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Good afternoon Chairman Bergman, Ranking Member Kuster, and Members of the Subcommittee. I appreciate the opportunity to discuss the Department of Veterans Affairs (VA) Real-Time Location System (RTLS) project and VHA's Point-of-Use (POU) program. I am accompanied today by Dr. Alan Constantian, Deputy Chief Information Officer, Office of Information and Technology (OIT).

Introduction

In 2011, VA chartered several major transformation initiatives, including two to improve Health Care Efficiency, the RTLS project and the POU program. RTLS project was chartered to automate processes and improve health care services that VA provides to Veterans. The primary objectives of RTLS are tracking medical and surgical instruments through sterile processing, automating inventory management of specialized medical supplies in Cardiology, extending utilization and safety of medical equipment by knowing its location in real time, and monitoring temperature of medication storage areas. In addition to improving operational efficiency, these RTLS applications create a safer system of care for Veterans. VA planned to deploy RTLS in several phases within the Veterans Integrated Service Networks (VISN) and

Consolidated Mail Outpatient Pharmacies, with the goal of deploying RTLS to all VA medical facilities.

The VHA POU program was chartered to acquire and install a Commercial-Off-The-Shelf (COTS) supply chain management system to effectively manage the consumable medical supply inventories throughout the medical center. An effective supply chain management system would allow visibility of stock levels of consumable supplies by employing different technologies to provide data to minimize stock outs, decrease process inefficiencies, and create cost savings by reducing excessive supply inventories.

The RTLS and POU programs had separate and distinct functions relating to health care operations and the VHA supply chain. RTLS centered on medical equipment and instrument tracking and specialized medical supplies specifically in the Cardiac Catheterization (Cath) Lab, while POU focused on all consumable supplies used in patient care.

Deployment of RTLS

While basic RTLS technology (otherwise known as Radio Frequency Identification) is commonplace in several industries, it is relatively new to health care. VA conducted market research through site visits, industry days, and limited scope demonstrations. We defined requirements and determined an acquisition strategy. In June 2012, VA awarded a firm-fixed-price, indefinite delivery, indefinite-quantity contract to Hewlett Packard Enterprise Services (HPES). The contract scope encompassed design, installation, testing, and maintenance of RTLS. Task orders were to be issued against the contract, which had a $543 million ceiling. The two initial task orders issued were for deployment of RTLS in VISN 23 and for system design standards and interface development. Sixteen task orders were subsequently issued. As of April 2018, the total awarded value was $345 million against the contract.

The RTLS project is jointly managed by VHA and OIT, per a Memorandum of Understanding signed in 2011 by the Under Secretary for Health and the VA Chief Information Officer. The RTLS solution utilizes COTS technologies and software to

directly support patient care delivery and outcomes. VHA established a Project Management Office to assist VHA facilities with the procurement and deployment of RTLS and to coordinate project execution with OIT. Contracting Officer Representatives (COR) were assigned to manage each task order, typically a VISN-level biomedical engineer for VISN task orders, or an information technology (IT) project manager for IT task orders.

RTLS requires extensive infrastructure to be installed throughout entire hospital buildings, with design and installation generally taking 1-2 years. Consistent with objectives of the major transformation initiative, installation progressed simultaneously at facilities to achieve transformational benefits across VA. The Fargo VA Medical Center (VAMC) in VISN 23 was the first site to complete installation and test the system in March 2015. VA identified several defects, and the contractor was formally charged to correct them. The progress on deployment in other facilities was delayed or halted while Fargo VAMC discrepancies were investigated. During that time, VISN 23 and VISN 8 task orders expired.

With technology projects of the scope and complexity of RTLS, it is common to periodically reassess the program and adjust the approach to achieve the best outcome and minimize programmatic and cost risks. In September 2016, VA made a program decision to realign the RTLS program and entered into negotiations with HPES with a shared goal to expedite the implementation of the RTLS solution. Specifically, to capture the agreements made during these negotiations, VA modified the existing RTLS contract and executed a Global Settlement Agreement that resulted in a realigned implementation strategy, agreement on system requirements, improved clarity of location accuracy objectives, and a new deployment schedule through 2018. Changing the implementation strategy to deploy applications independently and in phases has led to positive deployment progress.

Positive Outlook

The deployment of RTLS accelerated following the contract renegotiation, with many positive outcomes continuing through the present. VHA is realizing benefits from

all RTLS applications. The Sterile Processing solution has been successfully implemented at 60 facilities. With 1,000,000 surgical and dental instruments being tracked, the right instruments are being delivered to the right Operating Room for the right surgical procedure. The Cath Lab solution has been deployed at 28 facilities and is generating notable supply cost savings. In fiscal year (FY) 2017, one VAMC reduced Cath Lab supply costs by $700,000 due to more efficient management. Many VISNs, including VISNs 8 and 23, are utilizing the Sterile Processing and Cath Lab solutions.

Asset Tracking deployment, the most infrastructure-intensive RTLS application, has also progressed. Asset Tracking has enhanced the safety, utilization, and maintenance of medical equipment. For example, one hospital remediated a safety issue with 300 infusion pumps within 2 weeks because all infusion pumps were quickly located. Without RTLS, it would have taken 2 months and significantly more labor hours to complete the safety remediation. Infusion pumps administer medication intravenously and equipment errors may lead to patient harm. VA intends to use RTLS to track location of its entire fleet of 35,000 infusion pumps, which will have immense positive impact on patient safety. An additional example of the efficacy of RTLS is that it allows hospital staff to proactively retrieve equipment for cleaning after patient use, thus maximizing availability of equipment for patient care. Asset Tracking installation is substantially complete at 32 sites, with system testing in progress. 105,000 equipment assets are tagged for real time location awareness.

VHA is gathering benefits data and will assess the return on investment over the next year. The early measures of success in both Cath Lab and Sterile Processing is positive and has led to increased interest from other VHA facilities to implement the solutions.

VHA and OIT Response to OIG Report Findings

In September 2015, the VA Office of the Inspector General (OIG) received an allegation claiming VA management failed to comply with VA policy and guidance when it deployed RTLS without appropriate project oversight. OIG conducted an official review, spanning the time period during and after completion of the Global Settlement

Agreement. The review resulted in three findings that VA contested, but agreed to implement to further strengthen the program.

OIG recommended that VA apply additional resources and implement improved integrated project management controls for the remainder of the project. VHA and OIT have continued to align and improve project management processes following the conclusion of the contract renegotiation and publication of the OIG report. More than 100 gate reviews have occurred since October 2017 at various steps in the deployment and testing process.

The OIG finding that VA did not follow an incremental project management approach was based on an interpretation of VA policy regarding management of IT projects. The September 29, 2017, OIG Report, "Review of Alleged Use of Wrong VA Funds to Purchase Information Technology Equipment," concluded that the use of medical funds for RTLS was appropriate. The RTLS deployment efforts have been managed utilizing sound project management practices. For example, gate reviews are conducted for various milestones, and deployment work in several VISNs was paused following unsuccessful testing at the Fargo facility. Additionally, planned investments were suspended pending successful deployment of RTLS at lead facilities.

OIG identified the need for VA to implement improved risk assessment oversight to identify potential vulnerabilities that may adversely affect other VA systems. VA conducted risk assessments prior to previous RTLS deployments and an Authority to Operate was in place for all systems that were deployed to the network. VA will perform continual risk assessments to assure that the risks associated with deploying additional RTLS systems on the VA network are minimized.

The VHA POU Program

A POU system provides asset visibility to the asset's POU. VA defines our POU as the medical supply rooms scattered in the wards and other clinical care facilities located throughout VAMCs. POU systems rely on enabling processes and technologies to include automated storage units, bar coding, and Kanban. The premise behind Kanban involves using a highly visual cue, such as an empty bin, to signal the need for

replenishment. The VA system would utilize an integrating software system to bring these capabilities together to improve asset management efficiency. POU system software provides a fully integrated and intuitive platform through which an organization can analyze, monitor, and conduct the majority of data-driven tasks. There is an opportunity to collect, store, and administer data analysis through a single convenient portal, ensuring seamless communication within an organization. Integration would also allow for optimal tracking, collection, and analysis of data on all tasks, records, information, and activities performed within a system. This would increase efficiency on a large scale, ensuring smoother operations and improved productivity.

On April 11, 2013, the Executive Decision Memorandum creating the VHA POU program was funded with $58 million of FY 2013 expiring funds. The POU program was envisioned and intended to provide an integrated supply chain management system capable of providing consolidated data to facilitate supply chain management. The consolidated data would be used to effectively manage consumable medical supply inventories throughout the VAMC, including the secondary (patient care area) inventory level, decreasing excessive stock levels, decreasing process inefficiencies and providing costs savings opportunities, and providing for expanded use of medical and surgical vendor contracts.

In June 2013, an acquisition package was assembled and provided to the contracting office, Program Contracting Office – East. VA solicited a full and open competition request for proposals, ultimately netting three proposals. The competitive range reduced the number of offerors for consideration to two. Both offers were evaluated in accordance with the source selection plan and based upon their technical proposal. Shipcom Wireless, Inc., a small disadvantaged business, was awarded the contract on September 23, 2013.

The contract required 20-35 assessments and implementations in each contract period. Assessments were to document current state of technology, inventory management processes and procedures, and stock levels in each facility. After an assessment was completed, the Contractor was to propose a POU solution, including automation, storage equipment, and processes, designed to create efficiencies and

provide data to manage inventory stock levels. During the base period of the contract 27 site assessments were completed, but due to contractor and government delays, only 8 of the 27 sites were implemented with the Contractor's solution (Catamaran). The first option period was exercised in September 2014 and while no new assessments were completed, 14 more sites were implemented. The contractor was significantly behind schedule, and because there were other implementation delays, it became apparent that they would not be able to complete the required number of facilities within the contractually specified time period. Thus, modifications to the contract were executed. The second option period was exercised in September 2015, but due to schedule delays, assessments for this period did not begin until December 2015. VHA leadership was committed to the continuation of the program, and the Contractor was required to submit a corrective action plan, outlining a schedule catch up. No assessments or implementations were completed in the second option period as the Contractor proposed significant changes to the contract pricing to complete the work.

In April 2016, a new Contracting Officer and COR were assigned to the project who in turn reiterated to the contractor that the contract was firm-fixed-price and clearly restated the contract requirements and deliverables. The Program Office worked with the vendor to identify specific shortcomings in the required site assessment reports, such as lack of site implementation plans, billing and invoicing deficiencies, and insufficient site documentation and equipment inventory records.

On June 3, 2016, a corrective action plan was submitted by the vendor requesting another time extension for an additional $59.9 million to complete the contract requirements. This corrective action plan did not provide corrective actions based on governmental concerns, rather it proposed additional work and additional costs to the performance work statement already part of the contract. The contractor was unable to complete site assessment reports in accordance with the contract requirements despite numerous attempts to review report deficiencies and to provide guidance to correct said deficiencies. The Program Office also began investigating the recurring costs of future software licenses and maintenance. Research showed that

these costs would be an estimated $54 million per year, even with a proposed decrease in license fees. This figure was deemed unsustainable based on the following: a new Return on Investment analysis was performed by the Veterans Engineering Resource Center, utilizing the vendor's new implementation costs and extension request. The result of this analysis indicated that the POU program would not see a "break even" on the investment of $275 million for over a decade.

In addition to escalating costs proposed by the vendor, the Shipcom POU solution, including its supporting Catamaran software, was not meeting contractual requirements, nor was it meeting the intended operational needs of the program to "establish an integrated supply chain system that was capable of providing consolidated data to facilitate supply chain management." The decision was made to stop further assessments and implementations and not exercise future option periods of the contract.

Upon decision to discontinue the contract effort, a plan was derived to transition the 22 sites that had converted to the Catamaran system, including the DC VAMC, back to VA's Generic Inventory Package (GIP). The POU program team pulled the consumable supply inventory data from the Catamaran system and uploaded that into GIP using the Excel tool. Over the course of seven weeks in January and February 2016, the POU program team traveled to the sites to educate the facility staff on use of the tool and to transition the data.

Conclusion

RTLS has significantly improved the efficiency and safety of health care of our Veterans. Patient safety and infection control are improved because surgical instruments are being tracked through sterile processing. Utilization, safety, and maintenance of medical equipment are improved. Cost savings are being realized in Cath Labs. In order to sustain these efforts, we ask Congress for continued support of VA modernization by investing attention and financial resources into this process automation system that is crucial in keeping our Veterans safe. It is critical that we continue to move forward with the current momentum and preserve the gains made thus

far. Your continued support is essential to providing care for Veterans and their families. Mr. Chairman, this concludes my testimony. My colleague and I are prepared to answer any questions.