

## Why GAO Did This Study

Through fiscal year 2010, the Department of Veterans Affairs (VA) permitted its 21 health care networks to develop their own methodologies for allocating resources to medical centers. These methodologies varied considerably. Concerned that network methodologies were not fully transparent to VA headquarters, in fiscal year 2011, VA implemented a new single process for all networks to use to determine allocations to medical centers. VA headquarters retains overall responsibility for oversight of VA's resources, including ensuring networks do not spend more than the resources available.

GAO was asked to review how VA networks allocate resources and how VA oversees these resources once they are allocated. In this report, GAO describes (1) VA's new process for networks to use in determining allocations to medical centers, and (2) how VA centrally monitors these resources. To do this work, GAO reviewed VA documents describing the new process and VA's monitoring efforts, in light of federal internal control standards, and interviewed VA officials.

## What GAO Recommends

GAO recommends that VA (1) require networks to provide rationales for all adjustments made to allocations proposed by VA's resource allocation model, and (2) develop written policies to document practices for monitoring resources. VA concurred with these recommendations.

## VA HEALTH CARE

### Need for More Transparency in New Resource Allocation Process and for Written Policies on Monitoring Resources

## What GAO Found

VA's new resource allocation process uses a standardized model, but the transparency of networks' decisions for allocating resources to medical centers is limited. The new process involves three steps. First, VA headquarters proposes medical center allocation amounts to networks using a standardized resource allocation model. The model includes a standardized measure of workload that recognizes the varying costs and levels of resource intensity associated with providing care for each patient at each medical center. Second, network officials review the proposed amounts and have the flexibility to adjust them if they believe that certain medical centers' resource needs are not appropriately accounted for in the model. Third, networks report final medical center allocation amounts to VA headquarters and any adjustments made to the allocation amounts proposed by the model. VA headquarters did not ask networks to report reasons for each adjustment made to allocation amounts; networks reported reasons for some adjustments, but not for others. VA officials said that the new network resource allocation process was not intended to be used to question networks' decision making, but to increase the transparency of networks' allocation decisions to VA headquarters while maintaining network flexibility. However, absent rationales from networks on all adjustments made to medical center allocation amounts, transparency for decisions made through the allocation process is limited. Furthermore, understanding why networks make adjustments is key in determining if any modifications to the model are needed for subsequent years. VA officials told GAO that they intend to conduct annual assessments of the new resource allocation process, including a review of adjustments to the model, to identify areas for improvement.

VA centrally monitors the resources networks have allocated to medical centers to ensure spending does not exceed allocations, but does not have written policies documenting these practices for monitoring resources. VA monitors resources through two primary practices—automated controls in its financial management system and regular reviews of network spending. Specifically, VA's financial management system electronically tracks the amount of resources that networks and medical centers have available—the resources allocated, less the resources already spent—and prevents medical centers from spending more than what they have available by rejecting spending requests in excess of available resources. In addition, each month VA headquarters officials compare each network's spending with what the network planned to spend and determine whether spending is on target, and whether any differences from the plan are significant. However, VA headquarters does not have written policies documenting the agency's practices for monitoring resources, which is not consistent with federal internal control standards. These standards state that internal controls should be documented, and all documentation should be properly managed, maintained, and readily available for examination. Without written policies, there is an increased risk of inconsistent monitoring of VA network and medical center resources.