

**STATEMENT OF
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ACQUISITION, LOGISTICS, & CONSTRUCTION
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS**

January 17, 2018

Good morning, Mr. Chairman and Members of the Committee. Thank you for the opportunity to update the Committee on the status of the construction of the new Rocky Mountain Regional VA Medical Center in Aurora. I am accompanied today by Mr. Dennis Milsten, Director of Operations, of the VA Office of Construction and Facilities Management; and Mr. Ralph Gigliotti, Veterans Integrated Service Network 19 Director.

We are pleased that this facility will enable us to serve over 390,000 Colorado Veterans and their families, as we work to ensure that local Veterans receive the VA services that they have earned and deserve. The Denver VA Medical Center currently provides a robust range of tertiary health care services and the replacement campus will provide all of these same services upon opening. The only exception to this is the relocation of the Post Traumatic Stress Disorder (PTSD) Residential Rehabilitation Treatment Program, which will remain at the Denver facility until such time as its replacement structure can be built. In addition, the new campus will add mammography and PET/CT to its imaging services.

The Rocky Mountain Regional VA Medical Center is also proud to be the latest Spinal Cord Injury and Disorders (SCI/D) Center within the VA system. This center will serve Veteran populations in Colorado, Utah, Wyoming, and parts of Nebraska and

South Dakota. The SCI/D Center will include both an Outpatient Clinic and Inpatient Unit, offering comprehensive, multi-disciplinary care for patients with SCI, Multiple Sclerosis (MS), and Amyotrophic Lateral Sclerosis (ALS). The SCI Center will offer a full range of inpatient and outpatient services, including Physical Therapy, Occupational Therapy, Psychology, Social Work, Nutrition, Assistive Technology, Therapeutic Recreation, Pool Therapy, and Urology assessment. The facility will be able to accommodate ventilator-dependent patients, and have separate indoor and outdoor space for recreation, community re-entry, and training.

Lastly, the new facility will provide a much more up-to-date and positive Veteran and family experience, as illustrated below. The following is a summary of some of these significant improvements to the delivery of health care to our Veterans:

- Patients will now have private rooms, which include their own bathrooms, as well as space for family members to stay overnight.
- All interventional services, such as surgery, bronchoscopy, and interventional radiology, will be located on the same floor of the Diagnostics and Treatment building. These complex services are also adjacent to the pre-operative and post-operative beds, which will improve the coordination of care and efficiency of service delivery.
- The new operating rooms will also have Operating Room integration.
- There is a sky bridge that connects the operating rooms to the Intensive Care Unit, which will allow for ease of movement for those patients requiring an overnight stay following a procedure.

- The intensive care unit will also have an 800-square-foot waiting room suite, which will emphasize family support.

The construction contract with Kiewit-Turner (KT) at the new location is 98 percent complete and 11 of 12 structures have been turned over for activation. VA and the United States Army Corps of Engineers (USACE) are currently working through contract completion items and actively working with our contracting partners to bring this contract to completion as swiftly as possible. Activation activities are ongoing and the facility will open to serve our local Veterans in August 2018.

The current activation schedule has the majority of installation, calibration, and testing of newly procured equipment being completed in May 2018. This will enable the Denver Medical Center staff to complete over 40,000 staff hours of education, training, and orientation in July 2018. We are currently on schedule to complete relocation of the existing patient services by August 2018. We will be monitoring the remaining construction activities as we coordinate the ongoing activation process with facility completion.

VA's current activation budget for this project is \$341 million, which covers activity from 2013 to 2020. This budget includes \$2.6 million to serve as contingency fund. The activation budget has been adjusted annually based upon current needs for respective fiscal year (FY) obligation plans. However, the overall activation budget is still on track with the planned \$341 million, per the data table below. Project obligations and planning are summarized as follows:

- To date, we have spent 53 percent of the total amount, with 2.75 years remaining in the plan. All High Tech-High Cost equipment for the new facility was procured in prior years.
- FY 2017 costs included the procurement of furniture, equipment, and low voltage systems (\$45 million).
- FY 2018 costs will involve equipment leases and service contracts (\$20 million).
- Recurring (staffing) expenditures have occurred in each year since FY 2013 and have been increasing yearly, as hiring ramps up to staff the new facility.

The subsequent years of the plan will involve operating and recurring staffing costs, which will support the new operations and pave the way for the Medical Center's budget to undergo annual programming as part of VA operations.

During the USACE construction management activities for the project, VA minimized all user-requested design, equipment, and functionality changes. This provided an opportunity for KT to propose to USACE that labor would concentrate on completing and turning over the facility to VA building-by-building, rather than a longer process of delivering it in full at a later date, which saved a substantial amount in KT overhead costs. Additionally, USACE has not incurred the staffing costs that USACE budgeted for the project, and will be returning approximately \$10 million of unused staffing funds to VA. We also note that about \$6 million in settlements were saved with subcontractors from the original contract and the interim contract.

Based on the decision to turn over building-by-building, VA is now in the process of working with USACE to let a “completion contract,” to address code requirements, necessary equipment changes and process modifications that have changed throughout this project, at a lower overhead cost. It is common on complex projects like this one, to defer items that can be more cost effectively and efficiently handled through a follow-on contractor. This completion contract is estimated to cost about \$10 million and will be funded from savings realized on the project. USACE will coordinate with VA as it contracts for and manages the completion contract. The overall goal under that contract will be to reach project completion as soon as possible.

In August 2017, VA initiated a Targeted Asset Review with the U.S. General Services Administration (GSA) to assess the existing property, and also initiated a market survey in December 2017. VA currently expects to receive the results for the Targeted Asset Review in early February. The objective is to leverage the property to maximize benefits to VA, Veterans, and our Nation’s taxpayers.

VA plans to keep the existing hospital in service until the PTSD building can be completed at the new campus. VA is currently reviewing options to expand this capability at the new replacement facility. Additionally, seven Patient Aligned Care Teams (PACT) will remain at the current facility to serve Veterans until VA conducts further analysis on how to optimize their impact for local area care based on where those PACT teams can continue to function. There will also be limited support service such as police, food service, and facility maintenance at the current hospital, until all services are relocated.

In closing, VA is thankful for the work this and other Congressional committees have done to help VA navigate the challenges this project has posed and to secure the funding necessary for its planned completion. And despite those challenges, VA remains committed to ensuring the project provides a facility where Veterans will receive convenient 21st Century health care in a manner where the Department, Congress, Veterans Service Organizations, and local stakeholders work together for the benefit of our Nation's Veterans.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify before the Committee today. My colleagues and I would be pleased to respond to questions from you and other Members of the Committee.