

**STATEMENT OF
MR. PHILIP MATKOVSKY, ASSISTANT DEPUTY UNDER SECRETARY FOR
HEALTH FOR ADMINISTRATIVE OPERATIONS
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES**

January 15, 2014

Mr. Chairman, Ranking Member Kirkpatrick, and members of the Committee, thank you for the opportunity to appear before you this morning to discuss the Department of Veterans Affairs' (VA) practices regarding the use, tracking, and procurement of surgical implants at VA medical centers.

The Veterans Health Administration (VHA) has made significant changes in the last 3 years to the way it procures surgical implants and prosthetics appliances for the benefit of Veterans. These changes are intended to improve procurement performance and accountability while ensuring effective health care delivery for our Veterans. Beginning in Fiscal Year (FY) 2012 and concluding at the end of FY 2013, VHA transitioned the purchase of surgical implants and prosthetics appliances valued at greater than \$3,000 to warranted contracting officers in the VHA procurement organization. This change strengthened our procurement performance for the acquisitions above the micro purchase level. Over 1,100 warrants have been pulled back from non-contracting officer prosthetics staff. VHA's procurement organization has hired and provided specialized training to contracting staff to ensure prosthetics procurements are properly executed, both systematically and in accordance with Federal and VA policies and regulations.

Throughout this transition period, VHA's procurement team's main focus was ensuring that orders were completed timely and in concert with clinicians' prescriptions. With the transition now complete, VHA continues to closely monitor ordering timeliness and accuracy while auditing procurement quality and increasing its use of negotiated contracts for sourcing surgical implants and prosthetic appliances. As a result of this transition, our acquisitions above micro-purchase limits are now recorded in our electronic contract management system and the Federal Procurement Data System.

These audits for compliance and procurement quality have led to changes in VHA procedures and ordering templates use in our electronic contract management system. Further improvements to our ordering processes will occur in the near term. Quality assurance reviews will begin in this fiscal quarter to provide continuous management oversight into ordering processes. These quality reviews will focus on the sourcing practices and will be used to improve our utilization of existing national contracts and our ability to place biologics and implants on national contracts. These efforts to establish national contracts will be directly informed by our clinical leadership to ensure we are emphasizing quality and value.

VHA is currently updating and finalizing its policy for prosthetics procurement. Once published, this new directive will provide more comprehensive and clear guidance to VA medical center staff on how to appropriately order prosthetic appliances to include surgical implants and biologics. VA is still reviewing the recently released Government Accountability Office (GAO) report titled, "*VA Surgical Implants: Purchase Requirements Were Not Always Followed at Selected Medical Centers and Oversight Needs Improvement.*" Prior to receiving the GAO report, VA had initiated a number of

reforms to its acquisitions process. Any further opportunities identified by GAO to enhance our prosthetics acquisition procedures will be considered in our ongoing efforts.

The presence of vendors in the operating room is a common practice in health care. There are broadly accepted professional ethics standards pertaining to the presence of vendors in operating rooms from the American College of Surgeons and the American Medical Association. Physicians use their professional judgment to determine when the presence of vendors in clinical settings will improve the safety and effectiveness of patient care. VHA Handbook 1004.01, entitled Informed Consent for Clinical Treatments and Procedures, requires that physicians obtain the patient's signature on VA Form 10-431 before undertaking specific procedures such as surgery. The policy also requires that physicians discuss the contents of this form with patients. The form states that under certain circumstances the presence of a vendor representative is important to the success of the procedure, that prior to the procedure the representative will sign an agreement to strictly adhere to VA's privacy rules, that the representative may provide technical advice but will not physically participate in the procedure, and that the representative will be closely monitored by the VA treatment team. 38 CFR 1.220. also provides additional guidance related to vendors in clinical settings.

In VA, the consent form that is used for all treatments and procedures (VA Form 10-0431a) that patients (or their surrogate) must sign prior to undergoing operative procedures, contains the following language:

“VA hospitals are teaching facilities, and trainees may participate in or observe this treatment/procedure. In certain circumstances, the presence of a vendor representative (company representative) is important to the success of the procedure. Prior to the procedure, the representative will sign an agreement to strictly adhere to VA's privacy rules. The representative may provide technical advice but will not physically participate in the procedure. The representative will be closely monitored by the VA treatment team.”

Conclusion

Mr. Chairman, we appreciate your support and encouragement in identifying and addressing issues regarding the procurement of surgical implants at VA medical centers. My colleague and I are prepared to respond to any questions you may have.