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DEFENSE HEALTH CARE REFORM

Additional Implementation Details Would Increase Transparency of DOD's Plans and Enhance Accountability

Why GAO Did This Study

Over the past decade, the cost of DOD's MHS has increased to almost \$50 billion and is expected to double by 2030. Section 731 of the National Defense Authorization Act for Fiscal Year 2013 required DOD to provide three submissions detailing its plan to reform its MHS governance structure and also mandated that GAO submit an analysis of DOD's first two submissions. This report addresses the extent to which DOD's March and June 2013 submissions met the statutory requirements and reflect key management practices. GAO compared DOD's submissions for reforming its MHS governance structure with the (1) statutory requirements and (2) key management practices contained in GAO's *Business Process Reengineering Assessment Guide* and other relevant GAO work. Additionally, GAO interviewed DOD officials from the Office of the Assistant Secretary of Defense for Health Affairs, the MHS Transition Office, and the military services' Surgeons General offices.

What GAO Recommends

To provide decision makers with more complete information on the implementation of DOD's newly created DHA, GAO recommends that DOD develop and present to Congress fully developed performance measures, interim timelines, and staffing baseline assessments, and refined cost savings estimates. In written responses to this report, DOD concurred with each of GAO's recommendations.

View GAO-14-49. For more information, contact Brenda S. Farrell at 202-512-3604 or farrellb@gao.gov.

What GAO Found

GAO determined that the Department of Defense's (DOD) March and June 2013 submissions on establishing a Defense Health Agency (DHA) to reform the governance of the Military Health System (MHS) met three statutory requirements to include information on goals, performance measures, and staffing; partially met one requirement to include information on timelines; and was not required to include information on shared services because the reporting time frame was not applicable. GAO also assessed the submissions to determine the extent to which DOD incorporated key management practices from GAO's prior work on business-process reengineering. DOD's submissions provided some useful information but did not fully incorporate some key management practices as explained below.

- DOD presented 87 performance measures under its seven goals for its MHS reform. However, those measures do not fully exhibit the attributes of successful performance measures that can help agencies determine whether they are achieving their goals as well as identify areas for improvement. Examples of key attributes include clarity, measurable targets, and baseline data. None of DOD's measures included an accompanying explanation, definition, or a quantifiable target nor did they include information regarding relevant baseline assessments.
- DOD provided a list of major governance milestones and an overall schedule for activities related to establishing the DHA. However, DOD's implementation timeline did not include interim milestones for four of the seven goals of its reform. A key practice for agencies undergoing business transformations is to develop a detailed implementation plan with milestones for all actions so that progress can be closely monitored.
- In its June submission, DOD provided an estimate of authorized staff needed as of October 1, 2013, for the DHA. However, DOD does not have the information to determine how the creation of the DHA will affect the total number of MHS headquarters staff because it has not completed an updated baseline assessment of current staffing levels. Key management practices require agencies to be aware of the size, knowledge, skills, and abilities of their workforces to pursue their missions. DOD planned to submit revised estimated staffing levels in a September 30, 2013 submission to Congress.
- DOD presented business cases that included a breakdown of estimated implementation costs and aggregated cost-savings estimates for the consolidation of four shared services. However, some key details of a sound business case were missing, such as the basis for the savings. DOD's business cases aggregated the separate business lines of its shared services, which obscures the size and cost of planned efficiencies for each discrete business line, and it did not assess the risk that implementation costs could increase.

Without more clear, complete, and transparent information on DOD's plan for establishment of the DHA, it will be difficult for decision makers to gauge progress and identify areas of risk that will need to be monitored during implementation.