



Department of Veterans Affairs

Financial Policy

Volume XII

Debt Management

Chapter 4

Medical Care Debt

Approved:

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

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0401 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies relating to the collection of debts owed to VA in connection with its medical care and services programs.

This chapter discusses how VA, in the performance of its debt management duties will:

- When required, VA will collect copayments for furnishing medical care or services (including urgent care) to Veterans;
- VA will collect fees for furnishing medical care or services under emergency or humanitarian conditions to individuals not eligible for VA care or services;
- VA will collect the reasonable cost of medical care or services furnished to an individual for the treatment of a non-service-connected (NSC) disability from a third party;
- Medical care and services debts are subject to interest, administrative charges and referral for collection; and
- VA may not bill or collect from Medicare or Medicaid for non-service-connected conditions in accordance with 42 U.S.C. §1395y.

0402 Revisions

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed 5-year review	OFP (047G)	Reorganized chapter layout	February 2021
Various	Changed VHA's Central Business Office (CBO) to Office of Community Care (OCC)	OFP (047G)	Name change	February 2021
Various	Chapter number changed from 5 to 4	OFP (047G)	Reorganized chapter	February 2021
0403 Definitions	Updated definitions	OFP (047G)	Updated and added definitions for clarity	February 2021

Section	Revision	Office	Reason for Change	Effective Date
0404 Roles and Responsibilities	Updated roles and responsibilities	OFP (047G)	Streamlined for clarity related to policy	February 2021
Authority and References	Updated to include addition Digital Accountability and Transparency Act (DATA Act) with Link	OFP (047G)	To comply with new Law	July 2016

0403 Definitions

Close-out – A classification after write-off, also referred to as a Discharge of Indebtedness, when the agency has determined that no further debt collection action will be taken and the debt will be discharged, in accordance with 31 C.F.R. § 903.5, 38 C.F.R. § 1.944, and OMB Circular No. A-129. A non-benefit debt close-out of \$600 or more must be reported to the Internal Revenue Service (IRS) per 26 U.S.C. § 6050P.

Debt – Money or property owed to VA.

Delinquent – Delinquency occurs when payment is not made by the due date specified in the initial billing notice.

First-Party Debt – An amount owed to VA by an individual, who has the responsibility to pay the debt resulting from medical care, services or other charges as determined by VA This includes fees for copayments, and emergency and humanitarian care.

Health Care Claim – A request for payment submitted to a health insurance provider.

Medical Care Debt – An amount owed to VA resulting from medical program activities.

Notice of Indebtedness (NOI) – Written communication sent by VA providing the debtor with notification of the existence and amount of the debt, payment remittance information, accrual of interest, penalties, and administrative costs, and due process rights. A NOI is sometimes referred to as a demand letter.

Termination of Collection Action – A decision, under the guidance of the Federal Claims Collection Standards 31 C.F.R. § 903, to cease active collection action on a debt when it appears that no person liable on the claim has the present or prospective ability to pay a significant amount of the claim or the cost of collecting the claim is likely to be more than the amount recovered.

Third-Party Debt – An amount owed to VA for a claim against a third party (i.e., a Federal entity, health insurance carrier, automobile accident reparations insurance carrier, worker’s compensation carrier, or other responsible person) for reimbursement to VA for the cost of treating a Veteran for a condition when that party is obligated to provide or pay the expenses of such treatment.

Waiver – A decision that conditions exist which should result in cancellation, forgiveness, or non-recovery of a debt owed, including interest and other late payment charges assessed on such debts under the applicable statutes and implementing regulations 38 C.F.R. § 1.955, through 38 C.F.R. § 1.969, and 38 C.F.R. § 17.105.

0404 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, and Other Key Officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

Veterans Health Administration (VHA) Chief Financial Officer (CFO) is responsible for collaborating with the Office of Community Care (OCC) in designing and implementing national monitoring procedures, auditing procedures, appropriate internal control mechanisms, and performance measures; and for collaborating with the OCC and the Chief Compliance and Business Integrity Office (CBIO) in developing accounts receivable performance measures.

Chief of the Local Finance Activity is responsible for ensuring that compliance with the policies and appropriate procedures is followed for the administration of VA’s debt collection activities. Any reference to the Chief of the Local Finance Activity also includes the: Director of the Debt Management Center (DMC), Director of the Financial Service Center (FSC) where appropriate, as well as Chief Fiscal Officers in VA Medical Centers, Chief Finance Officers in Regional Offices, and Chief Fiscal Officers in the Consolidated Patient Account Centers (CPAC).

Debt Management Center (DMC) is a franchise fund (fee-for-service) organization in VA. The DMC offers a wide range of debt management services including debt resolution activities, (waivers, compromises, etc.) and is responsible for debt referral to the Treasury Cross-Servicing program.

Office of Community Care is responsible for ensuring the Consolidated Patient Account Centers (CPACs) operate the VHA Revenue Operations Program for the billing and collection of services, fees and reasonable charges for medical services and other authorized services or charges to Veterans and other persons as allowed by law.

0405 Policies

040501 General Policies

- A. Public Law (Pub. L.) 99-272, the Consolidated Omnibus Budget Reconciliation Act of 1985, established the Medical Care Collections Fund (MCCF) and gave VA the authority to bill health insurance companies for healthcare provided for non-service-connected care when Veterans have private health insurance. This legislation also authorized VA to collect copayments for non-service-connected care based on Veterans income. Receipts from these billings are deposited into the MCCF.
- B. VA has the authority to charge Veterans for any inpatient or outpatient care or service, including domiciliary care if:
- The care was provided under tentative eligibility determinations; and
 - The Veteran was subsequently found to be ineligible for such care or services. See 38 C.F.R. § 17.102(a).
- C. 38 C.F.R. § 17.102(b) authorizes VA to charge for any non-service-connected care or service provided in a medical emergency.
- D. 38 U.S.C. § 1710, authorizes VA to charge copayments to certain Veterans as a condition of receiving inpatient hospital care or outpatient medical care provided by VA (provided either directly by VA or obtained by VA by contract, provider agreement, or sharing agreement).
- E. 38 U.S.C. § 1710B authorizes VA to charge copayments to certain Veterans as a condition of receiving extended care services provided by VA (either directly by VA or paid for by VA).
- F. 38 U.S.C. § 1722A Determination of inability to defray necessary expenses; income thresholds, authorizes VA to charge a copayment to certain Veterans for each 30-day or less supply of medication provided by VA on an outpatient basis (other than medication administered during treatment) for treatment of a NSC condition.
- G. 38 U.S.C. § 1725A, authorizes VA to charge a copayment to an eligible veteran as a condition of receiving walk-in care provided by non-VA entities or providers in VA's network.
- H. 38 U.S.C. § 1729, gives VA the authority to recover the reasonable cost of certain medical care and services furnished to an individual for the treatment of a NSC disability when the individual or VA is eligible to receive payment for such treatment from a third-party, such as Reimbursable Medical Health Insurance. VA does not have the authority to bill Medicare and Medicaid for NSC conditions per 42 U.S.C. §1395y.

040502 Establishing Medical Care or Services Debt

- A. Once it is determined a first-party or third-party owes a debt, VA will establish a receivable in the accounting system and issue a Notice of Indebtedness (NOI) and/or a health care claim(s) to the responsible individual or third party.
- B. NOIs serve as written notification of indebtedness and contain a debtor's due process rights in accordance with 38 C.F.R. § 1.911a. For more information on a NOI, refer to VA Financial Policy Volume XII, Chapter 8 – Notice of Indebtedness.
- C. Health care and services related NOIs to individuals must be prepared in accordance with the billing procedures in the VHA Office of Community Care Knowledge Management System.
- D. Third-party receivables are prepared in accordance with standard procedures established by Office of Community Care Revenue. Claims will be submitted via industry-standard 837 HIPAA transactions or via a standard industry-approved medical claim form. See 38 U.S.C. § 1729 for more information.

040503 Collections and Refunds

- A. VA will record collections, whether paid by the individual or the third-party, to the proper account in VA's financial accounting system.
- B. The Chief of the Local Finance Activity will refer all delinquent debts over 120 days to DMC for submission into the Treasury Offset Program (TOP) per 31 U.S.C. § 3716. Debts over 120 days shall be referred to the Treasury Cross-Servicing Program under the authority of the Debt Collection Improvement Act (DCIA).
- C. VA will review refund requests, whether from an individual or a third-party, to determine if the request for refund is appropriate. If a refund is warranted an SF 1047, Public Voucher for Refunds, or other such records with substantiating information, will be prepared and submitted to the designated approval official for processing. For information on refunds, refer to VA Financial Policy Volume II, Chapter 7G – Refunds Issued by VA.
- D. For information on collection and follow-up standards related to third parties, refer to VHA Office of Community Care Knowledge Management.

040504 Termination of Debt Collection Action, Write-off, or Close-out

- A. VA will terminate collection activity and write-off medical care debts when all available collection efforts have been exhausted, and the criteria for termination and write-off has been met, which can be found in The Federal Claims Collection

Standards 31 C.F.R. § 903. For more information, refer to VA Financial Policy Volume XII, Chapter 13 – Termination of Collection Action, and Reporting Discharge of Debt to IRS.

- B. The fiscal officer, including the CPAC fiscal officer or their designees, may either write-off or refer for write-off, any delinquent first-party copayment debt that meets the criteria set forth in VA Financial Policy Volume XII, Chapter 13 – Termination of Collection Action, and Reporting Discharge of Debt to IRS. Although the fiscal officer or CPAC fiscal officer may delegate the authority for the write-off, the responsibility and accountability remain with the finance activity. The Office of General Counsel must approve the write-off of any third-party debt.

040505 Reporting Medical Debt

- A. VA will provide reports on medical debt collection actions as required by 31 U.S.C. § 3719 and incorporate the required data into the quarterly Treasury Report on Receivables (TROR).
- B. For more information regarding reporting the debt to Treasury, refer to VA Financial Policy Volume XII, Chapter 15 – Treasury Report on Receivables.

0406 Authorities and References

[5 U.S.C. § 5584 Claims for overpayment of pay and allowances, and of travel, transportation and relocation expenses and allowances](#)

[26 U.S.C. § 6050P, Returns relating to the cancellation of indebtedness by certain entities](#)

[31 U.S.C. Chapter 37, Subchapter II, Claims Against the United States Government](#)

[31 U.S.C. § 3719, Reports on debt collection activities](#)

[31 C.F.R. Chapter IX, Federal Claims Collection Standards](#)

[31 C.F.R. § 903.5, Discharge of indebtedness; reporting requirements.](#)

[38 C.F.R. § 1.10- § 1.995, General Provisions](#)

[38 U.S.C. § 309, Chief Financial Officer](#)

[38 U.S.C. § 1710, Eligibility for Hospital, Nursing Home and Domiciliary Care](#)

[38 U.S.C. § 1710B, Extended Care Services](#)

[38 U.S.C. § 1722A, Copayments for Medications](#)

[38 U.S.C. § 1729, Recovery by the United States of the Cost of Certain Care and Services](#)

[38 U.S.C. § 1784, Humanitarian Care](#)

[38 U.S.C. § 5302 Waiver of recovery of claims by the United States](#)

[38 C.F.R. Part 1, Section 1.900-1.953, Standards for Collection, Compromise, Suspension or Termination of Collection Effort and Referral of Civil Claims for Money or Property](#)

[38 C.F.R. § 17.43 Persons Entitled to Hospital or Domiciliary Care](#)

[38 C.F.R. § 17.102, Charges for Care or Services](#)

[42 U.S.C. § 1395y Exclusions from coverage and Medicare as secondary payer](#)

[42 U.S.C. § 2651, Federal Medical Care Recovery Act, Recovery by United States](#)

[Digital Accountability and Transparency Act \(DATA Act\), Pub. L. 113-101](#)

[OMB Circular A-129, Appendix A, Paragraph V, Delinquent Debt Collection](#)

[Treasury Financial Management - Managing Federal Receivables](#)

[Office of Community Care Knowledge Management System](#)

0407 Rescissions

This chapter rescinds VA Financial Policy Vol. XII Chapter 5, dated November 2012

0408 Questions

Questions concerning these financial policies should be directed as shown below:

VHA	VHA CFO Accounting Policy (10A3A) (Outlook)
All Others	OFP Accounting Policy (Outlook)