



Highlights of [GAO-09-459T](#), a testimony before the Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The Department of Veterans Affairs (VA) estimates it will provide health care to 5.8 million patients with appropriations of \$41.2 billion in fiscal year 2009. The President has proposed an increase in VA's health care budget for fiscal year 2010 to expand services for veterans. VA's patient population includes aging veterans who need services such as long-term care—including nursing home and noninstitutional care provided in veterans' homes or community—and veterans returning from Afghanistan and Iraq. Each year, VA formulates its medical care budget, which involves developing estimates of spending for VA's health care services. VA is also responsible for budget execution—spending appropriations and monitoring their use.

GAO was asked to discuss challenges related to VA's health care services budget formulation and execution. This statement focuses on (1) challenges VA faces in formulating its health care budget, and (2) challenges VA faces in executing its health care budget.

This testimony is based on three GAO reports: *VA Health Care: Budget Formulation and Reporting on Budget Execution Need Improvement* ([GAO-06-958](#)) (Sept. 2006); *VA Health Care: Spending for Mental Health Strategic Plan Initiatives Was Substantially Less Than Planned* ([GAO-07-66](#)) (Nov. 2006); and *VA Health Care: Long-Term Care Strategic Planning and Budgeting Need Improvement* ([GAO-09-145](#)) (Jan. 2009).

View [GAO-09-459T](#) or key components. For more information, contact Randall B. Williamson at (202) 512-7114 or [williamsonr@gao.gov](mailto:williamsonr@gao.gov).

## VA HEALTH CARE

### Challenges in Budget Formulation and Execution

#### What GAO Found

VA faces challenges formulating its health care budget each fiscal year. As noted in GAO's 2006 report on VA's overall health care budget, these include making realistic assumptions about the budgetary impact of policy changes, making accurate calculations, and obtaining sufficient data for useful budget projections. For example, GAO found that VA made unrealistic assumptions about how quickly it would realize savings from proposed changes in nursing home policy. While VA took steps to respond to GAO's 2006 recommendations about VA budgeting, recent GAO work found similar issues. In 2009, GAO reported on VA's long-term care budget—namely, on challenges in projecting the amount and cost of VA long-term care. GAO found that in its fiscal year 2009 budget justification, VA used assumptions about the cost of nursing home and noninstitutional care that appeared unrealistically low given recent VA experience and other indicators. VA said it would complete an action plan responding to GAO's 2009 recommendations by the end of March 2009.

VA also faces challenges executing its health care budget. These include spending and tracking funds for specific initiatives and providing timely and useful information to Congress on budget execution progress and problems. GAO's 2006 report on VA funding for new mental health initiatives found VA had difficulty spending and tracking funds for initiatives in VA's mental health strategic plan to expand services to address service gaps. The initiatives were to enhance VA's larger mental health program and were to be funded by \$100 million in fiscal year 2005. Some VA medical centers did not spend all the funds they had received for the initiatives by the end of the fiscal year, partly due to the time it took to hire staff and renovate space for mental health programs. Also, VA did not track how funding allocated for the initiatives was spent. GAO's 2006 report on VA's overall health care budget found that VA monitored its health care budget execution and identified execution problems for fiscal years 2005 and 2006, but did not report the problems to Congress in a timely way. GAO also found that VA's reporting on budget execution to Congress could have been more informative. VA has not fully implemented one of GAO's two recommendations for improving VA budget execution.

Sound budget formulation, monitoring of budget execution, and the reporting of informative and timely information to Congress for oversight continue to be essential as VA addresses budget challenges GAO has identified. Budgeting involves imperfect information and uncertainty, but VA has the opportunity to improve the credibility of its budgeting by continuing to address identified problems. This is particularly true for long-term care, where for several years GAO work has highlighted concerns about workload assumptions and cost projections. By improving its budget process, VA can increase the credibility and usefulness of information it provides to Congress on its budget plans and progress in spending funds. GAO's prior work on new mental health initiatives may provide a cautionary lesson about expanding VA programs—namely, that funding availability does not always mean that new initiatives will be fully implemented in a given fiscal year or that funds will be adequately tracked.