

## Why GAO Did This Study

Funding for the Department of Veterans Affairs' (VA) health care is determined by Congress in the annual appropriations process. Prior to this process, VA develops a budget estimate of the resources needed to provide health care services to eligible veterans. The Veterans Health Care Budget Reform and Transparency Act of 2009 requires GAO to assess whether the funding requested for VA health care in the President's budget requests submitted to Congress in 2011, 2012, and 2013 is consistent with VA's estimates of the resources needed to provide health care services.

In anticipation of these future studies, GAO was asked to obtain information on how VA prepares its health care budget estimate. In this report, GAO describes (1) how VA develops its health care budget estimate, and (2) how VA's health care budget estimate is used in the President's budget request to Congress. To conduct this work, GAO reviewed VA documents on the methods, data, and assumptions used to develop VA's health care budget estimate that informed the President's budget request for fiscal year 2011 and request for advance appropriations for fiscal year 2012. GAO also interviewed VA officials responsible for developing this estimate and staff from the Office of Management and Budget (OMB), which is responsible for overseeing the development and implementation of the federal budget.

View [GAO-11-205](#) or key components. For more information, contact Randall B. Williamson at (202) 512-7114 or [williamsonr@gao.gov](mailto:williamsonr@gao.gov) or Denise M. Fantone at (202) 512-6806 or [fantoned@gao.gov](mailto:fantoned@gao.gov).

## VETERANS' HEALTH CARE

### VA Uses a Projection Model to Develop Most of Its Health Care Budget Estimate to Inform the President's Budget Request

## What GAO Found

VA uses what is known as the Enrollee Health Care Projection Model (EHCPM) to develop most of its health care budget estimate and uses other methods for the remainder. Specifically, VA used the EHCPM to estimate the resources needed to meet expected demand for 61 health care services that accounted for 83 percent of VA's health care budget estimate for fiscal year 2011 and similarly for fiscal year 2012. The EHCPM's estimates for these services are based on three basic components: projected enrollment in VA health care, projected use of VA's health care services, and projected costs of providing these services. To make these projections, the EHCPM uses data on the use and cost of these services that reflect data from VA, Medicare, and private health insurers. The EHCPM makes a number of complex adjustments to the data to account for characteristics of VA health care and the veterans who access VA's health care services. For example, these adjustments take into account veterans' age, gender, geographic location, and reliance on VA health care services compared with other sources, such as health care services paid for by Medicare or private health insurers. VA uses other methods to develop nearly all of the remaining portion of its budget estimate for long-term care and other services, as well as initiatives proposed by the Secretary of VA or the President. Long-term care and other services accounted for 16 percent and initiatives accounted for 1 percent of VA's health care budget estimate for fiscal year 2011 and similarly for fiscal year 2012.

VA's health care budget estimate is reviewed at successively higher levels. Within the agency, the Secretary of VA reviews the health care budget estimate in the context of departmentwide priorities, including trade-offs between health care and other services. The budget estimate is presented in different ways, including the appropriations accounts structure used by Congress for decision making. OMB considers VA's budget submission in light of presidential priorities and needs governmentwide. VA can appeal decisions before OMB finalizes the President's budget request to Congress.

VA and OMB provided technical comments, which GAO incorporated as appropriate.