

Highlights of [GAO-12-305](#), a report to congressional requesters

Why GAO Did This Study

The President's budget request for the Department of Veterans Affairs (VA) for fiscal years 2012 and 2013 included a total of \$2.5 billion dollars in savings from six VA-wide operational improvements. If VA's estimated savings for fiscal years 2012 and 2013 do not come to fruition and VA receives appropriations in the amount requested by the President, VA may have to make difficult trade-offs to provide health care services with the resources provided.

GAO assessed (1) the basis for VA's estimated savings from each improvement and (2) VA's process for tracking its actual savings from each improvement. GAO obtained documentation that described the methodology VA used to develop its savings estimates and the process it used to track those savings. By analyzing the documentation and interviewing VA officials, GAO assessed whether VA's savings estimates were reasonable and whether VA's process for tracking savings would allow it to accurately determine actual savings.

What GAO Recommends

GAO recommends that VA develop (1) a sound methodology for estimating savings from new operational improvements and (2) a detailed process for tracking actual savings resulting from those improvements for which GAO identified concerns. VA concurred with GAO's findings and recommendations on all but two initiatives within the *real property* improvement, stating that the savings from these initiatives were not overstated. GAO believes its findings and recommendations remain valid.

View [GAO-12-305](#). For more information, contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov.

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VA HEALTH CARE

Methodology for Estimating and Process for Tracking Savings Need Improvement

What GAO Found

GAO found that VA's estimated savings from two of its six operational improvements lacked analytic support and estimated savings from another were flawed. Without a sound methodology for estimating these savings, VA runs the risk of not achieving them. Furthermore, due in part to flaws GAO identified with another operational improvement—*reducing acquisition costs*—VA decided to revise it. Because this effort was still in progress, GAO could not evaluate VA's estimated savings and process for tracking actual savings from this operational improvement. In addition, GAO found that VA lacks a process for tracking actual savings for one operational improvement and its processes may overstate results for two others. Without an accurate process for tracking these savings, VA will be unable to determine whether it has realized the estimated savings reflected in the President's budget request for fiscal years 2012 and 2013. See table 1 for GAO's assessment of VA's methodology for estimating savings and VA's process for tracking actual savings, for five of six improvements.

Table 1: Summary of GAO's Findings

Operational improvement	Assessment of VA's savings estimation methodology	Assessment of VA's process for tracking actual savings
<i>Reducing costs for medical and administrative support activities</i>	VA lacked analytic support for its savings estimate.	VA's process for tracking actual savings may overstate such savings.
<i>Realigning VA clinical staff and resources by using less costly health care providers</i>	VA lacked analytic support for an assumption in its savings estimate.	VA lacks a process for tracking actual savings at this time.
<i>Reducing costs associated with operating and leasing VA real property</i>	VA's estimated savings for three of the six initiatives within this operational improvement may be overstated.	VA's process for tracking actual savings from three of the six initiatives within this operational improvement may overstate such savings.
<i>Reducing provider reimbursement rates for certain fee-based care services</i>	VA's methodology for estimating savings appeared to be reasonable.	VA's process for tracking actual savings appears to be reasonable.
<i>Additionally reducing fee-based care costs</i>	While VA's methodology for estimating savings appeared to be reasonable for six of the seven initiatives within this operational improvement, GAO was unable to assess VA's ability to achieve its estimated savings from the remaining initiative.	VA's process for tracking actual savings appears to be reasonable.

Source: GAO analysis of VA data.