

A report to congressional addressees

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What GAO Found

To support its health care budget projection each year, the Veterans Health Administration (VHA) contracts with an actuarial consultant to assist VHA with the annual Enrollee Health Care Projection Model update. The model produces three basic outputs: enrollment, utilization, and unit cost. Each output is subject to several complex adjustments to account for the characteristics of VHA health care and the veterans who access VHA’s health care services.

Why GAO Did This Study

VHA, within the Department of Veterans Affairs, serves about 9.1 million enrollees. In its budget request, VHA estimated the fiscal year 2025 medical care total obligational level to be \$149.5 billion. Determining needed funding to ensure veterans have access to quality health care involves accurately projecting potential costs.

VHA and its actuarial consultant use a model to project cost estimates for health care services. These estimates are used to inform VA’s budget projection included in the President’s budget request. For fiscal year 2025, VA requested \$6 billion in additional funding, beyond the level included in the President’s budget. Given this and that VHA has underestimated its funding needs for health care services in prior years, Congress has raised questions about VHA’s process for developing its budget estimates.

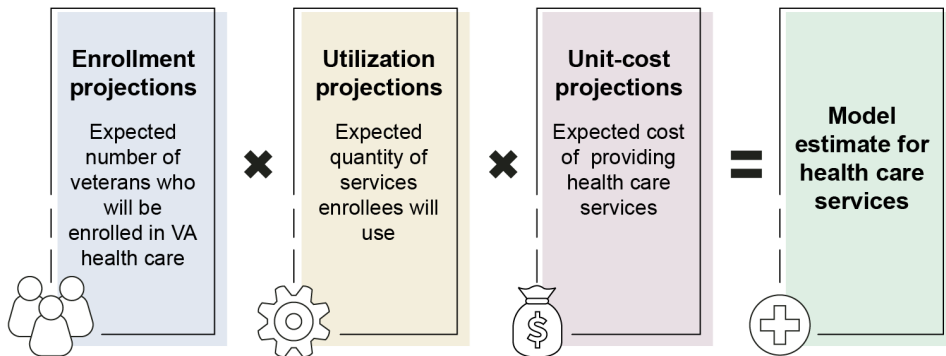
In this report, GAO (1) describes VHA’s current process for updating the actuarial model used to estimate its health care funding needs; (2) examines the extent to which VHA’s processes for developing VA’s health care model estimates align with relevant professional standards; and (3) examines VHA’s oversight of the performance of its actuarial consultant.

GAO reviewed documents from VHA and its actuarial consultant on the processes used to develop health care model estimates, as well as documents for assessing contractor performance. GAO also interviewed VHA officials and VHA’s actuarial consultant.

What GAO Recommends

GAO is making five recommendations on VA’s development and oversight of its budget estimate. VA did not provide comments on the report.

Basic Outputs of VHA’s Enrollee Health Care Projection Model



Source: GAO analysis of Veterans Health Administration (VHA) information (information); GAO (illustrations). | GAO-26-107950

GAO found VHA’s processes for developing the model’s estimates align with most but not all relevant standards. For example, VHA’s Office of Enrollment and Forecasting (E&F) does not have a formalized process requiring VHA’s actuarial consultant to incorporate newly emerging data into the model after initial model delivery. According to VHA officials, incorporating newly emerging data after the delivery of its initial model scenario is not required because it depends on factors such as data availability, the timing of the President’s budget, and requests from the VHA Office of Finance. However, incorporating newly emerging data, when possible, could ensure that VHA’s health care cost estimates reflect the most current data, improve the accuracy and completeness of the model estimates, and potentially support a more informed budget request.

VHA uses performance measures to assess its actuarial consultant, but VHA’s standard operating procedure does not specify what E&F staff should be doing to ensure that the consultant adequately performs the tasks outlined in the performance work statement. According to VHA documents, VHA conducts a monthly review of the actuarial consultant’s invoices to ensure it is producing the deliverables laid out in the contract. However, because the invoices only indicate when the work was done, this review does not allow VHA to assess the quality of the consultant’s work. By not including specific oversight tasks in its standard operating procedures, such as establishing a formalized process for assessing the quality of specific tasks in the performance work statement, VHA may miss opportunities to improve the accuracy of its budgetary support provided by its actuarial consultant.