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Good afternoon, Mr. Chairman, Ranking Member Kuster, and Members of the Committee. Thank you for the opportunity to discuss VA's relationship with its academic affiliates, specifically, the use of sole-source affiliate contracts, affiliate universities, billing issues, research funding, and use of research space. I am accompanied today by Mr. Rick Lemmon, Acting Chief Procurement and Logistics Officer, and Dr. David Atkins, Acting Chief Research and Development Officer.

Office of Research and Development (ORD)

For more than 90 years, VA has conducted research within its hospitals and health care system in accord with Congressional authority to advance scientific knowledge about critical issues facing Veterans. In establishing VA Research, Congress recognized both the need to study the unique problems of Veterans but also the opportunity for research to support excellent clinical care.

Since its inception, VA Research has contributed to groundbreaking advances such as the Computerized Axial Tomography scan, the pacemaker, and organ transplants; it has sponsored groundbreaking studies on the treatment of tuberculosis, high blood pressure, heart disease, and Posttraumatic Stress Disorder (PTSD). It has partnered with industry to demonstrate the value of vaccination to prevent shingles, and to develop state of the art prosthetic limbs. These achievements have resulted in three Nobel prizes, seven Lasker Awards, and numerous other national and international honors. VA Research continues to drive advances in Veteran care in issues as diverse as diabetes, spinal cord injury, and mental health. Its groundbreaking Million Veterans Program has already enrolled close to half a million Veterans who have donated blood samples and completed surveys to help unlock the genomic basis of medical disease.

VA Research benefits from its position within an integrated health care system with 167 medical centers and a state-of-the-art electronic health record. Our ability to recruit patients throughout the country, to draw on detailed clinical data over two decades on 8 million Veterans, and to implement research findings into clinical care makes VA a model for bench-to-bedside research. Partnerships with national and regional VA clinical leaders, new outreach to Veterans in the community, and a network of research Centers with specific areas of focus ensure that research reflects the current and future needs of Veterans.

The VA Research program plays a unique role that cannot be filled by external funding sources. First, VA Research prioritizes problems that are common or important to Veterans— PTSD, traumatic brain injury, polytrauma, military sexual trauma. Second, 60% of our researchers are also practicing clinicians at VA medical centers (VAMC). As a result they are familiar with the Veteran experience and are able to seek knowledge and pursue research topics to help our patients. Additionally, unlike other Federal agencies, VA has no laboratories whose predominant function is research. Research studies are performed in parallel in the same space at VAMCs where patient care is provided. This leads to a focus on research areas benefiting Veterans. Third, research is conducted by VA employees who are dedicated to the mission of improving care for Veterans. Finally, a research program planned and run within VA can adapt to the changing needs of the Veteran population. For example, the Office of Research and Development has dramatically increased the number of researchers and studies addressing the needs of women Veterans over the past decade to meet the growing population of women entering VA care.

VA's research mission is entirely supported by intramural funding. VA does not have authority to award grants to parties outside VA, and all VA Research funding is provided to VA-employed researchers.

VA researchers work at more than 100 VAMCs conducting research. In addition, 124 VAMCs have formal affiliations with academic institutions and hospitals, and many full-time and part-time VA employees also have academic appointments or are employed at an affiliated academic institution or hospital – they are dually appointed personnel. Many clinicians/researchers have laboratory access at both VA and the academic affiliate. Because of these arrangements, many VA inventions could be jointly owned by VA and its academic affiliates.

VA Research fosters dynamic collaborations with its university partners, other federal agencies, nonprofit organizations, and private industry. Researchers are able to leverage \$663 million in VA funding to bring in an additional \$685M in external funding from industry and Federal agencies such as the National Institute of Health. The Federal investment in VA Research returns incredible value to Veterans and the taxpayers, value that is reflected in Veterans positive attitudes about research and health care outcomes in VA.

Office of Academic Affiliation (OAA)

Strong academic relationships have been the foundation of improving quality care and patient access in VA health care since 1946. January 30, 2016, marked the 70th anniversary of VA "Policy memorandum #2," a document crafted by General Omar Bradley and other VA leaders which established the visionary partnership that VA has with America's medical schools. The initial motivation for integrating academic relationships in VA's mission is just as relevant today: academic affiliations are invaluable to facilitate recruitment of outstanding clinical staff to VA, and the presence of supervised trainees often allows efficient leverage of effort for clinical staff because several trainees working under the careful eye of one supervisor can often treat many

more patients than that senior clinician could treat if alone. Such academic activities are also vital for assuring that VA clinical staff remains at the leading edge of clinical knowledge and skill, and to attract clinicians motivated by professional excellence that is associated with practice, teaching, research, and system improvement activities that occur in academic settings. VA's health profession education activities have blossomed to include affiliations with over 1,800 schools of medicine, nursing, pharmacy, and nearly all other health professions. Through these affiliations, and VA's own sponsorship of selected programs, nearly 124,000 trainees in health professions receive supervised clinical education in VA facilities each year. The Veterans Health Administration (VHA) is profoundly important to overall health professions education in the US, with about 70% of US physicians having VA clinical experiences at some point in their education, VHA being the second largest funder of Graduate Medical Education (after the Centers for Medicare and Medicaid Services (CMS)), and VHA being a major source of both trainee and faculty funding and clinical experiences for professions including pharmacy, psychology, optometry, podiatry and many others.

The result is that VHA robustly fulfills statutory missions prescribed by 38 U.S. Code § 7303 "to carry out a program of medical research in connection with the provision of medical care and treatment to veterans." It is important to note that these many academic relationships and affiliation agreements address only educational activities and do not address contracts for provision of professional or clinical services for VHA's patient care services - those are addressed by VHA through other sharing agreement and contractual mechanisms.

Government Accountability Office (GAO) Report

GAO released its final report (GAO-16-426) titled "Improvements Needed for Management and Oversight of Sole-Source Affiliate Contract Development" on May 6, 2016 with a 30 day hold on public release. This report recommended eight executive actions to ensure timely development of high-value-long-term sole-source affiliate contracts (SSAC), effective development and use of short-term SSACs, develop and maintain medical sharing expertise within network contracting offices, and ensure effective communication between VHA and its affiliates regarding SSACs.

VA concurred with GAO's recommendations and developed an action plan to implement each of the recommendations. As part of this action plan, the Deputy Under Secretary for Health for Operations and Management will charter a workgroup to address several of the recommendations. The workgroup will be charged with tasks such as:

- Establishing performance standards for appropriate development time frames for high-value long-term SSACs;
- Establishing the oversight process for these standards;
- Developing requirements for VAMCs and network contracting offices to effectively engage in early acquisition planning for the replacement of expiring high-value long-term SSACs to reduce reliance on short-term SSACs as bridge contracts; and

- Developing standards for the minimum amount of time necessary to develop and award short-term SSACs to minimize cases of nonadherence to VA policy for these contracts.

The estimated timeframe for the workgroup to complete deliberations, finalize performance standards, and receive approval across all stakeholders, is one year. The estimated timeframe for nationwide implementation of new performance standards is one year, including pilot testing of any new technology and training of staff.

VA is strongly committed to developing long-term solutions that mitigate risks to the timeliness, cost-effectiveness, quality and safety of the VA health care system. VA is using the input from GAO and others to identify root causes and to develop critical actions. As we implement corrective measures, we will ensure our actions are meeting the intent of the recommendations. Our actions will serve to establish strong oversight on SSACs, improve current training offerings for VHA staff who work on SSACs, and seek increase prioritization of funding for training to appropriate department decision makers.

Since receiving the draft GAO report VA/VHA has initiated two short term initiatives and one long term initiative to improve outcomes of SSAC contracting. First, VA Directive 1663 which provides overall guidance for sole source academic affiliate contracts is being revised and updated to ensure more timely contract awards while still protecting VA financial interests. The 1663 revision is expected to be completed within the next 60 days. Second, enterprise capability to monitor the milestone adherence of sole-source affiliate contracts will be developed. This will enable senior management to take action when needed to overcome barriers to timely awards, with a targeted completion date of November 30, 2016. To meet the long-term goals of strong oversight and address all of the GAO recommendations, VHA is chartering an integrated workgroup.

Mr. Chairman, this concludes my testimony. My colleagues and I are prepared to answer any questions you, Ranking Member Kuster, or other Members of the Committee may have.