHA) facility, Veterans Integrated Service Network (VISN), or Department of Veterans Affairs (VA) Central Office entity who receives correspondence for a single or aggregate refund for claimed overpayments in excess of \$25,000, must in, addition to local communication and coordination, make an entry into the Compliance Inquiry Reporting and Tracking System (CIRTS) within 5 days of notification. Entries into CIRTS are accomplished by the facility Compliance and Business Integrity Officer (CBIO), or by contacting the CIRTS Helpline at 866-842-4357 (866-VHA-HELP). The CIRTS entry must include copies of all associated correspondence regarding the request.
3. On any occasion where refund requests (single or aggregate) are greater than \$25,000, the facility Chief Fiscal Officer (CFO), or designee, and, if clinical determinations are required, Utilization Review staff, must be involved in the review process to determine the validity of the request. A review of the incoming request for refund includes, at minimum, a review of:
 - (1) The applicable claims submission and supporting documentation,
 - (2) Information regarding the covered services under the insurance policy,
 - (3) The amount of reimbursement originally paid,
 - (4) Any applicable veteran copayments made,
 - (5) The validated or verified amount of potential refund, and
 - (6) Information regarding any related third-party payer (TPP) offsets.
4. Upon acceptance that the determination of payment of the requested refund is appropriate, a case disposition shall be made. Case disposition may include one or a combination of the following actions:
 - a. Payment of the validated or verified refund amount must be made by the affected facility.
 - b. Recommendation that the case be forwarded to Office of General Counsel (OGC) for pursuit of settlement action.
5. Where a refund is determined to be appropriate, documentation in the Third-Party Joint Inquiry (TPJI) menu must be completed by the facility (for TPP refunds) to record the actions that were taken to accomplish the refund. Similar actions must be taken if a refund is determined not to be due the TPP. If the audit results in an adjustment to the amount requested by the

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carrier, documentation in TPJI must be completed by the facility and applicable records retained to justify the amount refunded. If a refund to a patient is determined to be appropriate, similar comments must be entered into the Veterans Health Information System and Technology Architecture (VistA) Bill Comment Log for all associated bills.

ATTACHMENT D

SAMPLE MEMO FOR REQUESTING MCCF REFUNDS EXCEEDING \$25,000

DATE:

TO: Chief, Fiscal Service

FROM: VA Medical Center Revenue Coordinator

SUBJ: Request for Medical Care Collections Fund (MCCF) Refund exceeding \$25,000

1. Disbursement is requested from the Medical Care Collections Fund (MCCF) to an insurance carrier or health plan administrator. The disbursement is detailed as follows:

Payee: _____

Address: _____

Payment Allocation Detail:

Account	Amount (\$)
36X528701	
36X528703	
36X528704	
36X528709	
20X1807	
36F3875	
TOP Offset Fee: 36X0160X4	
Total	

Justification: _____

2. Supporting documentation, including copies of applicable VA claims, veteran's insurance coverage information, related payments from veteran and/or insurance carrier, Standard Form (SF) 1047, Public Voucher for Refund, and other documentation, as appropriate, is attached for your review and consideration.

3. Review, comment, and approve or disapprove the preceding refund disbursement. Indicate your approval by dating and affixing your signature below and forwarding to the appropriate accounting staff to accomplish the necessary transactions for disbursement.

Fiscal Service Comments: _____

(Chief, Fiscal Service Approval)

(Date)

cc: VA Medical Center Compliance Officer,
VISN Compliance Officer,
Regional Counsel,
VISN Business Implementation Manager

ATTACHMENT E

SAMPLE LETTER TO TPP ACKNOWLEDGING RECEIPT OF REFUND REQUEST

__(Current Date)__

In reply refer to: __(Mail Code)__

Attn: Director of Claims
[Insurance Policy Carrier]
[Insurance Company Address]

Re: Refund request dated ____ (Date of request) ____
Insurance Carrier Internal Claim Number: ____ (Claim Number) ____
Patient: ____ (Patient Name) ____
Associated Date of Service (DOS): ____ (Associated DOS) ____

Dear Director of Claims,

This letter is to acknowledge receipt of your request for refund of payment(s) made to the ____ (Facility Name) ____ totaling ____ (\$X.XX) ____ . Your request was received on ____ (Date of receipt) ____ . We are currently reviewing your overpayment claim in accordance with Department of Veterans Affairs (VA) policy and will provide a timely response to your request.

Please refrain from offsetting payments due VA for health claims related to this refund request during this time period.

Sincerely,

Signature Block for the Patient Accounts Manager

