



DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

STATEMENT OF JENNIFER L. MCDONALD, PH.D.
DIRECTOR OF THE COMMUNITY CARE DIVISION
FOR THE OFFICE OF AUDITS AND EVALUATIONS,
OFFICE OF INSPECTOR GENERAL, US DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION,
US HOUSE OF REPRESENTATIVES COMMITTEE ON VETERANS' AFFAIRS
HEARING ON
"VA'S OPEN CASH REGISTER: FRAUD, WASTE, ABUSE AND REVENUE OPERATIONS"
SEPTEMBER 19, 2024

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and members of the Subcommittee, thank you for the opportunity to testify on the independent oversight conducted by the Office of Inspector General (OIG) on the pause taken by the Veterans Health Administration (VHA) in using its Program Integrity Tool. The OIG is committed to conducting timely audits, reviews, inspections, and investigations to assist VHA in promptly addressing issues affecting the efficient use of VA healthcare resources.

In February 2023, VHA's Office of Integrity and Compliance, in collaboration with VA's Office of Information and Technology, paused operations of the Program Integrity Tool after becoming aware of ongoing issues with its database code logic and unreliable data.¹ The tool is a consolidated data repository for community care claims after they are paid. VHA uses the data to determine if claims should be billed to veterans or their private insurance companies for the treatment of care that is not connected to injuries or conditions related to their military service.² The tool is also used to support VHA's fraud, waste, and abuse detection and mitigation efforts for community care claims. The pause was intended to allow VHA to evaluate the Program Integrity Tool's processes, data, documentation, and its underlying information technology system architecture, and to determine the cause of any data errors and identify improvement opportunities.

¹ Data integrity and accuracy issues included (1) claims entered inaccurately, (2) a defective code that added outpatient data to inpatient claims, and (3) duplicate claims.

² Under 38 U.S.C. § 1729, the United States has a right to recover from third parties the cost of medical care and treatment furnished by the United States. In addition, 38 C.F.R. § 17.101, the Collection or Recovery by VA for Medical Care or Services Provided or Furnished to a Veteran for a Non-Service Connected Disability, provides for recovery from private insurance by VA for medical care that was unrelated to veterans' military service. VA is not able to recover the cost of medical care for veterans without private health insurance.

In July 2024, the OIG issued a management advisory memorandum to the under secretary for health to highlight the major impacts of the tool's pause on VHA's revenue collection processes, as well as on identifying fraud and waste related to community healthcare claims.³ The memorandum conveyed the information necessary for VHA to determine if additional actions were warranted to resolve identified concerns. According to VHA officials, as of July 1, 2024, they have resumed using data from the Program Integrity Tool for revenue collection for community care claims, but are still considering the path forward for the tool's oversight functions. This statement discusses the tool's data integrity and accuracy issues and the impact on both VHA's revenue collections and on activities to address fraud, waste, and abuse.

BACKGROUND

VA's Veterans Community Care Program enables veterans to receive care in the community in certain situations, such as when VA medical facilities do not provide the requested services; the veteran lives in an area without a full-service VA medical facility; or if the veteran must travel long distances or experience lengthy wait times for an appointment, as specified by the MISSION Act.⁴ This program allows VHA to buy care for veterans through network contracts and is the preferred choice for purchasing non-VA care for veterans. The community care network is divided into five regions managed by two third-party administrators that develop and administer the network of providers. Their activities include paying providers and seeking reimbursement from VHA. When services are unavailable or insufficient through the network, however, VA facilities may directly establish veteran care agreements with area community providers. VA also has the Veteran Family Member Programs, for which VA shares the cost of certain healthcare services with eligible family members.

Typically, a community care provider submits a claim for payment after the veteran receives care, which is paid by VA or its third-party administrators. VA then bills the veteran for any allowable copayment or the veteran's private health insurer if the care is unrelated to a service-connected condition.⁵

³ VA OIG, [*The Pause of the Program Integrity Tool Is Impeding Community Care Revenue Collections and Related Oversight Operations*](#), July 16, 2024. The OIG issues management advisory memoranda when exigent circumstances or areas of concern are identified by OIG hotline allegations or during its oversight work, particularly when immediate action by VA can help reduce further risk of harm to veterans or significant financial losses.

⁴ VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018, Pub. L. No. 115-182, 132 Stat. 1393; 38 U.S.C. § 1703(d); 38 C.F.R. § 17.4010 (2023); 38 C.F.R. § 17.4040 (2023); VHA Office of Community Care, "Veteran Community Care Eligibility" (fact sheet), August 30, 2019.

⁵ VHA will not charge a copayment for health conditions that are related to military service, catastrophic disabilities, or other specified factors.

Several VA offices are involved in the payment for community care and collections from veterans and their insurers:

- VHA’s Office of Integrated Veteran Care coordinates veterans’ access to community care services by developing and overseeing contracts for veterans’ healthcare services and payments to third-party administrators.
- VHA’s Office of Finance, Revenue Operations Division bills and collects from veterans and private insurers for copayment and coinsurance obligations through a centralized process that requires data from the Program Integrity Tool. Staff from VHA’s Consolidated Patient Account Centers perform the billing and revenue collection operations for non-service-connected treatment using data from the tool.
- VHA’s Office of Integrity and Compliance is the business owner of the Program Integrity Tool and uses its data for the prevention, detection, and mitigation of fraud, waste, and abuse.
- VA’s Office of Information and Technology is responsible for developing, approving, and implementing system security baseline configurations for all VA data platforms and systems. Its staff oversee all data integrity issues and updates to the Program Integrity Tool, including a product manager responsible for the tool’s day-to-day operations.

Data flow from six different source systems into the Program Integrity Tool (grouped into three categories), as depicted in the figure on the following page:

Community Care Claims: There are three payment systems that comprise community care claims:

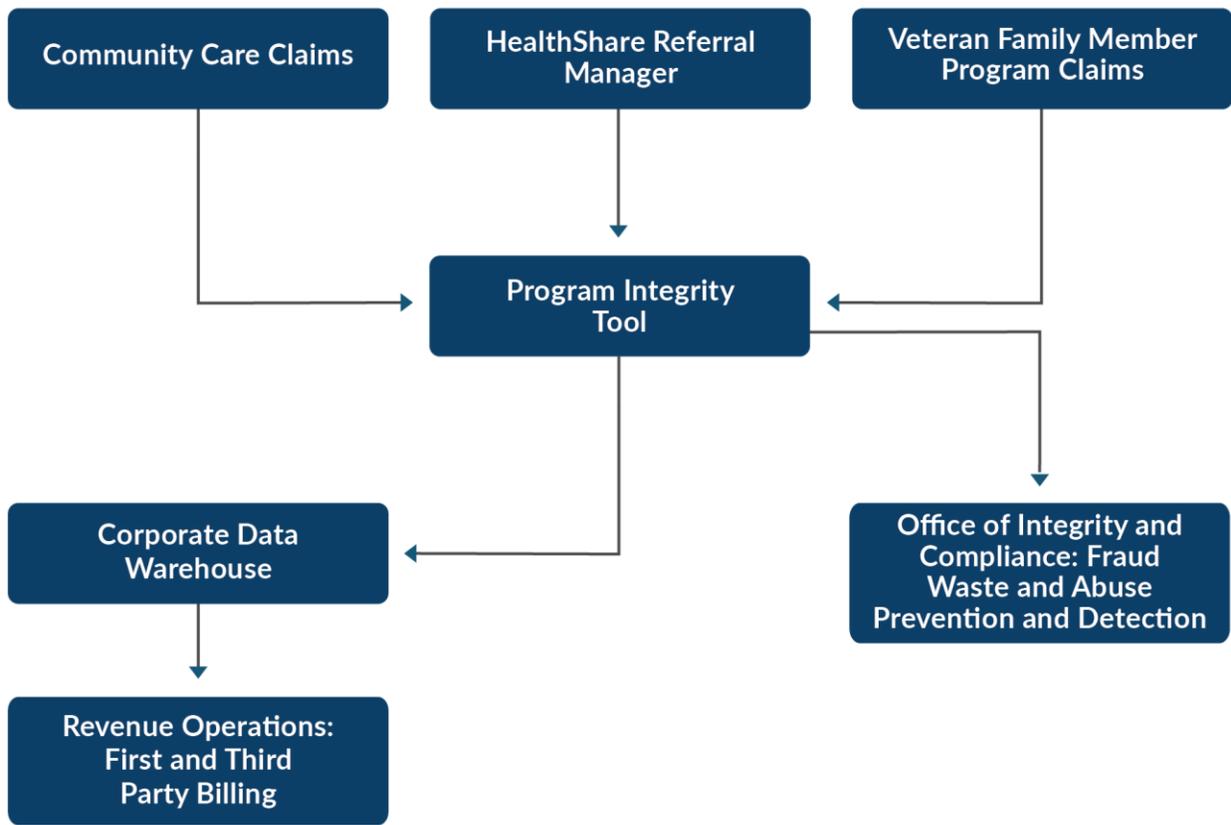
1. The Plexis Claims Manager for older community care program claims
2. The Community Care Reimbursement System for more recent community care network claims
3. The Electronic Claims Adjudication Management System for direct veteran care agreement claims
4. **VHA HealthShare Referral Manager** moves data for community care referrals into the Program Integrity Tool.⁶

Paid claims data for **Veteran Family Member Programs** claims flow to the tool from two systems.

5. The Customer Experience Manager
6. Claims Processing and Eligibility, a legacy system that processes older claims

⁶ VA uses the HealthShare Referral Manager to generate referrals and forward authorizations to community providers.

The Program Integrity Tool then feeds all these data to VA’s Corporate Data Warehouse, from which VHA’s Revenue Operations division can access the data to use for veteran and private insurer billing. The tool also provides information for the Office of Integrity and Compliance’s oversight efforts.



*Program Integrity Tool data flow diagram.
Source: VHA documentation.*

In May 2022, the OIG reported on the results of a prior audit related to how VHA billed private insurers for community care unrelated to military service.⁷ The OIG found the billing process was ineffective and estimated that more than half of billable claims over a three-year period were not submitted before filing deadlines expired. As a result, VHA did not collect an estimated \$217.5 million that should have been recovered during the audit period. This total was estimated to grow to \$805 million by the end of fiscal year 2022 if VHA did not implement corrective action. Although VHA Program Integrity and Compliance officials were broadly aware of those problems, their responses were insufficient to correct them. The OIG recommended VHA develop procedures that prioritize processing to meet insurers’ filing deadlines and strengthen its controls to ensure information needed to process bills for

⁷ VA OIG, [VHA Continues to Face Challenges with Billing Private Insurers for Community Care](#), May 24, 2022.

reimbursement is complete and accurate. The OIG also called on VHA to assess staff resources and workload to sufficiently align them to process the anticipated volume of claims to be billed. The three recommendations from this report are currently open, and the OIG has paused evaluating their closure until the Program Integrity Tool resumes full operations.

Program Integrity Tool Pause Timeline and Causes

The Program Integrity Tool went offline on February 21, 2023, to address data accuracy and integrity issues, including (1) claims being entered inaccurately, (2) a defective code that added outpatient data to inpatient claims, and (3) duplicate claims. VHA had identified some of these issues as early as January 2022.⁸

Officials from VHA’s Office of Integrity and Compliance, in collaboration with the Office of Information and Technology, decided to pause the processing of post-payment claims through the Program Integrity Tool when these offices became aware of the data issues. As stated earlier, this pause was to allow the offices to evaluate processes, data, documentation, and the underlying system architecture; determine the cause of any data errors; and identify improvement opportunities. During the pause, the Program Integrity Tool could not be used for billing veterans and private insurers or used to assist in the prevention, detection, and mitigation of fraud, waste, and abuse.

In addition, in November 2023, the Office of Information and Technology completed a review of the Program Integrity Tool and identified 18 defects in total, including eight high-priority issues and one critical issue with the Veteran Family Member Programs’ claims data overwriting other claims data. For example, multiple claims were being assigned the same claim identifier when each claim should have been assigned a unique identifier. At that time, VHA reported it had begun upgrading the tool’s servers, corrected the defective line of code associated with inpatient claims, and identified solutions for duplicate claims.

According to VA officials, as of July 2024, VHA had brought the Program Integrity Tool back online on a limited basis for only revenue collection operations for community care claims.

THE PAUSE PRECLUDED REVENUE OPERATIONS FROM BILLING VETERANS AND PRIVATE INSURERS FOR COMMUNITY CARE

Because VHA Revenue Operations uses the tool’s information to bill veterans for copayments for community care, they had not been billed between February 2023 and July 2024, when VA resumed

⁸ The former VHA Office of Community Care’s Division of Program Integrity was responsible for the Program Integrity Tool in January 2022 and discovered the problem. This responsibility was transferred to the Office of Integrity and Compliance in November 2022, following the establishment of VHA’s Office of Integrated Veteran Care, and then moved permanently to VHA’s Office of Integrity and Compliance in March 2023.

some functionality. During the period of the OIG’s review, the Program Integrity Tool pause affected VHA’s ability to collect potential revenue from veterans and private insurers for approximately 40 million community care network and veteran care agreement program claims that VHA paid to care providers.⁹

According to VHA, veteran copayment billings were approximately \$23 million lower for the first two quarters of fiscal year 2024 than the same period in fiscal year 2023. As the Program Integrity Tool returns to full functionality, Revenue Operations will have to work through those paid claims to identify and bill veterans for copayments. VHA has acknowledged that this may negatively affect veterans because they could receive copayment bills that are over a year old. Revenue Operations leaders have told the OIG that they are working with VHA and the VA Office of General Counsel to implement a regulatory change allowing VA to apply for debt waivers on behalf of veterans when debts are accrued due to the fault of the agency. If approved, this regulatory change would help VA to avoid unnecessarily burdening veterans with substantial debts that accrued due to a faulty VA tool.

The OIG applied VHA’s established collection-to-billing ratio for medical care collections to estimate the proportion of claims that would have been billable to insurance. This ratio approximates the average amount VHA will collect for each dollar billed to private insurers. The OIG estimated that the Program Integrity Tool’s pause has resulted in approximately \$665.5 million in Revenue Operations collections that had not been recovered from February 1, 2023, through February 1, 2024. Further, the OIG also estimated that the financial impact to Revenue Operations collections would continue to accumulate at about \$55.5 million per month in potential lost revenue from billing private insurers until VHA completely resumed community care revenue collection activities. Once the tool resumes full operations, Revenue Operations must handle these older claims, in addition to working on the new claims they will receive. Yet as the OIG reported in 2022, Revenue Operations has experienced challenges in the past managing the volume of claims that need to be billed to private insurance.

THE PAUSE HINDERED THE PREVENTION, DETECTION, AND MITIGATION OF FRAUD, WASTE, AND ABUSE

According to VHA Office of Integrity and Compliance officials, their oversight efforts for community care programs and for Veteran Family Member Programs claims have been affected by the Program Integrity Tool’s pause. Furthermore, the tool is unable to generate real-time views of behavioral indicators or patterns that would suggest healthcare provider fraud, waste, and abuse or to run data and

⁹ The OIG review of paid community care claim data from VA’s Corporate Data Warehouse was for the period of February 1, 2023, through January 31, 2024, for veteran care agreements and February 2, 2023, through February 1, 2024, for community care network claims. Additional community care claims would have been paid between March and July 2024 and are not included in the estimate. It is important to note that the actual payment of claims to providers has not been affected by the pause because, as mentioned earlier, the Program Integrity Tool receives claims following care provider payments.

reports to support investigations, research, and remediation while it is paused. Although the Office of Integrity and Compliance said it had access to an archived version of the tool containing data before February 2023, VHA staff do not recommend using it due to errors related to the incorrect sequencing of data. Thus, VHA has been limited in its ability to support the investigation of ongoing fraud allegations and referrals. This means the Office of Integrity and Compliance will have a backlog of data to review for fraud, waste, and abuse detection and mitigation efforts when the tool resumes operations that support oversight. The OIG understands VHA is still taking steps to bring the oversight functions back online or to replace the tool.

ACTIONS VHA SHOULD CONSIDER

While the OIG did not make specific recommendations in its management advisory memorandum, the OIG suggested VHA consider taking actions to address the impacts of the Program Integrity Tool's pause. First, VHA could ensure that Revenue Operations has sufficient resources and processes to timely bill the backlog of community care claims now that the revenue operations to bill veterans and private insurers have been said to be resumed. Second, VHA might establish alternative or redundant processes to aggregate community care claim data to prevent future disruption with revenue collections. Finally, the Office of Integrity and Compliance should be ensured resources to perform timely fraud, waste, and abuse examinations of the backlog of community claims once the tool's oversight operations have been reestablished.

CONCLUSION

While the Program Integrity Tool was offline, community care claims continued to be received and paid through respective claims processing payment systems. However, the tool's pause halted VHA's ability to collect hundreds of millions of dollars of revenue from veterans' copayments or from private health insurers. Consequently, VHA staff must grapple with a backlog of tens of millions of these community care claims that must be processed. Additionally, the use of the Program Integrity Tool for the prevention, detection, and mitigation of fraud, waste, and abuse for community care claims paid remains on hold. Given the gravity of the effects of the tool's pause, the OIG urges VHA to take all actions necessary to ensure the tool's full functionality is restored as quickly as possible.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions you or members of the subcommittee may have.