

**MS. JAN MURPHY
ACTING DEPUTY UNDER SECRETARY FOR HEALTH
OPERATIONS AND MANAGEMENT
VETERANS HEALTH ADMINISTRATION (VHA)
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES**

FEBRUARY 10, 2015

Good morning, Chairman Coffman, Ranking Member Kuster, and Members of the Subcommittee. Thank you for the opportunity to discuss VA's billing and collection practices regarding our land use agreements at VA Medical Centers. I am accompanied today by Dr. Skye McDougall, Acting Network Director, Veterans Integrated Service Network (VISN) 22. We value the Government Accountability Office's (GAO) insights and findings and recognize there are many needed improvements to the design, implementation, and oversight of VA's Land Use program.

Background

VA's mission is unique compared to other Federal agencies, in that we operate the Nation's largest integrated health care system, with more than 1,700 hospitals, clinics, community living centers, domiciliaries, readjustment counseling centers, and other facilities. Additionally, VA administers a variety of benefits and services and operates 131 national cemeteries nationwide.

The Department owns and leases real property in hundreds of communities across the United States and overseas. Currently, VA manages over 174 million square feet (SF) of space, comprised of approximately 151 million owned SF and 23 million leased SF of building assets. This is a very large footprint, and unlike many Federal agencies, VA owns the large majority of its portfolio – 87 percent of its square footage – which means real estate plays an important role in our overall asset management strategy.

To manage these properties, VA utilizes land use authorities that allow VA to enter into various types of agreements for the use of its property in exchange for revenues or in-kind considerations (e.g., outleases, sharing agreements, permits, easements, licenses, enhanced-use leases).

GAO Report on Land Use Agreements

The GAO recently examined VA's use of land use agreements, specifically sharing. GAO's report addresses the extent to which VA 1) maintains reliable data on land use agreements and the revenue we generate; 2) monitors the billing and collection process at selected VA medical centers; and 3) monitors land use agreements at selected VA medical centers. VA appreciates GAO's review and we acknowledge the noted deficiencies in our management of land use agreements.

GAO looked at three VA medical centers and made recommendations for improvement at each site. At VA medical centers in North Chicago and New York, new collaborative processes have been established to improve billing and collection procedures. Leadership at North Chicago has developed a local Sharing and Support Agreement Policy and Joint Policy instruction, which has delineated responsibilities and procedures. Leadership at New York Harbor developed a standard operating procedure (SOP) for local sharing agreements. GAO also recommended that VHA develop a plan for the West Los Angeles Medical Center that identifies the steps to be taken, timelines, and responsibilities in implementing segregation of duties over the billing and collection process.

VA Greater Los Angeles Asset Management Office and Fiscal Service, in collaboration with the VISN 22 Office and Network Contracting Office 22, finalized a SOP for Billing and Collection Processes for the West Los Angeles Medical Center to better segregate duties related to billing and collections for land use agreements in the fall of 2014. A follow-up audit of the SOP's billing and collection processes will be conducted by VISN 22 compliance staff in April 2015.

The actions described in the paragraphs above are an example of our commitment to improving the management of our land use agreements and to provide better support to Veterans. VHA is making progress to solidify our policies and pursue

actions for the remaining GAO recommendations. Furthermore, VA will apply the lessons learned through the scrutiny of land use agreements in California, New York, and Illinois across VA's health care network.

VA Way Forward

VA is considering other system-wide improvements to the land use agreement process. These include:

- **Establishing a better set of administrative tools for the field to use in managing these complex processes:** Our current capital asset management tools are not automated. Nor are they sufficiently robust to effectively monitor land use sharing agreements across VA's health care system. VHA is working with its partners in the Office of Management to identify, fund, and implement an automated asset management system— a system that allows for triggered reminders for our field staff based on information about the assets themselves. This change will take time.
- **Conducting ongoing independent reviews of our billing and collection processes by VHA's Chief Financial Officer (CFO), which would ensure proper separation of duties:** GAO identified separation of duties concerns at the facilities they visited. We have corrected these issues at each of the sites visited by GAO's team. To improve monitoring, VHA's CFO will issue revised financial policy and work with network CFOs to monitor land use agreements.
- **Developing a standardized implementation model that allows VA medical centers to focus on high quality health care:** As we implement the changes described above, we must acknowledge the clear challenge identified in the GAO report. Management of multiple land use agreements on VA medical center campuses adds additional responsibilities to an already complex management challenge. The core mission for VA health care facilities remains the delivery of safe, effective, and timely health care. Over the long term, we need to evaluate our use of VA's sharing authority for land use agreements and determine whether the use of such agreements continues to benefit Veterans.

The Next Step to End Homelessness among Los Angeles Veterans

Secretary McDonald and attorneys representing homeless Veterans in Los Angeles announced an agreement that dedicates the West Los Angeles VA campus to serving Veterans in need, and commits the Department to design a plan to help end homelessness among Veterans in Los Angeles County. The agreement is an important step forward in carrying out President Obama's commitment that no Veteran should live on the streets, or forego necessary medical and psychological services.

Under the agreement, Secretary McDonald will also launch an accelerated process to develop a new long-term Master Plan for the future use of the West Los Angeles campus. This Master Plan, which is targeted to be completed by October 16, 2015, will prioritize the provision of bridge housing and permanent supportive housing. It also will describe an exit strategy for third-party land use agreements that do not comply with applicable laws, and do not fit within the Master Plan. Representatives from the Veterans' community will be actively involved in providing input to the Master Plan, along with other stakeholders, including the local community.

Conclusion

Mr. Chairman, as mentioned earlier, VA has a complex real estate portfolio and we seek to maintain the optimal mix of investments needed to provide care, services, and benefits to our Nation's Veterans. We will correct deficiencies and improve oversight in our management of land use agreements by improving the quality of our data, enhancing monitoring, and fostering collaboration between key offices.

Thank you for the opportunity to discuss this issue. At this time, my colleagues and I are prepared to answer any questions you may have.