

VA Financial Policies and Procedures
Charges and Full Cost Recovery

CHAPTER 4

| | |
|--|----|
| 0401 OVERVIEW..... | 2 |
| 0402 POLICIES | 3 |
| 0403 AUTHORITY AND REFERENCES | 4 |
| 0404 ROLES AND RESPONSIBILITIES | 4 |
| 0405 PROCEDURES..... | 6 |
| 0406 DEFINITIONS..... | 10 |
| 0407 RESCISSIONS..... | 12 |
| 0408 QUESTIONS | 12 |
| APPENDIX A: COST VS. CHARGES..... | 13 |
| APPENDIX B: CERTIFICATION OF COMPLIANCE - HEALTH CARE SHARING | 14 |
| APPENDIX C: CERTIFICATION OF COMPLIANCE - MCCF | 15 |
| APPENDIX D: CERTIFICATION OF COMPLIANCE - OTHER CHARGES | 16 |
| APPENDIX E: VHA PROCEDURES FOR SELF-CERTIFICATION COMPLIANCE ... | 17 |

0401 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for development of charges and full cost recovery when services are delivered to the public or a third party. Charges for certain Sharing Agreements and User Fees for services provided by VA will be recovered at full cost or market price (e.g., Freedom of Information Act requests, agriculture leases, filming, National Cemetery Administration (NCA) lodge rentals)¹.

040101 CHARGES AND FULL COST RECOVERY STANDARDS AND PRINCIPLES. In accordance with the Office of Management and Budget (OMB) Circular A-25, *User Charges*, VA will charge either "full cost" or "market price" for services, resources or goods provided for a fee. User charges will be sufficient to recover the full cost to VA for providing the service, resource or good.

040102 CHARGES AND FULL COST RECOVERY ACTIONS. VA will comply with the Managerial Cost Accounting standards, as required in Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government* and SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*, requiring Federal reporting entities to collect and report the costs of their activities on a regular basis.

A. In accordance with OMB Circular A-25, *User Charges*, VA will ensure charges are sufficient to recover the full cost to provide the service or product, as defined by the Federal Accounting Standards Advisory Board (FASAB). Rare exceptions may arise where full cost recovery may not be achieved.

B. In accordance with 38 U.S.C. 1729(a), *Recovery by the United States of the Cost of Certain Care and Services*, VA will recover or collect reasonable charges for care or service (as determined by the Secretary) of nonservice-connected disabilities of Veterans from a third party to the extent that the Veteran (or the provider of the care or services) would be eligible to receive payment for such care or services from such third party, if the care or services had not been furnished by VA.

C. In accordance with the Chief Financial Officer (CFO) Act of 1990, on a biennial basis, VA will review fees, royalties, rents and other charges for services and things of value it provides for reasonableness and make recommendations on revising the charges to reflect costs incurred.

For additional information on cost accounting and cost accounting compliance, see Volume XIII, Chapter 3, *Managerial Cost Accounting*, and Volume XIII, Chapter 5, *Cost Accounting Compliance*.

¹ See VA Office of Public Affairs publication "Filming" for detailed information for charging user fees when using VA facilities.

0402 POLICIES

040201 CHARGES AND FULL COST RECOVERY STANDARDS AND PRINCIPLES. VA will adhere to the general policies for charges and full cost recovery, as prescribed in OMB Circular A-25, *User Charges*, OMB Circular A-45, *Rental and Construction of Government Quarters*, and 38 U.S.C. 8153, *Sharing of Health Care Resources*. OMB Circular A-25 contains information for determining when special benefits exist.

- a) Sharing Agreements and User Fees. VA will identify the costs incurred to fulfill its missions and assign the costs to the products or services provided.²
- b) Hospital and Medical Care Charges. VA will determine reasonable charges based on the methodology identified in 38 C.F.R. 17.101 and attempt to recover full reasonable charges from third parties liable under a health plan. Per 38 U.S.C. 1729, third parties must pay the reasonable charges or demonstrate to the satisfaction of the Secretary that the amount paid to VA is what would have been paid to a nongovernment provider in the same geographic area.
- c) VA will comply with SFFAS No. 7 and disclose instances where full cost recovery was not achieved for Sharing Agreements, User Fees or Hospital and Medical Care Charges (based on the reasonable charge).

040202 CHARGES AND FULL COST RECOVERY ACTIONS.

- A. In accordance with OMB Circular A-25, VA will identify charges based on cost and market price analyses and assign them to the products or services provided, except for reasonable charges for hospital and medical care charges to third parties based on 38 C.F.R. 17.101. VA will fully charge or allocate the costs associated with a project start-up regardless of the outcome of the project.
- B. VA will attempt to recover reasonable charges for healthcare or services from a third party to the extent that the Veteran (or the provider of the care or services) would be eligible to receive payment for such care or services from such third party if the care or services had not been furnished by VA in accordance with 38 U.S.C. 1729(a).
- C. VA will assess the charges for its products or services in a biennial review as required by the CFO Act of 1990. Upon request, the Administration CFOs or other office CFOs will provide certification of the biennial reviews to the VA CFO.
- D. To the extent possible, VA will use the Decision Support System (DSS) to provide the product cost.³ VA will rely on generally accepted cost accounting principles in

² See Volume XIII, Chapter 3, *Managerial Cost Accounting*, for further information on VA's cost accounting principles.

³ See Volume XIII, Chapter 5, *Cost Compliance* for more information on the DSS system

instances where DSS cannot be used (e.g., pounds of laundry, onsite filming, reasonable charges).

0403 AUTHORITY AND REFERENCES

040301 Chief Financial Officers Act of 1990

040302 38 U.S.C. 1729(a), Recovery by the United States of the Cost of Certain Care and Services

040303 38 U.S.C. 8153(b), Sharing of Health Care Resources

040304 Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government

040305 FASAB, SFFAS No. 7, Accounting for Revenue and Other Financing Sources

040306 Office of Management and Budget (OMB) Circular A-25, *User Charges*

040307 OMB Circular A-45, Rental and Construction of Government Quarters

040308 VHA Directive 2010-001, Reporting Medical Care Collections Funds Cost to Collect

040309 VHA Directive 2006-020, VHA Managerial Cost Accounting System

0404 ROLES AND RESPONSIBILITIES

040401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

The CFO is responsible for certifying to the Secretary of VA that the full cost to the Federal Government for providing products or services to customers is reflected in the price of or charge(s) made for the products or services. Certification for medical care and services (from third parties) is based on the reasonable charges calculations per 38 C.F.R. 17.101.

The CFO, as well as the Administration CFOs and other office CFOs, are functionally responsible to review, approve and impose user charges or to make an exception VA-wide. In this capacity, each is responsible for the following:

- Ensuring the amount of all user charges complies with the applicable statutory authority, OMB and VA user charge policies.
- Ensuring that user charges imposed by VA are as uniform as possible and ensuring proper dispositions of user charges collected. Issuing implementing procedures and instructions.

040402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

The Administration CFOs or other CFOs are responsible for: (1) identifying all activities being performed or proposed to be performed, at the responsibility centers and headquarters that result in a special benefit to a recipient; (2) determining the extent of the special benefits provided or to be provided by such activities; (3) determining whether the imposition of a user charge would be in conflict with the basic mission of VA and, if an exception is appropriate, submitting a recommendation to the CFO or designee; and (4) applying approved cost-accounting principles and procedures in determining the cost of the service or activity that provides a special benefit.

It is the responsibility of the Administration CFO or office CFO with the concurrence of the Department's CFO, to maintain and document a full cost accounting methodology that ensures the full cost to the Federal Government of providing a product or service to a customer is reflected in the price of or charge(s) made for that product or service, unless otherwise authorized by legislative authority.

040403 The Decision Support Office (DSO) within the VHA Office of Finance maintains the Decision Support System (DSS). DSO is responsible for serving as the DSS Program Office with responsibility for operation and maintenance of DSS; preparing recurring and ad hoc reports required for senior VA leadership to satisfy internal and external queries for managerial cost accounting data and information; populating and maintaining the DSS Reports Website as a means of disseminating managerial cost accounting data and information reports to all levels of VA; and assisting VA facilities with ongoing training that allows them to process data within the established guidelines.

0405 PROCEDURES

040501 CHARGES AND FULL COST RECOVERY STANDARDS AND PRINCIPLES.

A. Costs. The full cost of the Federal Government service from which a special benefit is derived will be determined or estimated from the best available internal records. In accordance with SFFAS No. 4, the full-cost computation will cover the direct and indirect costs to VA of carrying out the activity. Charges include, but are not limited to, the following:

1. Salaries; fringe benefits (i.e., retirement and medical insurance); travel expense; rent; cost of fee collection; postage; and maintenance, operation and depreciation of buildings and equipment, unless specifically excluded.
2. A proportionate share of management and supervisory costs.
3. A fee for a special service. This will be no less than its total cost and may be higher based on the value of the service to the recipient. The cost of providing a service will be reviewed biennially and the fees adjusted, as necessary.

To the extent practicable, imposition of user charges will be uniform and consistent.

B. Cost Recovery.

1. Sharing Agreements. While the recovery of full cost should be the goal of all Enhanced Health Care Resources Sharing contracts, VA recognizes there are situations where full cost recovery may not be achieved. VA facilities are directed to consider both local commercial market rates for similar services, as well as the facility's cost in providing the services when negotiating reimbursement rates. VHA Directive 97-015, *Enhanced Health Care Resources Sharing Authority*, and VHA Directive 1660.1, *Enhanced Health Care Resources Sharing Authority*, require VHA facilities to negotiate reimbursement rates in the best interest of the Government. In the instances where full cost recovery is not achieved, VA is required to report this under the disclosure provisions of SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

2. Hospital and Medical Care Charges. VA will follow the methodology identified in 38 C.F.R. 17.101 to determine the reasonable charges to third parties liable under a health plan. In instances where the third party pays less than reasonable charges and demonstrates to the satisfaction of the Secretary that the amount they have paid to VA is what would have been paid to a non-Government provider in the same geographic area, VA will disclose this information in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

3. Other User Fees. VA will follow the guidelines established in OMB Circular A-25, *User Charges*, to develop user fees. VA will provide a disclosure when the full cost of

services is not recovered in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

040502 CHARGES AND FULL COST RECOVERY ACTIONS

A. When a VA facility sells a product or service unique to the Government, VA will recover the full cost to the Government for producing the product or providing the service.⁴

1. Full cost includes, but is not limited to, the following:

a. An appropriate share of direct and indirect costs;

b. Corporate overhead, i.e., VA Central Office, VHA's Veterans Integrated Service Network (VISN), NCA's Memorial Service Network (MSN), VBA Area Offices.

c. Depreciation of general property, plant and equipment based on VA policy depreciation guidelines. Refer to Volume V, Chapter 9, *General Property, Plant and Equipment*, and Volume III, Chapter 10, *Accounting for Internal Use Software*, for further information of VA's depreciation policy.

2. VA will develop charges based on cost and price analyses in accordance with the CFO Act of 1990, U.S.C. Title 38, OMB Circulars and GAO Decisions and Guidelines, as appropriate. VA will calculate and allocate costs incurred by the acquisition or production, management and delivery of a product or service. Accurate, timely and useful cost information is essential to effectively manage VA resources. The development of charges is central to any VA cost recovery effort, whether it be directed at the private sector or other VA or Governmental entities. See Appendix A for an explanation of cost versus charges.

a. Development of Charges. The development of charges is the responsibility of the VA entity which procures, produces, provides or otherwise offers the product or service or product or service line. The charges must cover the costs to the Government for the procurement, development, construction, manufacture, management, delivery and any other expenses associated with the product(s) or service(s), including but not restricted to local, regional and national overhead costs.

(1) Charges are subject to an approval process which will include but not be limited to the manager of the entity offering the product or service, the appropriate Department or Administration CFO or the senior executive of an office which has no CFO.

(2) Hospital and medical service reasonable charges to third parties will be based on the methodology in 38 C.F.R. 17.101.

⁴ See Volume XIII, Chapter 3, *Managerial Cost Accounting*, for further information on VA's cost accounting principles.

(3) When the service, resource or good offered for sale is not inherently Governmental, market price may be charged. Market price may be determined by:

- Using commercial practices (e.g., competitive bidding);
- Referencing prevailing prices in competitive markets for goods, resources or services that are the same or similar to those provided by the Government with adjustments, as appropriate, that reflect demand, level of service and quality of the good or service.

(4) In the absence of substantial competitive demand, market price may be determined by taking into account the prevailing prices for goods, resources or services that are the same or substantially similar to those provided by the Government and then adjusting the supply made available and/or price of the good, resource or service so that there will be neither a shortage nor a surplus.

b. Intra or Inter-Entity Costs. The procedure of a VA entity costing a good or service, then charging the entity that benefits from or uses that good or service, is referred to as Intra or Inter-Entity Costs. The value of these costs will provide that no one VA entity remains responsible for funding a product or service that may be utilized by other VA or other Governmental entities.

c. Start-up and Partial Delivery Charges. Costs associated with the start-up of a project will be fully charged or allocated, regardless of the outcome of the project.

(1) Costs associated with the production of a product or delivery of a service will be fully charged or allocated, regardless of the outcome of the product or service delivery.

(2) Costs may either be passed on to the customer directly (through charges) or indirectly (as an expense of doing business which is calculated as part of the entity's product or service cost). This includes but is not limited to cancellation or stop production fees. The fees may be charged directly to the customer when:

- the conditions concerning the assessment of the charges are clear and the customer is made aware of the conditions and charges in writing, in advance;
- the charges cover the costs of the services rendered.

B. Recovering full cost or market price for VA-provided goods or services.

1. Enhanced Sharing. VHA facilities will have complied with Title 38 and OMB Circular A-25, *User Charges*, when the prices charged for Enhanced Health Care Sharing contracts recover full or market price. At a minimum, however, market price may not be lower than total local direct costs.

a. Compliance with Federal and VA pricing policy is achieved when a facility charges full cost or market price for its Enhanced Health Care Sharing contracts. Determination of whether to charge full cost or market price is dependent on whether the service, resource or good provided is uniquely Governmental. At no time, however, may the sales price fall below the local direct costs incurred by the facility to provide the product or service.

b. A contract is in compliance if all costs to the Government are covered by contract revenue, even if some of the products or services sold under the contract are sold at a loss. For a sample checklist used by the VA Contracting Officer for Health Care Resources Sharing Authority Contracts under 38 U.S.C. 8153, refer to VA Directive 1663, Appendix A.

2. Other than Enhanced Sharing. VA will recover charges at the full cost to the Federal Government. User charges for goods or services provided to a third party will be recovered as required by SFFAS No. 4.

3. Hospital and Medical Care (charges to third parties). VA will attempt to recover the reasonable charges.

C. The Chief Financial Officers Act of 1990 requires a biennial review of "fees, royalties, rents and other charges imposed by the agency for services and things of value it provides and makes recommendations on revising the charges to reflect costs incurred by it in providing the services and things of value."

1. The Administration CFOs and other office CFOs will conduct a biennial review of charges to ensure the integrity of the costs and upon request, provide certification to the VA CFO. Along with the certification, the supporting documentation provided to the VA CFO will include, but is not limited to:

a) A full description of the product or service;

b) A full disclosure of the methodology used to cost the product(s) or service(s) and the time, services and dollars, both direct and indirect, used to arrive at the product(s) or service(s) costs;

c) A description of all the products or services offered by an entity (including the product or service being approved) written in such a way that approving officials may determine the scope of the entity's charges and the size or scope of the product(s) or service(s) being approved in relation to the entity's entire product or service line.

Due to the large number of VHA facilities, it is impractical and cost-prohibitive to conduct independent reviews of all Enhanced Medical Resources Sharing contracts entered into by every VHA facility. As a result, VHA developed a self-certification program where each facility will biennially certify compliance with Federal and VA

pricing guidelines when entering into Enhanced Health Care Resources Sharing contracts.

See Appendix B for the certification statement relating to Enhanced Health Care Sharing Contracts, Appendix C for the certification relating to hospital and medical care (charges to third parties) and Appendix D for the certification statement relating to other requirements (e.g., OMB Circular A-25, *User Charges*, and the CFO Act of 1990). See Appendix E for VHA specific self-certification procedures.

2. The VA CFO, specifically the Office of Business Oversight, will conduct a biennial review of all charges at selected facilities to ensure the integrity of the certification process.
3. The policies dictating terms and payment methodologies adopted by VA entities will be used to obligate, record, transfer or otherwise account for and pay charges, including but not limited to the laws, regulations, policies and procedures associated with procurement practices. Refer to the Federal Acquisition Regulation (FAR) and the VA Acquisition Regulation (VAAR).
4. If no methodology exists for new products or services, one will be developed by the entity (Administration, staff office, etc.) and be subjected to the normal approval processes, which will include but not be limited to the entity's manager and/or director, the Administration or office CFO (if applicable), the senior executive and the VA CFO.

D. VA's primary managerial cost accounting system is DSS. The DSS production database software contains a set of modules for reporting, analysis, budgeting and modeling and produces a variety of reports.

Generally accepted accounting principles will be used to determine the full cost of goods or services when the DSS system cannot be used. This occurs when new products or products not defined in the DSS system (e.g., pound of laundry, on-site filming, reasonable charges) are being billed by local VA facilities for goods or services provided. SFFAS No. 4 will be followed except where other statutory guidance exists. Local VA facilities will document and retain the cost methodology used to determine user charges for unique circumstances. See Volume XIII, Chapter 5, *Cost Accounting Compliance*, for additional information on DSS.

0406 DEFINITIONS

040601 Administration. One of the three VA Administrations: Veterans Health Administration (VHA), Veterans Benefits Administration (VBA) and National Cemetery Administration (NCA).

040602 Allocated. Distributed among users.

040603 Capacity. The output capability of an organization when it fully utilizes its resources to create the maximum value for customers while generating the minimum amount of waste.

040604 Charges. A fee assigned by the provider (e.g., VA) for the product or service.

040605 Cost. An amount or value expended for goods or services produced or received, as distinguished from amounts obligated for the purchase of goods or services.

040606 Direct Cost. Costs directly associated with providing services.

040607 DSS System. A derived database built from standard VHA data sources. DSS uses clinical and financial data to provide state-of-the-art activity based costing and clinical productivity analyses.

040608 Entity. Any group separated from others by an official or organizational designation.

040609 Fixed Costs. The costs or expenses that do not vary in the short term with the volume of activity (non-variable or constant cost).

040610 Full Cost. The full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the segment that directly or indirectly contribute to the output and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities.

040611 Good(s). Any discrete, traceable or measurable good or service provided to a customer.

040612 Indirect Costs. Costs not directly associated with providing services. The costs are allocated to direct departments through the indirect cost allocation process.

040613 Inter or Intra-entity. A term meaning between or among different reporting entities. It commonly refers to activities or costs between two or more agencies, departments or bureaus.

040614 Normal Capacity. The average total of production/service units that a responsibility segment produces over an extended period of time.

040615 Overhead. Cost that cannot be identified in a practical manner with specific units of production. Overhead is analogous to fixed costs. Overhead may be classified as direct or indirect.

040616 Product(s). Same as Good(s). Any discrete, traceable or measurable good or service provided to a customer.

040617 Production Unit. A function organizational subdivision, contract or other work unit for which cost data are desired and for which provision is made to accumulate and measure the costs of processes, products, jobs, capitalized projects, etc.

040618 Readiness Capacity. Capacity that is not used in normal operations but is maintained for war or emergency readiness.

040619 Reasonable Charges. Charges for care or services sought to be recovered or collected, as described under 38 U.S.C. 1729, from third party payers.

040620 Service(s). An intangible product/task which tends to be rendered directly to or at the request of a customer. (Also see: Product(s)).

040621 Sharing Agreements. Under sharing authority, VA may enter into health care resources contracts (agreements) for the acquisition of health care resources with any health care provider or other entity, group of individuals, corporation, association, partnership, State or local Governments or individuals.

040622 Support Costs. The costs of activities that are not directly related or associated to the production of a product or service. (e.g., automation support, communication, postage, engineering and purchasing).

040623 User Fees. Normally related to the cost of goods or services provided. Generally, this applies to Federal programs or activities which provide special benefits to identifiable recipients above and beyond what is normally available to the public.

0407 RESCISSIONS

040701 VA Directive 4560, Cost Accounting

040702 VA Handbook 4560.1, Cost Accounting

0408 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

| | |
|------------|---------------------------------|
| VHA | VHA Accounting Policy (Outlook) |
| VBA | VAVBAWAS/CO/FINREP (Outlook) |
| All Others | OFP Accounting Policy (Outlook) |

APPENDIX A: COST VS. CHARGES

COST vs. CHARGES

A. "Cost" is defined as the actual, total dollar amount expended to produce, manage and deliver a product or service. Cost may vary on any given day as demands for a product or service fluctuate.

B. "Average Cost" is the cost of providing a good or service averaged over time. Often used interchangeably with "cost," averaging of costs allows managers to determine the cost of the typical product or service on a typical day or other applicable timeframe.

C. Charges are derived from costs and represent the value of the product or service being offered, taking into account any irregularities in day-to-day or week-to-week product or service costs and any other factors which would cause cost variances. This value or charge is determined by the entity which produces, manages and delivers the product or service.

D. Price is the value of a product or service as viewed from the customer's point of view. A customer or consumer is most often not aware of the cost elements which go into the production, management or delivery of a product or service. When a customer compares price, he or she is comparing an aggregate of the costs, plus any other considerations such as profit, risk or reserve values.

APPENDIX B: CERTIFICATION OF COMPLIANCE - HEALTH CARE SHARING

**CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING
GUIDELINES FOR VHA**

Enhanced Health Care Sharing Contracts

Part I: Certification of Compliance

I, (name and title of the responsible official), certify that the pricing policies for the (name of facility) materially _____comply/_____do not comply with VA Directive 1663, *Health Care Resources Contracting – BUYING* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (P.L. 101-576) (CFO Act). I further certify that I have reviewed and understand how the authorities apply to Enhanced Health Care Sharing contracts entered into by this facility. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

(Name and Title)

(Facility)

(Date)

(Telephone Number)

APPENDIX C: CERTIFICATION OF COMPLIANCE - MCCF

CERTIFICATION OF HOSPITAL AND MEDICAL CARE - THIRD PARTY CHARGES

(Medical Care Collections Fund)

Part I: Certification of Compliance

I, (name and title of the responsible official), certify that the charge policies for the non-service connected medical care and services provided to Veterans at (name of facility) materially _____comply/_____do not comply with 38 U.S.C. 1729(a) and 38 C.F.R. 17.101. I further certify that I have reviewed and understand how the authorities apply to the hospital and medical care third party charges. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standard No. 7.

(Name and Title)

(Facility)

(Date)

APPENDIX D: CERTIFICATION OF COMPLIANCE - OTHER CHARGES

**CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING
GUIDELINES***

Other Charges

Part I: Certification of Compliance

I, (name and title of the responsible official), certify that the pricing policies for the (Administration) materially _____ comply/_____do not comply with OMB Circular A-25, *User Charges and the Chief Financial Officers Act of 1990* (P.L. 101-576) (CFO Act). Instances where this Administration does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

(Name and Title)

(Date)

***Note: For hospital and medical care charges to third parties (or MCCF), use Appendix C.**

APPENDIX E: VHA PROCEDURES FOR SELF-CERTIFICATION COMPLIANCE

A. GENERAL OVERVIEW. This appendix provides VHA facilities procedures for reviewing, approving and imposing user charges and full-cost recovery under VHA Medical Center Enhanced Sharing Agreements and other user fees in compliance with this Chapter.

Self-certification requires an annual review for pricing data no later than 60 days prior to the expiration date of each enhanced sharing agreement in accordance with VHA Handbook 1660.01, *Health Care Resources Sharing Authority - Selling*. This certification shall be forwarded to the designated Contracting Officer for the official agreement file. Stations are required to conduct biennial reviews of enhanced sharing agreements to validate that user charges are consistent with the intent of the policy over the life of the agreement (including option years) and provide biennial certification statements.

This appendix includes procedures for:

- Preparing Annual Review of Enhanced Sharing Agreements
- Preparing Enhanced Sharing Biennial Certification of Pricing
- Preparing Biennial Certification Statement for Compliance - Medical Care Collection Fund (MCCF)
- Preparing Biennial Certification of Other User Charges
- Preparing End of Year Certification

B. RESPONSIBILITIES.

To carry out responsibilities outlined in this policy, the VA Medical Center (VAMC) Director, Contracting Officials, Contracting Officer's Representative, DSS Site Team, Facility Financial Officer, Program Manager, Veterans Integrated Service Network, and the VHA CFO have specific duties and responsibilities as follows. A team approach is recommended for reviewing each sharing agreement, including the Station CFO and staff, the Decision Support System (DSS) team, Program Managers, the Contracting Officer, and Contracting Officer Representatives (CORs):

1. VA Medical Center Director (Director): The Director is responsible for the overall compliance with policy. It involves planning, reviewing, and approving requirement documents for initiating the selling action through the designated contracting office in accordance with VHA Procurement Manual, Volume: Seven Specialized Procurement, Chapter IV, and Health Care Resources Sharing Authority – Selling. The Director is also responsible for signing each biennial certification review.

2. Contracting Officials (CO): The COs are responsible for preparing and executing sharing agreements in accordance with applicable VHA policy and regulations governing health care resources and sharing space. They are also responsible for serving on the planning team and **maintaining documents**.

3. Contracting Officer's Representative (COR): The COR is responsible for providing specific data related to the assigned enhanced sharing agreement. Additionally, the COR is a member of the team that will complete the annual review of the agreement. Usually the COR is the subject matter expert and represents the Contracting Officer on a day to day basis.

4. Decision Support System (DSS) Site Team: The DSS team maintains cost data used in estimating full cost of a service. The DSS team is responsible for providing cost data for services related to selling agreements in preparation of the initial agreements and data for the annual review of each agreement.

5. Facility Chief Financial Officer (CFO): The facility CFO is responsible for submitting completed biennial self-certification to the VHA CFO Office. The facility CFO is responsible for completing the paragraph regarding enhanced sharing agreements in the Fiscal Year–End Financial Reports and Statement Certification. To this end, staff will be assigned to conduct the annual enhanced sharing agreements review. A team, which will include the Contracting Officers, CORs, Program Managers and DSS, will complete the Agreement worksheets and Summary sheet for the fiscal year.

6. Program Manager (PM): The PM accountable for the sharing agreement is responsible for providing information for the annual review.

7. Veterans Integrated Service Network (VISN) CFO: VISN CFO is responsible for ensuring that medical centers comply with these procedures and submit appropriate certifications.

8. VHA Office of Finance (VHA CFO) is responsible for establishing VHA's national policy and procedures for self-certification review process. The VHA CFO is also responsible for responding to policy inquiries and for collecting and reviewing Biennial Certifications and end of year Financial Statements.

C. PROCEDURES FOR PERFORMING ANNUAL REVIEW OF SHARING AGREEMENTS.

1. Identify Facility level Enhanced Sharing Healthcare Resource Agreements for selling by contacting the assigned Network Contracting Office and medical center key officials. If the station identifies revenue without corresponding agreements determine if there is a need to establish new sharing agreements.

2. Sixty days prior to exercising each option year, the team will review the supporting documents for each sharing agreement for unit pricing.

a. Contracting Officer, designee or the COR responsible for administering the agreement can provide documentation from the sharing agreement file when requested. (These files are maintained in accordance with VHA Handbook 1660.01, Health Care

Resources Sharing Authority- Selling, or VHA Handbook 1820.1 Sharing Use of Space. See Paragraph B1 for more information about 1820.1 Sharing Use of Space agreements.) Agreements for “Other User Fees “will also be reviewed. Identify the following:

- Concept proposal (including scope, description, and price methodology)
- Cost analyses
- Price analyses
- Approvals for proposal
- Signed Agreements

b. DSS will be used to identify current full costs for each Enhanced Sharing agreement where the VA is providing service or space.

c. DSS Site Teams will assist in identifying comparison cost data. Use the most current DSS data to provide service costs. The DSS data are derived from the National Data Extract (NDE) reports which provide basic financial and unit cost data. Collaboration with the local DSS team will be needed for detail of the data and further granularity. Instructions are provided in [Figure 4E-1: Instructions to Obtain DSS Unit Cost Data](#).

Using DSS data that includes at least 3 months of current fiscal year cost and workload processed, is recommended; if not, use prior fiscal year DSS data for analysis. As with all data, it is suggested that the data be validated by comparing current year DSS data with DSS data for prior fiscal years, and with comparable medical centers within your group or compared with national average data. Care should be exercised when reviewing cost data for unusual workload volumes and or potential data anomalies. If data between fiscal years has a large variance, the review team may need to consider weighted averages to flush out fluctuations.

d. Per VA Volume XIII, Chapter 4, Charges and Full Cost Recovery, 040502, full costs include, but are not limited to:

- Direct costs
- Indirect Costs
- Corporate Overhead
- Depreciation of general property, plant and equipment, if applicable

- Other, e.g.: Laundry, or other areas for which DSS does not have unit cost data
 - Total Full Costs = Direct + Indirect + Corporate Overhead + Depreciation + Other
- e. Enhanced Sharing agreements related to using VA controlled space:
- Identify local market rates, and
 - Indirect costs related to service. The DSS Site team can provide reports for indirect costs related to services (per square foot, etc.) such as Engineering, EMS, Security, etc., as applicable.
- f. Enhanced Sharing agreements for Rooftop space (for antennae) or agreements for other unusable square footage; identify rates for non-usable square footage (NUSQ) from DSS or the local market area.
- g. Enhanced Sharing agreements concerning the use of VA Equipment, use DSS data, and interview Biomedical, Logistics, and or service staff to identify supply, utility, maintenance, repair or other relevant costs. Include depreciation, indirect, and overhead costs.
- h. Other sharing agreements, other than health care services or space, will follow the methodology provided in the initial agreement.
- i. Compare the selling price to current estimated full cost to determine if the selling price is greater than or equal to current full cost (or market price). If there are multiple services under a sharing agreement, use the expected total difference based on the expected volume for each service to compare total selling price to total full cost.
($\sum \text{sum}(\text{Expected volume} \times \text{selling price}) - \sum \text{sum}(\text{Expected volume} \times \text{full cost})$)
- j. If the DSS Managerial Cost Accounting System is used to determine full costs, determine if pricing is in Compliance with SSFAS No. 4 and current. The DSS is current when the station is processing costs and workload into DSS according to the National DSS annual processing schedule. If DSS processing is current for the facility, report that the station is compliant with SFFAS No. 4.
- k. If the selling price is greater than or equal to the full costs for all sharing agreements and DSS is current and being used, check "Yes" on the certification. If full cost is less than the selling price for any agreement, and or DSS is not current or was not used, check "No" on the certification. Maintain documentation or the Summary Spreadsheet provided in procedures paragraph 4, with documentation for the Fiscal Year-End Certification Statement.
- l. Process for the Excel Workbook. This section provides procedures for completing a template which aids in evaluating selling price compared to full costs for each sharing agreement. The Excel workbook should contain a worksheet for each sharing

agreement to document annual reviews as well as a Fiscal Year Summary Sheet. The Fiscal Year Summary Sheet and Agreement Worksheets serve as documentation of annual reviews.

- 1) For each sharing agreement, complete a separate spreadsheet labeled Agreement for the annual review analysis no later than the anniversary date of the agreement. The worksheet has a section for entering charges and cost when the sharing agreement covers multiple services. The total line from the section for multiple services will be entered in the space for a sharing single agreement with a single service for the analysis.



Enhanced Sharing
Worksheet.xlsx

Template is provided. The costs are to be updated annually for the life of the sharing agreement. Data from the individual worksheets will roll into a summary spreadsheet to be used for the year-end and enhanced health care sharing biennial certifications.

a) Enter *VISN # (cell B1)*

b) Enter *Station # (cell E1)*

The answers for rows 1-13 will be maintained in the agreement file and will be obtained from the Contracting Officer or COR.

c) Enter *Title of Sharing Agreement (cell G1)*

d) Enter *Annual Date – date of the annual review (cell K1)*

e) Enter *Sharing Partner (cell C3)*

f) Enter *COR /Program Manager (cell J3)*

g) Enter *Sharing Agreement # (cell D5)*

h) Enter *Description of Service (cell J5)*

i) Enter *Locations – (VAMC, CBOC, etc.) (cell C8)*

j) *Sharing Agreement Terms*

- o Enter *Beginning date (cell G8)*
- o Enter *Expiration date (cell K8)*

- o Enter number of *No. of Option Years* (cell C10)
 - k) Enter Description of Scope (free text) (cell G10)
- 2) Enter *Methodology Used to Arrive at Costs for Services to be Sold* according to the Contract Concept Proposal in the file (cell D12).
- a) Enter *Annual Estimated Value* in \$s for a fiscal year (cell E17)

➤ If there are multiple services in the agreement, begin by entering data in the section of the Agreement worksheet labeled “MULTIPLE SERVICES” starting line 80.cell A81. As shown in the sample.

SAMPLE MULTIPLE SERVICES

| SERVIC ES | DSS Direct + | DSS Indirect + | DSS Overhead + DSS Depreciation + DSS other | = Total DSS | Manual (MN) or Market (MK) | Manual or Market Cost | Unit Price per Agmt | Expected Annual Quantity | Total Unit Cost = DSS or Manual or Market X Quantity | Total Unit Price = Unit Price X Quantity | Total Unit Price – Total Unit Cost | TOTAL Unit Price - Direct DSS cost |
|--------------|--------------------|----------------------|---|-------------------|-------------------------------------|--------------------------------|------------------------------|--------------------------------|--|---|---|---|
| A1 | \$35 | \$5 | \$3 | \$43 | | | \$46 | 100 | \$4,300 | \$4,600 | \$ 300 | \$1,100 |
| A2 | | | | | MK | \$105 | \$100 | 2 | \$ 210 | \$ 200 | -\$ 10 | |
| A3 | | | | | MN | \$ 69 | \$75 | 20 | \$1,380 | \$1,500 | \$ 120 | |
| A4 | \$49 | \$6 | \$3 | \$58 | | | \$50 | 5 | \$ 290 | \$ 250 | -\$ 40 | -\$ 5 |
| A5 | \$51 | \$6 | \$3 | \$60 | | | \$55 | 5 | \$ 300 | \$ 275 | -\$ 25 | \$ 25 |
| TOTAL | | | | | | | | | | | \$ 345 | \$1,120 |

b) Enter information for each service on its own line. The grand total for all services for “MULTIPLE SERVICES” will be used for the analysis. Transfer the data from the Total line on the spreadsheet to the cells in the comparison section as outlined below (*cell K17*). While, the agreement may be in compliance, if an individual service does not cover the direct costs, the COR will review the charges with the Contracting Officer. It is recognized when dealing with multiple services, some item charges may fall below direct cost or full cost, but overall the agreement for all services will recover full cost.

3) Enter *Unit Price – i.e., Billing Price Charge* in \$s

a) Enter Unit Price data into *cell K17*.

b) Note: VA is to recover full costs, recommended item charges below direct costs should be eliminated or charges increased.

- If DSS was used to calculate Full Costs, provide data as described below.
 - Enter Current Direct unit costs per DSS in \$s (*cell E21*)
 - Enter Current Indirect unit Cost per DSS in \$s(*cell E23*)
 - Enter Corporate Overhead unit Cost per DSS in \$s (*cell E25*)
 - Enter Depreciation unit Cost per DSS in \$s (if applicable) (*cell F27*)
 - Enter Other unit Cost per DSS in \$s (*cell F29*)
 - The field for Total Full Cost per unit in \$s will automatically calculate (*cell K25*)

 - If DSS data was not available to calculate cost, provide Manual Calculation and, or Market Value.
 - Enter Methodology for determining manual calculation by describing specific methods employed, ex. Calculated direct, indirect cost, from private sector data obtained.... (free text) (*cell B34*)
 - Enter *Manual Calculation* if applicable in \$s (*cell F41*)
 - Enter *Market Value*, if applicable, in \$s (*cell K41*)
- 4) Based on the entries, the following fields will populate starting with (*cell A46*)
- a) Comparison of Unit Price to DSS Full Cost in \$s (*cell E46*)
 - b) Enter Comparison of Unit Price to Manual Calculation, if applicable in \$s (*cell G48*)
 - c) Enter Comparison of Unit Price to Market Value, if applicable in \$s (*cell E50*)
- 5) Analysis of Cost Comparison: Based on the entries, the comparison fields as well as compliance will be denoted based on the following logic.
- d) YES in Compliance with OMB A-25 signifying for the Sharing Agreement, the medical center is compliant (i.e., unit price/charge is equal to or exceeds Full Costs) if the amount is zero or greater in any the Comparison fields comparing Unit Price to DSS Full Cost or Market Value or Manual Calculation as applicable.

- e) *NO*, not in Compliance signifying for the Contract/Agreement full costs exceed charge recovery. If the amount is less than zero for the applicable Comparison field comparing Unit Price to DSS Full Cost;
 - f) The amount in Comparison of Unit Price to Market Value; or
 - g) The amount in the Comparison of Unit Price to Manual Calculation.
 - h) If non-compliant, Enter *Justification (cell A66) for non-compliance with SFFAS No. 7*, stating a reason that full cost is not being charged or recovered by unit price. Note, the Contract or Agreement is Non-Compliant when the unit price is less than, both Full Cost and Market Price. Per SFFAS No. 7, when non-compliant, i.e. the station's pricing policy deviates from the general Federal requirement to charge full or market price for goods and services, it must be disclosed and a reason must be provided with the certification. (*Cell A66 or G66*)
 - i) *If less than zero, facility should take appropriate action to revise charges to reflect costs incurred (040102C)*.
- 6) Enter *YES* in *Was DSS or Managerial Cost Accounting System Used (cell F59) in Compliance w/SSFAS No. 4*, if DSS was used in determining cost, or is current. DSS is current, when the station is processing cost and workload into DSS according to the DSS annual processing schedule. Check with DSS for processing timeliness. If yes, station is compliant with SFFAS No. 4.

Click on the Summary Spreadsheet to ensure that it populated from the individual agreement review worksheets. The consolidated Summary Spreadsheet will have the following format for each agreement.

- d) Enter VISN and Station number, *cells E1, G1*, respectively.
- e) Check data is populated in the following fields:
 - Sharing Agreement Number
 - Description of Service
 - Methodology Used to Arrive at Costs for Services to be Sold
 - Annual Estimated Value
 - Current Unit Price (for each service or multiple services under one Sharing Agreement) – Billing price

- Comparison of Charges to Unit Cost – If multiple services, the word “multiple” will appear.
 - Compliant with VA Policies, OMB Circular, SFFAS No. 4 and SFFAS No. 7 (Y or N)
 - If N, provide disclosure for not meeting SFFAS No7 or justification.
- 7) The individual Agreement review spreadsheet should be kept in the Contracting files. The COR and Contracting Officer team members are responsible for addressing any noncompliance due to pricing reviewing the agreements and deciding if there is an opportunity to change pricing.

D. Procedures For Preparing Enhanced Sharing Biennial Certification

a. Below is a schedule by VISN, month and year due.

| VISN | MONTH | YEAR |
|------|----------|------|
| 1 | FEBRUARY | ODD |
| 2 | FEBRUARY | EVEN |
| 3 | FEBRUARY | ODD |
| 4 | FEBRUARY | EVEN |
| 5 | MARCH | ODD |
| 6 | MARCH | EVEN |
| 7 | MARCH | ODD |
| 8 | MARCH | EVEN |
| 9 | APRIL | ODD |
| 10 | APRIL | EVEN |
| 11 | APRIL | ODD |
| 12 | APRIL | EVEN |
| 15 | MAY | ODD |
| 16 | MAY | EVEN |
| 17 | MAY | ODD |
| 18 | MAY | EVEN |
| 19 | JUNE | ODD |
| 20 | JUNE | EVEN |
| 21 | JUNE | ODD |
| 22 | JUNE | EVEN |
| 23 | JUNE | ODD |

- b. The Enhanced Sharing Biennial Certification Statement certifies that VA Medical Center complies with VHA Handbook 1660.01, *Health Care Resources Sharing Authority - Selling* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (CFO Act) and disclosed any noncompliance with Federal and VA pricing policies under the Statement of Federal Financial Accounting Standards No. 4 and No. 7. Refer to the figures at the end of this Appendix, Certification of Compliance - Health Care Sharing, for template and samples.
- c. The Biennial Certification Statement requires a review to determine compliance with pricing and full cost policies and disclosure, if necessary, (per CFO Act and SFFAS No. 7) and to determine compliance with use of managerial accounting (per SFFAS No. 4) as described in VA Volume XIII, Chapter 4. Biennial Certification requires the same annual review for each sharing agreement of selling price to current full cost as described above, including the use of the DSS for determining full costs and validating whether DSS is current. VHA uses Figure 4E-2 through 4E-7 to this Appendix as appropriate (see below) for the certification.
- d. According to the schedule above, complete the certification including signatures and submit it to the **VHA CFO Sharing Self Certification Mailbox** in the appropriate month and year.
- If all Enhanced Sharing Agreements are compliant and DSS is current and being used, complete Figure 4E-2 at the end of this Appendix, [Completed Sample Certification of Compliance](#).
 - If no Enhanced Sharing Agreements are compliant and DSS is current and being used, complete Figure 4E-3 at the end of this Appendix, [Completed Sample Certification when in Non-Compliance](#).
 - If any of the Enhanced Sharing Agreements are non-compliant concerning pricing and DSS is current and being used (even if the final costs charged were not the DSS costs), complete Figure 4E-4 at the end of this Appendix, Completed Sample Certification when in Non-Compliance. Complete the section for Disclosure. Under the Disclosure heading, list the Agreement number for each non-compliant agreement and provide a justification. For example: 1) Charging Market Price which is less than Full Costs; 2) Pricing set by law (and provide the legislative citation); or 3) Service for another Federal Agency, or other pertinent reason.
 - If DSS was not used for calculating pricing and is not current, then add to the Disclosure section the following statement: *This station is not in compliance with the requirement for having a managerial cost accounting system per SFFAS No 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government."* Complete Figure 4E-5 at the end of this Appendix, Sample Certification when DSS Non Compliant and Agreements Not Compliant.

- e. Retain documentation of extracts, comparison worksheets, analyses and Appendices for 6 years and three months (to be available to MQAS or other auditors).
- f. Questions regarding these procedures should be submitted to **VHA CFO Sharing Self Certification (10A3A) Mailbox**.

E. Procedures for Reasonable Charges Biennial Certification Statement for Compliance - Medical Care Collection Fund (MCCF)

The Reasonable Charges – Medical Care Collection Fund (MCCF) Biennial Certification Statement certify that policies relating to reasonable charges for the non-service connected medical care and services comply with 38 U.S.C. 1729(a) and 38 C.F.R. 17.101 and discloses any noncompliance with Federal and VA pricing policies under the Statement of Federal Financial Accounting Standards No. 7. Refer to Figure 4E-6 and 4E-7 at the end of this Appendix, Certification of Compliance - MCCF, for template and sample.

This section provides step-by-step procedures for VHA facilities to certify compliance with the requirements of the CFO Act and OMB Circular A-25 as they pertain to Reasonable Charges. The most current available DSS Costs will be used for Reasonable Charges certification. It is recommended the review be done in January, using the most recent full-year DSS data for comparison. Attachment 2 is the certification form to use. Submission will be according to chart provided in section B. Procedures for Preparing Enhanced Sharing Biennial Certification.

Only Diagnostic Related Group (DRG) costs and charges will be reviewed.

- a. Facility DRG costs: These costs come from the DSS NDE reports (or you may work with the DSS Site team). Produce a DSS report listing all DRGs performed by your facilities in the year for the DSS data.

Access to these reports requires completion of a VA Form 9957 approval process as noted below. DSS staff should already have access and be able to assist you.

To access FPD, including provider-specific information, the FPD – 110AL99 task code must be requested on the VA Form 9957 to allow a user to see any DSS Web report. The required" VA Form 9957, ACRS TIME SHARING REQUEST FORM" is available at <http://vawww.va.gov/vaforms/va/pdf/va9957.pdf>. The ACRS point of contact at your site, in most cases your Information Security Officer (ISO), should be able to process your request and forward the signed form to Austin.

- 1) Download the DRG data from DSS as follows: Screen shots are attached.
- 2) Open the VSSC web portal (<http://vssc.med.va.gov/>)

The screenshot shows the VSSC website interface. At the top, there is a search bar and navigation links for Home, My Metrics, My VSSC, News, Portals, Support, Training, and User Acceptance Testing. Below the navigation bar is an A-Z Index. The main content area is organized into a grid of categories:

- Business Operations:** CBI Metrics, HIMS, Improvement Opportunities, Trip Pack.
- Capital and Planning:** Capital Reports, Planning Reports, Capital Portal, Operational & Planning Tools Portal.
- Clinical Care:** Clinical Programs, Mental Health, Nursing Outcomes (VANOD), Physician Productivity, Primary Care, Rehabilitation Services, OPES Portal.
- Customer Service:** Patient Complaint Tracking & Patient Satisfaction, National Veterans Service and Advocacy Program Portal.
- Quality & Performance:** Measures & Monitors, Quality Management, Utilization Management.
- Resource Management:** Employee Safety, Finance, Human Resources, Logistics, **DSS Portal** (highlighted with a red box), Employee Survey Portal, Organizational Health Portal.
- Special Focus:** Homeless, OEF/OIF/OND, Rural Health, Transformation Initiatives, Women Veterans Health, VA - DOD Sharing, OEF/OIF/OND Portal.
- Systems Redesign:** Clinic Wait Times, Systems Redesign Portal.
- Workload:** Bed Control, Workload, Workload Validation (Tools).

On the right side of the page, there are sections for VHA Data Users Call, Announcements, VSSC Top Links, and VSSC Partners.

3) Under Resource Management select “DSS Portal” (see Red above)

Close any Special Notice pop-up announcements.

DSS REPORTS

DSS Reports Home Page

Decision Support System (DSS) is VA's Managerial Cost Accounting system, providing relevant and reliable information relating costs to outputs and activities. Obtaining its data from 26 autonomous VA IT systems, DSS is the only VA system that provides clinical and financial data at the patient level.



Assistant Secretary
for Management,
VA Chief Financial
Officer

Click here to **DISPLAY REQUIRED ACCESS TASK CODES**

Information about NDEs

- + **Index of Reports**
- + Glossary of DSS Terms
- + DSS Reports Tutorials

4) Select "Cost per Diagnostic Related Groups (DRG)"

| | | |
|---|---|---|
|  | Cost per Diagnostic Related Groups (DRG) This report is classified under the Reports from Financial User Support Category – NDE Cost Reports Subcategory. |  |
|---|---|---|

5) Select "National Data Extracts (NDE)"

6) Select "Inpatient" – check yes, Accept terms

7) Select "Cost by DRG" then FY, DRG Summary, and Station.

8) Download as a spreadsheet and save.

The report should contain:

- *DRG number*
- *DRG description*
- *Actual Total Cost by DRG*

- *Patient days by DRG (total Length Of Stay (LOS) by DRG)*
- *Number of Discharges by DRG (use as needed)*

b. To obtain Facility Reasonable Charges costs, in VISTA, Select Charge Master Menu Option: **Print Charge Master**. (May need to coordinate with Information Technology or Medical Care Cost Recovery staff)

Charge Master Reports:

Select one of the following:

- R RATE SCHEDULES
- C CHARGE SETS
- I CHARGE ITEMS**
- IP CHARGE ITEMS - PROCEDURES
- B BILLING RATES
- T RATE TYPES
- G BILLING REGIONS
- V REV CD LINKS
- D PROVIDER DISCOUNTS
- O OTHER BILLABLE ITEMS
- X (OLD RATES FILE)

- Select Report: **i CHARGE ITEMS**

Caution: This report may be extremely long for some Charge Sets. Some Charge Sets, such as CMAC or AWP, may have many thousands of Charge Items.

***** Charge Item Report *****

This report will list all charges that are effective within a date range.

Select one of the following:

- 1 Rate**
- 2 Charge Set

First sort by: **1 Rate**

- Select BILLING RATE NAME: **RC INPATIENT FACILITY**
- Select a single item to display or **press return for all items**.

- Select DRG:

| | | | |
|--|-----------------------|---------------------|----------|
| Select one of the following: | | | |
| 1 | Charge Item | | |
| 2 | Effective Date | | |
| Sort by: 2 Effective Date | | | |
| Charges effective beginning on: T// (current date) | | | |
| Charges effective ending on: T// (current date) | | | |
| OUTPUT DEVICE: HOME// 0;80;99999999999 | | | |
| | | | |
| 01/01/09 | DRG1 | RC-INPT ANC 528 | 10093.87 |
| 01/01/09 | DRG1 | RC-INPT ANC ICU 528 | 10093.87 |

F. Build an Excel spreadsheet which compares DSS daily cost (Per Diem) to Reasonable Charge rate (Ancillary Costs + Room & Board =Total Costs) by DRG. Determine Daily Per Diem by Dividing Total Actual Cost by LOS.

| | | DSS Costs | | | Reasonable Charges | | | | |
|-----|--------------|----------------------|--------|----------------|--------------------|-------------------|----------------|----------------|------------------|
| | | Total Actual Costs ÷ | LO S = | Daily Per Diem | Per Diem @ 80% | Ancillary Costs + | Room & Board = | TOTAL Costs | Diff TOTAL - 80% |
| 1 | Craniotomy | \$511,108 | 145 | \$3,528 | \$2,822 | \$4,037 | \$1,454 | \$5,491 | \$2,669 |
| 480 | Liver Transp | \$2,305,423 | 194 | \$11,884 | \$9,507 | \$7,616 | \$961 | \$8,577 | (\$930) |

Notes: VA daily Per Diem Costs (DSS) contain professional services fees which are not included in the Reasonable Charge Rates. Therefore, we compare only 80% of DSS costs to Reasonable Charges and note any significant variances.

When comparing costs it is important to note that in many instances the DSS DRGs will not match VACO DRGs. This is due in part to:

- The facility DSS DRGs are based on actual patient visits and may not match VACO.
- VACO DRGs may be specialized or new.
- DRG 888 is for observation and does not include any medical treatment (only room and board).

Review comparisons to identify if DSS costs exceed Reasonable Charges.

Analysis of individual charges not meeting the requirement will provide facilities with a chance to improve performance, but they do not preclude them from being compliant

with the established criteria. In the example for DRG 480 listed above, the potential loss is \$180,420 (194 LOS x \$930 difference).

It is important for stations to review how their costs relate to the amounts being charged. If DSS costs exceed charges, identify the factors causing this. Stations can also take additional steps and describe how costs relate to the actual collection of funds for these procedures. Stations should report discrepancies between costs and charges if the total charges are less than the total costs.

d. Submit Attachment 2 (provided in this guide) for Medical Center Director signature with the comparison report attached.

e. Once signed, submit both the Comparison Worksheet and Completed Attachment 2 to **VHA CFO Sharing Self-Certification** mailbox via Outlook during the month designated for your VISN to report Biennial Certification. Refer to Appendix C, Certification of Compliance - MCCF, for template and sample.

f. Retain documentation of extract, comparison worksheets, analyses and attachments for 6 years and three months (to be available to MQAS or other auditors).

g. Questions regarding these procedures should be submitted to **VHA CFO Sharing Self Certification (10A3A) Mailbox**.

F. Procedures for Preparing Biennial Certification of Other User Charges

The Other User Charges – Sharing agreements for other than space or health care resources are captured under other user charges. Refer to Appendix D, Certification of Compliance - Other Charges, for template.

- Questions regarding these procedures **VHA CFO Sharing Self Certification (10A3A) Mailbox**.

G. Procedures for Preparing End of Year Certification. The Fiscal Year–End Financial Reports and Statement Certification will include the following:

The station has accurate and timely information on the cost and revenue for sharing agreements, e.g., Enhanced Sharing is in compliance with SFFAS Number 4, Managerial Cost Accounting Concepts and Standards for the Federal Government. Cost information is / is not accurate and available for FY 20XX.

Stations will respond based on the annual certification of enhance sharing agreements. Include a copy of the Worksheet with End of Year Certification supporting documentation. The Fiscal Year Summary Sheet and Agreement Worksheets serve as documentation of annual reviews.

- Send questions concerning these procedures or the accompanying spreadsheet to **VHA CFO Sharing Self Certification (10A3A) Mailbox**.

[Figure 4E-1: Instructions to Obtain DSS Unit Cost Data](#)

A. Prior to obtaining DSS data, may need to request access to VA Financial Management System and or additional task codes to process reports.

B. The following task codes are available for DSS Reports:

- 110AL97 – allows access to National Cemetery Financial Data
- 110AL98 – allows access to Veteran Benefits Financial Data
- 110AL99 - allows DSS Financial Patient Data (FPD), this is the minimum access requirement for VHA DSS Reports
- 110TT10 - allows FPD and access at the scrambled SSN level only
- 110TT11 - allows FPD access, scrambled SSN level and Real SSN at the Station level
- 110TT12 - allows FPD access, scrambled SSN level and Real SSN at the VISN level
- 110TT13 - allows FPD access and Real SSN at the National level

1. Request these task codes using VA Form 9957 and obtain the necessary approvals from your facility. VA Form 9957 is available at <http://vaww.va.gov/vaforms/va/pdf/va9957.pdf>.

2. Your Customer User Provisioning System (CUPS) (formerly known as Automated Customer Registration System or "ACRS") Point of Contact (POC) will process your completed form.

C. The DSS Reports Portal is on the VSSC web site and can be accessed by this link. https://vssc.med.va.gov/dss_reports/.

D. Use Outlook user id and password, if requested.

E. For inpatient DRG costs, select "National Data Extracts (NDE)

1. Select "Inpatient" – check yes, Accept terms
2. Select "Cost by DRG" then FY, DRG Summary, and Station.

3. Download as a spreadsheet and save.

F. There are many reports for outpatient care by clinic stop or department; long term care, overhead, depreciation. – Just click on desired values on the screen and hit submit. Download as a spreadsheet and save

Remember that DSS Site Team is available to assist.

H. VHA GLOSSARY

Authority to Share or Sell Space – Pre-certified (warranted) contracting officers are the only persons with authority to commit VHA to a binding sale, i.e., sharing agreement. The Deputy Assistant Secretary for Acquisition and Materiel Management (the Senior Procurement Executive) is authorized to appoint or to terminate individuals as VA selling officials for sharing use of space agreements. Only certified contracting officers are vested with the authority to execute selling agreements on behalf of the Government. (VHA Handbook 1820.1, pg. 2 and VHA Handbook 1660.01, pg. 13.)

Corporate Overhead – Overhead costs associated with VA Central Office or VHA's Veteran Integrated Services Networks (VISNs). Vol XIII, Ch 4

Depreciation - An accounting allowance made to allocate in a rational and systematic manner the difference between acquisition cost and the estimated salvage value over the estimated useful life of the asset.

Direct Cost - The cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing units of resources consumed by individual activities or production units. Direct costs are those costs specifically identified with a single cost object.

Managerial Cost Accounting – A financial management system which provides reliable and timely information on the full cost of programs, their activities, outputs, and products. Cost information developed for different purposes should be drawn from a common data source and output reports should be reconcilable to each other.

Direct Overhead Cost - The costs identifiable with several or many cost objects, but not all. Direct overhead costs are incurred because of an existing capacity or functionality but not because of one specific activity.

Decision Support System (DSS) - VA's managerial cost accounting system, DSS is a derived database built from standard VA data sources. It provides a mechanism for integrating expenses, workload and utilization. The information contained in DSS supports process and performance improvement by measuring quality, outcomes and financial impact.

Fixed – Fixed” is the portion of total overhead that remains constant over a given time period without regard to changes in the volume of activity. Examples are depreciation and rent. **(VHA Handbook 1660.01 and VHA Handbook 1820.1)**

Full Costs - The total amount of resources used to produce the output. More specifically, the full costs of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the responsibility segment that directly or indirectly contribute to the output, and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities. (SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, p. 36) All direct and indirect costs to any part of the Federal Government of providing goods, resources, or services. (OMB Circular A-25).

Indirect Cost – Costs not directly associated with providing services. The costs are allocated to direct departments through the indirect cost allocation process. **Vol. XIII, Ch 4**

Local Direct Cost - The Decision Support System (DSS) fixed direct, variable labor and variable supply are included in the local direct cost. **(VHA Handbook 1660.01 and VHA Handbook 1820.1)**

Market Price – The price for a good, resource, or service that is based on competition in open markets, and creates neither a shortage nor a surplus of the good, resource, or service

Overhead - Cost that cannot be identified in a practical manner with specific units of production. Overhead is analogous to fixed costs. Overhead may be classified as direct or indirect.

Variable Labor Cost – Cost that varies directly and proportionately with volume/fluctuations in workload. Salaries of providers are variable labor costs. Costs remain uniform for each unit of production but fluctuate in total in direct proportion to changes in the related total activity or volume. For DSS implementation purposes, the variable labor costs categories are allied health care personnel/technicians, all nurses (RNs, LPNs, and aides), physicians/residents and psychologists, and contract labor.

Variable Supply Cost – Supply costs that remain uniform for each unit of production but fluctuate in total in direct proportion to changes in volume of services (medical supplies, drugs, etc.). Supply costs are examples of pure variable costs since the increase is in direct proportion to the number of services performed.

Variable Overhead – Variable overhead is the portion of total overhead that varies directly with changes in volume. Examples are supplies and power. **(VHA Handbook 1660.01 and VHA Handbook 1820.1)**

I. Other Useful Websites

- VHA Handbook 1660.01 Health Care Resources Sharing Authority – Selling
http://www1.va.gov/vhapublications/ViewPublication.asp?pub_ID=1607
- VHA Handbook 1820.1 Sharing Use of Space
http://www1.va.gov/vhapublications/ViewPublication.asp?pub_ID=1233
- DSS Training for using Report site
<http://training.vssc.med.va.gov/VHADDataTutorial/Training/Resources/Pages/DSS.aspx>

**ALSO REFER TO CHAPTER APPENDIX B: CERTIFICATION OF COMPLIANCE –
HEALTH CARE SHARING**

FIGURE 4E-2: SAMPLE CERTIFICATION FORM

**CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING GUIDELINES
FOR VHA**

Enhanced Health Care Sharing Agreements

I, (name and title of the responsible official), certify that the pricing policies for the (name of facility) materially *(initial)*_____comply/_____do not comply with VHA Handbook 1660.01, *Health Care Resources Sharing Authority – Selling or VHA Handbook 1820.1 Sharing Use of Space* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (P.L. 101-576) (CFO Act). I further certify that I have reviewed and understand how the authorities apply to Enhanced Health Care Sharing agreements entered into by this facility. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

(Name and Title)

(Facility)

(Date)

Disclosure of Non Compliance in accordance with SFFAS No. 4

Disclosure of Non Compliance in accordance with SFFAS No. 7

FIGURE 4E-3: COMPLETED SAMPLE CERTIFICATION WHEN IN COMPLIANCE

CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING
GUIDELINES FOR VHA

Enhanced Health Care Sharing Agreements

I, **John P. Director, Director**, certify that the pricing policies for the **VA Medical Center, USA** materially do comply / ~~do not comply~~ with VHA Handbook 1660.01, *Health Care Resources Sharing Authority – Selling or VHA Handbook 1820.1 Sharing Use of Space* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (P.L. 101-576) (CFO Act). I further certify that I have reviewed and understand how the authorities apply to Enhanced Health Care Sharing agreements entered into by this facility. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

John P. Director

John P. Director, Director

VA Medical Center, USA

March, 20XX

Disclosure of Non Compliance in accordance with SFFAS No. 4

Disclosure of Non Compliance in accordance with SFFAS No. 7

FIGURE 4E-4: COMPLETED SAMPLE CERTIFICATION WHEN IN NON-COMPLIANCE

**CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING
GUIDELINES FOR VHA**

Enhanced Health Care Sharing Agreements

I, **John P. Director, Director**, certify that the pricing policies for the **VA Medical Center, USA** materially ~~comply~~ / *JPD* do not comply with VHA Handbook 1660.01, *Health Care Resources Sharing Authority – Selling or VHA Handbook 1820.1 Sharing Use of Space* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (P.L. 101-576) (CFO Act). I further certify that I have reviewed and understand how the authorities apply to Enhanced Health Care Sharing agreements entered into by this facility. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

John P. Director

John P. Director, Director

VA Medical Center, USA

March, 20XX

Disclosure of Non Compliance in accordance with SFFAS No. 4

Disclosure of Non Compliance in accordance with SFFAS No. 7

FIGURE 4E-5: SAMPLE CERTIFICATION WHEN DSS NOT COMPLIANT AND AGREEMENTS NOT COMPLIANT

CERTIFICATION OF COMPLIANCE WITH FEDERAL AND VA PRICING GUIDELINES FOR VHA

Enhanced Health Care Sharing Agreements

I, **John P. Director, Director**, certify that the pricing policies for the **VA Medical Center, USA** materially ~~comply~~ / *IPD* do not comply with VHA Handbook 1660.01, *Health Care Resources Sharing Authority – Selling or VHA Handbook 1820.1 Sharing Use of Space* and OMB Circular A-25, *User Charges* and the Chief Financial Officers Act of 1990 (P.L. 101-576) (CFO Act). I further certify that I have reviewed and understand how the authorities apply to Enhanced Health Care Sharing agreements entered into by this facility. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standards No. 4 and No. 7.

John P. Director

John P. Director, Director

VA Medical Center, USA

March, 20XX

Disclosure of Non Compliance in accordance with SFFAS No. 4

(SAMPLE RESPONSE) This station is not compliant with SFFAS No. 4, concerning having a managerial cost accounting system.

Disclosure of Non Compliance in accordance with SFFAS No. 7

(SAMPLE RESPONSE) Agreement with ABC Medical School – Charging Market Price which is less than full cost per DSS.

**ALSO REFER TO CHAPTER APPENDIX C: CERTIFICATION OF COMPLIANCE –
MCCF**

**Figure 4E-6: SAMPLE CERTIFICATION FORM FOR COMPLIANCE WITH
REASONABLE CHARGES - MEDICAL CARE COLLECTION FUND (MCCF)**

**REASONABLE CHARGES BIENNIAL CERTIFICATION HOSPITAL AND MEDICAL
CARE - THIRD PARTY CHARGES**

Medical Care Collections Fund

I, (name and title of the responsible official), certify that the charge policies for the non-service connected medical care and services provided to Veterans at (name of facility) materially *(initials)* _____ comply/ _____ do not comply with 38 U.S.C. 1729(a) and 38 C.F.R. 17.101. I further certify that I have reviewed and understand how the authorities apply to the hospital and medical care third party charges. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standard No. 7.

(Name and Title)

(Facility)

(Date)

**Figure 4E-7: COMPLETED SAMPLE CERTIFICATION FOR COMPLIANCE WITH
REASONABLE CHARGES – MEDICAL CARE COLLECTION FUND (MCCF)**

**REASONABLE CHARGES BIENNIAL CERTIFICATION HOSPITAL AND MEDICAL
CARE - THIRD PARTY CHARGES**

Medical Care Collections Fund

I, **John P. Director, Director**, certify that the charge policies for the non-service connected medical care and services provided to Veterans at **VA Medical Center, USA** materially ~~do not~~ ^{IPD} comply/ ~~do not comply~~ with 38 U.S.C. 1729(a) and 38 C.F.R. 17.101. I further certify that I have reviewed and understand how the authorities apply to the hospital and medical care third party charges. Instances where this facility does not comply with Federal and VA pricing policies are disclosed under the certification for compliance with the Statement of Federal Financial Accounting Standard No. 7.

John P. Director

John P. Director, Director

VA Medical Center, USA

March, 20XX