

January 23, 2012

## APPLICATION OF THIRD-PARTY REIMBURSEMENT TO VETERAN COPAYMENTS

**1. PURPOSE:** This Veterans Health Administration (VHA) Directive outlines procedures for the application of reimbursements from all third-party health plans to Veterans' Department of Veterans Affairs (VA) copayment obligation.

**2. BACKGROUND:** In order to make the collections from both third-party health plans and Veterans more cost effective, VA made the decision to apply such third-party reimbursements, dollar-for-dollar, to a Veteran's VA copayment.

a. Veterans who incur VA copayment obligations and who have health insurance should be allowed the benefit of that insurance, to the extent of, and consistent with, available coverage, toward satisfaction of their VA copayment obligation. However, if the services billed to the insurance carrier are not covered services under a Veteran's insurance (e.g., health care provided by non-covered providers or no coverage for prescriptions), the entire VA copayment obligation related to those non-covered services remains the Veteran's responsibility and the Veteran will be billed for any unpaid VA copayment balance.

b. All reimbursements from any health plan, without regard to the type of health plan coverage that a Veteran may have for VA care or services, is applied dollar-for-dollar to the Veteran's copayment obligation. This applies regardless of whether the Veteran is Medicare-eligible and covered under a plan that supplements or coordinates available benefits with Medicare, or is not Medicare-eligible and covered under some other form of health coverage.

**3. POLICY:** It is VHA policy that Veterans who incur VA medical care copayment obligations and who have health care insurance must be allowed the benefit of that insurance, to the extent of, and consistent with, the available plan coverage, toward the satisfaction of their VA copayment obligations.

**4. ACTION:** Each Medical Facility Director or Consolidated Patient Account Center (CPAC) Director must ensure that the following procedures are implemented:

a. **Medical Care and Services Provided Under the Special Authorities.** Medical Care and Services Provided under the special authorities to include Military Sexual Trauma (MST)-related physical and mental health care, including prescriptions, are free of charge and should not be subject to billing or copayment.

b. **Third-party Payer (TPP) Reimbursement.** Third-party payments are applied to VA's third-party bill and then an offset is completed to the corresponding Veteran's VA copayment obligation, which is applied dollar-for-dollar.

(1) Facility and CPAC Revenue Staff must review the Veterans Health Information and Technology Architecture (VistA) Claims Matching Report to ensure timely and proper

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application of third-party reimbursements to a Veteran's VA copayment obligation. This VistA report lists third-party claims with payments that have corresponding VA copayments for the same dates of service. The application of third-party reimbursement for inpatient services must include the total payments for both the institutional claims and the professional claims for that inpatient stay.

(2) Third-party reimbursements must be applied to a Veteran's VA copayment obligation for the same inpatient stay and both the inpatient copayment and the per diem charges must be considered. Also, any VA copayments for pre-operation visits and post-operation visits related to that inpatient stay must be included in the application of third-party reimbursement to a Veteran's VA copayment obligation.

(3) The application of third-party reimbursement for outpatient services must include the total payment received on all the outpatient claims for that same date of service.

(4) The application of third-party reimbursement for extended care services must include the total payment received on all extended care service claims for that same date of service.

(5) The Revenue staff at the facility or the CPAC need to review the Electronic Claims Management Engine (ECME) Payable Claims Report to ensure the proper application of third-party reimbursement on ePharmacy claims to a Veteran's VA copayment obligation.

(6) Interest payments submitted by TPPs under the Fair Claims Practices requirements of state law are deposited into the General Fund Receipt account 36 1435 and are not deposited to the Medical Care Collections Fund (MCCF). That portion of a third-party payment is not considered reimbursement that can be applied towards a Veteran's copayment obligation.

(7) If application of the third-party receivable to the Veteran's VA copayment obligation does not extinguish the VA copayment for that episode of care, the remaining VA copayment balance is the Veteran's responsibility and the Veteran is billed.

c. **Third-party Payment Application.** When the appropriate third-party payment is received from the insurance carrier, the amount will be posted to the third-party receivable. If the payment does not cover the total cost of the receivable, the remaining third-party receivable balance is contractually adjusted (decreased) to zero, and the VA copayment charge is released from Integrated Billing and passed to Accounts Receivable. A decrease adjustment to the VA copayment charge must be made in an amount up to the full amount of the payment from the insurance carrier for the corresponding episode of care billed and recorded with the appropriate comment using the "Decrease Adjustment Option" in VistA (see Att. A).

d. **VA Copayment Billing.** Insured Veterans responsible for VA copayment(s) for their VA health care are not billed those VA copayment(s) until the Veteran's health plan either:

(1) Remits payment in an amount that does not fully satisfy the Veteran's VA copayment obligation for that episode of care, in which case the Veteran remains responsible for the remaining VA copayment balance; or

(2) Denies payment, in which case the Veteran remains responsible for the entire amount of the VA copayment for that episode of care; or

(3) Fails to respond within the appropriate follow-up period after submission of VA's initial claim either by remitting payment or requesting additional information (such as VA medical records), in which case the Veteran remains responsible for the entire VA copayment for that episode of care. Veteran's copayment bills must be released no later than 90 days from the date the bill is generated to the third-party insurance carrier. Any applicable reimbursement subsequently received from such a health plan, however, must always be applied to the Veteran's VA copayment obligation, with refunds given, if otherwise in order.

f. **Tortfeasor and Workers' Compensation Exception.** When VA asserts its bill for medical care in a tortfeasor or workers' compensation case, and against the Veteran's health plan for that same care, complex questions often arise about application of third-party proceeds. The manner in which proceeds are applied in such cases generally depend on the nature, scope, and intent of the resolution of the tortfeasor or workers' compensation claim.

(1) For instance, a judgment or a settlement of a tortfeasor or workers' compensation case usually requires a compromise of all of the mutual interests of the parties. Such a settlement, therefore, may require refund of any VA copayments paid by the Veteran, or write-off of any pending unpaid VA copayments. VA copayments that have been remitted can be considered in the overall settlement, obviating the need for refund.

(2) In such cases when reimbursement has also been received from a third-party health plan, coordination of benefit requirements in many plans, as well as State law, may create an obligation to refund the payment from a Veteran's third-party health plan. In all such cases, the Regional Counsel, who has jurisdiction of tortfeasor and workers' compensation claims, needs to be consulted for determination of these issues. Regional Counsel needs to be consulted for a determination of the issues in those instances where VA's care, or the injury that led to such care, is likely to result, or has resulted, in a claim for damages against the United States under the Federal Tort Claims Act.

## 5. REFERENCE

a. Title 38 United States Code 1729.

b. Title 38 Code of Federal Regulations Sections 17.101 and 17.106.

**6. FOLLOW-UP RESPONSIBILITY:** The Chief Business Officer (10NB) is responsible for the contents of this Directive. Questions may be addressed to (202) 461-1589.

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**7. RESCISSIONS:** VHA Directive 2006-040 is rescinded. This VHA Directive expires January 31, 2017.

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Under Secretary for Health

Attachment

**DISTRIBUTION:** E-mailed to the VHA Publications Distribution List 1/25/2012

## ATTACHMENT A

### EXAMPLES ON THE APPLICATION OF THIRD-PARTY REIMBURSEMENTS TO VETERANS' COPAYMENTS

The following examples provide additional guidance with the application of third-party reimbursement for a Veteran with a Department of Veterans Affairs (VA) copayment obligation on an episode of care related to that reimbursement.

#### Example 1

a. **Third Party.** The billed services were for medical care provided by a non-covered provider. The Veteran's outpatient copayment charge of \$50.00 is placed on hold. The insurance carrier makes no reimbursement because it does not cover this provider's services.

b. **Copayment.** The Veteran's outpatient copayment charge on hold for \$50.00 is released. The Veteran will be billed for the entire copayment amount.

#### Example 2

a. **Third Party.** The insurance carrier was billed for an office visit and for prescriptions. The Veteran's outpatient copayment charge of \$50.00 and prescription copayment charge of \$9.00 are placed on hold. The carrier submits reimbursement for the office visit and indicates that prescriptions are a non-covered service.

b. **Copayment.** The Veteran's outpatient copayment charge on hold for \$50.00 is released.

(1) The outpatient copayment would be satisfied to the extent of the insurance reimbursement. A decrease adjustment with appropriate comment is recorded on that outpatient copayment to reflect the insurance carrier reimbursement and any remaining unpaid balance would be billed to the Veteran.

(2) The Veteran's prescription copayment charge on hold for \$9.00 is released. The prescriptions were a non-covered service and none of the insurance reimbursement would be applied towards the prescription copayment. The Veteran would be billed for the entire prescription copayment amount.

#### Example 3

##### a. **Third-Party**

(1) A Veteran has an outpatient visit in the Urology Clinic and has ambulatory surgery. Third-party claims are prepared for the institutional charges of \$4,954.00 and for professional fees of \$4,443.00.

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(2) The Veteran's copayment charge of \$50.00 is placed on hold. For this outpatient treatment (OPT) visit, the carrier reimbursed 100 percent of the billed facility charges. Payment to the third-party receivable is recorded as \$4,954.00 and the third-party claim is closed.

b. **Copayment.** The Veteran's outpatient copayment charge on hold for \$50.00 is released. The insurance carrier reimbursement fully satisfied the outpatient copayment. A decrease adjustment with appropriate comment to reflect as paid in full by the insurance carrier reimbursement is recorded for the outpatient copayment. There is no outpatient copayment balance to bill the Veteran.

c. **Third Party.** The insurance carrier subsequently provides 100 percent reimbursement for the professional fees for the OPT visit totaling \$4,443.00. Payment to the third-party receivable is recorded as \$4,443.00 and the third-party claim is closed.

d. **Copayment.** The Veteran's copayment was fully satisfied with the initial third-party payment and has been closed, no further action is required.

### Example 4

a. **Third Party.** A Veteran has an outpatient appointment and receives one prescription. A third-party claim is prepared for the outpatient visit of \$52.31 and the actual drug cost plus administrative fee for the prescription.

(1) The Veteran's outpatient copayment of \$50 and the prescription copayment of \$9 are placed on hold. For the outpatient visit, the insurance carrier allows \$45 and reimburses 80 percent of the \$45 which totals \$36.00.

(2) For the prescription, the insurance carrier reimburses \$10.

(3) Total payment to the third-party receivable is recorded as \$46.00. The remaining balance is contractually decrease adjusted to zero and the third-party claim is closed.

#### b. **Copayment**

(1) The Veteran's outpatient copayment charge on hold for \$50 is released. The reimbursement from the insurance carrier totaled \$36.00 and this does not fully satisfy the outpatient copayment. A decrease adjustment is recorded with an appropriate comment for the outpatient copayment and the remaining unpaid outpatient copayment charges of \$14.00 are released to the Veteran.

(2) The Veteran's prescription copayment charge on hold for \$9 is released. The insurance carrier reimbursement fully satisfied the prescription copayment. A decrease adjustment with an appropriate comment to reflect as paid in full by the insurance carrier reimbursement is recorded for the prescription copayment. There is no prescription copayment balance to bill the Veteran.

**Example 5**

a. **Third Party.** A Veteran receives one prescription. A third-party claim is prepared for the actual drug cost plus administrative fee of the prescription which will be updated annually.

(1) For the prescription, the insurance carrier indicates that prescriptions are not covered services and provides no reimbursement for the charge.

(2) Since a denial is received, zero payment is recorded. The balance is contractually decrease adjusted to zero and the third-party claim is closed.

b. **Copayment.** The Veteran's prescription copayment on hold for \$9 is released. The prescriptions were a non-covered service by the insurance carrier and no insurance reimbursement is applied toward the prescription copayment. The Veteran would be billed for the entire prescription copayment amount.

**Example 6**

a. **Third Party.** A Veteran has an outpatient visit in the Internal Medicine Subspecialty/Rheumatology Clinic.

(1) The Veteran is a retired Federal employee with Medicare Part A benefits and coverage under a Federal Employee Health Benefit Plan (FEHBP). The FEHBP has indicated that it will reimburse 70 percent of third-party claims submitted because the patient is a retired Federal employee with Medicare Part A, so the FEHBP is primary for all outpatient charges. A third-party claim is submitted for \$261.59.

(2) The Veteran's copayment charge of \$50 is placed on hold. The FEHBP properly reimburses 70 percent of the billed charges, by submitting a payment of \$183.11. Payment to the third-party receivable is recorded as \$183.11 and the remaining balance of \$78.48 is contractually decrease adjusted to zero and the third-party claim is closed.

b. **Copayment.** The Veteran's copayment charge on hold for \$50 is released. The insurance carrier reimbursement fully satisfied the outpatient copayment. A decrease adjustment with an appropriate comment to reflect as paid in full by the insurance carrier reimbursement is recorded for the outpatient copayment. There is no outpatient copayment balance to bill the Veteran.

**Example 7**

a. **Third Party**

(1) Veteran is admitted as an inpatient to the Intermediate Care Unit for 4 days and is then transferred to the Surgical Care Unit for 16 days. The patient was discharged after completing a 20-day length of stay. A third-party claim is prepared for the inpatient episode of care for facility charges of \$42,696.00. Claims are also submitted for the professional fees of \$10,945.90.

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(2) The Veteran's inpatient copayment of \$1,132 plus the per diem copayments of \$200 are placed on hold. The carrier reimburses the facility charges with a payment of \$39,601. Payment to the third-party receivable is recorded as \$39,601 and the remaining balance of \$3,095 is contractually decrease adjusted to zero and the third-party claim is closed.

b. **Copayment.** The Veteran's inpatient copayment charge on hold of \$1,132 and the per diem copayments of \$200 are released. The insurance carrier reimbursement fully satisfied the inpatient copayments. Decrease adjustments with appropriate comments to reflect as paid in full by the insurance carrier reimbursement are recorded for the inpatient copayments. There are no inpatient copayment balances to bill the Veteran.

c. **Third Party.** The insurance carrier subsequently provides reimbursement for the professional fees for the inpatient admission totaling \$10,945.90. Payment to the third-party receivable is recorded as \$10,945.90 and the third-party claim is closed.

d. **Copayment.** The Veteran's copayment was fully satisfied with the initial payment and has been closed, no further action is required.