

REPORTING MEDICAL CARE COLLECTION FUNDS COST TO COLLECT

- 1. REASON FOR ISSUE:** This Veterans Health Administration (VHA) Directive provides policy for the accounting costs associated with billing and collection of payments for health care services from certain Veterans and private health insurers. It mandates that the Decision Support System (DSS) must be utilized to provide the base cost information in developing the cost to collect associated with collecting payments from Veterans and private health insurers.
- 2. SUMMARY OF MAJOR CHANGES:** None.
- 3. RELATED ISSUES:** None.
- 4. RESPONSIBLE OFFICE:** The Managerial Cost Accounting Office (MCAO) (10A3D) and the Chief Business Office (10NB1) are responsible for the content of this Directive. Questions may be addressed at 781-687-4718 or 828-257-3526.
- 5. RESCISSIONS:** VHA Directive 2010-001, dated January 4, 2010, is rescinded.
- 6. RECERTIFICATION:** This VHA Directive is scheduled for recertification on or before the last working day of May 2021.

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Under Secretary for Health

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1. PURPOSE

This Veterans Health Administration (VHA) Directive provides policy for the accounting costs associated with billing and collection of payments for health care services from certain Veterans and private health insurers. **AUTHORITY:** 38 U.S.C. 1710; 38 CFR 17.101.

2. BACKGROUND

a. Title 38 United States Code (U.S.C.) 1729 authorizes the Department of Veterans Affairs (VA) to seek reimbursement from third-party health insurers for the cost of medical care furnished to insured non-service connected Veterans treated at VA facilities and to create the means test co-payment. The Budget Reconciliation Act of 1990, dated November 5, 1990, Public Law 101-508, established the Medical Care Cost Recovery (MCCR) revolving fund, allowing MCCR funds to be used to supplement medical care facility operational expenses, and further established that certain Veterans would be charged applicable per diem and copayments for medical services, hospitalization, nursing home care, and medications. The Veterans Reconciliation Act of 1997, Public Law 105-33, established MCCF and further extended billing to insurance carriers for non-service-connected care for service-connected Veterans. **NOTE:** *Applicable first-party and associated third-party charges can be found at [Power Plus](#) or <http://vhaarcweb2.arc.va.gov:9704/analytics/saw.dll?Dashboard&ngUser=plus&ngPassword=Power>. These are an internal VA Web sites that is not available to the public.*

b. In an effort to measure VHA revenue activities and performance against health care industry norms, a series of measures was formulated for internal and external reporting purposes. In particular, the cost to collect measure has undergone intense scrutiny in regards to appropriate calculation and measurement within VHA. To effectively improve the validity of this measure, VHA applies two sets of guidelines. The Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts, and Standards for the Federal Government, and Standard No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, require Federal reporting entities to accumulate and report the costs of its activities on a regular basis. To meet these statutory reporting requirements, VHA has designated the Decision Support System (DSS) as the Managerial Cost Accounting System.

c. To bill and collect copayments from Veterans and health insurance carriers, the following activities have been identified as core functions fundamental to both billing and collection processes:

- (1) Patient Registration;
- (2) Insurance Identification;
- (3) Insurance Verification;

- (4) Pre-certification and Certification;
- (5) Continued Stay Reviews;
- (6) Coding and Documentation;
- (7) Bill Creation;
- (8) Claims Correspondence and Inquiries;
- (9) Accounts Receivable Follow-up;
- (10) Payment Processing;
- (11) Collection Correspondence and Inquiries;
- (12) Referral of Indebtedness; and
- (13) Appeals.

3. POLICY

It is VHA policy that the DSS must be utilized to provide the base cost information in developing the cost to collect associated with collecting payments from Veterans and private health insurers.

4. RESPONSIBILITIES

a. **Consolidated Patient Accounting Center Director.** The Consolidated Patient accounting Center (CPAC) Director is responsible for:

(1) Charging back CPAC expenses monthly to VA Cost Center 8457.

(2) Ensuring that the costs accumulated in Cost Center 8457 are transferred in the Financial Management System (FMS) to the stations that fall under the CPAC using only Cost Center 8457.

b. **VA Medical Facility Director.** The VA medical facility Director is responsible for:

(1) Validating monthly cost transfers from the CPAC to the station.

(2) Using the functionality of DSS to record the full cost to collect and map cost-based on the attached guidance (see Appendix B) from VA cost centers to the DSS Account Level Budgeter (ALB) Cost Center 457001, because several of the collection processes are collateral duties and not charged to VA Cost Center 8457 (e.g., utilization review and admissions). **NOTE:** *DSS provides the mechanism to provide the cost of the collection function inclusive of all elements of cost.*

(3) Verifying that other costs mapped to the ALB Cost Center 457001 for MCCF include:

(a) Austin Information Technology Center (AITC) franchise fund charges. **NOTE:** *These charges were centralized in Fiscal Year 2007; however, costs of consolidated co-payments processing and lockbox are included in the Cost to Collect report generated by DSS. An AITC informational charge back report is available on the Web at <http://vaww.franchisefund.med.va.gov/CBData/AAC/AACReports.asp> to assist facilities in determining the MCCF share of the total charge. This is an internal VA Web site that is not available to the public.*

(b) The MCCF field station cost is identified in VA Cost Center 8457 and continues to be mapped 100 percent to DSS ALB Cost Center 457001 for MCCF.

(4) Ensuring monthly ALB is processed within the annual published guidelines from the Decision Support Office (175).

NOTE: *Appendix A is guidance for facility personnel performing mapping to DSS.*

5. REFERENCES

a. [VA Financial Policies and Procedures, Cost Accounting Compliance, Volume XIII, Chapter 5, dated September 2010.](#)

b. Memo from VHA Chief Financial Officer (CFO), Subject: Requirements for a VHA Cost Accounting System, dated November 1998.

c. GAO-04-938, Guidance Needed for Determining the Cost to Collect from Veterans and Private Health Insurers.

d. System Requirements for Managerial Cost Accounting, published by Joint Financial Management Improvement Program (JFMIP), dated February 1998.

e. System Requirements for Managerial Cost Accounting, published by Office of Federal Financial Management, dated January 2006.

COST TO COLLECT FUNCTIONS AND ASSOCIATED BUDGET OBJECT CODES

Function	Typical Budget Object Code
I. Intake	
1) Patient Registration	Usually Cost Center 8411 and 1002 Sub Object Code for Clerical Personnel (file clerk and other clerical-type personnel General Schedule (GS) 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical - type employees), 1055 Sub Object Code for Upward Mobility.
2) Insurance Identification	
3) Insurance Verification	
4) Pre-registration	
II. Utilization Review	
5) Pre-certification and Certification	Usually Cost Center 8419, 8411, 8457; and 1061 for Sub Object Code for Registered Nurses.
6) Continued Stay Reviews	
7) Medical Appeals	
III. Coding	
8) Inpatient Coding	Usually Cost Center 8457 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical - type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility. For outsourcing - 2580 BOC Non-Medical Contracts and Agreements with Institutions and Organizations, 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
9) Professional fee coding	
10) Outpatient coding	
IV. Billing	
11) Claims Validation	Usually Cost Center 8457 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical - type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility. For outsourcing - 2580 BOC Non-Medical Contracts and Agreements with Institutions and Organizations, 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
12) Revenue Cycle bill Generation	
13) Third-Party Claims	
V. Collections	
14) Rev. Cycle Accounts Receivable Activity	Usually Cost Center 8457and/or 8421 for agent cashier 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical-type employees), 1055
15) Payment processing Including agent cashier time	

Function	Typical Budget Object Code
	Sub Object Code for Upward Mobility.
16) First-Party customer service	Usually Cost Center 8411 or 8421 and 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility.
17) Collections Correspondence and inquiry	Usually Cost Center 8411 or 8421 and/or 8457 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). - 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility.
18) Referral of Indebtedness	Usually Cost Center 8411, 8421 and/or 8457 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility.
19) Third-Party technical appeals for underpayments and denials	Usually Cost Center 8411, 8457 or 8421 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility.
20) Utilization review appeals denials for medical reasons	Usually Cost Center 8419, 8411, 8457 or 8421 and 2320 BOC for regular mail service, 2321 BOC for Express mail service (FedEx). 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel (GS 7-above excludes secretaries and all other clerical type employees), 1055 Sub Object Code for Upward Mobility.
VI. Other Support Functions	
21) Compliance activity	Usually Cost Center 8432 and 1061 for Sub Object Code for Registered Nurses or 1002 Sub Object Code for Clerical Personnel (file clerk, and other clerical-type personnel GS 4-6), 1001 Sub Object Code for Administrative Personnel

Function	Typical Budget Object Code
	(GS 7-above excludes secretaries and all other clerical-type employees), 1055 Sub Object Code for Upward Mobility.
22) Travel related to revenue cycle	Usually Cost Center 8457 and 2170 BOC (Employee Travel to VA Sponsored Training or Conference) 2171 BOC (Employee Travel to Non-VA Sponsored Training or Conference) 2120 (Beneficiary Travel).
23) Training related to revenue cycle	Usually Cost Center 8457 and 2584 BOC Contract Agreement (training – outside the Government), 2583 BOC Contract Agreement (training-within the Government), 2580 BOC Non- Medical Contracts and Agreements with Institutions and Organizations. 2560 BOC for Medical Contracts and Agreements with Institutions and Organizations.
24) Direct supervision of Rev Cycle VA medical center and Veterans Integrated Service Networks	Usually Cost Center 8457, 8421, or 8411 and 1001 Sub Object Code for Administrative Personnel not otherwise Classified.
25) Business Implementation Manager costs	Usually Cost Center 8411, 8457 or 8421 and 1001 Sub Object Code for Administrative Personnel not otherwise Classified.

MANAGERIAL COST ACCOUNTING (MCA) MAPPING INSTRUCTIONS FOR RECORDING THE COST TO COLLECT FIRST-PARTY AND THIRD-PARTY PAYMENTS

1. BACKGROUND

The Department of Veterans Affairs (VA) has been cited for not reporting all (full) costs that it incurs in collecting First-Party and Third-Party payments. In past years, the cost reported has been limited to those costs specifically charged to VA Cost Centers 8950-8956, 8958-8959 (VA Central Office), and/or 8957 (field activities). In Fiscal Year (FY) 2005 a new VA Cost Center 8457 was established to replace 8957.

a. The definition for the Veterans Health Administration (VHA) Cost Center 8457, Revenue Cycle Activity (formerly titled MCCF Field Stations and numbered 8957) is personnel services and other costs associated with revenue cycle activity:

(1) Insurance identification, verification, preauthorization, continued stay reviews and appeals;

(2) Coding of inpatient professional fees and outpatient visits;

(3) Bill generation, validation, follow-up, and collection;

(4) First-Party Customer Service; and

(5) Charge backs processed by the VHA Franchise Program Office that includes Non-Information Technology (IT) products and services for Consolidated Copayment Processing (CCP), Treasury Offset Program (TOP), and Medical Care Collection Fund (MCCF). Additionally, there are IT charges associated with CCP, TOP, and First Party Lockbox that are paid centrally as part of IT Systems appropriation.

b. Since there are many Local Services involved in the overall MCCF process (e.g. Finance Service 8421, Quality Assurance and Case Mix Activity 8419 and Business Office 8411), VHA will use the functionality of Decision Support System (DSS) to record the full cost to collect. Facility DSS teams must map cost based on the attached guidance from VA cost centers to the DSS Account Level Budgeter (ALB) Cost Center 457001.

c. Further, MCCF costs that were previously combined in National and Central Office costs will be sent to facilities in DSS MAIN reported as account 2500950. These costs are to be mapped directly to DSS ALB 457001.

2. PROCEDURE

Specific VA costs that should be mapped to DSS ALB 457001 MCCR are:

a. **Finance Services.** Currently, all finance staff members in VA Cost Center

8421 are mapped in DSS to ALB Cost Center 421001. DSS site teams need to consult with their local Finance Offices to determine the amount of cost in VA Cost Center 8421 that is devoted to MCCR, such as cashier and accounting activities. These are to be mapped to ALB Cost Center 457001 Revenue Cycle Activity.

b. **Insurance Identification.** Currently, this process is performed at the point-of-service by Business Office Operations service personnel charged to the VA Cost Center 8411. These duties are collateral to areas, such as admissions. DSS site teams need to collaborate with Health Administration Service staff members to determine the amount of VA Cost Center 8411 Business Office and 8286 Ambulatory Care Administration that need to be mapped to ALB Cost Center 457001 Revenue Cycle Activity.

c. **Utilization Review.** The cost of facility staff members performing a utilization review is charged to VA Cost Center 8419. DSS site teams need to collaborate with Utilization Review (UR) and Finance staff members to determine the amount of cost in VA Cost Center 8419, which is for UR nurses contacting insurance carriers or performing continued stay reviews. These costs are to be mapped to ALB cost center 457001. Note that at some facilities UR costs pertaining to MCCF are directly charged back to cost center 8457; all costs for VA Cost Center 8457 will continue to be mapped to ALB Cost Center 457001 Revenue Cycle Activity.

d. **Compliance Program Office.** Facility staff members who develop, implement, and monitor compliance-related policies and procedures are charged to VA cost center 8432. Site teams need to collaborate with their local Compliance and MCCF offices to determine the amount of cost that is related to the monitoring of laws and regulations that are related to the collection of First-Party and Third-Party payments. These costs are to be mapped to DSS ALB 457001.

e. **Central Office and National Program Support.** Currently, VA medical facilities receive monthly the amounts of Central Office and national program overhead support for inclusion in its DSS costs. Starting in FY 2005, the costs from VA Cost Center 8051 were segregated out and provided by the Decision Support Office to DSS site teams as account 2500950. This account is the facility's share of Central Office and national support to MCCF and is to be mapped to DSS ALB 457001 in the National Program Allocation VA Conversion (NPRA VCNV) Mapping table.

f. **VA Cost Center 8457 MCCF Field Stations.** Costs in VA cost center 8457 will continue to be mapped 100 percent to DSS ALB Cost Center 457001.