

Highlights of [GAO-19-670](#), a report to the Ranking Member, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

VHA operates one of the largest health care systems in the nation with an estimate of \$81 billion for providing care to over 6.9 million veterans in fiscal year 2019. Recently, VHA has repeatedly requested that Congress provide supplemental funding due to higher-than-expected needs for care.

GAO was asked to examine how VHA allocates funds and monitors use of these funds. This report examines (1) VHA's processes for allocating general purpose and specific purpose funds to its VISNs and medical centers and (2) the extent to which VHA monitors the use of these funds.

GAO reviewed VHA's processes for allocating funds, analyzed data on allocation levels for fiscal years 2015 through 2019, and reviewed documentation on VHA's processes for allocating funds and monitoring. GAO interviewed officials from VHA; all 18 VISNs; and a non-generalizable sample of five medical centers selected based on size, facility complexity, growth in funding, and geographic variation.

What GAO Recommends

GAO is making five recommendations including that VHA use workload data from the most recently completed fiscal year to allocate funds; take steps to review adjustments; revise existing guidance to require VISNs to provide information on adjustment amounts and the reasons for doing so; and require VISNs to provide explanations for redistributions of allocated funds between VISNs and medical centers and then review the amounts redistributed. VA concurred with four recommendations and concurred in principle with one recommendation.

View [GAO-19-670](#). For more information, contact Sharon M. Silas at (202) 512-7114 or silass@gao.gov.

VETERANS HEALTH CARE

VA Needs to Improve Its Allocation and Monitoring of Funding

What GAO Found

The Department of Veterans Affairs' (VA) Veterans Health Administration (VHA) has developed processes for allocating health care funds to its regional Veterans Integrated Service Networks (VISN) and medical centers. Each year, VHA allocates about two-thirds of funds for general patient care—known as general purpose funds—using two, main allocation models. The first model allocates general purpose funds to each VISN and a second model then allocates these funds to the medical centers that report to each VISN. These models are based on patient workload—that is, the number and type of veterans served and the complexity of care provided. VHA allocates its remaining one-third of funds—known as specific purpose funds—to program offices that manage various, specific programs, such as community care and prosthetics. Program offices, in turn, allocate these funds directly to medical centers using different methodologies, including a workload-based model for community care. GAO found the following weaknesses in VHA's processes for allocating funds:

- VHA's allocation models do not use workload data from the most recently completed fiscal year. For example, the fiscal year 2019 allocation levels determined by the models were based on data from fiscal years 2013 through 2017 but did not include data from fiscal year 2018. The models do not use more recent data because officials believed that doing so would not significantly affect allocations. By not using the most recent data available when it makes final allocations, VHA's allocations may not accurately reflect medical centers' funding needs if they experience workload changes. For example, from fiscal years 2017 through 2018, 34 medical centers had patient workload growth of over 3 percent, and 9 experienced a decline of over 3 percent, which was not reflected in the fiscal year 2019 allocations.
- VISNs are allowed to make adjustments to allocated funding levels determined by the models and must submit written explanations for doing so according to VHA guidance. However, VHA officials did not adequately review adjustments for fiscal year 2019 to ensure adjustments were documented. Specifically, VHA officials did not provide evidence they sought an explanation for adjustments made by two VISNs that provided no written explanation for their adjustments. Furthermore, GAO also found that VHA guidance does not require VISNs to explain how they determined adjustment amounts and why they made them. Without requiring this information, VHA cannot ensure that these adjustments lead to efficient use of funds.

Once VISNs have made adjustments to allocated funding levels and funds are distributed to VISNs and medical centers, VHA uses multiple mechanisms to monitor the balance of funds. Throughout the year, VHA redistributes funds across the VA health care system to address unfunded needs and surpluses that are identified. However, GAO found that VHA does not adequately monitor the redistribution of allocated funds between VISNs and medical centers. VHA does not require VISNs to provide explanations for redistributions and does not review the amount redistributed. As a result, VHA does not know the extent to which redistributions deviate from workload-based allocations and if VISNs and medical centers are operating efficiently.