

# GAO Highlights

Highlights of [GAO-16-584](#), a report to the Committee on Veterans Affairs, House of Representatives

## Why GAO Did This Study

VA projected a funding gap of about \$3 billion in its fiscal year 2015 medical services appropriation account, which funds VA health care services except for those authorized under the Veterans Choice Program. To close this gap, VA obtained temporary authority to use up to \$3.3 billion from the \$10 billion appropriated to the Veterans Choice Fund in August 2014.

GAO was asked to examine VA's fiscal year 2015 projected funding gap and any changes VA has made to prevent potential funding gaps in future years. This report examines (1) the activities or programs that accounted for VA's fiscal year 2015 projected funding gap in its medical services appropriation account and (2) changes VA has made to prevent potential funding gaps in future years.

GAO reviewed VA obligations data and related documents to determine what activities accounted for the projected funding gap in its fiscal year 2015 medical services appropriation account, as well as the factors that contributed to the projected funding gap. GAO interviewed VA officials to identify the steps taken to address the projected funding gap. GAO also examined changes VA made to prevent future funding gaps and reviewed the implementation of these changes at the VAMCs within six VISNs, selected based on geographic diversity.

## What GAO Recommends

GAO is not making any recommendations. After reviewing a draft of this report, VA agreed with what GAO found.

View [GAO-16-584](#). For more information, contact Randall B. Williamson at (202) 512-7114 or [williamsonr@gao.gov](mailto:williamsonr@gao.gov).

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## VA'S HEALTH CARE BUDGET

### In Response to a Projected Funding Gap in Fiscal Year 2015, VA Has Made Efforts to Better Manage Future Budgets

## What GAO Found

GAO found that two areas accounted for the Department of Veterans Affairs' (VA) fiscal year 2015 projected funding gap of \$2.75 billion.

- Higher-than-expected obligations for VA's longstanding care in the community (CIC) programs—which allow veterans to obtain care from non-VA providers—accounted for \$2.34 billion or 85 percent of VA's projected funding gap. VA officials expected that the Veterans Choice Program—which is a relatively new CIC program implemented in fiscal year 2015 that allows veterans to access care from non-VA providers under certain conditions—would absorb veterans' increased demand for more timely care after public disclosure of long wait times. However, administrative weaknesses slowed enrollment into this program, and use of the Veterans' Choice Fund was far less than expected. Moreover, as utilization of CIC programs overall increased, VA's weaknesses in estimating costs and tracking obligations for CIC services resulted in VA facing a projected funding gap.
- Unanticipated obligations for hepatitis C drugs accounted for the remaining \$408 million of VA's projected funding gap. VA did not anticipate in its budget the obligations for these costly, new drugs because the drugs did not gain approval from the Food and Drug Administration until fiscal year 2014—after VA had already developed its budget estimate for fiscal year 2015.

To help prevent future funding gaps, VA has made efforts to better estimate costs and track obligations for CIC services and better project future utilization of VA's health care services. Specifically,

- VA implemented new policies directing VA medical centers (VAMC) and Veterans Integrated Service Networks (VISN) to better estimate costs for CIC authorizations—by using historical data and correcting for obvious errors—and to better track CIC obligations by comparing estimated costs with estimated obligations, correcting discrepancies, and certifying each month that these steps were completed. These policies are necessary, in part, because deficiencies in VA's financial systems make tracking obligations challenging. The VISNs and associated VAMCs GAO reviewed have implemented these policies.
- VA also allocated funds to each VAMC for CIC and hepatitis C drugs and began comparing VAMCs' obligations in these areas to the amount of funds allocated to help ensure that obligations do not exceed budgetary resources.
- VA updated the projection it uses to inform budget estimates 3 to 4 years in the future, adding fiscal year 2015 data reflecting increased CIC utilization.

While VA has made these efforts to better manage its budget, uncertainties remain regarding utilization of VA's health care services. For example, utilization of the Veterans Choice Program in fiscal years 2016 and 2017 is uncertain because of continued enrollment delays affecting the program. Moreover, even with improvements to its projection, VA, like other federal agencies, must make tradeoffs in formulating its budget estimate that requires it to balance the expected demand for health care services against other competing priorities.