

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

July 27, 2005

The Honorable David M. Walker
Comptroller General of the United States
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Walker:

Recently, the President asked Congress to appropriate emergency supplemental funds to the Department of Veterans Affairs (VA) in order to make up a funding shortfall in veterans' health care for the current fiscal year. One of the primary reasons cited by the Department for this shortfall was its large underestimation of the number of recently returned veterans of Operations Iraqi and Enduring Freedom (OIF/OEF) who would seek its medical services.

VA officials have revealed that the actuarial model they used to make their budget determinations forecasted a 2.3 percent annual growth in healthcare demand in fiscal year 2005 and that in April of 2005, it was discovered that growth has accelerated to 5.2 percent. In addition, VA says its budget assumed that 23,553 OIF/OEF veterans would come for care. The number of these patients in 2005 is now estimated to be 103,000.

While we understand that estimates can be wrong when actual conditions turn out to be different than projected, we are concerned that there may be a systemic problem in the way that the Department develops and validates its patient estimates and that this may in turn be producing faulty budgets.

A review of VA's most recent budget submissions reveals that in three out of the past four years, the Department has significantly underestimated its patient load in four areas: acute hospital care, medical visits, dependents and survivors hospital census, and dependent and survivor outpatient care. The Department has underestimated the number of psychiatric patients in two of the past four years. Attached for your reference is a summary analysis of these estimated and actual measures from the Department of Veterans Affairs section of the Appendix to the Budget of the U.S. Government for fiscal years 2001 through 2006. This recurring miscalculation of projected patient load suggests that VA's means for determining such estimates may be flawed in methodology or subject to external influences that the Office of Management and Budget and VA failed to take into account for various reasons.

As such, we request that the Government Accountability Office conduct an investigation of VA's processes for estimating patient load to determine if there are systemic problems in the methodology for making such estimates, or if the estimates are subject to inappropriate political pressure to conform to executive budgetary constraints and policies, thereby excluding major components such as the ongoing conflicts abroad and long-term care.

Specifically, we would like you to examine:

- The decision-making process that led to the FY05 shortfall;
- The strengths and weaknesses of VA's process for monitoring healthcare demand and for updating its assumptions and models for estimating future demand, including OIF/OEF veterans;
- VA's failure to accurately model Long-term Care, Prosthetics, Dental Care and Mental Health Care;
- The strengths and weaknesses of VA's two-year-forward budgeting model and the degree to which the budget request is shaped by;
 - estimates of future patient demand and/or
 - interaction between OMB and VA;
- The strengths and weaknesses of VA's process of notifying Congress of changes to budget assumptions.

We also request that GAO make recommendations for how to improve the VA's budgeting process so that veterans can get the care they deserve and members of Congress are not surprised by these types of shortfalls in the future. Thank you in advance for your attention to this request.

Sincerely,

Richard J. Durbin
United States Senator

Patty Murray
United States Senator



Ken Salazar
United States Senator



Daniel K. Akaka
Ranking Member
Committee on Veterans' Affairs