

**STATEMENT OF THE HONORABLE JON J. RYCHALSKI,
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DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS, SUBCOMMITTEE
ON OVERSIGHT AND INVESTIGATIONS**

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Good Afternoon Chairman Pappas, Ranking Member Bergman, and Members of the Subcommittee. I am Jon J. Rychalski, Assistant Secretary for Management and Chief Financial Officer of the Department of Veterans Affairs (VA). Joining me today are my colleagues, Joseph Schmitt, Executive Director of the Debt Management Center (DMC), Charles Tapp, Chief Financial Officer Veterans Benefit Administration (VBA), and Susan Reed, Executive Director, Office of Community Care – Revenue Operations, Veterans Health Administration (VHA).

I want to thank the Subcommittee for this opportunity to discuss our efforts to address a critical aspect of financial management, overpayments and collection processes. We are working to address overpayments as part of a broad effort to transform VA into a world-class customer service organization and tackle issues affecting Veterans that have lingered for years. The focus of our efforts is to improve our processes, communications and awareness to significantly reduce the occurrence of overpayments – thus eliminating collections.

As part of this transformation, we are working closely with Congress, Veterans Service Organizations (VSOs) and other stakeholders to reform delivery of care and service to our Nation's Veterans and their loved ones. This reform includes improving our debt management practices. I highlighted the tangible actions VA has taken to eliminate the opportunities for these overpayments to occur (reducing the quantity and dollar value of the overpayments), as well as ways VA has improved the overall Veteran experience to make the repayment of the debt as simple and easy as possible based on each Veteran's unique financial situation. This collection is required under "Collection and Compromise" of 31 U.S.C. § 3711, which provides that "the head of an executive, judicial, or legislative agency...shall try to collect a claim of the United States Government for money or property arising out of the activities of, or referred to, the agency." VA's debt recovery requirement is consistent with what citizens experience when receiving an overpayment from other Federal Agencies.

Veteran debt commonly occurs when Veterans receive more financial assistance than they are entitled to by law. For example, VA is prohibited by 38 U.S.C. §5304(c) from paying disability compensation for days in which a Veteran is receiving drill pay as a member of the Reserves or National Guard. To minimize negative impacts on Veterans from this situation, VA changed its policies to make repayment of the debt less burdensome. For example, compensation and pension debts, including drill pay, now have a 12-month default re-payment period rather than immediately withholding the full

amount of drill pay from future compensation payments, which could cause substantial financial harm.

Furthermore, to address the root cause of the debt, VA is currently working with the Department of Defense to enable us to dramatically increase the frequency of computer matches of compensation and drill pay, and we are on track to go from annual to monthly matches by mid-2020. These actions will continue to significantly reduce the incidence of overpayments and the amount of accrued overpayment to each Veteran. VA staff have also worked with the DMC and VSOs, using human-centered-design techniques, to rewrite several dozen overpayment letters to more clearly explain what Veterans need to know about their debt and the full range of options available to resolve the debt. Culturally, we are improving customer service rather than simply recovering as much of an overpayment quickly as possible.

We are working on initiatives working to reduce or eliminate opportunities for overpayments to occur. For example, VA has implemented numerous data matching agreements with other Federal and state agencies. VA conducts reconciliations with law enforcement agencies to prevent overpayments to fugitive felons. Based on this information, VA automatically terminates the award upon expiration of the due process period. The Veteran is provided notice, and then afforded the opportunity to respond and submit evidence that they are no longer a fugitive during this due process period prior to an award adjustment. This action assists the Veteran by reducing the amount of overpayment incurred while in a fugitive status. VA reconciles reported income information with the Social Security Administration (SSA) to prevent overpayments of Pension and Parents' Dependency and Indemnity Compensation payments; VA verifies information with the SSA and the Bureau of Prisons to identify beneficiaries who may be subject to reduction or termination of compensation payments; and VA checks weekly with the SSA to stop payments to deceased Veterans.

We are also actively working on mitigating several other situations in which a Veteran or beneficiary can be overpaid. Benefits overpayments may occur when there are changes to a granted benefit such as payments made to an educational institution. An example of a change would include if Veterans reduce their course loads after VA has paid the educational institution. In addition, an overpayment can also occur, when Veterans have a change to their dependent status. This typically occurs when there is a death, divorce, remarriage, marriage of a child, discontinued school attendance, or duplicate school child entitlement. While not an overpayment, medical copayments are another reason for VA to initiate debt collection procedures. Certain Veterans who receive VA medical care must also pay a co-payment to VA, which is not collected at the time of service; rather it is subsequently billed to the Veteran. VA notifies Veterans of copayment requirements and provides instructions for submitting timely payments. In certain cases, VA must take actions to recover overdue copayments in accordance with existing law and regulations.

Finally, there are occasions in which a Veteran, through no personal fault, incurs a debt to a VA community care provider due to delayed payments from VA to that

provider. This can negatively impact a Veteran's credit rating. To avoid this unnecessary burden, VA is focusing efforts on and making significant progress in reducing delinquent claims to community care providers. We are dramatically improving our claims processing capabilities through several transformative initiatives. First, the Community Care Network (CCN) contracts will usher in commercial claims processing capabilities and strict timelines. These contracts do and will require that network providers will be paid for clean claims through CCN within 30 days. Second, we are implementing a new referral management system to more seamlessly communicate Veteran referral information to the claims processor. This has been a primary reason for denied or problematic claims in the past. Finally, for any claims not adjudicated through the CCN contracts, we are installing a commercial state-of-the-industry claims processing system called eCAMS that will speed the process of claims adjudication and timely filing. We expect these initiatives to result in substantial claims processing improvements in 2020. Let me state emphatically that VA must do everything in our power to avoid erroneously creating Veteran debt or adversely affecting a Veteran's livelihood or credit through no fault of their own.

Due to the complexity of VA's enterprise and the number of systems involved in delivering healthcare, benefits, and services to Veterans and beneficiaries, VA currently tracks the amount and the age of overpayments independently in each Administration. We are working to improve this situation that we acknowledge is untenable for the Veteran. It is our plan to have capability for Veterans to view debt online within the next year.

VHA is developing an electronic option to permit viewing of monthly Patient Medical Statements via the "MyHealthVet" portal. Veterans may elect to receive a notice of debt by electronic means as well as standard mail. In the future, we expect Veterans will be able to view or print the statements electronically via the portal. These statements are currently delivered to enrolled co-pay-required Veterans by standard mail to advise Veteran patients of their medical copayment debts, provide a description of those debts, and present all payment options available to them.

VBA operates a Centralized Benefits Communication Management Program that processes roughly 40,000 letters per day. Letters processed through CBCM include the range of benefits letters VBA offers, such as compensation entitlement, that are generated through the Veterans Benefits Management System (VBMS). Included in this correspondence are letters notifying Veterans that an event has occurred that might mean they have been overpaid a VA benefit. By early to mid-2020, VBA anticipates launching the option for Veterans to opt-in to receive electronic correspondence. This project will initially encompass disability compensation and pension overpayments and later extend to all VBA lines of business. We intend to send electronic correspondence initially to Veterans who have opted in; however, some correspondence may remain solely in the hard-copy form to meet statutory requirements related to certain notifications.

Ultimately, we will bring all debt together in one location and intend to have that operational by calendar year 2022. We are actively working with our VSO partners and our Veterans Experience Office (which is responsible for the Cross-Agency Priority Goal of improving customer experience) to apply the same human-centered-design principles to streamline future communications. VA fully supports the intent to develop a standardized notification letter as well as content which clearly conveys to Veterans the specific reason(s) why they are indebted to the United States and what options are available to them to address their indebtedness (i.e., disputing the debt, requesting a waiver, reaching a compromise, and/or requesting a payment plan).

This task is not as straightforward as it may seem on the surface, because there are numerous types of debt letters with numerous back-end systems that run the operations of the business line for which the overpayment occurred, and even more systems to create and print these letters.

VA has increased its self-service offerings to veterans through *eBenefits*, by utilizing an electronic rules-based processing system. Veterans can now go online, send changes through regular mail, or call VA to initiate an update to dependency information. These options result in immediate changes to a Veteran's disability compensation award, limiting the chance for an overpayment to occur. In FY 2019, the rules-based processing system automatically processed over 130,000 dependency changes for beneficiaries, while Veterans were able to log into *eBenefits* to modify their dependency information over 170,000 times.

We understand the challenges of overpayment recovery, and we are listening to stakeholders and adopting best practices to minimize the burden on Veterans and their families. If an overpayment occurs, we notify the Veteran and provide an opportunity for them to submit evidence stating why the overpayment information is incorrect. It is very important for Veterans to work with VA in this initial notification period.

If no response is received, typically within 30-60 days, VA DMC may initiate the process for recovery. There, a team of specially trained debt counselors will work with each individual Veteran or beneficiary to establish a payment plan or provide guidance to process a dispute, compromise or waiver request. Veterans can also appeal the debt establishment for up to a year. In cases where an overpayment is not resolved within 120 days, VA must comply with Public Law 104-134 and the Debt Collection Improvement Act of 1996 to refer the debt to the Department of the Treasury. We also report delinquent debt to credit reporting agencies as required by law.

The DMC sends all overpayment collection notifications via standard mail; prior to sending, the Center verifies addresses against information we have in our administrations and the U.S. Postal Service. When notices are returned as undeliverable, we check with external systems such as the U.S. Postal Service's Address Management System, private vendors, and the US Treasury to update addresses. The DMC averages an undeliverable return mail rate of approximately 4

percent due to incorrect addresses, which compares with the U.S. Postal Service's undeliverable rate of 3.7 percent.

We are committed to improving the repayment process based on each Veteran's unique financial situation and delivering the world-class customer service that Veterans deserve. We offer multiple options for Veterans to address overpayments. Our DMC website provides both a toll-free call number and online information on requesting a waiver, submitting a compromise offer – which is a lesser amount that satisfies the full debt, or making an online payment.

We also modified our approach to recovering overpayments. Rather than automatically recovering as much of an overpayment as possible from a Veteran's next disability compensation payment, we are now offering payment plans that automatically deduct a portion of the overpayment from the Veterans monthly compensation payments to minimize any financial hardship.

To further help Veterans, we have been working with Credit Reporting Agencies to find the best way to clear derogatory credit. In FY 2016, VA created an adverse credit repair hotline and provided the phone number and web links to vital information to all the credit reporting agencies to share on their web sites. Since its inception, that hotline has received over 265,000 calls and fixed over 85,000 billing issues. Although privacy concerns are pervasive in these medical debts, we continue to work with the Credit Reporting Agencies to find ways to safely and electronically refute derogatory credit related to community care billing.

VA is committed to protecting the health and welfare of Veterans and is focused on delivering world class benefits and services to Veterans. We have been working with the subcommittee on this important issue and we look forward to continuing to work with the subcommittee for the benefit of all Veterans. This concludes my testimony; my colleagues and I are happy to take your questions.