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Health, Education, and Human Services  
Division

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Veterans' Affairs and  
Military Health Care  
Issues

Issue Area Plan for Fiscal  
Years 1998-2000



# Foreword

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As the investigative arm of the Congress and the nation's auditor, the General Accounting Office is charged with monitoring the expenditure of the federal dollar. Reflecting stringent standards of objectivity and independence, GAO's audits, evaluations, and investigations promote a more efficient and cost-effective government; expose waste, fraud, abuse, and mismanagement in federal programs; help the Congress target budget reductions; assess financial and information management; and alert the Congress to developing trends that may have significant fiscal or budgetary consequences. In fulfilling its responsibilities, GAO performs original research and uses hundreds of databases or creates its own when information is unavailable elsewhere.

To ensure that GAO's resources are directed toward the most important issues facing the Congress, each of GAO's 33 issue areas develops a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. Each issue area relies heavily on input from congressional committees, agency officials, and subject-matter experts in developing its strategic plan.

The Veterans' Affairs and Military Health Care issue area covers health care services provided to veterans and military beneficiaries through the systems of hospitals and clinics of the Department of Veterans' Affairs (VA) and the Department of Defense (DOD). Its work at VA also evaluates programs providing certain benefits not related to health, such as disability compensation and pensions, to veterans and their dependents or survivors.

The principal issues covered by this strategic plan are

- identifying opportunities to improve VA's and DOD's existing health care systems' and VA's benefit programs' management and accountability,
- assessing efforts to structurally reform the VA and DOD health care and VA benefits systems to better accomplish their missions,
- evaluating the implementation of and lessons learned from managed health care strategies in VA and DOD, and
- determining whether federal agencies are effectively serving the unique health care needs of special populations.

In the pages that follow, we describe our key planned work on these issues.

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Because events may significantly affect even the best of plans and because the periodic measurement of success of any plan is essential, our planning process allows for updating and responding quickly to emerging issues. If you have any questions or suggestions about this plan, please call me at (202) 512-7101.

A handwritten signature in black ink that reads "Stephen P. Backhus". The signature is written in a cursive style with a large, prominent 'S' at the beginning.

Stephen P. Backhus  
Director, Veterans' Affairs and  
Military Health Care Issues

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# Contents

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Foreword	1
Table I: Key Issues	4
Table II: Planned Major Work	6
Table III: GAO Contacts	7

# Table I: Key Issues

Issue	Significance
<p><b>Improving management and accountability:</b> How can existing VA and DOD health care systems and VA benefits programs be better managed?</p>	<p>VA and DOD operate two of the largest health care systems in the world; in addition, VA delivers a wide array of nonmedical benefits to the nation's veterans. VA's 206,000 workers deliver services in more than 1,000 facilities at a cost of more than \$42 billion annually. DOD's health care system currently includes some 107 hospitals and 480 clinics operating worldwide and employs about 144,000 civilian and military personnel at an annual cost of more than \$15 billion. The VA and DOD health care systems also play important roles in training health care professionals, conducting medical research, and testing advanced medical technologies and services. VA and DOD face many management challenges in delivering services and benefits and improving performance through a focus on results and accountability.</p>
<p><b>Reforming VA and DOD:</b> Can VA and DOD health and VA benefit systems be restructured to better accomplish their missions?</p>	<p>VA and DOD health care systems face increasing challenges and competition from a changing health care marketplace as well as pressures to reduce health care costs. As VA's inpatient population continues to shrink sharply because of declining numbers of veterans and changes in health care practices, the economic viability of VA hospitals is threatened. The military health care system must adjust to substantial reductions in the overall size of the nation's military forces. Increasing attention is being focused on benefits not related to health for veterans, and their dependents and survivors—benefits for which there are significant issues regarding eligibility and potential overlap and duplication in delivery systems.</p>
<p><b>Moving to managed care strategies:</b> How effectively are the VA and DOD health care systems implementing managed care initiatives?</p>	<p>Nationwide changes in the practice of medicine are having an effect on the VA and DOD health care systems. In particular, managed care initiatives have been widely adopted in the private sector and in other government programs and are being implemented in DOD's TRICARE program. DOD has awarded all its TRICARE contracts and expects nationwide implementation by May 1998. TRICARE is expected to serve more than 5 million beneficiaries. VA is changing the way physicians practice by moving from episodic specialized care to a patient-based primary care model, a move long embraced by health maintenance organizations. The Congress will continue to seek assessments of how these efforts are progressing and identify lessons learned.</p>
<p><b>Serving special populations:</b> How effectively is VA and DOD delivering specialized health and related services?</p>	<p>VA and DOD face challenges as they seek to ensure access and provide quality care to individuals with special health care needs. Veterans in need of posttraumatic stress disorder treatment or long-term psychiatric care, for example, face space and resource limits in VA's programs. As a result, some of these veterans have been unable to receive the specialized care they need. Moreover, Persian Gulf veterans have reported an array of medical problems that they attribute to their service in the Persian Gulf and have sought VA medical treatment and compensation.</p>

**Table I: Key Issues**

<b>Objectives</b>	<b>Focus of work</b>
1. Identify more effective management controls to minimize fraud, waste, and abuse.	<ul style="list-style-type: none"><li>• Examine VA's and DOD's controls over payments to contractors and beneficiaries.</li></ul>
2. Identify opportunities for cost savings through legislative or administrative changes that improve overall operational efficiency.	<ul style="list-style-type: none"><li>• Assess hospital efficiencies.</li><li>• Examine VA's and DOD's health systems' budgeting and spending activities.</li><li>• Monitor VA's efforts to modernize its information systems and technology.</li></ul>
3. Assess the effectiveness of VA's strategic planning efforts.	<ul style="list-style-type: none"><li>• Examine VA's efforts to develop goals and measures that focus on program performance and results.</li></ul>
1. Identify needed changes in military medicine organization and structure in response to changes in military force size, requirements, and threats.	<ul style="list-style-type: none"><li>• Assess military health care requirements and workforce size and structure.</li></ul>
2. Identify alternative ways that VA and DOD could jointly provide health care and benefits.	<ul style="list-style-type: none"><li>• Identify opportunities for VA and DOD to consolidate programs and share resources.</li></ul>
1. Identify ways to improve DOD's managed care implementation for beneficiaries and the government.	<ul style="list-style-type: none"><li>• Assess DOD's progress in implementing, and the cost-effectiveness of TRICARE.</li><li>• Examine TRICARE's financing and contractor performance.</li></ul>
2. Assess VA's and DOD's efforts to ensure quality health care.	<ul style="list-style-type: none"><li>• Examine VA's and DOD's health care quality assurance programs.</li></ul>
3. Monitor VA's efforts to move from inpatient to outpatient health care.	<ul style="list-style-type: none"><li>• Assess VA's policies, plans, and progress in shifting from a hospital-based to a more ambulatory, primary care system.</li></ul>
4. Examine VA's and DOD's efforts to serve aged veterans and retired military personnel in a managed care environment.	<ul style="list-style-type: none"><li>• Assess VA's and DOD's Medicare subvention initiatives.</li><li>• Examine options for meeting long-term care needs.</li></ul>
1. Assess VA's efforts to meet the health care needs of special populations of veterans.	<ul style="list-style-type: none"><li>• Assess the adequacy and effectiveness of VA's response to veterans' specialized health care needs.</li><li>• Examine the effects of VA's health system restructuring on special populations of veterans.</li></ul>

# Table II: Planned Major Work

Issue	Planned major job starts
<b>Improving management and accountability</b>	<ul style="list-style-type: none"> <li>—The adequacy of DOD medical facilities' and TRICARE contractors' third-party collections</li> <li>—Veterans Benefits Administration regional office performance</li> <li>—DOD's health budgeting activities</li> <li>—VA's budgeting issues and activities</li> <li>—The efficiency of large VA hospitals</li> <li>—The potential for consolidating military medical facilities in the national capital region</li> <li>—VA information technology and systems modernization</li> <li>—DOD's information technology and systems</li> <li>—VA's efforts to develop an integrated departmentwide performance plan</li> </ul>
<b>Reforming VA and DOD</b>	<ul style="list-style-type: none"> <li>—The size (requirements, workforce size, and structure) of DOD's health care system</li> <li>—Military hospital cost competitiveness</li> <li>—The future of VA health care</li> <li>—The merits of VA and DOD joint ventures</li> <li>—The level of VA's participation as TRICARE provider</li> <li>—The need for separate VA and DOD disability compensation programs</li> </ul>
<b>Moving to managed care strategies</b>	<ul style="list-style-type: none"> <li>—The cost neutrality of TRICARE</li> <li>—Beneficiary access to DOD health care</li> <li>—The quality of DOD and VA health care</li> <li>—DOD malpractice cost increases</li> <li>—TRICARE contractor reporting requirements' consistency with the Government Performance and Results Act's focus on results</li> <li>—VA eligibility reform implementation</li> <li>—The effect of Veterans Equitable Resource Allocation/Veterans Integrated Service Networks on health care access and quality</li> <li>—VA's expanded contracting authority for health care services</li> <li>—VA's and DOD's efforts to train specialists for primary care responsibilities</li> <li>—VA's and DOD's Medicare subvention options</li> <li>—VA's role in providing long-term care</li> </ul>
<b>Serving special populations</b>	<ul style="list-style-type: none"> <li>—Persian Gulf illness</li> <li>—Homeless veterans</li> <li>—Drug abuse treatment programs</li> <li>—The effect of VA eligibility reform on special emphasis programs</li> </ul>

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# Table III: GAO Contacts

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