Written Statement of Hana Schank Before the House Veterans Affairs Committee Subcommittee on Technology Modernization

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Thank you for holding this hearing today, and for inviting me to offer my expertise on the shrinking vendor base for IT contracts, and why this makes it increasingly difficult for the federal government to serve the American people the way policy makers intend.

I've been a technologist for my entire career, first in the private sector, and now in the public sector. I started out in the '90s, working for Andersen Consulting, building the large-scale systems that are now in various states of decrepitude, across both the public and private sectors. After launching some of the first websites and systems for Fortune 500 companies, I started an IT consultancy, which I ran for 15 years.

At that time I was exactly the kind of small business that the government should want to work with – low-cost, efficient, and specialized. But while I landed some small government contracts, I never even considered bidding on a major piece of work. I'd heard that government RFPs required a huge lift to respond to, and the few that I did consider bidding on were clearly written by people who didn't know what they were asking for.

Because I ran a women-owned business, I was often asked to be a sub on a contract, by larger businesses who wanted the competitive advantage that gave them. But when these businesses approached me, it was never to do anything that would have a large impact on the project. It was usually a hand-wavy, "we'll throw you a bone" -type of arrangement. I almost never agreed to sign on as a sub.

After Healthcare.gov failed to launch (Oracle was one of the major contractors), I joined the United States Digital Service (USDS), hoping to bring my hands-on technical skills to government. But like many USDS-ers, I immediately grasped that the root of all government system failures was not a lack of hands-on tech talent, but procurement.

When I was at Andersen in the '90s, we were one of a large pool of companies competing for these contracts. But over the years, the industry has consolidated – Andersen Consulting has become the mega-company Accenture – and the requirements that government lays out for contracts have become increasingly onerous, requiring specialized teams who do nothing but respond to government proposals. As a result, only the very largest firms have the capability to compete. According to the GAO, at VA alone, the number of IT contracts increased by $3B over the last four years, while the number of contractors fell by more than 25%. As of 2021, only 30 contractors accounted for 75% of all of VA's IT obligations.

These big players often don't play fairly, gaming the system to elbow smaller companies out of the way, often by acquiring them. They also account for every single one of the headline-grabbing large-scale federal IT disasters.

At USDS I worked on fixing ELIS, the nation's immigration case management system. USCIS started working on ELIS in 2005, during the George W. Bush administration. Seven years into development the system was such a mess that it had to be scrapped. The development of gargantuan systems often takes much longer than anyone expects and involves multiple types of failure. These failures are not limited to the United States. In 2011, the UK killed a £4.6B system that had been in development for nine years, meant to streamline the national health system's record keeping. In 2019, after 9 years of work and $2.2B, the Canadian federal payroll system's migration to a new platform failed so spectacularly that thousands of Canadians went without pay for weeks.

By 2015, when USDS came onto the ELIS project, they found that the contractor – IBM – had seized an undue amount of control over the design of the system. They'd designed ELIS so that it relied heavily on IBM products, even when those products did not benefit the system. As a result, ELIS took five times longer than paper to move applicants through..

Today, ELIS is stable and functional. The way USCIS got there was three-fold:

- First, they extricated themselves from their monolithic contract with IBM
- Next, they carved out smaller, discrete projects with clearly articulated outcomes goals. These contracts mostly went to smaller IT vendors.
- Finally, USCIS built an in-house team with technical expertise who could correctly procure and manage IT projects – something that had been lacking, and which led directly to ELIS's initial failure.

Coming out of the work on ELIS, USDS created the FLASH procurement vehicle to encourage a more diverse set of vendors to compete. FLASH unfortunately failed, but other federal agencies later refined the process successfully, including digital services teams at CMS, OPM, and the VA.

Veterans Affairs has a successful procurement vehicle called CEDAR, which pre-qualified four service-disabled, veteran-owned small businesses to receive task orders for agile IT delivery support in application development, product management and user research. Larger vendors' business models incentivize writing proprietary software into any system they develop, whether those pieces of functionality serve the end user or not. By breaking contracts into smaller pieces, it becomes more challenging for large vendors to game the system this way. CEDAR has a task order limit of $10M, which the VA has learned is too low. As a result, they are working on a new vehicle with no limit, called SPRUCE.

Consolidation and a lack of competition is always bad for the user, and when it comes to federal IT contracting, the end user is the American public. I want to make clear that these bad

contracts are not because people in government aren't trying hard enough. Often, government has no choice but to go with a vendor that has failed repeatedly. After the failed rollout of a system for public assistance built by Deloitte, the state of Rhode Island renewed the company's contracts. Similarly, VA may choose to proceed with Oracle Cerner because it is easier to keep building the boat you were working on than to turn it into a plane.

Going forward, it needs to be easier – and incentivized – for agencies to write smaller contracts and hire a smaller, more diverse pool of IT vendors. Additionally, vendors must not be rewarded for failure. Today, most contracts simply require that a product be delivered, not that it be usable or efficient. Government must demand better.

Finally, I want to touch on cost savings. When IT fails it is expensive, and we see cost overruns into the billions of dollars. Bringing senior tech talent in-house, while potentially expensive as a line item, would likely lead to tremendous cost savings as there would be people who could advocate for building the right thing the right way the first time. VA has already started this process. There are talented tech teams within the agency who are working to get it right, but these teams are small, and are often not consulted when it comes to large scale procurements.

I'd like to close with a positive story. Dr. Williams is a VA psychiatrist in a large city. When she first came to VA, she was delighted to find that VA's case management system made her work easier, unlike her previous experiences using Epic and Cerner. At VA, care is provided holistically, which means practitioners work together across specialities to provide the best care for veterans, and the IT system facilitates this. Early in her career at VA, Dr. Williams met with a veteran who was in the process of moving, as vets often do, so she had put all her belongings in cardboard boxes, along with her medication. As a result, she'd stopped taking her medication and had become actively psychotic. Using the VA's existing case management system, Dr. Williams was able to look up the patient's medication history, immediately place an order with the onsite pharmacy for the missing medication, arrange a home health nurse to assess the veteran's new home and create a system that would remind her to take her medication, enroll her in an outpatient program so she could get evaluated the next morning, and connect with a social worker who was then able to arrange a van to transport her to a clinic near her home. Because the system allowed Dr. Williams to do all of these things in less than 30 minutes, the veteran was able to stay out of the hospital, and get on a path to health.

This is how government systems should work, and can. But you can't get there with a small pool of vendors who take advantage of government's lack of technical know-how to line their own pockets. VA has the chance to do something wonderful for our nation's Veterans. They should take every opportunity to get it right, save money, and serve Americans the way it is intended.

Thank you.