Why GAO Did This Study

The Department of Veterans Affairs (VA) estimates it will provide health care to 5.8 million patients with appropriations of about $41 billion in fiscal year 2009. It provides a range of services, including primary care, outpatient and inpatient services, long-term care, and prescription drugs. VA formulates its health care budget by developing annual estimates of its likely spending for all its health care programs and services, and includes these estimates in its annual congressional budget justification.

GAO was asked to discuss budgeting for VA health care. As agreed, this statement addresses (1) challenges VA faces in formulating its health care budget and (2) issues surrounding the possibility of providing advance appropriations for VA health care.

This testimony is based on prior GAO work, including VA Health Care: Budget Formulation and Reporting on Budget Execution Need Improvement (GAO-06-958) (Sept. 2006); VA Health Care: Long-Term Care Strategic Planning and Budgeting Need Improvement (GAO-09-145) (Jan. 2009); and VA Health Care: Challenges in Budget Formulation and Execution (GAO-09-459T) (Mar. 2009); and on GAO reviews of budgets, budget resolutions, and related legislative documents. We discussed the contents of this statement with VA officials.

What GAO Found

GAO’s prior work highlights some of the challenges VA faces in formulating its budget: obtaining sufficient data for useful budget projections, making accurate calculations, and making realistic assumptions. For example, GAO’s 2006 report on VA’s overall health care budget found that VA underestimated the cost of serving veterans returning from military operations in Iraq and Afghanistan. According to VA officials, the agency did not have sufficient data from the Department of Defense, but VA subsequently began receiving the needed data monthly rather than quarterly. In addition, VA made calculation errors when estimating the effect of its proposed fiscal year 2006 nursing home policy, and this contributed to requests for supplemental funding. GAO recommended that VA strengthen its internal controls to better ensure the accuracy of calculations used to prepare budget requests. VA agreed and, for its fiscal year 2009 budget justification, had an independent actuarial firm validate savings estimates from proposals to increase fees for certain types of health care coverage. In January 2009, GAO found that VA’s assumptions about the cost of providing long-term care appeared unreliable given that assumed cost increases were lower than VA’s recent spending experience and guidance provided by the Office of Management and Budget. GAO recommended that VA use assumptions consistent with recent experience or report the rationale for alternative cost assumptions. In a March 23, 2009, letter to GAO, VA stated that it concurred and would implement this recommendation for future budget submissions.

The provision of advance appropriations would “use up” discretionary budget authority for the next year and so limit Congress’s flexibility to respond to changing priorities and needs. While providing funds for 2 years in a single appropriations act provides certainty about some funds, the longer projection period increases the uncertainty of the data and projections used. If VA is expected to submit its budget proposal for health care for 2 years, the lead time for the second year would be 30 months. This additional lead time increases the uncertainty of the estimates and could worsen the challenges VA already faces when formulating its health care budget.

Given the challenges VA faces in formulating its health care budget and the changing nature of health care, proposals to change the availability of the appropriations it receives deserve careful scrutiny. Providing advance appropriations will not mitigate or solve the problems we have reported regarding data, calculations, or assumptions in developing VA’s health care budget. Nor will it address any link between cost growth and program design. Congressional oversight will continue to be critical.