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Good afternoon, Chairman Isakson, Ranking Member Tester, and Members of the Committee. Thank you for the opportunity to discuss the Department of Veterans Affairs' (VA) efforts to improve the issues identified by the Government Accountability Office (GAO) that placed VA health care on the 2015 GAO High Risk List. I am accompanied today by Dr. Jennifer Lee, Deputy Under Secretary for Health for Policy and Services, and Amy Parker, Executive Director of Operations, Office of Management.

Introduction

In its 2015 High Risk List Update, GAO identified "Managing Risks and Improving VA Health Care" as a high-risk area and noted five associated high-risk issues:

1. Ambiguous policies and inconsistent processes;
2. Inadequate oversight and accountability;
3. Information technology (IT) challenges;
4. Inadequate training for VA staff; and,
5. Unclear resources needs and allocation priorities.

We take GAO's work seriously and appreciate the advice and feedback we have received from our colleagues. We are pleased to have the opportunity to report on our progress to date and our plan to be removed from the list. Addressing these risks will provide a sustainable foundation for continued transformation of the Veterans Health Administration (VHA).

Progress to Date by Risk Area

Ambiguous Policies

- Two years ago, VHA had over 800 policies, and more than half had expired. On average, it took over 340 days to produce national policy, and VHA lacked a consistent process for policy development. Since that time, we have established a workgroup comprised of all outcome executives that meets every two weeks and tracks all policies in development. We examined every step of the process, addressed barriers, and piloted and established a new, lean process with an aspirational timeline of 120 days. Our new process incorporated review and comments from medical centers and administrative offices - something that had never been formally required in the past, and which addressed many of the gaps identified by GAO. We funded seven full-time contractors to support transformation. We identified and rescinded 112 expired policies and 20 additional policies that were no longer relevant. We completed work updating many policies imperative to addressing then-Under Secretary for Health Dr. David Shulkin's five priorities, and are eliminating handbooks and manuals in an effort to simplify and streamline national policy. There are now approximately

650 active policies, including essential policies on access, scheduling, and consultations that were completed, published, and widely disseminated. We are also beginning to experience the unquantifiable benefits of culture change, as people in VA Central Office and the field become aware of these new processes, and the response has been overwhelmingly positive.

Inadequate Oversight and Accountability

- VHA instituted a significant organizational transformation that aligned several key offices including the Office of Compliance and Business Integrity, the Office of the Medical Inspector, the Office of Internal Audit and Risk Assessment, the Management Review Service, and the National Center for Ethics in Health Care. These offices are led by a newly established Assistant Deputy Under Secretary for Health for Integrity, Dr. Gerard Cox, who reports to the Deputy Under Secretary for Organizational Excellence. VHA also established a new Office of Internal Audit and Risk Assessment that uses reports from VA's Office of Inspector General (OIG), GAO, and the U.S. Office of Special Counsel to conduct further assessments into potential weaknesses in VA health care programs or care quality. The expected outcomes from VHA's integration of oversight and accountability activities are that: 1) VHA program offices, Veterans Integrated Service Networks (VISN), and facilities will possess a common understanding of how their oversight authorities, roles, and responsibilities align, 2) VHA will have a workforce well trained in oversight standards, 3) program offices, VISNs, and facilities will uniformly oversee policy implementation, and 4)

VHA will have a culture that incorporates both values and process to solve policy concerns.

- During the past two years VA, in partnership with GAO, conducted a comprehensive inventory of open recommendations and instituted a regular process for adjudicating closure based on documentation of completed actions. This adjudication process resulted in closure of 91 recommendations, and we have requested closure on 18 percent of open recommendations. We have systematically cleared out the backlog of old recommendations so that currently over 45 percent of our open recommendations were made during the past 12 months. An additional 30 percent of open recommendations are between 1- and 3-years old.

Information Technology Challenges

- VA has learned that integrating with or updating the Veterans Health Information Systems and Technology Architecture (VistA) is difficult and costly. VistA Evolution is a joint VHA and Office of Information and Technology project intended to improve the efficiency and quality of Veterans' health care by modernizing VA's health information systems, increase data interoperability with the Department of Defense (DoD) and network care partners, and reduce the time it takes to deploy new health information management capabilities. VistA Evolution funds have enabled critical investments in systems and infrastructure; supported interoperability, networking and infrastructure sustainment; continuation of legacy systems; and other efforts that are critical to maintenance

and deployment. These investments will deliver value for Veterans and VA providers regardless of whether our path forward is to continue with VistA, shift to a commercial Electronic Health Record (EHR) as DoD is doing, or some combination of both.

- Access to accurate Veteran information is one of our core responsibilities, and today the Joint Legacy Viewer (JLV) is available to all clinicians in every VA facility in the country. VA certified VA-DoD interoperability on April 8, 2016, in accordance with section 713(b)(1) of the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113-66). However, JLV is a read-only application. Leveraging this JLV interoperability infrastructure, the Enterprise Health Management Platform (eHMP) will ultimately replace JLV. eHMP is a cornerstone of the VistA Evolution Program, building on the capability for clinically actionable, patient-centric data pioneered by JLV. eHMP will fill clinical gaps in VA's current tools, bridge the EHR modernization effort, and simplify VHA's overall clinical user experience. Upon completion, eHMP will offer robust support for Veteran-centric health care, team-based health care, and quality driven health care while improving access based on clinical need.

Inadequate Training for VA Staff

- Training is vital to maintain a competent workforce and ensure that Veterans consistently receive timely, safe, high quality care. Training also requires a substantial investment of time and resources. From March to June 2016, then-Under Secretary for Health Dr. Shulkin directed a temporary moratorium on all Talent Management System (TMS) assignments not assigned by law or Executive Order. A detailed listing of previous training requirements was built to review all assignments, and comprehensive recommendations from across the organization were collected on existing training assignments. The VHA training policy was revised based on the results of this training review and is currently under evaluation.
- As a result, all 32,326 VHA employee TMS assignments were reviewed, and more than 700,000 hours of training were targeted for potential removal along with possible savings of over $38.7 million in hourly equivalent staff salary. To continue this improvement, VHA's new Mandatory Training Policy will be implemented this year in a phased rollout, with additional steps for review of content and comment from field-based experts.

Unclear Resource Needs and Allocation Priorities

- Key accomplishments for connecting strategy, requirements, programming, budgeting, and execution (since June 2015) include:
    - Completion of the Quadrennial Strategic Planning Process (QSPP) - Strategic Options and Alternative of Analysis Phases. Outputs from the QSPP informed our planning guidance.
    - Selection of the U.S. Department of Agriculture as a Federal Shared Service Provider to support the migration of a new financial management system (FMS). VA established a Financial Management Business Transformation program office and an Executive Steering Committee to manage the multi-year effort to improve VA's financial management accuracy and transparency.
    - Issuance of FY2019-2023 Programming Guidance as the disciplined framework to develop, assess, and prioritize multi-year requirements. VA successfully implemented two Managing for Results Programming cycles, which enhanced the connection of requirements and resources to support more defensible budget justifications. This included conducting Program Review Boards with senior leadership to assess gaps, impacts, and mitigations in advance of budget formulation.
    - Publication of the FY2018-2022 Programming Decision Memorandum (PDM) to capture decisions from the Program Review Boards and inform budget formulation guidance. The PDM included senior

leadership decisions for resource prioritization and enterprise-wide mitigations to garner efficiencies and optimize strategic outcomes.

- Publication of a VA Cost Estimating Guide as a new financial policy outlining procedures for developing lifecycle estimates for programs that meet requirement thresholds.

Path Forward

On March 3, 2017, Secretary Shulkin met with Comptroller General Gene Dodaro to convey VA leadership's commitment to accelerating the changes required to meet all of GAO's criteria for removal from the High-Risk List. Secretary Shulkin acknowledged the significant scope of the work that remains and committed to better integrate its high-risk related actions with the President's priorities and ongoing performance improvement initiatives.

VA immediately began working with GAO to follow through on Secretary Shulkin's commitments to Comptroller General Dodaro and to ensure continued VA collaboration with our GAO colleagues.

As we did in 2016, we will continue to place priority on implementing GAO's and VA OIG's recommendations using our new adjudication process. We have committed to completing GAO's recommendations to ensure medical facility controlled substance inspection programs meet VA requirements by October 2017. VHA's new office of Internal Audit and Risk Assessment will lead this work and will harmonize the policy, its implementation, training, and internal controls for required corrective actions to ensure consistent enterprise-wide management of controlled substances.

We will build upon our accomplishments for same-day access for Veterans with urgent problems in primary care or mental health, develop and disseminate a policy that builds on current guidance to the field, further improve our oversight of access to ensure all VA medical facilities consistently prioritize the needs of Veterans with urgent problems today, and transition to rely on Veterans' reports in how we display information to the public on wait times.

VA will work with GAO and Congress to redesign the Veterans Choice Program so it works for Veterans and community providers, improve oversight of VA community care to ensure Veterans receive the care they deserve, and ensure our community partners are paid in a timely fashion.

VA needs Congressional action to extend the current Choice Program beyond August 7, 2017. VA also needs new legislation to: (1) provide standardized, clear eligibility criteria for Veterans to get care closer to home; (2) facilitate building a high-performing network of community care providers, which includes our DoD, other Federal, and academic affiliate partners as the foundation and reimburses for care using contemporary payment models; and (3) better coordinate benefits for Veterans, allowing VA to work directly with third-party insurers. We look to Congress and our stakeholders to help enact these changes for Veterans within six months so that once all the Choice funds are depleted, there will be a plan in place for Veterans to continue receiving uninterrupted community care.

As described above, VA's patient scheduling and EHR system requires significant improvement, and VA will take steps this year to address these needs. In addition, VA will improve oversight of the systems, to include establishing outcome-

oriented metrics. VA's relationship with DoD and our community providers is complex and evolving. We will work closely with DoD to improve interoperability of VA and DoD record systems, and with our community providers to ensure continuity of care for Veterans. VA will implement a process to develop, document, implement, and oversee organizational structure recommendations to ensure approved recommendations are implemented, outcomes are measured, and plans are adjusted as necessary.

VA is a complex "system of systems", and this is reflected in the root cause analysis work we have accomplished thus far. We will complete this analysis in 2017, integrating the health care high-risk area actions with the President's priorities, the Secretary's 10-Point Plan, and with VA's ongoing performance improvement initiatives. We will use the results of the analysis to fine tune and speed up VA's progress in managing its health care high-risks.

VA efforts will build upon each other across a period of years to develop a sustainable solution to each high-risk issue, as well as to put in place systems that dramatically reduce the chance that high-risk issues will reemerge.

Conclusion

Mr. Chairman, transformation is a marathon, not a sprint. It takes several years to turn any organization around, and VA is no exception. While I am proud of the transformation VA has undergone in response to being placed on the High-Risk List, and the progress we have made, I am also acutely aware we have much more work to do to meet all five of GAO's criteria for removal. I am grateful for the subject matter expert advice and consultation provided by Dr. Debra Draper and the GAO medical

team; it has proved invaluable in helping VA achieve the progress we've made since 2015. We look forward to working with Congress and GAO to better serve our Veterans. Thank you for the opportunity to testify before the Committee. I look forward to your questions.