

## Why GAO Did This Study

The Veterans Health Care Budget Reform and Transparency Act of 2009 requires GAO to report whether the amounts for the Department of Veterans Affairs' (VA) health care services in the President's budget request are consistent with VA's budget estimates as projected by the Enrollee Health Care Projection Model (EHCPM) and other methodologies.

Based on the information VA provided, this report describes (1) the key changes VA identified that were made to its budget estimate to develop the President's budget request for fiscal years 2012 and 2013 and (2) how various sources of funding for VA health care and other factors informed the President's budget request for fiscal years 2012 and 2013. GAO reviewed documents describing VA's estimates projected by the EHCPM and changes made to VA's budget estimate that affect all services, including estimates developed using other methodologies. GAO also reviewed the President's budget request, VA's congressional budget justification, and interviewed VA officials and staff from the Office of Management and Budget (OMB).

GAO is not making recommendations in this report. GAO provided a draft of this report to the Secretary of VA and the Director of OMB for comment. VA had no comments on this report. OMB provided technical comments, which GAO incorporated as appropriate.

# VETERANS' HEALTH CARE BUDGET ESTIMATE

## Changes Were Made in Developing the President's Budget Request for Fiscal Years 2012 and 2013

### What GAO Found

VA officials identified changes made to its estimate of the resources needed to provide health care services to reflect policy decisions, savings from operational improvements, resource needs for initiatives, and other items to help develop the President's budget request for fiscal years 2012 and 2013. For example, VA's estimate for non-recurring maintenance to repair health care facilities was reduced by \$904 million for fiscal year 2012 and \$1.27 billion for fiscal year 2013, due to a policy decision to fund other initiatives and hold down the overall budget request for VA health care. VA's estimates were further reduced by \$1.2 billion for fiscal year 2012 and \$1.3 billion for fiscal year 2013 due to expected savings from operational improvements, such as proposed changes to purchasing and contracting. Other changes had a mixed impact on VA's budget estimate, according to VA officials; some of these changes increased the overall budget estimate, while other changes decreased the overall estimate.

The President's request for appropriations for VA health care for fiscal years 2012 and 2013 relied on anticipated funding from various sources. Specifically, of the \$54.9 billion in total resources requested for fiscal year 2012, \$50.9 billion was requested in new appropriations. This request assumes the availability of \$4.0 billion from collections, unobligated balances of multiyear appropriations, and reimbursements VA receives for services provided to other government entities. Of the \$56.7 billion in total resources requested for fiscal year 2013, \$52.5 billion was requested in new appropriations, and \$4.1 billion was anticipated from other funding sources. The President's request for fiscal year 2012 also included a request for about \$953 million in contingency funding to provide additional resources should a recent economic downturn result in increased use of VA health care. Contingency funding was not included in the advance appropriations request for fiscal year 2013.

Budgeting for VA health care is inherently complex because it is based on assumptions and imperfect information used to project the likely demand and cost of the health care services VA expects to provide. The iterative and multilevel review of the budget estimates can address some of these uncertainties as new information becomes available about program needs, presidential policies, congressional actions, and future economic conditions. As a result, VA's estimates may change to better inform the President's budget request. The President's request for VA health care services for fiscal years 2012 and 2013 was based, in part, on reductions to VA's estimates of the resources required for certain activities and operational improvements. However, in 2006, GAO reported on a prior round of VA's planned management efficiency savings and found that VA lacked a methodology for its assumptions about savings estimates. If the estimated savings for fiscal years 2012 and 2013 do not materialize and VA receives appropriations in the amount requested by the President, VA may have to make difficult trade-offs to manage within the resources provided.