Statement of
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Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
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Mr. Chairman and members of the Subcommittee, good morning. Thank you for your invitation to discuss the President's Fiscal Year 2007 information technology (IT) budget proposal for the Department of Veterans Affairs. As we look forward to the upcoming year, we remain focused on VA's primary mission—the health and well-being of our nation's veterans. To ensure that we succeed in our mission, it is imperative that we employ all of our resources, including information technology, in the most effective way possible.

Let me begin by updating you on the Department's ongoing information-technology infrastructure reorganization. When I testified before the full Committee in September 2005, I made clear our commitment to a reorganized, more effective and efficient information technology infrastructure. I discussed the first steps undertaken by VA to move the Department from the status quo toward an IT-model reflecting industry best practices, while keeping VA's mission to serve veterans foremost. I am pleased to report that VA is making steady progress in adopting a federated management model that will result in considerable efficiencies.

Our federated model separates our IT management structure into two domains: Operations and Maintenance, and Development. The Assistant Secretary for Information and Technology is responsible for the Operations and Maintenance Domain, with oversight and accountability over all IT budgets and projects within VA. Administrations and staff offices remain responsible for the Application Development Domain following the policies and framework established by the Assistant Secretary for Information and Technology. Let me be clear that under the federated model, the

budget will be centralized to the Chief Information Officer (CIO). Security will also be centralized under the control of the CIO. Development will require the CIO's review and budget approval.

To achieve that "to be" posture, and realize those efficiencies, we are realigning VA's IT management system to mirror industry standards and best practices. On October 19, 2005, the Secretary approved the federated IT management system concept. Under that plan, the Assistant Secretary for Information and Technology is charged with developing an interim federated model and a follow-on implementation plan with clear execution details. To manage this process, we brought on board an experienced project management officer to serve as the Executive Manager of the Information Technology Realignment Office, reporting directly to the CIO. In early January 2006, our top management team was briefed on the initial draft of the federated model. The final implementation package, which provides for an interim organizational structure, was delivered January 31, 2006, and briefed to the management team on February 15, 2006. The next step is follow-on, detailed implementation.

Top-level executives across VA understand the critical importance of this endeavor, and will remain highly involved in the organizational realignment. At the same time, we also understand that leadership changes culture, and that cultural change has to take place in order for buy-in to occur at all levels, Department-wide. Accordingly, we will communicate our plans up and down the line so that every employee understands what is to be done. We will train and test to ensure employees can perform the tasks they are required to perform. We will keep them motivated and informed, with timelines and goals that are agreed upon throughout the organization. Mr. Chairman, this is a plan that VA can, and will, execute.

I believe strongly that this federated IT management system will enhance IT operational effectiveness and eliminate duplication. Through standardization alone, the federated IT management program will result in a more cost-efficient and streamlined organization. We can realize efficiencies through reorganization and consolidation, resulting in a new infrastructure best able to support a more disciplined approach to IT

management. For example, consolidating the more than 100 data processing centers that currently operate across VA into a much smaller number will provide significant efficiencies. To gain cost efficiencies, levels of standardization, and a consistent operational model, VA must consolidate.

As we move forward, we will continue to build upon our successes. However, we remain aware that it is vital that any reorganization not adversely impact services to veterans or unnecessarily affect our employees. Keeping in mind that our department exists to serve veterans and their families, our first principle will be to "do no harm" to the patients in our world class health care system, or to the millions of beneficiaries that depend on checks being dispatched in a timely and accurate manner.   As I said before the full Committee in September, we know there are no simple "light-switch" solutions to be found in any model, but we are committed to managing these changes for the good of the Department and, most importantly, for the benefit of the veterans and their families that we are privileged to serve.

Fiscal Year 2007 Information Technology Budget Request

Mr. Chairman, the President's 2007 budget for VA provides $1.257 billion for the non-payroll costs associated with information technology projects across the Department. This is $43.2 million, or 3.6 percent, above our 2006 budget. The 2007 request for IT services includes $832 million for our medical care program, $55 million for our benefits programs, $4 million for our burial program, and $366 million for projects managed by our staff offices, most notably non-payroll costs in the Office of Information and Technology and the Office of Management, to support department-wide initiatives and operations.

As the result of fiscal year 2006 budget reductions, VA's IT programs operate in a tight environment. Challenges will continue into the upcoming fiscal year as VA transitions to a new line item IT budget and continues its infrastructure reorganization. For Development and Infrastructure Realignment, we are in a "Strategic Pause" for FY

2006 that will continue with the proposed FY 2007 budget. As the steward of the Department, I recognize that VA must improve our execution of the business of Information technologies during this challenging year. Our realignment demonstrates our commitment to do this.

Establishment of the line-item budget for VA's IT program is a step in revamping the way we plan and execute IT dollars. As you are aware, in the past, IT dollars were spread across the Department and could be moved relatively quickly and easily from one project to cover shortfalls in another. Budgets for information technology projects needed only general estimates. Those are facts, and we acknowledge them. However, we now operate in an environment requiring a rigorous, disciplined approach in order to budget accurately. This is a significant change for VA. FY 2006 will be a learning year for the Department during which there will be occasions when it will be necessary for VA to come to Congress to request the reprogramming of IT dollars and to make adjustments.

Support for the President's Health Information Technology Initiative

For the past year and a half, VA has been working hard to support the President's vision to have electronic health record capability for most Americans by 2014, and to implement the associated Executive Order. For example, VA and the Department of Defense (DoD) have partnered on state-of-the-art software applications, including Bidirectional Health Information Exchange and Consolidated Health Data Repository (CHDR). These applications allow VA and DoD to exchange standardized and computable clinical information on Injured service members as they move from DoD treatment facilities to VA health care facilities for continued treatment. This allows VA to care for seriously injured service members more efficiently, effectively and safely. VA has been on the cutting edge of development with its personal health record application, My Health*e*Vet, which empowers veterans to take control of their own health. With My Health*e*Vet veterans maintain their own personal health record via an internet portal. The application allows the veteran to monitor his own health progress

for chronic health conditions, access educational health information, or order prescriptions on-line.

These are just some of the examples of VA's world class innovation in terms of electronic and interoperable health records. We know that these software applications have improved the quality of health care for veterans in our health care system. We strongly believe that our efforts will create the foundation for a national electronic health record and support the President's call for a National Health Information Network. Our goal is to make these tools accessible to all Americans by making them available to both the public and private sector.

VA is also working, on behalf of the Administration, on enhancement of an application that supports nationwide surveillance for potential infectious disease outbreaks. The application enables national surveillance of clinical results. Rapid analysis of this information by national infectious disease experts could provide an early warning system in the event of a bioterrorism event. This application has the potential to benefit not just veterans, but all Americans.

The most critical IT project for our medical care program is the continued operation and improvement of the Department's electronic health record system, a Presidential priority which has been recognized nationally for increasing productivity, quality, and patient safety. Within this overall initiative, we are requesting $51.0 million for ongoing development and implementation of a new system architecture, called Health_e_Vet, which will incorporate new technology, new or reengineered applications, and data standardization to continue improving veterans' health care. This system will make use of standards that will enhance sharing data within VA as well as with other federal agencies and public and private sector organizations. Health data will be stored in a veteran-centric format replacing the current facility-centric system. The standardized health information can be easily shared between facilities, making patients' electronic health records available to all those providing health care to veterans.

Until Health*e*Vet is operational, we must maintain the VistA legacy system. This system will remain operational as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides $188 million in 2007 to operate the VistA legacy system.

We are also testing an integrated, commercial inpatient billing and accounts receivable product to enhance our first and third party billing procedures. It is called the Patient Financial Services System, and managed by VHA's Business Office. This project takes on additional urgency because estimates anticipate that we can significantly increase collections when the system is fully deployed. This improvement will be in addition to FY 05 collections, which already exceeded $1.8B.

We plan to roll out the new system to additional sites in FY 07. Along with this system, we are piloting a Consolidated Patient Account Center to create what we believe will be a "best-in class" revenue cycle operation.

Veterans Benefits Administration

In support of the Department's education benefits program, our 2007 request includes $3 million in non-payroll costs to continue the development of The Education Expert System (TEES). This will replace the existing benefit payment system with one that will allow the Department to automatically process education claims received electronically.

In the Compensation and Pension benefits delivery area, we are now field testing the final two applications of the VETSNET project. These final two applications of this project will promulgate awards and support benefits payments. The other three parts of this project are already in full use across VBA. We are currently developing a detailed end-to-end schedule to ensure all remaining functionality is addressed and integrated.

VA/DoD Information Sharing

As an integral component of our 2007 goals, we will continue to work closely with the Department of Defense (DoD) to fulfill our priority that service members' transition from active duty to civilian life be as seamless as possible. We are continuing our work on the next generation of health care, business, and benefits initiatives. The Health_eVet Program is the future health care information system for our nation's veterans. From this program will come the ability to electronically send medical records across VA and to exchange these records with DoD. In addition, our veterans will be able to go to the internet and view their personal health records. In the area of VA and DoD sharing, we are continuing to make progress.

In 2005, the Office of Enterprise Architecture Management focused on VA/DoD Joint Executive Council priorities contained in the Joint Strategic Plan with execution details overseen by the Benefits Executive Council. A key overall accomplishment was a prototype VA data repository for veteran demographic data, demonstrating that VA and the Defense Manpower Data Center could consolidate multiple data feeds into a single bi-directional feed between the two agencies. This was accomplished in September 2005.

To implement data transfer, VA and DoD agreed to a joint database schema which represents the data structure in this data repository. VA and DoD continue to add to the schema and update veterans' demographic data to reflect Combat/Military Pay data and other veteran attributes. The database and its evolving structure establish the architectural strategy and the functional foundation for data sharing and identity management, both internal and external to VA. This data base project is also the focal point for integration of data and requirements for OneVA initiatives in Registration Eligibility and Contact Management.

Cyber and Information Security

VA's 2007 information technology budget request provides $57.4 million for cyber security. This vital function ensures coordination of the development, deployment, and maintenance of enterprise-wide security controls to better secure our information technology investments in support of all of the Department's programs.

In 2005, VA significantly improved its security posture by completing certification and accreditation activities for 100% of the Department's operational information technology systems, bringing VA into Federal Information Security Management Act (FISMA) compliance for the first time. VA also made great strides by implementing a Department-wide Security Operations Center that provides around the clock vulnerability scanning, intrusion detection and prevention, forensics analysis and incident handling, and threat response. Finally, in FY 2005 we laid the groundwork for the FY 2006 implementation of the Security Configuration Management Program. This program is essential to eliminating vulnerabilities that expose VA systems to inappropriate access and manipulation.

Through these initiatives and many others underway, we will realize a new infrastructure that will provide a more disciplined approach to IT management, and improved delivery of health care and benefits to our Nation's veterans.

Proposed Budget Reductions in Health*e*Vet

I would now like to address the Committee's proposed reductions to VistA, Health*e*Vet, and other related VA health IT programs. These reductions would severely jeopardize our ability to maintain VA's Electronic Health Record (EHR)—acknowledged by independent analysts like Gartner, the Rand Corporation and even Consumer Reports to be the gold-standard for electronic medical record systems—at a time when the nation is trying to achieve President Bush's vision to have EHR capability for most Americans by 2014, and to implement the associated Executive Order.

VA's EHR is not something that emerges after the patient is seen. As much as the stethoscope and the prescription pad, the EHR is a fundamental part of how the patient is seen and treated, and, unlike any other medical technology, it is used every time a patient encounters a VA care giver. The degree to which VA has implemented electronic health record technologies far exceeds any other health care provider in the United States—meaning that our health care, which has been described as "the best care anywhere" is more dependent on health care solutions than any other health care delivery system in our Nation. While VA's EHR costs about $80 a year per enrollee to operate, this operating cost is easily offset by not having to repeat lab tests and studies or in some cases to hospitalize a veteran unnecessarily. The President's Information Technology Advisory Committee has reported that every fifth lab test or study and every seventh hospitalization in the US occurs because previous records are not available. This, however, is not true in VA—our records are available 100% of the time. The operating cost of the electronic health record in VA is significantly less than the cost of repeating a single study for each patient

The proposed reductions would require a significant reduction of employees, including those involved in day-to-day VistA operations, affecting employees in every state and patient care and patient safety at every facility. Moreover, the VistA-Legacy and VistA Imaging reductions would place us below the level necessary to sustain the current VistA operations in VA health care facilities. Eliminating funding for the continued development of the Health Data Repository project will prevent VA from performing cross-facility checking of drug-allergy and drug-drug interactions within VA and also with DoD. (Currently, drug-drug interaction checking takes place at the facility level, rather than among or between facilities.)

The Committee's proposed reductions essentially eliminate all efforts focused on replacement of the existing VistA-Legacy health care infrastructure—what we believe to be the critical foundation for meeting future EHR system requirements. Much like the venerable Boeing 747 that transformed air transportation and served us well for many

years, the functionality that VA's VistA-Legacy system currently provides is without peer, but this system, like the 747's design, now needs updating. VistA-Legacy has evolved and grown over the years to meet the changing VA health care delivery needs and now consists of nearly 10 million lines of complex code. The software has become cumbersome and time-consuming to maintain and must be replaced so that VA can take full advantage of future health care technologies and support future care delivery models that will improve service and lower costs. Please understand that there is no other EHR that could be deployed throughout VA to meet patient needs.

Depriving VA of the development funds we will need to replace the underlying architecture would also disrupt ongoing maintenance required for the safe operation of VistA, which currently requires in excess of 400 separate software changes a year, while fewer and fewer qualified programmers remain to analyze and fix those recurring problems. It would also preclude support for new activities such as enhanced charge capture, revenue collection, and transition to an architecture that will be interoperable with DoD's development plans. Finally, it would remove support for a centerpiece of the President's electronic health record goal. The impact the lack of these funds would have in terms of loss in system safety and reliability, future capability, and overall medical care affordability is incalculable.

Some of the other capabilities that would be impacted by this reduction include:
– Transportable Electronic Health Care Records—the inestimable value of which was demonstrated during the Katrina evacuations;
– The Centralized, standardized and integrated Health Data Record storage of more than 20 years of clinical data on more than 10 million veterans;
– The ability to integrate home telehealth data into electronic health records for review by their care providers;
– Veterans' access to their VA health information through their own personal health records;

– The development and use of portable devices that prompt nurses immediately when a lab test needs to be drawn, and to ensure that the right specimen is drawn from the right veteran and labeled correctly.

By making an investment now to transform from VistA-Legacy to the new Health_e_Vet environment, we will be positioned to take advantage of all the rapidly emerging technologies, gene therapy, more effective drugs optimized to the patient, telemedicine, and superior clinical knowledge support that a modern system structure would provide. If funding cuts are implemented, we will also delay the resolution of our current process inefficiencies, such as clinic scheduling and waiting-time monitoring, for years. And we will require additional funding in the future, perhaps significantly more than we are asking for now, to address those inefficiencies.

Mr. Chairman, I conclude by reaffirming VA's commitment to faithfully serve and support our veterans, and to be good stewards of the taxpayers' money. We are doing this by a reorganization effort that draws on "best-in-class" organizational alignment and business processes, and by instituting program management rigor and governance to ensure that our future systems will deliver promised capability on cost and schedule. As part of our reorganization, we are hiring proven program and process managers who will help us define and structure our programs and projects into the more traditional life-cycle systems development model used by DoD.

I look forward to future appearances before you to report the continued success of VA's ongoing and future IT programs throughout the Department.