

GAO Highlights

Highlights of [GAO-16-374T](#), a statement for the record to the Committee on Veterans Affairs, House of Representatives

Why GAO Did This Study

VA projected a funding gap in its fiscal year 2015 medical services appropriation account and obtained temporary authority to use up to \$3.3 billion in Veterans Choice Program funding to close this gap. GAO was asked to examine VA's fiscal year 2015 projected funding gap and changes VA has made to help prevent potential funding gaps in future years.

This statement is based on GAO's ongoing work and provides preliminary observations on (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 data VA provided on its obligations 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 and Office of Management and Budget officials to identify the steps taken to address the projected funding gap. GAO also examined changes VA made to better track obligations and project future budgetary needs.

GAO shared the information provided in this statement with VA and incorporated its comments as appropriate.

View [GAO-16-374T](#). For more information, contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov.

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VA'S HEALTH CARE BUDGET

Preliminary Observations on Efforts to Improve Tracking of Obligations and Projected Utilization

What GAO Found

GAO's ongoing work indicates that two areas accounted for the Department of Veterans Affairs' (VA) fiscal year 2015 projected funding gap of \$2.75 billion. Specifically,

- Higher-than-expected obligations for VA's longstanding care in the community (CIC) program—which allows veterans to obtain care from providers outside of VA facilities—accounted for \$2.34 billion or 85 percent of VA's projected funding gap. VA officials expected that the new Veterans Choice Program—which was implemented in fiscal year 2015 and also allows veterans to access care from non-VA providers under certain conditions—would absorb veterans' increased demand for care after public disclosure of long wait times. However, administrative weaknesses slowed enrollment into this new program. The unexpected increase in CIC obligations also exposed VA's weaknesses in estimating costs for CIC services and tracking associated obligations. VA officials did not determine that VA faced a projected funding gap until April 2015—6 months into the fiscal year, after they compared estimated authorizations with estimated obligations for CIC.
- Unanticipated obligations for hepatitis C drugs accounted for the remaining portion—\$408 million—of VA's projected funding gap. VA did not anticipate in its budget the obligations for these costly, new drugs, which can help cure the disease, 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. VA officials told GAO that in fiscal year 2015 about 30,000 veterans received these drugs, which cost between \$25,000 and \$124,000 per treatment regimen.

GAO's ongoing work indicates that VA has taken steps to better track obligations and project future healthcare utilization, but systems deficiencies and budgetary uncertainties remain. Specifically, GAO's preliminary results indicate that VA has taken the following steps:

- VA issued a standard operating procedure to help VA medical centers (VAMC) more accurately estimate the costs associated with authorizations for CIC.
- VA directed VAMCs to compare their estimated costs for CIC authorizations with estimated obligations for CIC on a monthly basis.
- VA allocated funds to each VAMC for CIC and hepatitis C drugs and began tracking VAMCs' obligations with monthly reports. Officials told GAO that once a VAMC has obligated its funds, it would have to request additional funds. VA would determine whether additional funds may be made available. These processes are necessary because continued deficiencies in VA's financial systems present challenges in tracking of obligations.
- VA updated the model it uses to inform most of its budget estimates for medical services. It now includes more recent data that reflect increased healthcare utilization among veterans in fiscal year 2015. However, VA officials noted uncertainties remain about the forecasted utilization of the Veterans Choice Program and emerging health care treatments, which could affect the accuracy of the health care budget estimates.