

Why GAO Did This Study

The Veterans Health Care Budget Reform and Transparency Act of 2009 requires GAO to report on the President's annual budget request to Congress for VA health care services. GAO's previous work found that VA's NRM spending exceeded its estimates in recent years and that some of VA's estimates of savings from operational improvements lacked analytical support or were flawed.

Building on GAO's past work and the President's most recent request for VA health care, this report examines (1) key changes to the fiscal year 2013 budget request compared to the 2013 advance appropriations request, and certain aspects of the fiscal year 2014 advance appropriation request and supporting estimates; and (2) whether the issues GAO identified regarding NRM and operational improvements continue in the estimates for the most recent request. GAO reviewed the President's budget request, VA's budget justification, and VA data. GAO interviewed VA officials and staff from the Office of Management and Budget.

What GAO Recommends

GAO recommends that VA state in its budget justification whether the estimates for initiatives include funding for ongoing services and whether its advance appropriations request reflects funding that may be required if initiatives are continued. GAO also recommends that VA's NRM estimates fully account for the long-standing pattern of medical facilities spending more on NRM than originally expected. VA concurred except for the recommendation on advance appropriations, which GAO believes is needed to improve transparency.

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VETERANS' HEALTH CARE BUDGET

Transparency and Reliability of Some Estimates Supporting President's Request Could Be Improved

What GAO Found

The President's fiscal year 2013 budget request for the Department of Veterans Affairs' (VA) health care services was \$165 million more than the earlier advance appropriations request for the same year. This request reflected a \$2 billion increase for initiatives and a \$2.1 billion decrease for ongoing health care services, for a net decrease of \$110 million in expected obligations. This decrease partially offset a decline in anticipated resources available to VA of \$275 million, resulting in the net increase in the President's request of \$165 million. Two of the three factors that accounted for most of these changes were not transparent. First, VA used a new reporting approach for initiatives that combined both funding for initiatives and for certain ongoing health care services in its initiatives estimate. Previously, VA had reported only funding it identified for initiatives during that year. This new reporting approach resulted in an increase in VA's initiatives estimate and a commensurate decrease in VA's ongoing services estimate. VA officials told GAO that this change was made to be more transparent about the total funding needed for initiatives. However, because VA did not disclose this change in its budget justification, VA has not made it transparent that its initiatives estimate is greater and its ongoing health care services estimate is lower than they would have been using VA's past approach. Second, VA included additional funding in its initiatives estimate, in part, to fund initiatives that were not identified in the fiscal year 2013 advance appropriations request. VA also did not make transparent in its budget justifications that some initiatives identified in its fiscal years 2013 and 2014 advance appropriations requests may require additional funding if the initiatives are continued. The lack of transparency regarding VA's estimates for initiatives and ongoing health care services results in unclear information for congressional deliberation.

The issues GAO previously identified related to NRM (non-recurring maintenance), such as renovations and other improvements of VA medical facilities, and operational improvements remain. VA's fiscal year 2013 estimate for NRM—\$710 million—does not appear to correct for the long-standing pattern where VA's NRM spending exceeds VA's NRM estimates. For example, in fiscal year 2011 VA spent about \$2 billion for NRM, which was \$867 million more than estimated. According to VA officials, this pattern has occurred because VA medical facilities have spent more funds on NRM projects that were originally expected to be spent on other activities—such as utilities, grounds maintenance, and janitorial services—which is consistent with VA's authority to allocate its appropriations. When GAO asked if the fiscal year 2013 estimate addressed the historical discrepancies between estimated and actual NRM spending, VA officials said that all information was considered in developing the estimate. However, they noted that the final estimate was a policy decision and did not say specifically whether these discrepancies were addressed. Regarding operational improvements, VA estimated savings for fiscal year 2013 using the same methodologies it used in the past, some of which GAO previously found lacked analytical support or were flawed. GAO previously recommended that VA develop a sound methodology for estimating savings from its operational improvements, which according to officials, VA is addressing for future estimates. Until these issues are addressed, VA's estimates of NRM and operational improvements may not be reliable and are of limited use for decision makers.