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Testimony

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Establishment of the Veterans Administration
as a Cabinet Department

Statement of
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Committee on Governmental Affairs
United States Senate



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SUMMARY

GAO believes that significant changes are needed in the way the Veterans Administration is being managed, but that these changes should occur whether or not the agency is granted cabinet status.

VA is basically a decentralized organization with veterans' medical, compensation, and pension services being provided by field facilities throughout the country. To appropriately manage any large, decentralized organization, top management must have reliable information on each unit's output and the resources used to achieve that output. GAO reports have documented situations in which top managers were unaware of inefficient or poor quality services because they lacked complete, reliable, and accurate data and the incentives to use those data to improve service delivery.

For VA to overcome the problem of management inattention, the Deputy Administrator (or the Under Secretary if VA is made a cabinet department) should be responsible for the agency's day-to-day management. Program administrators in the central office and the field should be held more accountable for the efficiency and quality of the services they deliver. GAO supports the concept of subjecting the Chief Benefits Director and Chief Medical Director to Senate confirmation as one way to attain increased accountability.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to participate in the discussions about the possible establishment of the Veterans Administration as an executive department. My purpose is to discuss a basic problem at VA and how this problem might be addressed in the proposed legislation.

Our observations on VA's management are based on extensive programmatic work at VA as well as our reviews of general management activities at 12 other departments and agencies. These management reviews have highlighted common problems among the agencies, including the need for stronger top management leadership, better long-range planning, better information systems, and improved financial management. While we have not made a general management review at VA, our other work suggests that VA may have similar problems. Over the past 5 years, we have issued over 90 reports dealing with VA's medical facilities and resources, hospital computerization and quality assurance systems, compensation and pension issues, and financial management systems.

Overall, the problem we see is that VA's managers--at the Administrator's level and at the top of the major VA departments--have not exercised enough oversight of the field facilities that deliver benefit and medical services to veterans. As a result, top managers do not have reliable data about facilities' performance, do not have assurance that quality services are being provided, and do not know whether services are

being provided as efficiently as possible. Our reviews have shown that various components of VA's health care quality assurance system were not being carried out effectively by the medical centers and that VA hospitals were not operating efficiently. In most cases, top VA management was unaware of the problems.

Making VA an executive department is not necessary to correct this problem, nor will it be a panacea. It could, however, present an opportunity to move toward a more active, involved, and accountable top management team. Whether or not this legislation is enacted, we believe that VA's top leaders should focus greater attention on the efficiency and quality of the benefit and medical services being provided to veterans.

GREATER ATTENTION ON MANAGEMENT NEEDED

A fundamental part of any management system should be the ability to monitor and evaluate program performance. This requires an information and measurement system to collect reliable, consistent, and comparable data on the units' output and the resources used to achieve that output. The availability of such data could enhance the assessment of managers' performance as it relates to the quality and efficiency of services provided by their units.

VA's philosophy has been to decentralize the management of its major service delivery programs to the Department of Medicine and Surgery and the Department of Veterans Benefits. This is appropriate for an organization in which the bulk of services are

provided by facilities throughout the country. However, decentralization without top management monitoring and oversight has often created situations in which top managers have little awareness of and control over how and how well basic services are being provided.

Over the past 4 years, several reports we have issued on Department of Medicine and Surgery programs have had top management inattention as an underlying theme. For example, we have reported that:

- VA had not been effectively using the two systems it had to monitor whether its hospitals were using efficient patient management practices. As a result, 43 percent of the days of care provided by the seven VA hospitals we reviewed were medically unnecessary.
- Medical centers did not report, through the appropriate quality assurance system, 86 percent of the more serious patient injuries. In addition, the Medical Inspector in the central office was not using available data to detect trends in underreporting.
- VA complied with minimum criteria for supervision of surgical residents in only 34 percent of the 148 cases we reviewed. Central and regional office managers had not held hospitals accountable for monitoring supervisors' performance and reporting the results to headquarters.
- Veterans' readjustment counseling centers were not following up to assure that veterans referred to other facilities received appropriate care. We recommended increased management oversight of centers, especially concerning the volume and quality of services provided.
- The long-range planning efforts in the Department of Medicine and Surgery, begun in 1982, are among the better designed we have seen. However, the process was neither tied to the budget nor complemented by a strategic plan for implementation.

For an organization such as VA to effectively manage a large and diverse network of service providers, management must have

well conceived and designed information systems to give it timely, complete, and accurate cost and workload performance data. Our work on VA's financial management and information systems indicates that although progress has been made in developing appropriate systems, more remains to be done.

In recent years, VA has developed a system for measuring the output of its hospitals and other health care facilities. It is also developing a system to generate data on the cost of the care given to each patient and by broad categories of diseases. While these improvements will give top managers the data necessary to assess facilities' performance, the managers should be committed to using the data to improve the efficiency and quality of the agency's services to veterans.

While we have pointed out information resources management problems over the past 3 years, we believe VA is improving. The appointment of the Associate Deputy Administrator for Management as the agency's senior official responsible for managing its information resources has helped. However, top VA management should monitor the extent to which VA initiatives in this area are justified by appropriate cost/benefit analyses.

Good financial management systems can give top VA managers the information they need to manage day-to-day operations and better understand key issues, the available policy choices, and the financial consequences of those choices. They could also help VA assure that resources are properly controlled and heighten financial accountability.

Over the past 3 years, we have issued reports that suggest VA's financial data were not adequate for use in improving program management. For example, we have reported that:

- VA's financial systems were being developed without a cohesive plan to integrate its various components.
- VA's technology was 20 to 30 years behind the times. As a result, VA's financial reporting systems did not include any exception reporting.
- VA's financial systems did not have adequate internal controls. Hence, VA could not be assured that the financial data were reliable.

Specifically, in 1986 we reported that VA's financial management systems were not recording and reporting per-hospital and per-patient cost data. Consequently, VA officials were using unreliable medical program cost estimates when developing plans, formulating budget requests, and executing approved budgets. Although VA has begun improving these systems, this is another area that top management should focus on.

Another example of an area needing increased top management attention is VA's reporting under the Federal Managers' Financial Integrity Act. In its 1987 report to the Congress and the President, VA reported no new material internal control weaknesses. During the year covered by that report, however, we and VA's Inspector General brought to top management's attention numerous weaknesses affecting disability recipients, the quality of services rendered to veterans, and VA's own administrative activities.

SUGGESTIONS FOR IMPROVEMENT

We believe that many of VA's management problems can be traced to the agency's philosophy of decentralization, accompanied by inadequate commitment by top managers to measure facility performance and hold managers accountable for providing efficient, high-quality services. To help overcome this problem without sacrificing the benefits of a decentralized agency, we believe the Deputy Administrator (or, in a Department of Veterans' Affairs, the Under Secretary) should be made responsible for managing the agency's operations. This is not the case today.

We have begun to see more focus on management issues at other agencies where responsibility for agency management has been assigned to a top official. At the Department of Labor, for example, each unit has identified a set of goals and objectives that are consistent with three broad goals the Secretary set for the Department. The Deputy Secretary, now responsible for managing the Department, monitors the units' performance against those goals and objectives. Similar top level emphases on management are occurring at the Internal Revenue Service and the Social Security Administration.

We support the concept of the House-passed legislation (H.R. 3471) that would place the Chief Benefits Director and the Chief Medical Director and their organizations at high levels within the proposed Department of Veterans' Affairs. The bill would rename the organizations as "Administrations", and their heads

would become level 3 executive officials, with their appointments being subject to the advice and consent of the Senate. We support this concept because it would give the Senate, particularly the Committee on Veterans' Affairs, an opportunity to more closely scrutinize the nominees' qualifications as managers and share with them the Committee's views on key issues and its expectations for what the nominees should do in their new positions.

We suggest the Senate enhance one aspect of the House bill. In addition to requiring the nominees for Chief Medical Director and Chief Benefits Director to be appointed on the basis of "demonstrated ability in the medical profession" and "demonstrated ability in administering [benefits] programs," they should have some demonstrated managerial ability. For example, the nominee to be Chief Medical Director should have had experience in successfully managing a large health care organization.

The elevation of VA to an executive department also provides an opportunity to implement a recommendation that we have made at other agencies to focus top management attention on financial management issues. A key provision of the proposed Federal Financial Management Reform Act of 1987 would establish chief financial officers at 13 current cabinet departments and 9 other agencies, including VA. The bill's intent is for the chief financial officers to provide a link for policy development and guidance from a central source (an Under Secretary of the

Treasury) and a focus for financial management leadership at the agencies. At a new Department of Veterans Affairs, the Assistant Secretary for Budget and Finance envisioned by the House bill could be designated the Department's chief financial officer.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions.