

GAO Highlights

Highlights of [GAO-16-820](#), a report to congressional committees

Why GAO Did This Study

DOD initiated the Study to address perceived weaknesses within the Military Health System and to leverage advances in civilian business practices. The National Defense Authorization Act for Fiscal Year 2015 included a provision for DOD to submit the Study to the congressional defense committees and for GAO to review the Study. DOD submitted its study in February 2016. This report assesses, among other things, the extent to which the Study followed an approach that is consistent with relevant generally accepted research standards and utilized key practices for estimating cost savings. GAO compared the Study with generally accepted research standards that were developed by reviewing research literature and DOD guidance and with key practices derived from cost-estimating guidance.

What GAO Recommends

GAO is making six recommendations, including that DOD conduct a new analysis of the required number of active-duty and civilian medical personnel that mitigates known limitations; identify and mitigate limitations regarding the standard for maintaining providers' clinical skills; develop a strategy for achieving its goals for transferring health care to DOD facilities and increasing the productivity of active-duty providers; and, when considering proposed changes to facilities, include in any accompanying cost estimates an appropriate level of detail. DOD concurred with each of GAO's recommendations.

View [GAO-16-820](#). For more information, contact Brenda S. Farrell at (202) 512-3604 or FarrellB@gao.gov.

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DEFENSE HEALTH CARE REFORM

DOD Needs Further Analysis of the Size, Readiness, and Efficiency of the Medical Force

What GAO Found

The Department of Defense's (DOD) approach in its *Report on Military Health System Modernization* (the Study) did not consistently follow relevant generally accepted research standards for research design and execution. While the Study's recommendations position DOD, over time, to take actions to improve the effectiveness and efficiency of the Military Health System, GAO found a number of shortcomings, including the following:

- The Study did not fully mitigate limitations identified in its analysis of the required number of active-duty and civilian medical personnel. For example, the Study did not explain how known issues with the military services' workforce models affected the results of its requirements analysis. Without addressing such limitations, DOD will not have a full assessment of its medical workforce needs.
- The Study did not sufficiently identify or mitigate limitations concerning its assessment of the requirements necessary to maintain the skills of active-duty medical providers. For example, although there were limitations concerning the accuracy of information on medical providers' workload, the Study did not identify or mitigate these limitations. Having accurate workload information is important to establishing a sound standard for maintaining the clinical skills of medical providers.
- The Study established goals for transferring health care from DOD's purchased care network into its own network of hospitals and clinics and for increasing the productivity of active-duty medical providers, but did not develop a strategy explaining how these goals would be achieved. Without such a strategy it remains unclear whether DOD can achieve its goals to transfer health care from the purchased care network into its own network.

DOD's estimated cost savings did not fully utilize key practices for developing such estimates. DOD estimated net annual savings of \$366 million from changes to 10 small hospitals and achievement of its goals for recapturing health care and increasing the productivity of active-duty health care providers. However, DOD did not include in its estimate an appropriate level of detail concerning the calculation of estimated savings, all potentially significant costs, or a description of the steps taken by the Study team to assess the reliability of cost data used to develop the estimate. For example, the Study recommended that a number of inpatient facilities be closed, but GAO's analysis found that the Study did not identify estimated costs associated with these changes. As a result, DOD's cost savings estimate did not present a full and accurate picture of possible costs and savings.