

**STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE SUBCOMMITTEES ON TECHNOLOGY MODERNIZATION
AND OVERSIGHT AND INVESTIGATIONS
HOUSE VETERANS' AFFAIRS COMMITTEE**

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Good morning Chairman Pappas, Chairman Mrvan, Ranking Member Mann, Ranking Member Rosendale, and distinguished members of the subcommittees. I am pleased to appear before you today to share the current state of VA's enterprise supply chain modernization efforts and our strategies for improvement. I am accompanied today by Ms. Deborah Kramer, Acting Assistant Under Secretary for Health for Support Services, Veterans Health Administration (VHA) and Dr. Neil C. Evans, Acting Chief Information Officer.

Before I address the topic of this hearing, I want to acknowledge the dedication and tenacity of VA employees, who despite the challenges brought on by a global pandemic continue to serve Veterans with care and compassion, fulfilling our sacred obligation to those who served. I also want to thank the members of the subcommittees for their support of our efforts to modernize VA's supply chain and their vigilant oversight to ensure that we get the job done.

An Evolving National Concern

Supply chain issues are an evolving national concern. The COVID-19 pandemic exposed global and U.S. supply chain weaknesses and we expect the manufacturing and distribution disruptions to extend for some time. As the virus spread, overall consumer demand decreased and industrial activity, in turn, decreased due to the lower consumer demand and effects of Coronavirus Disease 2019 (COVID-19). With the increasing level of vaccination globally and the end of lockdowns in many nations, consumer demand increased dramatically, while supply chains continue to face big challenges, including worker shortages and access limitations to raw materials and key components.

VA is actively addressing these challenges, implementing near-term methods to ensure internal VA supply chain resiliency, including increased demand signal monitoring, identification of alternatives for preferred products, and treating medical products as enterprise assets. Effective national response requires a resilient public health supply chain, anchored in domestic manufacturing capabilities so that care and preventive measures can reach patients. Sustaining the resilience of the supply chain is critical for ensuring the health and wellness of the nation, as well as for national security, and VA is working with the White House and Executive Branch agencies to develop and implement the actions identified in the National Strategy for a Resilient Public Health Supply Chain.

VA's response to COVID-19 demonstrated the strength and agility of an integrated healthcare system geographically distributed across the United States and operating as a single enterprise. As COVID-19 incidence varied by jurisdiction, and despite global shortages of Personal Protective Equipment (PPE), critical equipment and consumable items, VHA was able to sustain operations in locations experiencing high demand (e.g., New York City, New Orleans) by cross-leveling staff, PPE and ventilators from areas with lower levels of disease.

Supply Chain challenges are not unique to VA. Due to the COVID-19 pandemic, we are experiencing the same challenges as other hospital systems across the country and the world. However, the advantage of being the largest integrated health care system in the country is our ability to share our supply and personnel resources between sites based on immediate healthcare needs. The magnitude of the global pandemic has provided the opportunity for improvements. Prior to the pandemic, VA embarked on a supply chain transformation program designed to build an efficient and effective medical supply chain to maximize value to clinical customers and deliver real-time analytics capability to support fast and accurate enterprise decision making. Now, more than ever, this work is essential, and building resiliency in VA's supply chain will ensure we stay prepared to meet our mission.

Enterprise-wide Strategic Analysis of VA Supply Chain

Our goal is to ensure that VA has access to the supplies necessary to support Veterans. Consistent with the broader Federal effort concerning the public health supply chain, VA is working to improve the coordination and performance of its supply chain operations. Important stakeholders, including Congress, have assessed VA's supply chain strategies and performance, and made recommendations for improvement. Specifically, VA has been working to improve its governance, structure, oversight, and reporting related to major acquisitions. Also, VA is developing an enterprise-wide supply chain strategy – one that integrates the operation and schedule of existing VA supply chains that cover health care, benefits, memorial programs, and information technology.

On Sep 21, 2021, Deputy Secretary Donald Remy directed an enterprise-wide strategic analysis of VA's supply chain. As VA's Chief Acquisition Officer (CAO), I am charged with leading this effort in collaboration with VA administrations and staff offices. The overarching enterprise objectives are to:

- Develop a VA Comprehensive Supply Chain Strategy with an integrated enterprise focus.
- Develop an integrated program strategy and Supply Chain Master Schedule to include validation of functional requirements, oversight structure, and identification of best practices/technologies in use today.
- Develop appropriate metrics and measures of effectiveness to allow evidence-based management of VA's supply chain system.

As CAO for the Department, I chair weekly meetings of the Senior Leaders Task Force (SLTF), representing VA's internal stakeholders. The group met for the first time on

October 15 to begin its work and members of the SLTF were assigned to the following designated Lines of Effort (LOE):

- Medical Supply Chain Assessment;
- Non-Medical Supply Chain Assessment;
- Systems/Technology;
- Warehousing, Inventory Management and Fulfillment;
- Financial, Contracting and Billing;
- Cataloging and Ordering; and
- Facility and Asset management.

Additionally, Functional Champions and Work Groups assigned to the different LOEs are meeting daily and weekly to report out to the full group. We also have mapped out key phases in the process with identified milestones in order to monitor progress:

- Phase 1 - Assessment;
- Phase 2 - Functional Gap Analysis;
- Phase 3 - Strategy Development; and
- Phase 4 - Integrated Supply Chain Strategy Implementation.

VA briefed House and Senate Veterans' Affairs Committee staff on VA Supply Chain Transformation on November 1, 2021. A slide showing additional detail regarding the planned phases of this effort is included as part of this testimony. Transformation of VA supply chain is a priority for VA leadership and it is important to note that input from both the field as well as industry are critical to ensure the voices of our customer are heard. I will present mappings of VA's supply chain process and base line operations including strategy, process, organization, systems, and metrics along with the SLTF findings and recommendations to Deputy Secretary Remy before the end of the year.

The initial phase of the strategic analysis includes a Supply Chain Management Assessment (SCMA). Dr. Angela Billups, Executive Director, VA's Office of Acquisition and Logistics (OAL) and Senior Procurement Executive for the Department, is the designated lead for VA Acquisition Management strategic enterprise-wide initiatives, reporting to me. Dr. Billups has comprised a team which includes a Project Manager, Subject Matter Expert and Program Manager to collaborate on the SCMA. Collectively, these individuals are responsible for ensuring proven strategic and programmatic methodologies are applied throughout VA's supply chain modernization and transformation efforts.

Ensuring Evidence-based Decision-Making

Under Secretary McDonough's leadership, the Department has made major strides forward on information sharing and evidence-based decision-making. The Department chartered the Evidence-Based Policy Council (EBPC) and the Investment Review Council (IRC) to ensure the right leaders were provided with the right information to make recommendations on the way ahead. Additionally, the Department recently completed Operational Management Reviews (OMRS) of a number of major programs. A similar effort is underway to provide a venue for recurring oversight on

acquisition programs. OAL, acting on behalf of the CAO, is developing a Procurement Management Review (PMR) process to provide a forum for deliberate, recurring discussion on designated programs. These recurring, structured reviews will complement the work of the OMR, EBPC and IRC.

Building an Acquisition Lifecycle Framework and Acquisition Workforce Management

VA is building an acquisition lifecycle framework (ALF) integrated with the Department's governance strategy that will include an enterprise approach to managing major acquisitions from cradle to grave. Major acquisitions are defined by dollar values (estimated acquisition value \$200M annually and/or \$1B total acquisition value base and all option periods). The Procurement Management Review Framework integrated in the ALF will include a digital structured roadmap designed to guide VA's Acquisition Workforce through the acquisition lifecycle, ensuring VA's AWF has access to the tools they need when completing various acquisition activities, i.e., digital playbook, processes, procedures, tools, templates, and emerging technology.

VA's AWF is comprised of Program and Project Managers, Contracting Officers and Contracting Officer Representatives. Currently, VA's AWF is disbursed across the VA enterprise within the different administrations and staff offices. OALC also collaborates enterprise-wide to complete an annual Acquisition Human Capital Plan (AHCP). OALC's goal is to develop an enterprise Acquisition Management (AM) Ecosystem designed to improve the end-to-end (E2E) acquisition lifecycle which is integrated with the mission support business lines (acquisition, finance, information technology, and human capital) and enterprise governance. Enterprise AM is focused on people, standardized business practices, enhanced by emerging technology. VA AM will include organizational systems necessary to establish the vision, business needs, requirements development, etc. all that aligns with a vision of "Easy to Use, Integrated, and Intelligent systems (EII)" where appropriate technology will be integrated to continuously modernize and transform VA AM.

Acquisition Management governance and oversight ensures that Programs and Projects adhere to sound acquisition management practices and principles to ensure they achieve expected results, make good business sense, and comply with applicable policies, laws, and regulations. This oversight is conducted in concert with our Chief Financial Officer, Chief Information Officer, and the Office of Enterprise Integration where we meet monthly to review major IT acquisition programs and portfolios in line with the Federal Information Technology Acquisition Reform Act.

Successful acquisition does not begin at contract award or product delivery but much earlier in the Acquisition process. We are working across the Department to develop the skills required to convert ideas effectively and economically into fielded capacity. Ensuring that leaders have the skills needed to outline the vision and requirements, develop realistic business cases, evaluate nonmaterial solutions, and make decisions informed by the facts is critical on the road ahead. The ALF and the work we are doing to improve Acquisition Workforce Career Management are key enablers to achieving this end state.

Informed by well-developed requirements and realistic business cases, Program Managers are armed with the intellectual capital they need to make informed decisions. For Information Technology centered solutions, I am working across the Department to have Programs look for an “EII vision” – Easy to Use, Integrated and Intelligent. These attributes should be considered as we move forward in the Acquisition cycle.

How Congress can Help

With regard to the topic of acquisition modernization, it is critical that VA be provided with broad Other Transaction Authority (OTA) to allow us to move at the speed of healthcare and technology and remain agile as we adopt the latest emerging solutions that are important to advancing VA healthcare, benefits, and cemetery services. Currently, 11 Federal agencies and departments have the authority to utilize OTAs, including the Department of Defense.

OTA will allow VA to quickly tackle health care priorities like the pandemic, suicide prevention, mental health, traumatic brain injury, polytrauma and operational priorities like IT innovation, modernization, interoperability, and automation. OTA will minimize barriers to facilitate more streamlined, bi-directional collaborations between VA and industry and attract new, private sector entities with leading-edge technologies that do not traditionally engage with Government.

VA seeks broad OTA statutory language, such as the language found in the Department of Transportation, Federal Aviation Administration, Advanced Research Projects Agency-Energy, and National Aeronautics and Space Administration statutes. This would include research, prototype, and follow-on production OTA for VA enterprise and its sub administrations (VHA, Veterans Benefits Administration, and National Cemetery Administration). VA does not intend to replace Federal Acquisition Regulation-based acquisitions with OTA, but we need this flexible acquisition tool to effectively drive change within VA.

Conclusion

VA is committed to transforming its supply chain to providing high-quality health care services and other benefits to increase access and outcomes for Veterans. At the end of the day, we must deliver what we promise, deliver it on time, and deliver it on or under budget. Your continued support is essential to VA fulfilling this mission. This concludes my statement, and I am prepared to respond to any questions you or the other Members of the Committee may have.