



Highlights of [GAO-12-224](#), a report to congressional committees

Why GAO Did This Study

DOD's health care costs have risen significantly, from \$19 billion in fiscal year 2001 to \$48.7 billion in its fiscal year 2013 budget request, and are projected to increase to \$92 billion by 2030.

GAO reviewed DOD's efforts to slow its rising health care costs by changing selected clinical, business, and management practices. Specifically, GAO determined the extent to which DOD has (1) identified initiatives to reduce health care costs and applied results-oriented management practices in developing plans for implementing and monitoring them and (2) implemented its seven medical governance initiatives approved in 2006 and employed key management practices. For this review, GAO analyzed policies, memorandums, directives, and cost documentation, and interviewed officials from the Office of the Secretary of Defense, from the three services, and at each of the sites where the governance initiatives were under way.

What GAO Recommends

GAO recommends that DOD (1) complete and fully implement comprehensive results-oriented plans for each of its medical initiatives; (2) fully implement an overall monitoring process across the portfolio of initiatives and identify accountable officials and their roles and responsibilities; and (3) complete its governance initiatives and employ key management practices to show financial and nonfinancial outcomes and evaluate interim and long-term progress. In written comments on a draft of this report, DOD concurred with each of these three recommendations.

View [GAO-12-224](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

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DEFENSE HEALTH CARE

Applying Key Management Practices Should Help Achieve Efficiencies within the Military Health System

What GAO Found

The Department of Defense (DOD) has identified 11 initiatives aimed at slowing its rising health care costs, but has not fully applied results-oriented management practices in developing plans to implement and monitor its initiatives. Results-oriented management practices include developing plans that identify goals, activities, and performance measures; resources and investments; organization roles, responsibilities, and coordination; and key external factors that could affect goals, such as a decrease of funding to a program. At the conclusion of GAO's review, DOD had completed and approved a detailed implementation plan, including a cost savings estimate, for just 1 of its 11 initiatives. Developing cost savings estimates is critical to successful management of the initiatives for achieving the 2010 Quadrennial Defense Review's call for reduced growth in medical costs. DOD also has not completed the implementation of an overall process for monitoring progress across its portfolio of health care initiatives and has not completed the process of identifying accountable officials and their roles and responsibilities for all of its initiatives. Without comprehensive, results-oriented plans, a monitoring process, and clear leadership accountability, DOD may be hindered in its ability to achieve a more cost-efficient Military Health System, address its medical readiness goals, improve its overall population health, and improve its patients' experience of care.

Additionally, DOD has another set of initiatives, which were approved in 2006 to change aspects of its medical governance structure. GAO found that DOD had implemented some of the initiatives but had not consistently employed several key management practices that would have helped it achieve its stated goals and sustain its efforts. DOD approved the implementation of the seven governance initiatives with the goal of achieving economies of scale and operational efficiencies, sharing common support functions, and eliminating administrative redundancies. Specifically, DOD expected the initiatives to save at least \$200 million annually once implemented; however, to date, only one initiative has projected any estimated financial savings. DOD officials stated that the other governance initiatives have resulted in efficiencies and have significant potential for cost savings. Further, the governance initiatives that are further developed were driven primarily by requirements of Base Realignment and Closure Commission recommendations and their associated statutory deadlines for completion. Additionally, GAO found that DOD had not consistently employed several key management practices, which likely hindered the full implementation of the initiatives. For example, the initiatives' initial timeline was high-level and generally not adhered to, a communication strategy was not prepared, an overall implementation team was never established, and performance measures to monitor the implementation process and achievement of the goals were not established. With more emphasis on the key practices of a successful transformation, DOD will be better positioned in the future to realize efficiencies and achieve its goals as it continues to implement the initiatives.