

WRITTEN TESTIMONY OF MS. NANCY WATTERSON-DIORIO

**PREPARED FOR THE HOUSE COMMITTEE ON VETERANS AFFAIRS SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS**

VA AND ACADEMIC AFFILIATES: WHO BENEFITS?

June 7, 2016

TABLE OF CONTENTS

Executive Summary	3
Witness Disclosure Statement	4
Disclosure of Foreign Payments to Witnesses	6
Curriculum Vitae: Nancy Watterson-Diorio	7
Testimony	10
Professional Background	16
Personal Background	
References	17

EXECUTIVE SUMMARY

Testimony by Nancy Watterson-Diorio, board member of the National Association of Veterans' Research and Education Foundations (NAVREF) and CEO of the Boston VA Research Institute, Inc. (BVARI).

The VA Nonprofit Corporations (VA NPCs or NPCs) fulfill an important role at the VA, in addition to the academic affiliates (AAs), in administering extramural research. I believe the NPCs can contribute much more and be of greater benefit to our veterans if the lingering barriers surrounding consistent national practices were removed. To that end, I respectfully request consideration of the following recommendations: 1) Allow NPCs to pay investigators to the same extent as AAs. 2) Provide NPCs right-of-first-refusal on administering all awards supporting VA research. 3) Reduce the level of variability from site-to-site by creating general guidelines and decision trees that remove or reduce conflicts of interests among decision-makers.

The NAVREF network consists of 82 VA NPCs that are co-located within the VA medical centers (VAMCs or VAs) across the country. As reported in the 2014 Annual Report to Congress, the NPCs raised over \$260M of annual extramural research and educational awards specifically targeted toward the VA's mission of supporting veterans' care. This represents approximately 15% of the total portfolio supporting research at the VA.

The NPCs' congressional founding legislation solved several areas of difficulty for VA research and education programs: 1) It discontinued handshake agreements with no contractual obligations and acknowledgement of the VA's research successes. 2) It supplemented VA's intramural funding expertise with expert support for extramural pre- and post-award funding and unique compliance knowledge. 3) It leveraged VA's ability to expand its research portfolio to support clinical trials and federal funding; thus, allowing more veterans to be supported with state-of-the-art research knowledge and the opportunity to be treated with the newest therapies. 4) It fostered an innovative spirit of public-private sponsorship.

There are many advantages to using NPCs as envisioned by Congress. First, NPCs rigorously comply with federal regulations and are subject to VA oversight that includes recurring VA audit inspections. Additional VA oversight includes statutory VA board members at each NPC and a Nonprofit Oversight Board at VA Central Office. In addition, NPCs operate transparently by providing an annual report to Congress detailing their accomplishments and successes in support of VA research.

There are also challenges that we must find ways to overcome in order to successfully carry out the mission and purpose of the congressional vision for NPCs: 1) The NPCs are unable to compete on a level playing field with the AAs because we are unable to pay investigators in the same manner. 2) The decision-making process within VA, regarding the administration of federal grants, varies from site-to-site. Frequently, Principal Investigators (PIs) who are dually-appointed at the AA, or local leadership, make the determination on who will administer the research, which is a potential conflict of interest.

By congressional design, the NPCs exist to advance veterans' health through innovative research and education programs, and I request that we remove all barriers and employ all available tools to accomplish that powerful mission.

Witness Disclosure Statement

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HOUSE COMMITTEE ON VETERANS' AFFAIRS
Witness Disclosure Statement
 Required by House Rule XI, Clause 2(g)

Your Name: Nancy Watterson-Diorio		
1. Are you testifying on behalf of a Federal, State, or Local Government entity?	YES	NO X
2. Are you testifying on behalf of an entity other than a Government entity?	YES X	NO
3. Other than yourself, please list what entity or entities you are representing: National Association of Veterans' Research and Education Foundation (NAVREF)		
4. Please list any offices or elected positions held or briefly describe your representational capacity with the entities disclosed in question 3. Board Member of the National Association of Veterans' Research and Education Foundation		
<i>(For those testifying on behalf of a Government entity, ignore these questions below) (Additional pages may be appended to this Statement if more space is needed)</i>		
5. a) Please list any Federal grants or contracts (including subgrants or subcontracts), including the amount and source (agency) which you have received and/or been approved for since January 1, 2013: N/A		
b) If you are testifying on behalf of a non-governmental entity, please list any federal grants or contracts (including subgrants or subcontracts) and the amount and source (agency) received by the entities listed under question 3 since January 1, 2013, which exceeded 10% of the entities' revenues in the year received: N/A		
6. If you are testifying on behalf of a non-governmental entity, does it have a parent organization or an affiliate who you specifically do not represent? If so, list below:	YES	NO X

Signature: 

Date: **6/2/2016**

Disclosure of Foreign Payments to Witnesses

I, Nancy Watterson-Diorio, attest that I am a nongovernmental witness and that I am not receiving foreign payments or contracts as a witness or a representative of the National Association of Veterans Research and Education Foundation or the Boston VA Research Institute, Inc. and have never received foreign payments.

Nancy Watterson-Diorio

Curriculum Vitae: Nancy Watterson-Diorio

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NANCY WATTERSON-DIORIO

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Stoughton, MA 02072
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SUMMARY: Seasoned leader of a successful veterans' medical research and educational non-profit supported by federal and non-federal funding in excess of \$15M per year. Successful background in non-profit management, strategic planning and leading administrative activities which directly support research, education and clinical activities. Nationally-recognized expert in federal grants policy and Veterans' Affairs Nonprofit Corporation (VA NPC) policy and practice.

EDUCATION

1997-98 Cambridge College, Masters of Management
1997-98 Cambridge College, Certificate in Nonprofit Public Organizational Management Program
1996-97 Cambridge College, Graduate Studies Preparation Program

PROFESSIONAL EXPERIENCE:

Chief Executive Officer, Boston VA Research Institute, Inc.
Boston, MA
1/2001 – present

Lead and direct BVARI on all organizational levels, including: leading the Executive Committee and Board of Directors in strategic planning, overview and development of policy formation and corporate compliance, developing and facilitating long-term organization goals, financial control and oversight including decisions of investment activities, oversight of administrative and Principal Investigator (PI) budgets, participation as a board member and member of executive meetings, handling all administrative and financial matters reporting to both the executive board and board of directors. Signature Authority to sign all grants and contracts (federal and non-federal), corporate financial records and payment authorizations, contracted services, and other corporate legal documents. Established and manage 403(b) retirement plan and comprehensive employee benefits package. Coordinate, research and compile data supporting recommendations to the executive board. Leads day-to-day office responsibilities including Human Resources management of 120 employees. Responsible for \$11-15M annual budget. Oversee and manage federal A133/single audit, 5500 retirement plan audit, NPPO VANPC oversight audit, and annual reporting to Congress.

Executive Director, Boston VA Research Institute, Inc.
Boston, MA
1/1996 – 12/2000

Managed, coordinated and lead all of the financial and administrative aspects for the nonprofit research corporation aligning and supporting faculty research activities at the Boston VA Medical Center. Responsible for the financial review, coordination and maintenance of all proper documentation within federal and mandated guidelines. Worked closely with the board of directors and VA Medical Center Director to establish and coordinate extramural research activities to enhance research at the Boston VA Medical Center. Accomplished building annual revenues from \$250K to \$4.5M within 4 years.

Administrative Coordinator, Division of Infectious Diseases
Beth Israel Hospital, Boston, MA
8/1985 - 12/1996

Managed all administrative and financial functions including federal and non-federal (basic science and clinical trial) grants, clinical operating and professional fees for 17 faculty. Acted as Program Administrator of the Combined ID Training Program for five Harvard institutions by organizing, implementing policies and administering training funds (19 Combined ID Training Fellows). Responsible for all administrative, office and personnel issues.

ACTIVITIES AND ACHIEVEMENTS

Awards and Honors:

- Beth Israel Hospital's Spirit of Prepare 21 (Nominee, 1992)
- Massachusetts Nonprofit Network: 2010 MNN Nonprofit Leadership Award Finalist
- Top 100 Women Led Businesses (#52), 2011. Presented by the Boston Business Journal.
- National Association of Veterans Research and Education Foundation (NAVREF) Barbara West Award for Distinguished Service (2015)

Publications:

Watterson-Diorio, N; Ozden, R, Birch, C. (2015) National Council of University Research Administration. Diversity in Research Administration, *The crazy quilt of solutions*, Volume XLVII (No. 6) pages 24-25.

Other Accomplishments:

Developed, organized and implemented the following educational programs:

Grant Writing Program for ID Fellows [Beth Israel Hospital (BIH)], Grant Writing Program for BIH Fellows, National Institutes of Health Administrative Visit, National Institutes of Health Regional Seminar, Leadership VA Alumni Association Retreat, Williamsburg, VA (12/01); Developed a business plan to assist a failing VA NPC and mentored Executive Director (2014); National Best Practices Consultant on behalf of the NAVREF.

Task Force Committees:

Beth Israel Hospital, Boston, MA: Human Resources - Earned Time Management, Career Ladder Initiative for Technicians, Marketing for Research Personnel, Department of Medicine - Mentoring Program for Research Administrators, Research Administrative Task Force
Co-Chairman of the NAVREF Annual Meeting (2001, 2010, and 2015)

Board Membership Service:

National VA Credit Union (January, 2001 - 2006),
Ocean State Research Institute, Inc. (January 2014 – present): Active advisor and Finance Committee Member,
National Association of Veterans Research and Education Foundation; Board Member (2005-2013; 2014 – present)
TechNetworks of Boston (2015 – present): Active Board Member
Mindleaf Technologies (2014 – present): Active Board Member

Professional Societies:

Active Member - Society of Research Administrators (1991- present)
Treasurer, Society of Research Administrators NE Section (1993 - 1995)
Member - Development and Finance Committee, Society of Research Administrators (1993-1995)
Member - Meeting Planning Committee, Society of Research Administrators: NE Section Meeting (1993 - 2002), National Meeting (1998; 2008)
Member, National Association of Veteran's Research and Education Foundations (1996 - present)
Member, National Center for Nonprofit Boards, Washington, DC (1998 - present)
Member, South Shore Women's Business Network (1999 -2010)
Associate Member, Leadership VA Alumni Association (2001 – present)
Member, US Women's Chamber of Commerce (2002 – present)
Board Member, Nursing Organization of Veterans Administration (NOVA) Foundation, Washington, DC
Member, Society of Human Resources Management (SHRM) (2005 – present)
Member, The Commonwealth Institute, Boston, MA (2009 – 2013)

Certification: The Society of Research Administrators International Certificate of Compliance Program (5/18/01)

TESTIMONY

Chairman Coffman, Ranking Member Kuster, esteemed Subcommittee Members, I am Nancy Watterson-Diorio, and I am honored to be with you here today to share with you my experiences and insights regarding the Department of Veterans Affairs' medical research program and the role of the Congressionally authorized VA-affiliated nonprofit research and education corporations. As a board member of the National Association of Veterans' Research and Education Foundations (NAVREF) and CEO of the Boston VA Research Institute, Inc. (BVARI), I have over twenty years of experience in administering VA research through VA nonprofit corporations.

My career path has been exclusively spent engaged in medical research administration, first at the academic affiliate (15 years) and then at the Boston VA Research Institute, Inc. (BVARI), the VA nonprofit located at the VA Boston Healthcare System (20 years). I was told when I started at BVARI (and just 3 years from its inception) that "if you build it, they will come." BVARI's revenues were \$100,000 in 1996 and only a few active investigators were interested. After 20 years, BVARI has increased its annual revenue to \$14M, much of which is supported by the Department of Defense (DoD). Key areas of interest include posttraumatic stress disorder/syndrome (PTSD), traumatic brain injury (TBI), the Precision Medicine Initiative, and a newly developed clinical trials network supporting the northeast medical centers. I am proud of the work we have done at BVARI to support research that has positively impacted so many veterans and their families.

Veterans' Affairs Nonprofit Corporations (VA NPCs or NPCs) are congressionally authorized entities under US Public Law 111-163 Title 38 – Subchapter IV – Research and Education Corporations ("Title 38") sponsored by a great advocate for our nation's veterans, the late Congressman Sonny Montgomery. The mission and purpose of the VA NPCs is "to provide a flexible funding mechanism for the conduct of approved research and education" at an affiliated VA Medical Center (VAMC or VA)¹. Under Title 38, NPCs are allowed to "accept, administer, retain, and spend funds derived from gifts, contributions, grants, fees, reimbursements, and bequests from individuals and public and private entities...[and] enter into contracts and agreements with individuals and public and private entities"¹. Recognizing that VA-appropriated funds are not the only source of revenue available to support US veterans' research and educational programs, Congress established VA NPCs to enable more avenues to support and add capacity to these programs. The mission of the NPCs is to advance veterans' health through innovative research and education programs by providing the technical support and the management expertise necessary to best enable their success. Over the past 28 years, since the establishment of the NPCs, the original concept has yielded great success; for the 10-year period from 2005-2014, NPCs expended over \$2 billion in support of VA research activities, expending over \$260M in 2014 alone in direct support of improving veterans' health. This represents over 4,000 research and education activities. Funds are predominantly federal (excluding VA appropriated dollars), at 72% of total, with the rest made up of private industry trials, foundation grants, donations, and other sources².

The NPCs are accountable under congressional oversight, which requires a detailed annual report to the Committees on Veterans' Affairs of the Senate and House of Representatives, triennial Nonprofit Program Office (NPPO) audit and direct oversight under the federal Nonprofit Oversight Board (NPOB),

as well as other regulatory requirements including federal, state, and local regulations governing their 501(c)(3) benefit status¹. Those NPCs who are recipients of federal awards and meet certain financial threshold criteria are also subject to government's Single Audit requirements under the Uniform Guidance policy.

In addition to the NPCs, most VAs are affiliated with university academic affiliates (AAs). The affiliation supports healthcare, research, and medical education and training. The academic affiliation constitutes direct advantages to veterans' health research, most notably, it allows the VAs to recruit and retain the most highly qualified research Principal Investigators (PIs), who traditionally have an academic faculty appointment at the non-governmental academic medical centers (AMCs). At the VA, this faculty appointment exists in addition to their VA appointment, and thus they are dually appointed. Under this dual appointment, PIs may conduct research at the AA under their academic appointment, but in keeping with the intent of Title 38, their AA research must be clearly severable from their VA-approved research. With this option available to dual appointments, there are, however, notable inconsistencies around the nation about how this distinction is overseen and enforced. With the objective of achieving the maximum effectiveness of the affiliation in reference to the research aim, I am not aware of any specific definitions, metrics, or governance requirements guiding this partnership, which as noted may function differently at every local site.

Problem Statement and Recommended Action

Due to the inconsistencies of national practice on whether the NPCs or the AAs administer extramural research programs for the VA, the potential growth of NPCs and their ability to support veterans' research programs have yet to achieve their full potential that I believe was originally envisioned by Mr. Montgomery. A recommendation in the VA's 2009 Blue Ribbon Panel Final Report, conducted in partnership with the American Association of Medical Colleges (AAMC) stated (emphasis added):

*"Transformative medical research requires investigators with disparate expertise. Moreover, many research questions are best addressed collaboratively. To enhance the translation of biomedical science into improved health care, the Panel recommends that VA and its academic partners redouble their efforts to develop new knowledge through collaborative research. The Panel endorses the need for a strong VA intramural research program, but cautions that **policies limiting more dynamic collaboration with affiliated institutions [including the NPCs] may ultimately undermine the quality of the Nation's overall research enterprise.**"³*

In this context, there are many areas to pursue in recognition of this recommendation. One such area I believe to be important is that the VA establish clear guidelines through its Office of Academic Affiliations governing policy for the administration of non-VA funded research activities that maximizes the benefits of the NPC and generally offers the NPC "right of first refusal" for all research efforts where the majority of effort occurs physically within the VA.

Background and NPC Qualifications

As statutorily established and governed entities, and due to their close relationship and direct knowledge of the VA system, NPCs are uniquely qualified to acquire funding and administer research awards supporting veterans' health priorities.

Additionally, NPC personnel and their volunteers are not paid federal employees and are therefore not restricted from fundraising activities like their federal colleagues, allowing them to directly solicit funds in support of their mission—an avenue that has improved veterans' health outcomes, as all funds raised are reinvested in the NPC's veteran research and educational programming in accordance with its statement of purpose.

The NPCs also provide a specialized role significant in securing research grant and contract funding opportunities. As specialists in veterans' health programs, the NPCs are highly qualified and have direct access to the resources and expertise necessary for successful programming. Some of the benefits of an NPC's internal expertise include access to government and non-government space; knowledge of and direct access to VA infrastructure, including the complexities of government information technology (IT); professional connections and recruitment channels to specialized research program staff; familiarity of the federal Without Compensation (WOC) process and direct relationships with VA HR personnel for processing WOCs; the direct ability to reimburse VA personnel for their work on a funded project; and direct understanding and knowledge of the unique effort-reporting and payment practices for VA PIs, including the "60-hour workweek" and effort disclosure Memorandum of Understanding (MoU), which are discussed in more detail below.

The NPCs are also recognized by the Department of Defense (DoD) as the direct conduit to the VA patient population, an important criterion on grant review and funding allocation due to the DoD's programmatic priorities. As of the 2014 NPC annual report to Congress, federal funding represented 87% of the top five NPCs' research portfolios². The NPCs' role as specialized program experts can be compared to a disease-focused hospital that is seen as a national leader in that disease. There are, for example, numerous hospitals, AAs, and corporate entities pioneering advances in cancer research outcomes, but a few major dedicated cancer treatment and research institutes across the nation remain the most highly-renowned and receive very large annual funding allocations from research awards and donors. When comparing the NPCs' expertise and dedicated efforts, they serve in a comparable capacity for veterans' health advances.

NPCs also have significant expertise in negotiating and administering industry-funded clinical trial research agreements, by using the federally approved VA Cooperative Research and Development Agreement (CRADA) mechanism. Veterans represent a large patient population that encompasses some of the nation's most serious health concerns, which are priority areas for many pharmaceutical and device companies' research and development initiatives. More importantly, veteran patients deserve access to the most cutting-edge therapies and treatments, which frequently can only be found through industry-funded clinical trials. NPCs provide the VA with a mechanism to accept and administer these much-needed trials. The VA also maintains a robust inventory of patient data and bio-specimen

samples, which offers researchers rich insight into many diseases and their treatments. They have been leaders in major discoveries and treatment advances in over thirty disease areas, most significantly including PTSD and TBI, and in many cases, the NPCs enabled the research funding for these advances⁴.

A final area in which NPCs support veteran medical research is through the direct financial support of Veterans' Equitable Resource Allocation (VERA) under the Research Support weighting program. VERA Research funds are managed by the VA to "acknowledge the additional expense and provide an allocation of dollars for a facility to support and sustain a research mission"⁵. Revenue supporting VA-administered research programs, including NPC revenue, is weighted toward research support at 100%, whereas non-VA administered programs, including AA revenue, is weighted at 25%-75%⁵. According to the 2015 VERA Book, "by weighting VA-administered research at 100% and discounting non-VA administered research, there is an incentive to encourage VA administered research"⁵. NPC revenue, therefore, more directly supports veterans' research initiatives.

Significant Challenges Affecting NPCs and Impacting Research to Improve Veteran Health Outcomes

Among the most significant and pervasive issues for many NPCs are: 1) the inconsistent management of National Institutes of Health (NIH)-funded research award administration, and 2) PI salary payments on NIH (and other) awards.

The current practices surrounding NIH award administration varies greatly across the US. In some regions, AAs are administering the entire VA NIH-funded research portfolio; in others, NPCs maintain a productive relationship with the AAs and collaborate on NIH award administration; at still others, NIH award administration is considered by local VA officials on a case-by-case basis. Due to a lack of consistent policy interpretation, at this time, several VAs prohibit their NPCs from administering NIH awards, even though there is no formal regulation against doing so. As the NIH is the "largest public funder of biomedical research in the world"⁶, this represents a significant impairment to NPC growth and development. When AAs administer VA-approved research programs in lieu of the NPCs, there is often a significant increase in the amount of federal funding allocated to the program due to the often substantially higher F&A rates at the AAs in contrast to the NPCs. The biggest discrepancy in F&A rates between NPCs and AAs is seen in the small- to medium-sized NPCs, who typically do not have access to the NIH portfolio (data available upon request to NAVREF). These NPCs' growth trend has plateaued after their initial establishment, potentially due to the tendency at many VAMCs to allow *all* NIH awards to flow to the AA regardless of where the majority of effort is being exerted. Whether or not intentional, imposing barriers to NPCs' access to the largest source of US medical research funding is akin to cutting off the lifeblood of the NPCs, which in turn contributes to a reduction in veterans' research programs' ability to thrive.

Additionally, there are very specialized policies in the NIH Grants Policy Statement (NIHGPS or GPS) pertaining to jointly-affiliated VA-AA PIs, which are a major contributor to the inconsistencies in national understanding and practice surrounding federal award administration. In my conversations with numerous representatives on this issue, I have observed that many parties hold to historical

interpretations and unilateral application of the NIH GPS language, which currently restricts the ability of entities to pay VA-AA joint-appointed PIs on NIH awards such that only a university AA may make those payments⁷. An NPC may be the recipient of NIH awards, but may not pay the PI's salary directly unless it is in the form of a reimbursement to the VA for the PI's official VA tour of duty⁷. Hence, if the PI is working on the project above-and-beyond his or her VA tour of duty (an allowable and recognized activity as long as total professional effort [TPE] remains within 60 hours per week across all employers ["the 60-hour workweek"]), the only functional mechanism for payment of that time is via a Joint Personnel Agreement (JPA), a convention that allows an AA to employ and issue salary payments when an NPC is the award recipient. The salary for PI effort is awarded to the NPC, but through a JPA agreement, the NPC agrees to send those awarded salary funds to the AA, who issues the PI's paycheck using those funds. After comprehensive research of the history and applicability of these practices, I have discovered that other agencies (federal and non-federal) accept the 60-hour workweek concept and have no objections to NPCs issuing PI salary payments directly, without using a JPA. However, local practices and a lack of understanding of the applicable policies have prevented many NPCs from making direct payments, which has resulted in direct financial loss to the NPCs due either to: 1) the need to forego the drawdown of budgeted award revenue covering PI project salary because there is no agreed-upon mechanism for issuing payment by the NPC, 2) the decision by the PI to forego acceptance of the award because they are unable to be paid under the original contractual expectations and terms of the award, or 3) the direct loss of the entire award by the NPC under local directives to relinquish it to the AA in order to enable PI salary payments. These foregone payments have had a devastating impact on the ability of the NPCs to support veteran research programs.

In my research and discussions with national leaders on this issue, I have not found a significant regulatory basis behind the NIH policy language that restricts the flexibility of NPCs, and if left unaltered, the language will continue to raise concerns as it gives direct preferential treatment to the university AAs. NAVREF, with the approval of VA's Office of Research and Development (ORD), is discussing with NIH the possibility of modifying language in the GPS to allow NPCs to pay PIs directly for their NIH-funded project effort.

NIH has current policy language restricting VA PI "60-hour workweek" payments to the use of JPAs, but it is our finding that no other agency publishes such restrictions. Due to local policies and practices, many NPCs are utilizing "optional JPAs" (a JPA that is being practiced locally, but that is not officially sanctioned or governed by the funding agency). While optional JPAs are in some cases useful mechanisms for NPCs, there are several ways in which their local application can affect the NPCs financially: first, some AAs charge an administrative fee—on top of their federally negotiated fringe benefit (FB) rate and rolled into the award's FB budget—for processing these payments. The fee is treated as a Direct Cost (DC) expense on the award, and often costs the award more than the NPC FB rates would, thus taking funds away from the veterans' healthcare research project. In addition, several AAs do not currently allow JPAs due mostly to the inherent risk posed to the AA in taking accountability for the PI's effort without direct knowledge of the project. In many cases, the decision is being made locally to request that the AA directly administer the entire research award, simply as a means of enabling PI payment. This approach is in direct competition with the NPCs' mission and purpose, as

defined in Title 38, to further veterans' health outcomes by administering VA-approved research and educational programs (when they are funded by non-VA-appropriated dollars).

I am concerned about the inherent conflict of interest posed by the PI and/or any organization's (e.g., VA, AA, NPC) direct leadership if they are given the option to choose the entity under which to submit grants, rather than following a vetted policy or directive. Whether or not intentional, a reasonable independent party could conclude that the person making the choice as to where the award is administered stands to personally gain from that decision, as they will either receive direct salary (and, potentially, benefits) from that entity (in the case of PIs) or financially benefit as an organization (in the case of organizational leadership being the decision-maker). The lack of consistent national practice has led to significant variation in which party administers the research project and/or pays the PI for project effort, and has resulted in consequential significant loss of potential revenue for veterans' medical research programs. Although the VHA Handbook 1200.17 allows NPCs to hire and pay VA employees (PIs)—and 18 U.S. Code § 209 provides NPCs with an exemption from salary supplementation concerns, as the employees serve in a "without compensation" (WOC) government capacity when working for an NPC on a portion of their 60-hour workweek—a lack of clear national guidance on conflict of interest vetting has resulted in paralysis of the ability of many NPCs to make payments^{8,9}. I recommend a single national practice on NPC/VA conflict of interest vetting and a national directive explicitly allowing NPCs to make payments to PIs.

Summary, Impact, and Request for Action

The NPCs were created under Title 38 to serve as flexible funding mechanisms to enable advancements to veteran health outcomes. Because of inconsistent national practices, local decision-making, and a lack of clear and consistent policy language, the intent of the original legislation in Title 38 pertaining to the NPCs' missions has been diluted and redistributed across multiple parties (NPCs and AAs). Without any clear VA or congressional guidelines, each local medical center is afforded the ability to pick and choose the source of research award administration.

I recommend a comprehensive review of national practices and updated policies and directives to clarify the roles and responsibilities of the AAs and NPCs, and to give the NPCs the enhanced opportunity to participate in the important work that is being done in the VA's extramural research and education programs. I believe this is in keeping with the original intent of the NPCs and their statutory authorization, which was designed to directly benefit—without interpretation, dilution, or bias—the veterans.

Thank you for inviting me to discuss these important issues and thank you for your support of veterans. The VA's medical research program is a hidden jewel with an enduring legacy of improving the care of veterans and citizens throughout the nation. The close collaboration and cooperation of VA medical centers, their academic affiliates, and the nonprofit corporations is absolutely essential to the continued success of this impactful research program.

TESTIMONY: NANCY WATTERSON-DIORIO

PROFESSIONAL BACKGROUND: My career has been focused on research administration for over 35 years. Of that, 15 years has been spent as an employee of the academic affiliate, Harvard Medical School, in several capacities. During that time I was directly employed by the affiliated teaching hospitals, Brigham and Women's Hospital and Beth Israel Hospital. My role involved many administrative aspects of research administration, which would often overlap with issues pertaining to the Department of Veterans Affairs (VA). In 1996 I became the Executive Director of two VA nonprofit organizations, the New England Medical Research Institute, Inc. (NEMRI) and the Boston VA Research Institute, Inc. (BVARI). Both organizations were in their very early stages of business development (less than five years). Annual revenue of both organizations was approximately \$100,000. As the medical center underwent a merger, it was decided by VA leadership to merge both VA nonprofits into one. BVARI has just recently celebrated its 25th year of operations and its annual revenue for FY2015 totaled over \$13M. BVARI directly supports 125 employees who play a key role in the organization from administration (12 employees) to research positions (113 employees). BVARI serves the faculty in both research and educational projects and programs from foundation grants to administering federal awards.

PERSONAL BACKGROUND: I am the granddaughter of a WWI veteran, the daughter of a WWII veteran, the niece of a vast array of service veterans, and the aunt of two nephews who most recently served. I've only known my family to be devoted Americans who felt it was their duty to serve in the military. I will mention that my Grandmother was a Gold Star Mother and my family most recently lost my nephew to suicide upon his successful completion of a tour as a submarine operator in the US Navy. And finally, my granddaughter graduated high school this week and her active military status in the U.S. Navy begins in July of 2016. Although not a veteran myself, I've had close family ties throughout my life. My service to the VA now makes me feel a part of this inclusive family bond.

References

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2. *VA NPC Annual Reports to Congress*: <http://www.navref.org/about-our-members/va-annual-reports-to-congress/>
3. *The Report of the Blue Ribbon Panel on the VA-Medical School Affiliations (quotation: pg. 3)*: <http://www.va.gov/oa/archive/BRP-final-report.pdf>
4. *VA Research Advances*: <http://www.research.va.gov/pubs/docs/VAResearchAdvances2015-16.pdf> and *VA Research Topics*: <http://www.research.va.gov/topics/>
5. *2015 VERA Book*: https://commissiononcare.sites.usa.gov/files/2016/01/20151116-13-Veterans_Equitable_Resource_Allocation_VERA_1025_Briefing_Book.pdf
6. *NIH Grants & Funding*: <https://www.nih.gov/grants-funding>
7. *NIH Grants Policy Statement*: <http://grants.nih.gov/policy/nihgps/index.htm>
 - a. *17.3 VA-University Affiliations*: http://grants.nih.gov/grants/policy/nihgps/HTML5/section_17/17.3_va-university_affiliations.htm
 - b. *17.6 Allowable and Unallowable Costs*: [http://grants.nih.gov/grants/policy/nihgps/HTML5/section_17/17.6 allowable and unallowable costs.htm](http://grants.nih.gov/grants/policy/nihgps/HTML5/section_17/17.6_allowable_and_unallowable_costs.htm)
8. *VHA Handbook 1200.17*: <http://www.navref.org/about-our-members/npc-statute-and-vha-handbook/>
9. *18 U.S. Code § 209*: <https://www.gpo.gov/fdsys/pkg/USCODE-2012-title18/html/USCODE-2012-title18-partI-chap11-sec209.htm>