

**STATEMENT OF
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BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
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Thank you, Chairman Roe, Ranking Member Walz, and Members of the Committee, for the opportunity to appear today to discuss the Department of Veterans Affairs' (VA) plans for modernizing our health care system and infrastructure, and optimizing the care we provide for Veterans through high-performing integrated networks. The Committee recently added to today's agenda H.R. 2773, to authorize the Secretary of Veterans Affairs to sell the property known as Pershing Hall. VA has not had sufficient time to include views on this bill in this statement, but will be glad to follow up with the Committee.

The draft legislative text in the Asset, Infrastructure and Review Act of 2017 calls for VA to assess its health care markets nationwide and determine ways to optimize its care and services for Veterans, and then submit its recommendations regarding closure, modernization, or realignment of its facilities to an appointed Commission. The draft legislation provides that the Commission may change recommendations provided by the Secretary prior to submitting its written report of findings and conclusions to the President. If the President approves the Commission's final recommendations, they are presented to Congress to be considered through a resolution and voting process.

The Department appreciates the Committee for its recognition and commitment to delivering quality care to our Veterans. The draft bill includes many thoughtful features that could serve as useful benchmarks for the critical market analysis needed to guide focused, localized and objective data for decision-making. VA would like to follow up with the Committee to provide more in-depth comments and technical

assistance. As for the Commission, VA defers to Congress for a process it would establish for its own consideration of recommendations.

As the Secretary has emphasized, VA is moving forward with more efficient and agile management of VA's medical care facilities to match where Veterans live. This is a critical element of VA's modernization. In concert with the draft legislation, I would like to discuss how VA is moving forward to improve our services and infrastructure, and highlight some opportunities that will enhance VA's ability to serve our Nation's Veterans.

VA Health Care System

VA's mission is distinct from other Federal agencies in that we operate the Nation's largest integrated health care system, with more than 1,500 health service delivery sites, including hospitals, clinics, community-living centers, and residential treatment facilities. Additionally, VA administers a variety of benefits and other services, and operates 135 national cemeteries nationwide.

One aspect of VA that distinguishes us from large private-sector health systems is that the average age of VA-owned buildings is approaching 60 years. Managing infrastructure of that age poses complex challenges and requires a significant amount of resources. It requires a great deal of internal and external coordination and collaboration to modernize a system of that nature, while adjusting to constantly changing Veteran demographics across the country.

VA Capital Infrastructure

One of Secretary Shulkin's top five priorities is "Modernizing (VA) Systems" which includes focusing on infrastructure improvements and streamlining. In support of this priority, VA identified 430 individual vacant buildings totaling 5.9 million gross square feet that are geographically dispersed through VA campuses nationwide. On June 20, 2017, the Secretary announced VA's plans to initiate disposal through demolition, sale or transfer; or reuse actions for these vacant buildings over the next

24 months. These buildings are not being used to serve Veterans; and the \$7 million in annual capital and operating expenses currently used to maintain these vacant buildings can be better utilized to support VA's mission. Since June 2017, we have repurposed or disposed of 110 buildings, and VA is on track to meet the goal of initiating disposal or reuse actions for all 430 buildings by June 2019, which was our original goal. VA will review the approximately 780 underutilized buildings in VA's inventory to determine if additional efficiencies can be identified to be reinvested in Veterans' services.

Modernization and Foundational Services

The Secretary has made a commitment to modernize our systems and infrastructure by focusing on primary care and VA's other foundational services and the facilities where such services are delivered. By foundational, I refer to those services that have been tailored to meet the needs of the men and women who have served our country, many of whom have experienced the physical and mental wounds of war. Such services often cannot be provided in the community with the level of quality, understanding, and intensity that Veterans receive when these services are provided by VA. Along with these foundational services, VA plans to ensure that Veterans continue to have the ability to receive those services contained in the benefits package available under applicable law.

Commission on Care

VA agreed with the Commission on Care observation that VA should determine the optimal mix of health care services to meet Veteran needs at the market level, before realigning its infrastructure to leverage non-VA health care resources that are available in local communities to complement VA care. VA also agreed with the Commission's assessment that VA would need broader authorities and tools to optimize VA's capital assets.

Way Forward - Market Area Optimization for High Performing Networks

In response to the Commission on Care, and the Fiscal Year (FY) 2015 Appropriations Bill requiring a National Realignment Strategy, VA has developed a methodology to objectively assess its health care demand and service-delivery capacity in each of our health care system's 96 markets. The methodology is a rigorous, analytic approach developed and validated through the recent pilots. We believe this data-driven eight-step methodology is sound and reflects a population-based approach to improving the health and wellbeing of our enrolled Veterans.

The goal of future assessments will be to modernize VA's health care system, using this data-driven approach for matching local capacity to local demand and to create a modern, high-performing integrated health care network in each market, to better serve Veterans now and in the future. The methodology assesses current and future Veteran demand for medical care, and all the capabilities of local VA providers, Department of Defense (DoD) treatment facilities, academic affiliates, Federally Qualified Health Centers, other Federal, State, and local partners, and telehealth resources. We recently awarded a contract to secure private-sector experts to support our market-assessment teams led by Veterans Integrated Service Networks. However, the contract award is now the subject of ongoing legal action which delays implementation of market assessments until at least December 1, 2017.

The intended outcome of these assessments, once started, is a plan for a high-performing health care network in each market. These networks will be well-connected, comprehensive, coalitions led by experienced VA managers who will coordinate VA health care services, complimented where appropriate by DoD treatment facilities, academic affiliates, Federally Qualified Health Centers, and other suitable community providers. We will also continue to fulfill our research, health professional training, and emergency preparedness missions.

Achieving high performing networks may require significant capital investments, clinical service-line adjustments, process improvements, some targeted divestments, robust care coordination, and smart use of strategic partnerships. The plans we pursue will undoubtedly require the continued support of Congress, Veteran Service Organizations (VSOs), and other stakeholders to ensure success.

Expanded Strategic Partnerships

In addition to VA's current authorities to manage and reconfigure its vast real property portfolio, VA will continue to explore ways to leverage and establish additional capability and efficiencies with other Federal agencies, such as DoD and the General Services Administration, as well as capabilities and efficiencies with private-sector partners. Improved authorities to pursue joint facilities with DoD, as well as with private-sector, non-profit partners through construction and leasing actions, will provide greater opportunities for VA to deliver 21st Century care and services to Veterans in state-of-the-art facilities, nationwide.

DoD is an extremely important partner for VA because, they already care for over 2 million Veterans, including Veterans who are military retirees under the TRICARE program, in addition to all the brave men and women who will be tomorrow's Veterans. We welcome legislative flexibilities to work with DoD and other partners in a manner consistent with the President's interagency management and agency reform agenda, and encourage enhanced continuity of care, joint purchasing, and shared capital investments.

Support from Congress

In order to modernize the health care system, continued support from Congress is needed. As the Secretary stated at his recent FY 2018 budget hearings, VA's budget submission includes proposed legislative requests that, if enacted, will increase the Department's flexibility to meet Veteran's needs. VA included proposals to: (1) increase the threshold for minor construction projects from \$10 million to \$20 million; (2) modify Title 38 to eliminate impediments to joint facility projects with DoD and other Federal agencies; and (3) expand VA's Enhanced Use Lease authority to afford VA improved capabilities to manage and leverage its real property portfolio. Enactment of these authorities will be critical to modernizing VA's health care system in accordance with the demands of younger Veterans and changes needed in all health care systems across the country. We must remain perpetually agile, so we can continually adapt to the changing needs of the Veterans we are privileged to serve.

Conclusion

We welcome and need the support of Congress, VSOs, State and local departments of Veterans Affairs, other Federal agencies, and the media. Working together, and with the necessary flexibilities to modernize, we will be able to achieve the optimal mix of services and infrastructure needed to provide high-quality care, readily accessible services, and outstanding benefits for our Nation's Veterans. The Department will keep the Committee informed as progress is made and as barriers are encountered.

Mr. Chairman, Ranking Member, and Members of the Committee, this concludes my statement. Thank you for the opportunity to testify before the Committee today. Mr. Sullivan and I are here to learn all that we can, and we are happy to respond to any questions you may have.