



Highlights of [GAO-04-444](#), a report to congressional requesters

VA HEALTH CARE

Resource Allocations to Medical Centers in the Mid South Healthcare Network

Why GAO Did This Study

Since fiscal year 1997, the Department of Veterans Affairs (VA) has relied primarily on its 21 health care networks to allocate resources to its medical centers. VA headquarters also directly allocates some resources to the medical centers. In addition, medical centers collect resources from third-party insurance payments and other sources.

VA provides general guidance to networks for resource allocation to medical centers, but permits variation in networks' allocation methodologies. Representatives from veterans groups and others have expressed concerns regarding resource allocations to medical centers in Network 9 (Nashville) known as the Mid South Healthcare Network.

GAO was asked to report for fiscal year 2002 (1) the amount of resources medical centers in the network received and the source of those resources and (2) the basis on which medical centers in the network received these resources. GAO was also asked to supplement findings for fiscal year 2002 with information for fiscal years 1997 through 2003.

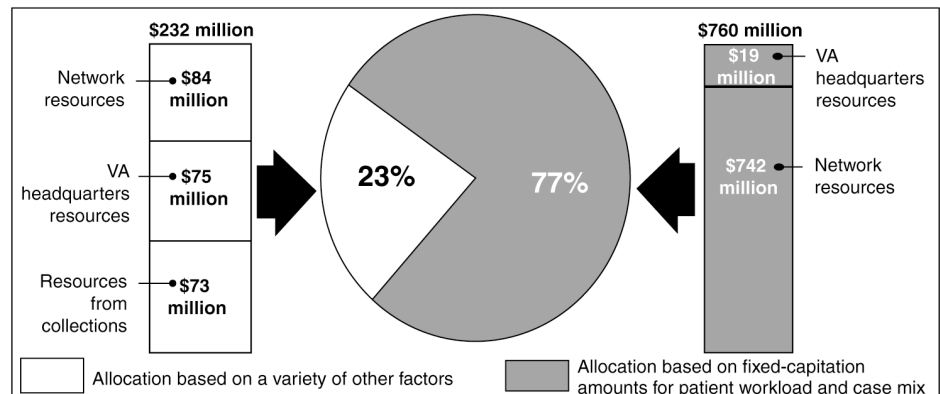
What GAO Found

The six medical centers in Network 9 (Nashville), known as the Mid South Healthcare Network, received a total of about \$1 billion in resources in fiscal year 2002. The network allocated 83 percent of the total, or \$825 million, to its medical centers. The medical centers received smaller amounts from VA headquarters (9 percent of the total or about \$93 million) and resources from collections (7 percent of the total or about \$73 million). As in fiscal year 2002, the network allocated more than 80 percent of medical center resources each year from fiscal years 1997 through fiscal year 2003.

Medical centers in Network 9 (Nashville) received about 77 percent of their resources, or \$760 million, in fiscal year 2002 based on fixed-per-patient amounts, referred to as fixed-capitation amounts, for patient workload and case mix. Patient workload is the number of patients treated, and case mix is a classification of patients into categories based on health care needs and related costs. The largest portion of these resources allocated on this basis came from the network while a smaller portion came from VA headquarters. Medical centers in the network received about 23 percent of their total resources, or \$232 million, in fiscal year 2002 based on a variety of other factors such as network managers' determination of the financial needs of medical centers during the course of the year. These resources came from the network, VA headquarters, and collections. Since VA changed its resource allocation system in fiscal year 1997, the medical centers in the network received about the same portions of their resources based on fixed-capitation amounts and on a variety of other factors each year from fiscal years 1997 through 2003.

VA agreed with GAO's findings.

Percentage, Amounts, and Basis of Approximately \$1 Billion In Resources Received by Medical Centers in Network 9 (Nashville), Fiscal Year 2002



Source: GAO analysis of VA data.

www.gao.gov/cgi-bin/getrpt?GAO-04-444.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Cynthia A. Bascetta at (202) 512-7101.