VA'S FISCAL YEAR 2007 INFORMATION TECHNOLOGY BUDGET

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

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THE VA'S FISCAL YEAR 2007 INFORMATION TECHNOLOGY BUDGET

THURSDAY, MARCH 2, 2006

U.S. House of Representatives,
Subcommittee on Oversight and Investigations,
Committee on Veterans' Affairs,
Washington, D.C.

The Subcommittee met, pursuant to notice, at 10:00 a.m., in room 340, Cannon House Office Building, Hon. Michael Bilirakis [Chairman of the Subcommittee] presiding.

Present: Representatives Bilirakis, Strickland, Reyes, and Buyer.

Mr. Bilirakis. Good morning. Today we will examine the Department of Veterans Affairs (VA) information technology (IT) budget and review VA's IT expenses. It is certainly, as you know, not new to the Committee, nor is it new to the Subcommittee. However, this year we have for the first time a line-item breakdown of the VA's IT budget. Previously we would have to look at over 50 areas of the budget to figure out the Department's IT budget.

On November 30 of last year, the President signed fiscal year 2006 Military Quality of Life and Veterans' Affairs Appropriation Act (PL 109-114), which included in the conference report -- which a provision that directed the VA to provide $1.2 billion for VA IT and IT restructuring, and further directed the monies should be set up as a new IT systems account. The law also authorizes the transfer of funds among various accounts, subject to Congressional notification and approval to perfect the accounting structure of the IT systems account. The law further mandated that the VA provide a comprehensive listing of priority projects for fiscal year 2006 not later than 30 days after enactment of the act.

At this point, I think it is important to note that the Administration has requested $1.3 billion for IT funding in fiscal year 2007. While IT issues may seem mundane to some, and apparently they must, we make a significant investment in information technology (IT) each year, and I believe it is important that we ensure we are getting the

best bang for our buck.

Not included in my prepared remarks is the fact that we have -- Mr. Secretary and others of you, we have commended you. We have complimented you in the past, because even though we've been very frustrated and very disappointed in the progress of IT within VA. We do feel that it is probably far ahead from many of the other branches of the government, and we have complimented and commended you.

Having said that, of course, that is kind of the good news. Consequently, today's hearing marks over a half-dozen hearings held by the Committee on VA IT issues since 2000. Previous hearings have focused not only on the budget, but also on specific programs and the VA's enterprise architecture, or organization of the Department's IT. While the purpose of the hearing is for the Subcommittee to act in due diligence and conduct oversight on the newly formed VA IT spending account, VA IT reorganization is a major focus of the Full Committee, and part of this evolving process. We are very complimented that the Full Committee Chairman, Mr. Buyer, is here with us this morning.

Therefore, we would like to hear how the Department is proceeding with IT reorganization. During the September 14th, 2005 Full Committee hearing, led by Mr. Buyer, Deputy Secretary Mansfield stated that the Department was adopting a federated model for VA's IT infrastructure. Deputy Secretary Mansfield also reiterated VA's plans to move to a federated IT infrastructure model before the Senate Veterans' Affairs Committee in October of last year.

However, as of last night, and I understand some things may have taken place this morning, but as of last night, March 1st, VA had yet to approve its IT reorganization implementation plan to move to a federated model.

Given the slow pace of the Department's restructuring, the issue of VA IT reorganization funding is of concern to us. In fiscal year (FY) 2006, the VA received $7.7 million for the Department's enterprise architecture, the blueprint for the IT structure of the VA, to assist the Department in its IT reorganization. In this FY 2007, VA has requested $12.6 million, and yet the VA appears to have made little progress towards IT reorganization.

The Subcommittee also has some concern regarding some of last year's funding projects. Included in the list of VA IT projects for FY 2006 was $25.9 million in funding for Financial Logistics Integrated Technology Enterprise (FLITE). For FY 2007, VA requested $39.5 million for FLITE. The Subcommittee would like to learn more about FLITE, and whether or not this is associated with Core FLS. I remind you, the Core FLS initiative -- I don't think I have to remind you, but I will anyhow -- the Core FLS initiative in Bay Pines, Florida, bellied up to the tune of $342 million after four years of poor or little project management.

Also of concern are six IT projects that are projected to run on the

new VistA system once the existing VistA legacy system is re-hosted. For instance, the scheduling replacement project that has been in development for 10 years, and aw we understand is not even close to implementation, as we understand. According to VA's budget, almost all of the costs associated with these programs are for development, with little to no funding for operations and maintenance.

The Subcommittee and the Full Committee are extremely concerned that VA risks spending millions of dollars for developing software applications that will not run on the re-hosted program. As a matter of fact, VA has not provided a plan for re-hosting the 25 year-old system, but has gone ahead and started new software applications for the new-but-not-yet-in-place system.

Today, we will hear testimony from Deputy Secretary Gordon Mansfield. The fact that the Secretary is the only witness to this hearing is an indication I think of the fact that we place great focus on this subject, and want to spend as much time as we can on this subject with him, and with of course the good people that he has brought with him. He is accompanied by the Honorable Jonathan B. Perlin, Dr. Perlin, Under Secretary for Health; the Honorable Daniel L. Cooper, Under Secretary for Benefits; William F. Tuerk -- Tuerk or Turk?

MR. TUERK. Tuerk. Tuerk, Mr. Chairman.

MR. BILIRAKIS. Under Secretary for -- I'm Greek Orthodox, so I tend to not use that word, forgive me.

MR. TUERK. I understand.

MR. BILIRAKIS. I don't know, why did I have to say that?

Under Secretary for Memorial Affairs; the Honorable Robert Henke, the Assistant Secretary for Management; and the Honorable Robert McFarland, Assistant Secretary of Information Technology.

I, along with the other Members, look forward to hearing your testimony and answers to Members' questions.

[The statement of Mr. Bilirakis appears on p. 30]

MR. BILIRAKIS. Steve, you don't mind if I recognize Mr. Strickland next, do you? I would now recognized Mr. Strickland, my good friend from Ohio, Ranking Democratic Member.

MR. STRICKLAND. Thank you, Mr. Chairman, and to the Chairman of the Full Committee, my statement will be very short. So thank you for allowing me to precede, I appreciate it.

MR. STRICKLAND. Thank you, Mr. Chairman. I look forward to hearing the VA's justifications for its fiscal year 2007 information technology systems request of $1.257 billion, an increase of $43 million over the fiscal year 2006 enacted level. This year, in our Democratic views and estimates, we recommended $1.249 billion, an amount lower than the Administration's budget request. We expressed concerns over funding levels for the VA's Financial and Logistics Integrated Technology Enterprise Program, or FLITE, and we recommended a

decrease for this program. The majority has also expressed concerns regarding this program, and I know that I speak for all of us here in looking forward to your discussion regarding the FLITE program.

My Republican friends, in their views and estimates, went further than we did in recommending additional cuts, eliminating funding for the health data repository, HealtheVet, VistA, pharmacy reengineering, and IT support scheduling replacement, VistA imaging, and VistA laboratory IS systems reengineering programs. They also recommended dramatically reducing funding for the VistA legacy system.

Although I believe that we should look to any savings possible in the VA's IT account, I also believe that we should ensure that the VA has the resources to do the job today, and that any cuts that are ultimately made do not jeopardize larger savings that may be achieved down the road. This is especially important when we are dealing with the VA's electronic health record program, which is rightly held up as a model for other health care systems. We must ensure that the actions we take in regards to the VA's IT budget do not ultimately mean veterans not receiving the quality care they deserve.

But before any actions are taken, the VA needs to produce a rehosting plan and a transition plan for these programs. They must make sure that the VA has the resources to meet its essential IT needs, and does not seek funding from other accounts, especially the Medical Services. At the same time, we on this Committee do not want to be throwing good money after bad, which arguably has happened in the IT area before.

I would like the VA to explain to us what it is doing in the area of cyber security, an issue all of us on this Subcommittee care about. In a bipartisan manner, we recommended an increase of $20 million for fiscal year 2007.

Finally, I am interested in hearing from the VA about its experiences so far this fiscal year in the IT area. The VA is dealing with the new appropriations account structure in relation to IT, as well as explicit requirements mandated in the fiscal year 2006 spending bill. I believe that a separate IT account will afford us a better tool in which to conduct our oversight of the VA's IT efforts, or lack of efforts. I would like to hear from the VA how they are handling this, how it is ready to meet the challenges before it, and address the concerns of this Subcommittee. And I thank the witnesses for being here, and Mr. Chairman, I thank you for your courtesy.

MR. BILIRAKIS. And I thank the gentleman.

Chairman of the Full Committee, Mr. Buyer.

MR. BUYER. I'd like to thank the Chairman, the Ranking Member, and the members of the O&I Subcommittee for your leadership on the issue, and I would only like to make this comment to our friends in the Administration: as you know, Capitol Hill can be a highly

volatile place politically. So when there are moments in time when Republicans and Democrats stand together unanimously on a particular issue, it is noteworthy. And that is what has happened here with regard to IT.

We have our own thoughts and our own judgments. We recognize our oversight is part of the accountability function with regard to the dollar, and we also embrace counsel and seek the wisdom that other companies throughout the world also seek. And I think the Secretary was right, Secretary Mansfield, when VA sought out Gartner. So you make an investment in Gartner consulting, and they give you their best judgment, and then it is not followed.

We then give our recommendations, and we proceed together with the centralized model, take it to the House floor, and it is voted 408 to zero. Now that is a pretty strong vote. I am just letting you know, on matters of substance, very tough issues of substance, 408 to nothing, you can't trump that, you can't throw it away, you can't ignore it.

So we look at this one and go, "Okay, the Senate wants to be deferential. We understand the Senate. We understand how they operate." So they want to be deferential, they don't want to micro-manage. You go over to the Senate, you try to operate by consensus sort of the leadership that the secretary has given to you, Secretary Mansfield, so you try to work through this and you come up with the federated model.

The federated model then appears to be the political compromise model, but what does it mean, "federated model"? Does it mean that which was delivered to us in testimony by Gartner Consulting last year? Or is it something different? So I don't even know where you are going. I don't know what "federated" means. Is "federated" going to mean that model for which Gartner has advised and gave counsel to us and for which you testified last year before the Senate, about which Larry Craig, the Chairman, then says, "I will hold you accountable," Or are you walking this to the status quo?

And if that is what is happening, what will happen here is a very ugly confrontation between the Committee and the Administration, and we don't want that, because we want to be able to bring perfection and efficiencies to this system. And we can be sensitive with regard to Dr. Perlin's counsel about the development, and these crucibles of initiative and creativity, we can be sensitive to all that. But we are losing our patience up here. I just want you to know that. And so let me yield back to the Chairman.

Mr. Bilirakis. Very well said, Mr. Chairman. Mr. Reyes, opening statement, sir? No, all right.

Well, that being the case, Mr. Secretary, I'm not even going to turn on the clock or the light. You have the floor, sir. You can certainly bring in any of your people at any point if you would like. I am hoping that even though the -- I suppose you might say the focus of this

hearing is supposed to be the breakdown of the budget and that sort of budget areas, but you can see that our frustrations are such that even though you may satisfy what used to be the 50 earmarks and whatnot, what are now 50 earmarks or whatever that figure is, that we are still concerned about progress, and I mean real progress. So hopefully, you will work that into any prepared statement you have. Thank you for being here sir, and for your service to our country.

STATEMENT OF GORDON MANSFIELD, DEPUTY SECRETARY, U.S. DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY JONATHAN B. PERLIN, UNDER SECRETARY FOR HEALTH; DANIEL L. COOPER, UNDER SECRETARY FOR BENEFITS; WILLIAM F. TUERK, UNDER SECRETARY FOR MEMORIAL AFFAIRS; ROBERT HENKE, ASSISTANT SECRETARY FOR MANAGEMENT; AND ROBERT MCFARLAND ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY

MR. MANSFIELD. Thank you, Mr. Chairman, and Mr. Chairman, Mr. Strickland, and Mr. Reyes. I appreciate the opportunity to be here to talk about our IT programs.

Let me begin then by updating you on the department's ongoing reorganization. I can report that the VA is making steady process in adopting a federated management model that will result in considerable efficiencies. Our federated model separates IT management structure into two domains: operations and maintenance, and development. The CIO is responsible for the operations and maintenance domain, with oversight and accountability over all IT budgets and projects within the VA. Administrations and staff offices will remain responsible for the application development domain, following the policies and framework established for the department.

Let me be clear that under the federated model, the budget will be centralized to the Chief Information Officer, as will security. Development will involve the CIO's review and budget approval.

On October 19th, the Secretary approved the federated IT management system concept. Under that plan the CIO is charged with developing an interim federated model, and a follow-on implementation plan. And in January, 2006, our management team was briefed on an additional draft of a framework presented to us by Gartner for the federated model. The next step is to flesh out this framework, and adopt the final structure.

VA management understands the critical importance of this endeavor, and will remain highly involved in the organizational realignment. We also understand that leadership changes culture, and a culture change has to take place in order for buy-in to occur at all levels, Department-wide.

Mr. Chairman, we believe that this is a plan that the VA can and will execute. This federated IT management system will enhance IT operational effectiveness, and provide standardization, and eliminate duplication. We can realize efficiencies through the reorganization and consolidation. For example, consolidating the more than 100 data processing centers that currently operate across the VA into a much smaller number will provide significant efficiencies.

As we move forward, it is vital that any reorganization not adversely impact services to veterans, or unnecessarily affect our employees. Our first principle will be to do no harm for the patients in our world-class health care system, and to do no harm to the millions of beneficiaries that depend on checks being dispatched in a timely and accurate manner.

We know that there are no simple lightswitch solutions 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 we are privileged to serve.

Mr. Chairman, the president's 2007 budget for VA as you mentioned provides $1.257 billion for non-payroll costs associated with IT projects across the department. Broken down, this is a $43.2 million above our 2006 budget. The 2007 request includes $832 million for medical care program, $55 million for benefits, $4 million for burial, 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.

VA's IT programs operate in a tight budget environment in 2006. Challenges will continue into the upcoming fiscal year, as the VA transitions to a new line-item budget, as you mentioned, Mr. Chairman, and continues its infrastructure reorganization.

For development and infrastructure realignment, we are in a strategic pause for fiscal year 2006 that will continue somewhat into the proposed fiscal year 2007 budget.

I recognize that VA must improve our execution of the business of IT. Establishing the line-item budget for VA's IT program is a step in revamping the way we plan and spending dollars. In the past, IT dollars were spread across the department, and could be moved from one project to cover shortfalls in another. Budgets for information technology projects needed only general estimates. However, we are now operating in an environment requiring a rigorous, disciplined approach, in order to budget accurately. This is a significant change for the VA. This year, 2006, will be a learning year for the department, during which there will be occasions when it may be necessary for the VA to come to Congress to request reprogramming of IT dollars, to make adjustments.

The most critical IT project for our medical care program is contin-

ued operational improvement to the department's electronic health records system, a presidential priority which has been recognized nationally for increased productivity, quality, and patient safety. Within this overall initiative, we are requesting $51 million for ongoing development implementation of a new system architecture called HealtheVet, which will incorporate new technology, new or re-engineered applications, and data standardization, to continue improving veterans health care.

Until HealtheVet is operational we must maintain the VistA legacy system. This system will remain operational as the new applications are developed and implemented. This approach will mitigate transition and migration risks associated with a move to a new architecture. The budget provides 188 million to operate the legacy system.

In support of the department education benefits programs for veterans, our 2007 request includes money for non-payroll cost to continue the development of TEES or the -- to operate the education program. VA's 2000 and 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 the department's programs.

In 2005, VA significantly improved its security posture by completing certification and accreditation activities for 100 percent of the department's operational information technology systems, bringing VA into the Federal Information Security Management Act -- FISMA -- compliance, for the first time.

VA also implemented the department-wide security operations center. And finally, we laid the groundwork for implementation of the security configuration management program. This program is essential to eliminating vulnerabilities that expose the VA systems to inappropriate access to information.

I would like to address the Committee's proposed reductions to VistA and other programs in the health care arena. These reductions would severely jeopardize our ability to maintain the VA's electronic health record, acknowledged by independent analysts like Gartner, the Rand Corporation, and even Consumer Reports, to be a gold standard for electronic medical records systems. And this is at a time when we are trying to achieve President Bush's vision to have electronic records capability for most Americans by 2014, and to implement the associated executive order.

The Committee's proposed reductions seriously hamper efforts focused on replacement of the existing VistA legacy health care infrastructure, what we believe to be the critical foundation for meeting future 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 pro-

vides is without peer. But this system, like the 747, now needs updating. VistA legacy has evolved and grown over the years to meet the challenging VA health care delivery needs. 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 electronic health record that could be deployed throughout the VA to meet patient needs.

Let me make a change here, too, and note that if you look at where we are with the enrollment population of 7.6 million, and a unique patient treatment population of about 5.3 million veterans expected, and look what it costs to run this system,it comes out to be about $80 per individual. And I will tell you that if you look at just repeating one test, which this system allows us not to have to do, as the civilian community does, it pays for itself in a sense, in that way. Eighty dollars to maintain a record for an individual veteran for a year is not an excessive cost.

Depriving VA of the development funds we will need to replace the underlying architecture could disrupt ongoing maintenance required for safe operation. 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 the DOD's development plans. By making an investment now to transform the legacy system to the new environment, we will be positioned to take advantage of rapidly emerging technology, 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 clinical scheduling and waiting-time monitoring, potentially for years, and will require additional funding in the future, perhaps significantly more than we are asking for now, to address those inefficiencies.

We look at things like the advanced clinic access program that we are running to try and reduce waiting times. That requires more than just the additional space that we are putting on the scene for the doctors and nurses and health care people to use. It also requires this health care record system that they use every time that they see a veteran.

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. I would add in here that I don't want confrontation, either. I understand that we have some differences on how this goes forward. The senior management sitting at this table that effectively runs the VA, or manages the VA, has come together under the secretary's direction to agree on a federated model as what we need to

go forward. The secretary signed off on that, directed us to proceed, and this senior management will be required to pay attention to it across the implementation phase.

So I look forward to future appearances before you to report the continued success of VA's ongoing and future IT programs throughout the department, and that concludes my testimony, and we will attempt to answer the Committee's questions. Thank you very much for this opportunity.

[The statement of Mr. Mansfield appears on p. 34]

MR. BILIRAKIS. Thank you, Mr. Secretary. I am going to recognize us up here for a 10 minute questioning period. Whether we have a second round or not, I guess we will determine at that point in time. Hopefully, 10 minutes will be at adequate and keep us on the course that we are on.

Mr. Buyer, to inquire.

MR. BUYER. Well, thank you, my colleagues. Allow me to open with some few questions here. It was a pretty good meeting I had a few weeks back in Bloomington, Indiana, at a hospital that is working with McKesson. And they also wanted to upgrade their IT system, and they wanted to move toward electronic medical records, and were asking "How do we get this done?"

So McKesson came in and gave them some advice and some counsel, and this is a small hospital. And the hospital Administrator hires a hotshot CIO, okay? And the medical chief makes the CIO his next best friend. Those guys are standing there together like this, okay? I am not kidding -- I am sorry, Mr. Chairman. I didn't mean to interrupt.

And it was fascinating to see how this CIO and the chief medical officer of this Hospital were best buds, and that is the way it is supposed to be, okay? It is supposed to be like that, because they had buy-in. And that medical director understood what the CIO was going to implement was going to increase the quality of his care, and create efficiencies, and he had complete buy-in. And it was wonderful to watch this staff, and the presentation, and hear that. And I sat there sort of in amazement because that is not what I sense and feel from your staff.

And that sort of disappointed me, because I can give the same analogy. VA goes out there and they get a hotshot, he is sitting to your right. He is one of the best in our country, and he wants to help transform the VA to set a standard and a model for our country that can be leveraged across our health system. So much so that, as you said in your testimony the president recognized that. Congress recognizes that.

And so we are sort of miffed as to why, you know, Mr. McFarland and Dr. Perlin don't exchange Christmas cards. You should. I don't

know if you don't. Maybe you think I'm overstating; I am not trying to be cute.

We have been pretty tough on your IT budget. Last year, not only us, but from our leadership, and the appropriators took action, the Senate took action, and the trend line is not favorable with you, right? Is that a fair statement?

It is not favorable because we don't have a good comfort zone. So you have this 25 year-old VistA model that we invest a lot of money in, and so we have this shack. And we have this shack that is working kind of well, but we are investing a lot of maintenance on shack. And on the development side, you want to continue to build on a sun room, and put in a big swimming pool, plus a four-car garage.

Maybe every analogy is imperfect, okay. But you know where we would like to take you? And please, tell me if you think I am crazy, but here is where we would like to take you. We want you to make sure that you have a one architecture. We want to empower your CIO for the one architecture. His job is not to say "No." His job is to make sure that whatever on the business side or the development side fits in the one architecture, okay? And we would like for you to transition out of the VistA and get to a new system. So as you migrate to the new system, we want to make sure that whatever you are working out there on the development side, as you re-host, that it fits.

And so in order to make all that happen, to whom do you turn? He is sitting to your right, that from whom you are to seek the counsel, okay? Not the one to your left. Now, if you say, "Steve, you know what? Let me tell you where I disagree with you." Please, we need to know that. So let me turn to you, Mr. Secretary.

Mr. Mansfield. Well, I think the analogy can be the situation that you referred to with your arms around the counsel is a situation where I've got my one arm around this one, and one arm around this one. And this expert -- I agree with you, God bless us for having him, coming back out of retirement to come in and do something positive for the VA and I recognize that -- and he is my expert on IT, the Secretary's expert on IT. But he came into a system where his predecessors have built the system that we have. And it is not just my arms around these two; it is my arms around these two, and 230,000 employees out there, whom we have got to make sure all get the message, and all get it right, and we go forward as mentioned before with doing no harm. And I think we have come a lot further in the period that I've been up here talking to you in an effort to get there and move forward.

And again, I would make the point that after reviewing Gartner's report, which we asked them to come in and give us some recommendations, and after talking to, again, the senior leadership of the department and having them go through some intense discussion and debate, and come up with the answer, the Secretary decided that we

are going forward on a federated model. And we are going forward on that. And we are making process.

The other part of it is I would agree with you that we are under the gun on the dollars. It just so happens that it kind of works serendipitously, because with the re-organization going forward and with this new budgeting requirement with the new line-item budget, and the requirement finally to be able to get down there and figure out where all these dollars go, and then a requirement that we be very careful and come up here and answer to any reprograming requests, we are going through some significant changes in this organization right now. And that strategic pause that has been mentioned allows us to get through it as we get into '07, start making this thing work.

MR. BUYER. You use the word "federated." Is that federated, as was described by Larry Craig, or is there a federated -- is there a new federated model? I mean, first of all, you give testimony to Larry Craig, and then you go back to Gartner and say, "Okay, we have made a consensus again on a federated model." Then you seek counsel from them. You have three definitions of the word "federated" right now.

MR. MANSFIELD. We asked Gartner to come in with a fleshed-out framework for what they believe a federated model would be. In other words, they talked about the different options. They have come back, the IT director contracted with them, they have come back in with the Gartner model for a framework of what a federated model should be, and we are in the process of reviewing that at the senior level right now, and are getting very, very close to accepting that framework, which then will be the basis that we use to go forward and make --

MR. BUYER. Then let's cut to the chase. Are you going to follow the implementation plan of the Gartner federated model?

MR. MANSFIELD. I am listening to a debate that is going on with the senior management about what that model means and how we need to go forward, and basically the answer is we are going forward in an effort to put that framework in place so that we have something to take down to the lower levels and start implementing this plan.

MR. BUYER. I don't know how to respond to that, Mr. Secretary. I really don't.

MR. MANSFIELD. Mr. Chairman, let me make a point. We went through this last time with the discussion about where we were, when I was up here in September, I think, and the issue is we hired Gartner. They are working for us. We sent them out there to do a job for us, then come back with some recommendations. But they are not running the department.

MR. BUYER. I understand.

MR. MANSFIELD. They are not running the department. This management group here is responsible for making sure things work, so as we go through --

MR. BUYER. Well, look from our perspective for just a second. Four hundred and eight members of Congress, basically you are saying they are flat-out wrong.

MR. MANSFIELD. No, sir. I didn't say that.

MR. BUYER. Wait a second. Because you say, "Your centralized approach we are not going to follow in the VA. Even though I spent all this money on Gartner, we are not going to follow that." Then you tell the Senate, "We are going to follow a federated approach." You go back to Gartner and you get their opinion on a federated approach, and then we end up with sort of a "federated light." So instead, you then tell the Senate, "we are going to go here," and then you come back and tell us, "here," -- you are still in a management position over here. We want to get you over here, and we are walking the other direction, because you are trying to get consensus. I am challenged.

But can I turn to Mr. McFarland for a second, may I, Mr. Secretary?

MR. MANSFIELD. Yes, sir.

MR. BUYER. I would like for your opinion. Have you seen what we have submitted in our budget views and estimates to the budget Committee, from this Committee?

MR. MCFARLAND. Yes, sir.

MR. BUYER. All right. We came in there and we have zeroed out some of these development programs. And we have done that because we are anxious for you to set the architecture in place, to then move to the new system, and be able to re-host development. And we are concerned. So we are in this sort of strategic pause.

Now, from a business standpoint, is that the right way to approach it, or the wrong way? Help us out here in your counsel.

MR. MCFARLAND. Well, I think it is a good approach from a business perspective. I can't pass on which pieces of the development side are good, bad, otherwise, can't pass on that because I don't have insight into that area. It is not an area that the IT organization has ever managed here.

Until we get a chance to dig into each of those, through detailed analysis of the budget and the spend plans, which we are trying to do now, I can't tell you whether those are good pauses, bad pauses, intermediate pauses. I can't answer that.

I can certainly answer the areas which my department controls, which is a small amount of the budget, but I can answer those questions. I would have to defer to Dr. Perlin as to whether those are good pauses or bad pauses. Only he can answer that.

MR. BUYER. All right. Dr. Perlin? This is my last question.

DR. PERLIN. Thank you, Mr. Chairman, for the opportunity to respond. I think they are exceptionally dangerous pauses. I know this Committee would never knowingly do anything to jeopardize the ability of this department to deliver safe, effective, and efficient care.

There are two pauses --

MR. BUYER. Wait a second. Let me say this -- you just used a very powerful word. You said, "If we zero this out, that it is dangerous." This is new development. "Dangerous" would be if I did something to your system that would affect ongoing operations. This is new development over here, which sets a different standard. So you have just used the word "dangerous." How can it be dangerous if it deals with a new development, as opposed to affecting your ongoing operation, Dr. Perlin?

DR. PERLIN. There are two components in the views estimates. And first, let me reiterate how much we appreciate your great support for VA in the overall budget, and your concern for veterans.

The two components, as you know, which are reduced, includes: One, the operation of the current VistA system. The second is the aspect that does provide development for things such as the health data repository.

The health data repository is the current relational data set that would allow us to do things like drug error checking. It would increase, as the deputy secretary said, the ability to have data which are interoperable with the Department of Defense, and to allow medical care to be informed by the past experience of the servicemember during military service.

The HealtheVet VistA component is not an application, or it is not an application that runs on the new architecture; it is the new architecture. It is what will transcend some of the limitations of the current architecture, which happens to provide very good clinical care. It has been listed by many as the gold standard. Matthew Morgan, Canadian Journal of Health Care Papers listed it as that, and the basis for not only safer and higher-quality care, but also tremendous efficiencies on the larger medical services budget.

But the HealtheVet VistA would allow greater maintenance efficiencies to occur, as well. Pharmacy engineering and IT support are an incredibly relevant area to the issue of safety. The new pharmacy package would allow the inclusion of pharmaceuticals that are not prescribed within the VA, will allow the inclusion of over-the-counter herbal supplements that have tremendous interactions with the prescribed pharmaceuticals that a patient might use. Similarly, for VistA imaging, in laboratory, the ability to manage those data timely and effectively has tremendous impact.

I would note that we agree fully in VHA of the need to transform, and desire to transform. We concur absolutely that we should be more efficient in the corporate purchasing, in management of generic IT, and we fully support the home for the enterprise architecture, and indeed, the approval of each and every development program, and the control of the budget in the Departmental Office of Information and Technology. Thank you.

MR. MANSFIELD. Mr. Chairman, let me just follow up on that, and reiterate that point that Dr. Perlin made with the reference to Mr. McFarland's testimony.

In the federated model, the IT, the CIO at the IT office will be in charge of the architecture, and also have oversight over all budgets including development budgets. They will also make sure that standardization operates across the department, not just in operations and management, but also in the development side.

And also in addition to that, the CIO will be the overseer of the OMB 300 plans.

And then I have decided that any proposed reprogramming issues are going to have to be cleared through the IT's office, since they deal with budget issues. So he will have, in the near feature, the ability to make sure that the architecture is followed, that the budgets are followed, and that we do get what we want here, which is standardization, and that we follow the IT budget.

MR. BUYER. Mr. Chairman, in conclusion I think our oversight should only at this moment in time intensify. Because the last thing we could want is, we have legislation that we have passed 408 to nothing, the Senate over there being deferential to the Administration, and what we don't want to happen is, is a continued walking to the status quo, so we end up with a "federated light," and we then get pushed back from the Senate by way of saying, "Well, you know," to the house, "you don't need to do anything legislatively, because they are already taking action," and what we are doing is pushing this down the road even that much further, and we are not even being able to perfect efficiencies. With that, I yield back.

MR. BILIRAKIS. Thank you, Mr. Chairman.

Mr. Strickland to inquire.

MR. STRICKLAND. Mr. Chairman, I defer to you as the Chairman of this Subcommittee, and I will ask my questions when you have finished, if that is okay.

MR. BILIRAKIS. I guess it is okay.

Some of us have worked for the federal government in another life. I didn't do it all that long. I was an engineer before I went on to law school, and I was with the Federal Power Commission for a while. I know that there is a feeling sometimes of these guys on Capitol Hill being an ivory tower. That they are generally pretty darn educated and hard-working people, and that sort of thing, but they think they know everything about everything, and they really don't know very much about anything.

Now I don't know how you perceive us, I know that Dr. Perlin is going to be expert, certainly, when it comes to health care. Mr. McFarland, certainly, when it comes to IT, and the rest of you, as far as your areas of concern. You are not under oath here. I know that in Energy and Commerce, where I also serve, for the Oversight and

Investigations Subcommittee, every hearing is under oath and that sort of thing. We haven't done that here, and I don't know that it is necessary to do it.

I would like to ask you to be candid with us. Are we wrong? Is Mr. Buyer wrong? He asked you to tell him, Secretary Mansfield, he asked you to tell him if he's crazy. You don't have to use that word, but is he wrong? Am I wrong? Are we wrong here to have heard for a period of years that there is an interest in IT? A real sincere interest in IT: "All we need is additional monies," and "we need to hire an expert," and we hired an expert, and he has given us his opinion," or "they have given us their opinion, and I don't know." I understand Mr. McFarland, who probably has more expertise in this area than any of us do tends to favor, maybe, the opinion of the expert that was hired and an awful lot of money was spent for.

I don't know, I have an engineering degree but I'm here to tell you, my wife will tell you, I can't even do the least little thing at the house. So I am not technically minded in spite of the fact that I have that degree. I am not sure that I understand big differences between the centralized model and any other model that you have made up your mind you want to do. I think you probably had already made up your mind on the federated model before we spent millions of dollars on the expert.

Anyhow, are we wrong? Are we on the wrong track here? Are we trying to shove something down your throats that you think is a bad thing for purposes of the veterans? Is Mr. Buyer wrong when he talks about Dr. Perlin and Mr. McFarland not sending Christmas cards to each other? Is that the kind of a thing that we have in our VA that we think so very strongly about? Just talk a little bit, talk a little bit on my time, here. Go ahead, Gordon.

MR. MANSFIELD. Thank you, Mr. Chairman, and I would preclude my frank comments by a couple of statements. Number one is I have been up here, at this table in fact, in another life, and I don't think my attitudes or my, thoughts changed from there to here. You know, we are all here to do the best thing we can to take care of veterans who have served this country and earned benefits, and deserve those benefits that they have earned.

MR. BILIRAKIS. Are we open-minded in the process? Are we turf-conscious, or are we not turf-conscious in the process? The worst word I think in the English language is "turf," not "Turk." Turk is all right, but turf, that is a big problem up here. It is a big problem, we are all concerned about protecting our turf. Is that what we have here?

MR. MANSFIELD. That is Bill over there.

MR. BILIRAKIS. Bill? A little bit of levity.

MR. MANSFIELD. I wanted to make a couple of other comments, too. And make sure that I firmly believe these. We are here because the

Constitution of the United States mandates that -- for example, the Congress is the one that takes taxpayers' dollars and allocates them to the executive branches. You are the folks that set up the laws that we are required to follow through on --

MR. BILIRAKIS. You can tell us -- forgive me for interrupting, but you can tell us. Come on, let's be candid here. Let's not bring in the Constitution. You can tell us, are we wrong? Are we on the wrong path here, in terms of what we think should be done, and maybe should have been done long before now?

MR. MANSFIELD. You are definitely on the right path in that IT needs to be reformed and made more efficient, and work more effectively, and that the dollars need to get more return for investment. You are definitely right on that.

You are right that we sent out and had Gartner come in with the report, but as I said, our belief is we hired them to do a job for us. They came in with more than one recommendation. And we took into consideration our ability and our requirement to manage this department, and then the Secretary's desires, and came up with an answer that was different than yours.

I surely am not going to tell the Chairman that he's crazy when he can get a 408 to nothing vote on the floor. That obviously means that he knows what he is doing in this area and this arena, and I don't think that I want to get caught between this side of the Hill and the other side of the Hill. But they both, as I remember, are involved in making final decisions.

We believe that this is the way to go. This is the way to go, and a start towards reforming the VA's IT.

MR. BILIRAKIS. How many starts have we had?

MR. MANSFIELD. This is the first one that I have been involved in, sir.

MR. BILIRAKIS. Well, I appreciate that. This past October, you stated that the Secretary has recently made a decision to proceed with implementing the federated model in reorganizing VA IT. That is the federated model, not the 408-to-zero model, but the federated model. I realized that that did not become law, that mandate, but certainly it is a pretty good idea how Congress feels about it.

Your comments before the Senate, the whole point of that it was going to take 12 to 18 months to implement the Federated model. This was in October, four months have passed. Could you tell us what specific steps the Department has taken on implementing the Secretary's federated model?

MR. MANSFIELD. I just asked the expert how long it would take to implement a centralized model, and he said basically the same time.

One thing that I want to put on the record here is that I am operating on some of the lessons I learned from the Core FLS issue. And one of those is to make sure that we have got it right up front, that we

do not move forward until we make sure in the management ranks that we have got it right, and we are prepared to roll it out, and we can make sure that the department can follow along with the instructions we are given.

That means communication, that means training, that means a lot of things. But rather than step forward a day early, I would rather make sure that we have got it right, so that we know it will work when we put it out there.

MR. BILIRAKIS. Is the problem, Gordon, that we keep changing people at the top? Therefore we have lack of stability and consistency and whatnot? You indicated under your watch, so to speak. Is that a problem?

MR. MANSFIELD. Well, as I testified I think in September, I came in as Deputy Secretary about the same time Mr. McFarland came in, and the first assignment we had together was to go down to Bay Pines and find out what was going on. And I went down there and got down and talked to be GS-4s, fives and sevens and eights that were trying to make that system work, and I learned some lessons. And I am trying to apply what I learned there to what we are doing here.

MR. BILIRAKIS. All right.

MR. MANSFIELD. And one of the things is that we have got to get it right before we roll it out, to make sure we will make it work this time.

MR. BILIRAKIS. All right, so what we are talking about is we are discarding the, recommended even by the GAO, the centralized model, and we are focusing on the federated model? The decision has been made by VA to go federated, right?

MR. MANSFIELD. October 19th, Secretary Nicholson signed a document saying we are going to proceed with the federated model.

MR. BILIRAKIS. Okay.

MR. MANSFIELD. Those are -- and I will tell you, that is based on this management team's recommendation, discussion with them, where he went around the table and asked each one, "Is this what we need to do, is this what we need to do, are you in agreement with this?" And those are our marching orders from the person that is responsible to give us direction.

MR. BILIRAKIS. Would you mind if I ask Mr. McFarland a question, direct question? Do you have any problem with that?

MR. MANSFIELD. Sir, you can ask Mr. McFarland any question you want. I understand that that is why these folks were brought up here. But I want to make a point -- well, no, I won't, either.

MR. BILIRAKIS. Mr. McFarland, I am sure anybody would agree when it comes to IT, you are more expert than probably all of us put together. Do you buy into the federated model? You are the one who is going to have to do it, aren't you? You are the one who is going to have to implement it, oversee it, et cetera, right?

MR. MCFARLAND. Well, I have to oversee the operations and maintenance side of it. The development side of it in a federated model is in the hands of the Administration. So, I have oversight over the budget, as you have given me. But from the operations and maintenance side, that is the side that I would manage in a federated model.

MR. BILIRAKIS. Go ahead, Mr. Buyer.

MR. BUYER. Your testimony to this Committee and your counsel to us was that you endorsed a centralized approach as presented by Gartner. And that testimony has not changed today. You still believe in the centralized model, as utilized in the business community. I mean, you still believe in a centralized model, but you have had to move toward a consensus with regard to a federated approach which you are prepared to implement under the leadership of the VA; is that a fair?

MR. MCFARLAND. That is correct.

MR. BUYER. Okay.

MR. BILIRAKIS. Okay, that being the case, and we all work for somebody else -- we work for a heck of a lot more people that you do. Well, maybe I guess the same number. The point is, that being the case, your superiors and your colleagues here have all decided to go federated. You can live with that, and you feel that they do can do the job with that as adequately as you would have with the other model, that you preferred?

MR. MCFARLAND. Sir, any change from where we are today is a good change.

MR. BILIRAKIS. Yes, are you a lawyer?

MR. MCFARLAND. No, sir. But in the last two years, I have been learning how to --

MR. BILIRAKIS. You are learning how.

MR. MCFARLAND. We would like to clear the record, sir. My wife, Susan, and I did receive a Christmas card from Dr. Perlin and his lovely wife.

DR. PERLIN. And for the record, we received one from --

MR. BILIRAKIS. You received one.

MR. BUYER. I am going to have to leave, and we want to continue to work with you, and these are matters of policy. It is hard, it is challenging. We are going to the same goal. We embrace the same goal, Mr. Secretary, and to the Under Secretaries, I say we are going to get there. And the more we engage each other, the more we bang it through, and we are going to get a good system. The reality about Capitol Hill is, is even though we would love to move in bold strokes, the reality is we move in increments, and we recognize that. So you are not moving at a pace which we would desire, and we will deal with the Senate's as deferential, but we are going to keep the pressure on, that is the reality.

I want to switch to a completely different topic, and I want to bring

to your attention a great concern of mine, and I believe of the Committee, and it deals with the tone and tenor of the nation. So Secretary Tuerk, I bring this to your attention.

In Indiana, we have an individual who was just killed, Sergeant Ricky Jones, from Kokomo, Indiana. His family home has been vandalized, has been egged. The family have received phone calls that say, quote, "I am glad your son is dead." So I am about as outraged as I can be and must speak against such behavior toward our sacred dead.

So what I would like to do is work with you, Secretary Tuerk, and work with the secretary of the VA, to reach out to this family in Indiana. Now, there is something that is occurring in the country called patriot riders. And my sense is, you are about to have a thousand patriot riders show up in Kokomo, Indiana. And the last thing I want is violence, but I just believe that everyone would share the thought that we are equally appalled that something like this would be occurring.

But I think we need to have a voice from the VA, and I am going to speak with the family today, and I am going to go to the funeral. I don't know what your plans are but Under Secretary Tuerk, if the Secretary or Gordon Mansfield, I know you have busy schedules, but if you can be there, I would like for you to check your schedule. This is your department. And I would like for you to reach out to this family, and I would like the VA to send out a bold message, because you are responsible for this individual's body, and for how we care for this individual, and make sure that his life, that individual's life is recognized. Let me turn it to you, Secretary Tuerk.

MR. TUERK. Mr. Chairman, I don't know whether I can articulate outrage and disgust any better than you just have. You have my solemn commitment that I will work with you to properly honor this servicemember and his loved ones. I cannot think of anything that would take precedence over joining you in Kokomo, Indiana, to help this family get through its hour of need. And I assure you that I cannot anticipate that my boss, Deputy Secretary Gordon Mansfield, would have a priority for my time that is higher, either. So I look forward to traveling with you, and doing right by this family. You have my assurance of that.

MR. BUYER. All right. They are not constituents of mine. I am just appalled. If the Secretary can't make it, Gordon, you know, if you can deliver a letter from the Secretary of the VA to the family, or something in person?

MR. MANSFIELD. We will bring the president's certificate, and we will check with your folks --

MR. BUYER. Let us have our staffs work together.

MR. MANSFIELD. Do everything we can, yes.

MR. BUYER. We can stand to send a message to the country that

this conduct is pretty outrageous.

MR. TUERK. Yes, sir.

MR. BUYER. All right, thank you.

MR. BILIRAKIS. All right. Thank you, Mr. Buyer.

Gordon, I have two questions and I am just going to ask them. One I started to ask, and then I am going to ask you to respond to them within a week in writing, and give you a better opportunity to do that. We are expecting votes at 11:30, and I thought it would be only fair to go through the rest of the members, to give the rest of the members an opportunity here.

The one is continuing on what I recently went into, is your testimony in October regarding implementing the Federated model. You said it was going to take 12 to 18 months to implement it. This was in October. So my question is, four months have passed --

MR. MANSFIELD. Excuse me, sir.

MR. BILIRAKIS. It is all right, sir. Four months have passed. Could you please tell us what specific steps the Department has taken in implementing the Secretary's federated model, first question. Hopefully, a response in writing within a week. Is a week fair?

MR. MANSFIELD. Yes.

MR. BILIRAKIS. All right. Second one --

MR. MANSFIELD. You want that in writing?

MR. BILIRAKIS. Yes, I want that in writing.

In 2006, Congress appropriated roughly $26 million for Core FLS, here we are again. However, in a VA letter to the House Appropriations Committee that listed VA IT-related and the amounts to be spent for FY 2006, it appears that VA reprogrammed monies for Core FLS, and put the monies into a new program called FLITE. You are not surprised that I am bringing all this up -- recently, my staff requested briefings on the FLITE program, formerly Core FLS. According to VA, this is a new program and not a rebranding of Core FLS. Please explain why the VA reprogrammed VA IT monies into a new program which is called the FLITE program, and whether or not Congress was notified of the reprogramming as required by law.

I will submit these to you so you can have the question exactly as I asked them.

MR. MANSFIELD. You want the second one by -- in writing?

MR. BILIRAKIS. Within a week.

MR. MANSFIELD. Yes, sir.

MR. BILIRAKIS. If you would do that, I would appreciate it.

MR. MANSFIELD. Will do, sir.

MR. BILIRAKIS. Again, I thank all of you for appearing here, and would now turn the query over to Mr. Reyes.

MR. REYES. Thank you, Mr. Chairman, and gentlemen, thank you for being here.

The Gartner report recommended that the VA adopt a centralized

IT model, or the VA's adoption of what you are terming a "federated model," and it also cited that the poor state of the VA's investment management process was a reason for that recommendation.

However, Mr. Secretary, your written testimony states that you are, and I am quoting, "pleased to report that the VA is making steady progress in adopting a federated management model that will result in considerable efficiencies."

My question is, how have you improved the poor state of your investment management process? And how certain can this Subcommittee be that the efficiencies that you are promising will in fact be realized?

MR. MANSFIELD. Mr. Reyes, those are good questions, and I would make the point that in addition to the reorganization, for the first time ever, in fiscal year 2006 the VA is required, and has an IT line-item. And that means that we have to ensure that we get the programs under that lined up and accounted for. And it also means that we are going to have to be more rigid in our accounting, more accurate in our accounting, and ensure that we do it right. And I would tell you that, sir, I have to unfortunately say that we have not always done it right in the past.

The second thing is that in the reorganization as we move forward combining the IT line-item, and the reorganization, the CIO, the Assistant Secretary for Information Technology is now in charge of reviewing the OMB 300 programs, which gives us a better chance up front to figure out exactly what the budgeting and finance requirements are. So that is a starting point.

The other point is that no matter which program you went to, centralized or federated, you would still have the opportunity in making sure that the programs that the IT folks are going to be responsible for, management and operations, can be standardized and in many cases consolidated, and that is where we believe we will be able to realize the first savings in this program.

MR. REYES. I guess the frustration that I hope you know we are feeling is, let me give you one example, and it deals with this, what in your testimony you referred to are "strategic pauses." And in your testimony, you say that these "strategic pauses" pay for development and infrastructure realignment in fiscal years 2006 and 2007. The frustration deals with trying to understand what, in real terms, the "strategic pause" means. Why, when we know the need, when we spent millions of dollars on a recommendation with the Gartner report, why are we in a "strategic pause?" Can you explain that to me?

MR. MANSFIELD. Yes, sir, and still I would make the point again for the record that we are following one of the recommendations of the Gartner report. They came in with a number of recommendations, and as I said, we went through a process within the department to

determine how to apply to the department. The senior management team here in conjunction with the Secretary made a decision to go to the federated model. So that is where we are in that sense.

And I think the answer to the question is, we just have to, you know, work our way through reorganizing the whole IT function of the department. It isn't just management and operations that is going through a reorganization. I have directed the under Secretaries of the administrations to go through a process to make sure they examine and do a reorganization on their development functions which are still left under their control in the federated model.

MR. REYES. But if you accepted the recommendation of a "strategic pause" in the Gartner report for this resetting, of the prioritization of the IT function, why in the world wouldn't you accept the recommendation that it be a centralized, versus what you are calling a federated model?

MR. MANSFIELD. Well, the strategic pause is actually applied to the development function, not the management and operations. So the transformation that is going forward in the management operations sense is a big issue for the department. While we are going through that, and while we are doing an effort to conform the requirements that we have on the IT budgeting, another major project that the department has never done before, we are doing it for the first time this year; and as we are looking at making sure that the OMB 300s are reviewed in a timely and accurate manner, that gives us the opportunity, with reduced funding as directed by the Congress to go forward, with a strategic pause, to make sure we can get through the reorganization, to make sure that we can -- and at the same time, reorganize, or refresh the development programs. And that will allow us, then, to move forward, probably towards the end of '07 or '08 with new development programs that we will be recommending in future budgets.

MR. REYES. Okay. So, why haven't we seen a detailed plan of what you intend to do? Because the concern that I know I have, and maybe perhaps some of my colleagues, is that when you came in with your budget request, it seeks funding for certain programs that ultimately may not be consistent with your re-hosting efforts. So where are we on having a detailed or comprehensive plan of what you intend to do and what it is going to look like, so that we can have some assurances as the Subcommittee on Oversight, that you are not going to -- that we are not going to be funding programs that will be obsolete once, whatever this plan is, will get implemented?

MR. MANSFIELD. And that is exactly what a strategic pause can allow us to do. We won't be going forward with programs until we get the final decision made on what the standards are, and what service level agreements are, and what we exactly have to do to carry forward. So this strategic pause I think, sir, allows us to do what you

want us to do, which is make sure we don't spend money where it shouldn't be spent.

MR. REYES. What makes the VA so unique that you can't follow the industry standard? I mean, we have got systems that may need maybe a little but of tweaking, but that are industry standards, that are state-of-the-art. From what I can gather from your testimony and what I have read about this effort, you are going to have islands out there that you are going to connect with bridges, instead of one centralized system that everyone will be able to utilize, that everybody will be able to train on, that everybody will be able to depend on for information. And that will ultimately make the VA more effective, more efficient, and give the kind of service that I know all of us want the veterans to receive.

MR. MANSFIELD. One of the things that I believe will happen -- I don't believe, I know will happen, is that the IT, the CIO will bring industry standards to bear, as we move forward in this reorganization.

But I would make the point, too, that as mentioned earlier, if you are looking for the standard, for example, in electronic health records, it is right here at VA. Even though it is on a 25-year-old platform, it has been redone up-to-date. And again, as I say, that is a electronic health care record that costs us $80 a year per patient to maintain, and I would make the point, too, in an announcement by Representative John Porter, about moving towards electronic records for the federal employees health benefits plan. There's an article here in the Washington Post that talks about Mr. Porter indicating that the VA has been able to do this, and that is the goal they are looking for. So we are in effect the industry-standard in health care records, I believe. And we can take it a little bit further to make sure they are brought into the 21st century.

MR. BILIRAKIS. Would the gentleman yield?

MR. REYES. Yes, sir.

MR. BILIRAKIS. You are, and you can be even more. We talk about this sort of thing should take place, particularly for health care, throughout the entire country so that every provider, every hospital, et cetera, et cetera, et cetera. You could be a model, you can be a model. You are really not a model as yet, even though you are probably ahead of everybody else. We know when the problems took place as a result of the Hurricane Katrina, that when you transferred patients from, was it New Orleans to Houston, that the equipment in Houston was not capable of being able to take what you sent over there to plug it in, that you had to reconfigure. So more work has to be done.

MR. MANSFIELD. I agree, sir. You are talking about an ideal system. We are talking about taking a 20-year-old system and bringing it into the position where it can do that. But I would suggest to you that any other health-care system in that area right now is probably digging

out their paper records and trying to figure out what they saved --

MR. BILIRAKIS. Amen, but we keep falling back on that.

MR. MANSFIELD. Sir, I don't disagree with you, and that is the plan here. And that is why we requested this money to go forward, is we need to bring these records further into the current --

MR. BILIRAKIS. I think Mr. Reyes is trying to -- you were trying to get, I think, to what their decision is going to be, what plan, what model is the one that is going to be used.

MR. REYES. Exactly.

MR. BILIRAKIS. I understood, you know, February the 7th, you were going to come up with some sort of decision. Then it was deferred to the 15th, that it was deferred to February the 28th. Then we heard, and I don't know how we get this information, but we heard that you all were getting together this morning to come up with some sort of a decision.

MR. MANSFIELD. Sir, I made a decision that I am not going to be doing something without, you know, full review and an ability to look at everything on the table, to be able just to come up here and present something to you.

MR. BILIRAKIS. All right.

MR. MANSFIELD. I think that is part of the problem we have had in the past, for example, lessons learned, that we have forced ourselves to do something so we can present it to you and say, "Hey, we did it."

MR. BILIRAKIS. Yes, sure --

MR. MANSFIELD. And I think that is not right, and I am not going to do it.

MR. BILIRAKIS. All right. You should not be frightened of us, or forced to do something prematurely or anything of that nature. Back in October you said it would take 12 to 18 months, and I guess you are going to tell us what has taken place during those first, those four months, right?

MR. MANSFIELD. As I indicated, we went out to Gartner again, which everybody up there seems to think is the best way to go, and asked them to come back and give us a framework. Not an actuality, but a framework that would allow us to use that to flesh out all the things that we need to do to go forward. And then looking at that framework again, if the first steps are wrong, then the next steps are going to be wrong, and by the time we get down the road, we are going to have another mess on our hands, and I am not going to do that. I want to make sure it is done right up front, and that we can go forward. At some point, I am going to have to step in and say, "Do it this way."

MR. BILIRAKIS. Go ahead, Mr. Reyes. I am sorry, I didn't mean to interrupt.

MR. REYES. No, you followed up, and that is the very question I wanted to, or reassurance that I wanted to, because you know, we like

the programs, health data repository, scheduling replacement, VistA imaging, all of those. We are spending all these millions of dollars on that, and I think what I want is reassurance that those things aren't going to go out the window whenever you reset this plan, whether it is that you are waiting, as I understood, from the recommendation from the Gartner report, or the combination of the Gartner report and the federated plan. Can you give us that assurance?

MR. MANSFIELD. In my testimony I think I pointed out that we object to those cuts. We believe each and every one of those programs is important. The health data repository not only helps us; it is going to help us connect the VA and DOD systems in a seamless transition. Some of these programs are set up so that we can increase our efficiency. For example, with the scheduling, the clinical scheduling package will allow us to make sure that the advanced clinic access program, that needs more than, as I said --

MR. REYES. Well, but Mr. --

MR. MANSFIELD. -- so I am committed to making those programs move forward so that they can provide efficiencies in the future. Part of it is though, you know, we have to make sure as we go through, as I said, the strategic pause, that we have the ability to do everything that is required.

MR. REYES. Okay. Well, one of the problems is that you are in a "strategic pause" on these programs, yet you are asking us to fund the development of these programs while you are in this pause. So I for one am --

MR. MANSFIELD. I would make the point that we have cut it down to those we do want to go forward with, and the others that are not so important or not critical to operations with VA, DOD, or critical to scheduling, or other efficiencies, are the ones that are in the pause mode.

MR. REYES. Okay, but the problem is we still don't have a plan of where you are going with that, and that is why I think there is, at least on my part, a reluctance to move forward.

MR. MANSFIELD. Well, sir, I understand your concern and your reluctance. I made the point to the Chairman, to the full Committee Chairman, to the Subcommittee Chairman, and I agree that we haven't done it exactly as we should have done in the past, and unfortunately we suffer because of that. I would just make the commitment that part of what we are trying to do here is make sure that we do do it right. The strategic pause was to allow us to make sure that we got the reorganization and the budgeting issues taken care of, and then the planning issues, which are the OMB 300, to make sure that we got that right. But I would also tell you that those ones that you mentioned are key to us to be able to move forward in efficiencies, in return on investment, and we do want to be able to do that.

However, in addition to the reorganization, as I mentioned, the CIO

is responsible for ensuring that the management operations backbone of the system, the operating systems, are made efficient. The Under Secretaries are responsible for making sure that the development functions, which remain under their control, that which is left, conform to the standardization that is set by the CIO, conform to the architecture that is set by the CIO, go through a budget review that is done by the CIO, but also are done right. And that is what we are trying to do all at the same time.

MR. BILIRAKIS. Is it a good idea to do this, to do all this? We keep talking about it. We keep talking about throwing money at it and that sort of thing, you want additional dollars. Is it good for the veterans? Is it good for the Department to do all these things?

MR. MANSFIELD. Yes, sir. Yes.

MR. BILIRAKIS. It is good, all right. We have been talking about it now for how many, 10 years or something of that nature? Again, whatever that period of time is, it is something like 10 years. I realize that you are not responsible for your predecessors and things of that nature, Mr. Secretary, but here we are, again. You can't blame us for feeling that there is something happening here, whether it is a culture thing or something of that nature, I don't know. I understand that Gartner gave VA an implementation plan that you have not even adopted as yet. You haven't even made the decision on adopting it. Now I realize I want you to cross all the T's and dot the I's and make sure, so we don't have the problems that we had in the past, and throw good money after bad, et cetera.

There has got to be some sort of limitation of time. Hell, I retire at the end of the year. Why should I feel confident that something like this is really on a good path by the time I retire? I don't, I mean what are we doing here? We are having problems with adequate funding for health care of veterans and things of that nature. I really have the feeling we ought to take all this money and divert it into health care, because we don't seem to see things get done.

MR. MANSFIELD. This is health care, sir. You couldn't get the health care to 5.3 million patients without the electronic health care record. And we can give it better and more efficiently with more quality, and make no mistakes, if we adopt some of these things we want to do.

MR. BILIRAKIS. Then why are we taking so long to do it? Why are we taking so long to do it? It is health care, you are right.

MR. MANSFIELD. If I could have it done by midnight, I would have it done by midnight. I am pushing this as hard as I can. The Secretary has made the decision. At senior staff meetings, the Secretary continues to point out to his senior management group that this is a priority of the department, and we need to move forward. We are moving forward appropriately to get this done. But as I said, rather than do something just to do something, we want to do it right the first time.

MR. BILIRAKIS. Okay, so you haven't come up with a model as yet, is that right?

MR. MANSFIELD. I have the framework. I have a model that will give us a framework, that we can then use to go forward with, and make the final decisions.

MR. BILIRAKIS. When can we expect --

MR. MANSFIELD. We can't go out the door and buy something off the shelf to do it.

MR. BILIRAKIS. Yes, but Gordon, it has been about 10 years.

MR. MANSFIELD. Well, sir, let me back up and make the point. I fully understand and appreciate your concerns about this issue. I fully understand and appreciate the fact that the Committee and Subcommittee are concerned about -- based on history, unfortunately -- whether we can get it done. I am just telling you that the Secretary is committed, I am committed, this management team sitting with me here is committed, and we are moving forward appropriately to get it done.

MR. BILIRAKIS. Yes. Is wrong for us to mandate a particular date? I think it is not fair to you, we are not down at that particular level. Yet, here we are, we feel like we are floundering. I hate to use the word, "stonewalling," because I think you are above that.

MR. MANSFIELD. Well, as I mentioned in my conclusion, sir, I think I said I look forward to further trips up here to this Subcommittee and Committee to answer questions as we go through this, and I am serious about that.

And the other point I would make is we on a regular basis attempt to brief your staffs about where we are, what we are doing, and how we are going forward. You mentioned the FLITE briefing that took place. So we are attempting to convey the information and let you know what we are trying to do, but I fully expect to be at this table with this microphone in front of me, further on in the year.

And let me, if I may, say -- you mentioned your departure. Let me say thank you, Mr. Chairman, thank you for the service that you have provided up here. Thank you for the direction that you have given to the Department of Veterans' Affairs. Thank you for all the legislation and the oversight that you have provided to ensure that those veterans that we are here to take care of are getting the benefits and services that they have earned. I really, really we want you to know that I am saying that personally and for the department. We do appreciate all the effort and passion that you obviously are putting into this.

MR. BILIRAKIS. Well, thank you for that sir.

I have one more question and it would go to Secretary Cooper, but I would ask that it may be submitted in writing. It has to do with the Carnegie Mellon SEI report of September on VETSNET, where it stated that there is no credible evidence that the program will be

substantially complete by December 2006. The report further states that the program could lead to a "never-ending program." You are aware, of course, VETSNET has been in development for over 10 years, and at a cost of over $600 million, and the program's development continues to reside within VBA. So the question is, under the Federated model, will VETSNET still be an open-ended application development project? And when is VBA going to develop rules and standards to application development? That is the question. We will hand it to you personally, and please respond to that hopefully within a week, because I don't want to be unfair with, you know, the time line, there.

Well, Mr. Reyes, anything further?

MR. REYES. No, Mr. Chairman.

MR. BILIRAKIS. Well, gentlemen, thank you for coming here now. This is tough on you, but I think it is tougher on us because of the frustration that we have. Now I feel that you are dedicated and you care about the veterans, and it has got to be frustrating to you, too. Somewhere along the line with the time that it has taken here, we just keep on reinventing the wheel. It seems like it is throwing, maybe sometimes, good money -- you know we have thrown some good money after bad over the years. Something has got to take place here. I don't know what the answer is, but you have indicated your willingness to cooperate with the staff. I know that Art, is very much interested in this, and he has been awfully good as far as I am concerned. He is courteous and whatnot. Hopefully, he has been that way in his communications, and relationship with you. We want to see some action for and on behalf of the veteran.

The hearing is over.

[Whereupon, at 10:54 a.m. the Subcommittee was adjourned.]

APPENDIX

The Honorable Michael Bilirakis
Subcommittee on Oversight and Investigations
VA's Information Technology Budget for Fiscal Year 2006 and 2007
March 2, 2006

Good morning. Today, we will examine the Department of Veterans Affairs Information Technology (IT) Budget. Review of VA's IT expenses is not new to the Committee, nor is it new to the Subcommittee; however, this year, we have for the first time a line-item breakdown of the VA's IT budget. Previously we would have to look at over 50 areas of the budget to figure out the Department's IT budget.

On November 30, 2005, the President signed the FY 2006 Military Quality of Life and Veterans Affairs Appropriations Act (P.L. 109-114). Included in the Conference Report (109-305) is a provision that directed the VA to provide $1.2 billion for VA IT and IT restructuring and further directed the monies to be set-up as a new IT Systems account.

The law also authorizes the transfer of funds among various accounts, subject to congressional notification and approval, to perfect the accounting structure of the IT Systems account. The law further mandated that the VA provide a comprehensive listing of priority projects for FY 2006 not later than 30 days after enactment of the Act.

At this point, I think it is important to note that the Administration has requested $1.3 billion for IT funding in FY 2007. While IT issues may seem mundane to some, we make a significant investment in information technology each year, and I believe it is important that we ensure that we are getting the best "bang for our buck."

Consequently, today's hearing marks over a half-dozen hearings held by the Committee on VA IT issues since 2000. Previous hearings have focused, not only on the budget, but also on specific programs and the VA's enterprise architecture, or organization of the Department's information technology.

While the purpose of the hearing is for the Subcommittee to act in due diligence and conduct oversight on the newly formed VA IT spending account, VA IT reorganization is a major focus of the full Committee, and part of this evolving process. Therefore, we would like to hear how the Department is proceeding with its IT reorganization.

During the September 14, 2005, full Committee hearing, Deputy Secretary Mansfield stated that the Department was adopting the federated model for VA's IT infrastructure. Deputy Secretary Mansfield also reiterated the VA's plans to move to a federated IT infrastructure model before the Senate Veterans' Affairs Committee in October 2005. However, as of last night, March 1, the VA had yet to approve its IT reorganization implementation plan to move to a federated model.

Given the slow pace of the Department's restructuring, the issue of VA IT reorganization funding is of concern to us. In FY 2006, the VA received $7.7 million for the Department's Enterprise Architecture, which is the blue print for the Information Technology structure of the VA, to assist the Department in its IT reorganization.

In FY 2007, the VA has requested $12.6 million. Yet, the VA appears to have made little progress towards its IT reorganization.

The Subcommittee also has some concern regarding some of last year's funding projects. Included in the list of VA IT projects for FY 2006 was $25.9 million in funding for FLITE (Financial Logistics Integrated Technology Enterprise). For FY 2007, the VA requested $39.5 million for FLITE. The Subcommittee would like to learn more about FLITE and whether or not this is associated with CoreFLS. I remind you that the CoreFLS initiative in Bay Pines, Florida bellied up to the tune of
$342 million dollars after four years of poor or little project management.

Also of concern are six IT projects that are projected to run on the new VistA system once the existing VistA Legacy system is "re-hosted." For instance, the Scheduling Replacement project has been in development for over ten years and is not even close to implementation.

According to the VA's budget, almost all of the costs associated with these programs are for development, with little to no funding for operations and maintenance. The Subcommittee and the full Committee are extremely concerned that the VA risks spending millions of dollars for developing software applications that will not run on the "re-hosted platform." As a matter of fact, VA has not provided a plan for rehosting the 25 year old system, but has gone ahead and started new software applications for the "new" but not in place system.

Today, we will hear testimony from Deputy Secretary Gordon Mansfield.

Secretary Mansfield is accompanied by the Honorable Jonathan B. Perlin, Under Secretary for Health, the Honorable Daniel L. Cooper, Under Secretary for Benefits, William F. Tuerk, Under Secretary for Memorial Affairs, the Honorable Robert Henke, Assistant Secretary for Management, and the Honorable Robert McFarland, Assistant Secretary for Information and Technology.

I look forward to hearing the VA's testimony and answers to Member's questions.

I would now like to recognize Mr. Strickland, the Ranking Democratic Member.

Statement of the Honorable Ted Strickland
Ranking Democratic Member
Subcommittee on Oversight and Investigations
House Committee on Veterans' Affairs
Subcommittee Hearing on VA IT Budget
for Fiscal Years 2006 and 2007
March 2, 2006

Thank you, Mr. Chairman. I look forward to hearing from the VA its justifications for its FY 2007 Information Technology Systems request of $1.257 billion, an increase of $43 million over the FY 2006 enacted level.

This year, in our Democratic Views and Estimates, we recommended $1.249 billion, an amount lower than the Administration's budget request. We expressed concerns over funding levels for the VA's Financial and Logistics Integrated Technology Enterprise program, or FLITE, and recommended a decrease for this program. The Majority has also expressed concerns regarding this program, and I know that I speak for all of us here in looking forward to your discussion regarding the FLITE program.

My Republican friends, in their Views and Estimates, went further than we did in recommending additional cuts, eliminating funding for the Health Date Repository, Health*e*Vet Vista, Pharmacy Re-engineering and IT Support, Scheduling Replacement, Vista Imaging, and Vista Laboratory IS System Re-engineering programs. They also recommended dramatically reducing funding for the Vista Legacy System.

Although I believe that we should look to any savings possible in the VA's IT account, I also believe that we should ensure that the VA has the resources to do the job today, and that any cuts that are ultimately made do not jeopardize larger savings that may be achieved down the road. This is especially important when we are dealing with the VA's electronic health record program, which is rightfully held up as a model for other health care systems. We must ensure that the actions we take in regards to the VA's IT budget do not ultimately lead to veterans not receiving the quality health care they deserve.

But before any actions are taken the VA needs to produce both a re-hosting plan and a transition plan for these programs.

We must make sure that the VA has the resources to meet its essential IT needs and does not seek funding from other accounts, especially Medical Services. At the same time we on this Committee do not want to be throwing good money after bad, which, arguably, has happened in the IT area before.

I would like the VA to explain to us what it is doing in the area of cyber security, an issue all of us on the Subcommittee care about. In a bipartisan manner we recommended an increase of $20 million for FY 2007.

Finally, I am interested in hearing from the VA about its experiences so far this fiscal year in the IT area. The VA is dealing with a new account structure, as well as explicit requirements mandated in its FY 2006 spending bill. I believe that a separate IT account will afford us a better tool in which to conduct our oversight on the VA's IT efforts, or lack of efforts. I would like to hear how the VA is handling this, and how it is ready to meet the challenges before it and address the concerns of this Subcommittee.

Statement of
The Honorable Gordon H. Mansfield
Deputy Secretary of Veterans Affairs

Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
U.S. House of Representatives

March 2, 2006

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 HealtheVet, which empowers veterans to take control of their own health. With My HealtheVet 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 HealtheVet, 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 HealtheVet 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 HealtheVet 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 HealtheVet

I would now like to address the Committee's proposed reductions to VistA, HealtheVet, 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 HealtheVet 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.

Questions for the Record
Chairman, Michael Bilirakis
The Honorable Ted Strickland
The Honorable Silvestre Reyes
House Committee on Veterans' Affairs
Subcommittee on Oversight and Investigations

March 2, 2006

Hearing on Department of Veterans' Affairs FY 2007
Information Technology Budget

Question 1: In testimony before the Senate Committee on Veterans' Affairs on October 20, 2005, Secretary Mansfield stated that "the Secretary has recently made a decision to proceed with implementing the federated model in reorganizing VA IT." Deputy Secretary Mansfield further stated that "it was going to take 12-18 months to implement a federated model." Please provide the Subcommittee with specific actions, by date, the Department has taken on implementing the Secretary's approved federated model?

Response: The Deputy Secretary testified before the full Committee in September 2005 and made clear his commitment, and the Secretary's, to a reorganized, more effective, efficient information technology infrastructure. At that time, he discussed the first steps undertaken by the Department of Veterans Affairs (VA) to move from a status quo, "as is" posture toward a "to be" vision that embraced industry best practices while keeping VA's mission to serve veterans foremost. VA continues to make steady progress towards implementing a federated management model and realizing the efficiencies we believe will result.

In an Executive Decision Memorandum, October 19, 2005, the Secretary approved a Federated IT Management System for the Department of Veterans Affairs. Additionally, he charged the Assistant Secretary for Information and Technology (AS/IT) to develop a Federated IT System Model in 45 days that would be used as the framework for VA's transition to a Federated IT Management System. The contract was let to develop the Federated IT System Model December 5, 2005; the Model was completed and presented to the AS/IT January 21, 2006. This model defined the Federated IT Management System and the two domains – the Operations and Maintenance Domain and the Development Domain – as the demarcation of responsibilities; recommended business process flows, sample scenarios, IT process governance; and suggested a "To-Be" structure for the Office of the CIO. After the Federated IT System Model was discussed and analyzed within VA, the Secretary, in an Executive Decision Memorandum dated March 22, 2006, approved: (1) The Federated IT System Model; (2) The Federated IT System Model as the framework for VA's transition to a Federated IT Management System; (3) an interim construct of the Office of the CIO to manage the IT personnel in the Operations and Maintenance (O&M) Domain; (4) the mass detail of IT O&M personnel to the Office of the CIO (effective April 30) with the permanent assignment of these individuals to follow (not later than October 1, 2006); and (5) the

Communications Plan to notify the IT community in VA of the transition to a Federated IT Management System.

Simultaneously with the Secretary's March 22 Executive Decision Memorandum, the AS/IT began contract preparations for the follow-on contract that would develop the implementation and execution details to transition VA to a Federated IT Management System. A Statement of Objectives (SOO) was developed and integrated into a Request for Quotes (RFQ). The RFQ Package was released to Industry April 10, 2006; a pre-proposal site visit was held for prospective contractors, April 20. The deadline for industry proposal submission was May 10. Contract award is projected for June 9, and contract work is scheduled to begin June 15. The follow-on contract is an 18-24 month effort that will validate IT management processes; recommend best business processes; and assist in implementing the transition measures to achieve a full operational Federated IT Management System by June 2008. A primary focus of the follow-on contract will be to validate the development domain construct, develop best business processes to develop and validate business unit requirements; and restructure the Application Development Process to ensure application production is timely and consistent with IT Infrastructure requirements and business unit needs.

Question 2: In FY 2006, Congress appropriated roughly $26 million for CoreFLS. However, in a VA letter to the Chairman of the House Appropriations Committee that listed VA IT related projects and the amounts to be spent for FY 2006, it appears that VA reprogrammed monies for CoreFLS and put the monies into a new program called FLITE (Financial and Logistics Integrated Technology Enterprise). Recently Committee staff requested briefings on the FLITE program. According to VA, this is a new program and not a re-branding of CoreFLS. Please explain why VA reprogrammed VA IT monies into a new program, the FLITE program, and whether or not Congress was notified of the reprogramming as required by law.

Response: VA continues to face a long-standing material weakness—the lack of an integrated financial management system. The Department's previous effort to address this material weakness was halted in July 2004 when the CoreFLS project was stopped. Nevertheless, the problems caused by the lack of an integrated financial management system remain, and it is critical that VA take the steps necessary to resolve this major deficiency.

Since July 2004, the Department has been evaluating the lessons learned from the CoreFLS experience and has been conducting detailed analyses of VA processes and available commercial software products. As a result our analysis, we have launched a new initiative, the Financial and Logistics Integrated Technology Enterprise (FLITE) project, designed to correct the material weakness. VA briefed your staff twice on FLITE – once on February 13 and once on February 17. The FLITE project is now underway and will allow us to achieve three key objectives: (1) effectively integrate and standardize financial/logistical data and key processes across all VA offices; (2) provide management with access to timely and accurate financial, logistics, budget, asset, and related information on VA-wide operations as well as on specific programs and projects; and (3) establish an advanced technology environment which provides the greatest capability and an extended life cycle.

In regard to your question as to whether Congress was notified of the reprogramming, the answer is yes. On January 3, 2006, the Secretary sent letters to the Chairmen and Ranking Members of VA's House and Senate Appropriations Subcommittees, presenting the reprogramming base that identified the FY 2006 costs by project for the newly enacted Information Technology appropriation. These letters were sent as required by the Military Quality of Life and Veterans Affairs Appropriations Act of 2006, Public Law 109-114. The enclosure to the letters specified that $25.976 million would be devoted to the FLITE project this fiscal year, noting that these funds had previously been designated for CoreFLS. Since these letters actually established a reprogramming base for FY 2006 and changed the funding profile for a large number of IT programs, no additional reprogramming letters were necessary.

The President's 2007 budget includes $34.442 million in the Information Technology appropriation for continued development and implementation of FLITE. These non-payroll funds will be used to conduct the following activities in FY 2007:

- implement change management plan
- conduct additional seminars with the field
- complete process standardization
- implement process changes
- conduct employee training
- make adjustments to planning documents
- finalize detailed, multi-year, costing profiles
- survey hardware "existing conditions"
- analyze hardware options
- make adjustments to functional requirements documents
- complete establishment of data warehouse
- complete the standardization of financial and logistics data
- select software "solution" and "provider" methodology
- obtain necessary license fees.

Question 3: The Carnegie Mellon Software Engineering Institute report dated September 2005, on VETSNET, stated that "there is no credible evidence that the program will be substantially complete by December 2006." The report further states that the "program could lead to a never-ending program." As you are well aware, VETSNET has been in development for over 10 years and at a cost of over $600 million, and the program's development continues to reside within VBA. Under the federated model will VETSNET still be an open ended application development project? Please provide the time table that VBA is using to develop rules and standards for software application development prior to any new or ongoing application development, and deployment VETSNET system-wide.

Response: In early 2005, in an effort to ensure VBA was on the right track, and working in close collaboration with the Assistant Secretary for Information and Technology, an Independent Assessment (ITA) of the VETSNET project was requested. This assessment, conducted by the Software Engineering Institute (SEI),

provided an objective view of the factors required for the successful completion of the VETSNET project. SEI made a number of specific recommendations. They are:

- Develop a comprehensive end-to-end project plan that fully documents functionality, level of effort, deployment priorities and schedule, and measures of success.
- Focus deployment on new claims weighed against the functionality available at the time.
- Stop large scale conversions from the Benefit Delivery Network (BDN) until all system functionality has been proven in a production environment.
- Develop an effective risk management plan.
- Measure progress by the number of new claims processed in the new system.
- "Fast track" accounting functionality and back-end processing capacity (VETSNET FAS) to expand the type and complexity of compensation cases processed.
- Complete external interfaces (e.g. Department of Defense, Social Security Administration, etc.).
- Complete production reports.
- Resume conversion effort once system capabilities are proven with claims of varying type and complexity.

While SEI expressed concerns regarding bringing the program to closure, they explicitly stated they "...do not believe that the VETSNET program should be killed." They noted that "if the risks and technical barriers identified... are effectively addressed, there is no reason to believe the system will not work." In addition, SEI stated that VETSNET will "...be a usable production system, and it should function as a reasonable base for eventual evolution to technology consistent with the VA enterprise architecture." In response to SEI's recommendations and to address their concerns regarding VBA's ability to finalize VETSNET development, the following actions have been taken and are continuing:

- A senior executive is in position to assist with the implementation of the recommendations. This executive answers directly to the Under Secretary.
- The MITRE Corporation (a Federally Funded Research and Development Center, FFRDC) has been engaged to assist with execution of the SEI recommendations and provide project management expertise and technical assistance.
- With assistance from MITRE, VBA is developing a comprehensive project plan with emphasis on expanded functionality and processing of new claims.
- VBA is fast-tracking accounting functionality to include check and irregular pay, receivables, and retired pay; and focusing efforts on completing external interfaces.

These are strong measures which address the shortcomings identified by SEI. VBA's actions in this regard have been taken in close collaboration with, and under the advice of, the VA Chief Information Officer (CIO). These actions, culminating in a realistic end-to-end strategy, will enable VBA to move the VETSNET project to completion in a more cohesive, efficient and effective manner.

Continued guidance and oversight for VETSNET activities will result from the implementation of the federated model for IT administration. Under this model, VBA will still manage its own IT development activities, in accordance with VA standards and guidelines. However, all expenditures for VETSNET, as well as all other application development efforts across the Department, must be approved by the VA CIO. This level of oversight will ensure investments continue to be sound, and that IT applications and development efforts are in concert with the standards set forth by the VA CIO. These standards, which in part call for applications to conform to VA's enterprise architecture, are being incorporated into VBA's current software development lifecycle methodology.

Together with the risk mitigation activities noted above, implementation of the federated model and adherence to VA's enterprise architecture and software development standards will help ensure VA's vision of a fully modernized, veteran-centered information processing system will come to fruition.

Parties external to VA have often cited the $600 million funding figure when referring to the VETSNET project. A thorough review of VA's accounting records shows the $600 million figure for the VETSNET project to be in error. VBA has made significant investments in information technology (IT) since the late 1980s. However, these funds were not expended solely on VETSNET application development. A large portion of the investment was made to modernize the VBA IT infrastructure and technology base. A brief synopsis of VBA's IT investments may serve to explain better what funding has, and has not, been used to support the VETSNET initiative.

Modernization (1986 – 1995) Expenditures $224,398,000
Modernization efforts begun in 1986 included a number of initiatives to improve the delivery of benefits and services through improved technology. These included establishment of new databases for exchange of medical information, payment histories, and voucher records; support to loan guaranty operations; and use of bar code technology to track veterans' claims folders. Tier II Modernization initiatives focused on the replacement of outdated systems with modernized computing technology to deliver benefits and services more quickly and efficiently. The modernization architecture network included workstations, image-processing systems, sector processors, and network support centers supported by local and wide-area communications.

In 1991, modernization was redefined to be completed in three stages. Stage I included the acquisition of equipment, software, and database management systems to support centralized applications and data exchange; the establishment of local and wide-area networks; and the integration of computer-telephone systems. Stage II extended processing capabilities at the Education Regional Processing Offices through the acquisition of document imaging hardware and software. Components included imaging hardware and software, automated cards, and enhanced local area networks. Stage III, which focused on the acquisition of information technology, was subsequently canceled in favor of using the Departments existing assets.

VETSNET (1996-2005) Expenditures: $69,100,000
The VETSNET project began in December 1993 as part of the software portion of the modernization plan. The plan centered on a fully modernized, veteran-centered information processing system which would completely redesign the Compensation and Pension payment systems. However, the scope was later refocused on the replacement of the application software unique to the aging Benefits Delivery Network (BDN) hardware platform augmented by critical informational and work management system capabilities.

VETSNET will replace the legacy Compensation and Pension system and includes five major applications:

1. Modern Award Processing- Development (MAP-D) – supports claims establishment, development of claims, and workflow tracking.
2. Rating Board Automation (RBA) 2000- supports the rating and evaluation of disability claims.
3. Award- used to prepare and calculate benefit awards.
4. Financial Accounting System (FAS) – supports generation and audit of benefit payments.
5. SHARE/Search and Participant Profile- records and updates basic information about veterans and their dependents in the corporate and legacy databases.

Three of the five applications are being used today by all veterans service representatives (VSRs) and rating veterans service representatives (RVSRs) in each regional office (RO) as the basis for claims processing (SHARE/Search and Participant Profile; Modern Award Processing-Development; and Rating Board Automation 2000). All five VETSNET applications (including Award and Financial Accounting System) are being used by the Lincoln and Nashville ROs to pay electronic funds transfer disability compensation claims for veterans who are rated from 10 percent through 90 percent (except for apportionments).

The following chart shows detailed expenditures for this period.

VETSNET Project	Funding Totals 1996-2005	FY06 Budget	FY07 Estimates
BDN Conversion and Utilities	2.3	1.609	1.900
Project Management Support	1.4		
Testing and Quality Assurance	11.7	5.008	4.089
Award/FAS/Architecture	43.1	10.352	11.000
MAP-D	3.6		
RBA2000	4.1	1.128	1.128
VETSNET Study	0.7		
St. Pete Operations	1.2	0.104	0.104
Misc.	1.0		
VETSNET MITRE Corporation Strategic Support		1.414	1.655

TOTAL	**$69.1**	**$19.6**	**$19.9**

Question 4: The Office of Inspector General (OIG) provides Congress with Semi-Annual Reports regarding its activities. In the most recent report submitted to Congress, the OIG reported that inadequate oversight on management of IT contributed to inefficient practices, serious problems with information security, and numerous vulnerabilities with the physical security of IT assets at a number of facilities reviewed. How does the budget request for FY 2007 reflect a commitment to bolster management efficiencies and specifically address vulnerabilities in VA's information security?

Response: VA significantly improved its security posture by completing certification and accreditation activities for 100 percent of VA's operational IT systems. This major accomplishment provides VA senior management with the information they need to authorize those systems to process VA's sensitive data, knowing that the level of risk is acceptable for the data housed on those systems. It also assures VA senior management that planned remediation of known system vulnerabilities will occur during fiscal years 2006 and 2007. This and other Department-wide cyber security initiatives are part of VA's centralized information security program administered by the CIO through VA's Office of Cyber and Information Security.

While VA's certification and accreditation effort was a resounding success, it did reveal that the Department has approximately 14,000 deficiencies on its more than 450 major applications and general support systems that must be addressed through some type of remedial action. The Department's Cyber Security Program, while centralized, is executed on a decentralized basis. Consequently, many of the remediation activities and their associated costs are the responsibility of the system owners located in VA administration and staff offices. The Office of Cyber and Information Security has tasked these activities to provide this information which will be consolidated and included in a follow-up response to this committee.

Question 5: Looking at the list of IT projects for FY 2006 and FY 2007, many of the programs fall within the separate Administrations of the VA. Who has responsibility and oversight of the funding for these projects? Please list each full-time project manager for each specific program.

Response:

Project	Project Manager	Alternate Project Manager
Financial Management System	Whittington, Mike	Watson, Tammy
Payroll/HR Systems-2006	Curtis, Angela	Sendra, Mark
E-Payroll	Curtis, Angela	Downing, Judy (AAC)
VA-Wide e-Travel Solution	Wilson, Robert	Sendra, Mark
VA Enterprise Architecture	Parker, Fran	Tenore, Luigi
One-VA Contact Center	Parker, Fran	Tenore, Luigi

One-VA Eligibility and Registration – 2006	Parker, Fran	Tenore, Luigi
Telecommunications Modernization Project 2006	Poore, Ray	Legensky, Chet
VA Computing Infrastructure—2006	Purschell, Chuck	Poore, Ray
VA Video Teleconferencing Systems & Services—2006	Cheplick, David	Johnson, George
VA Voice Telephony Systems and Services—2006	Cheplick, David	Johnson, George
VA Data Communications Systems and Services—2006	Cheplick, David	Johnson, George
VA Radio Frequency Transition Project Management—2006	Vacant	Bronson, Don
Enterprise Telephony Agenda (ETA)	Cheplick, David	Johnson, George
IT Project Management Office (ITPMO)	Warner, Charles	Borsuk, Leslie
Capital Asset Management System	Boyce, Michael	Vacant
Enterprise Privacy System (EPP)—2006	Phillips, Richard	Corbin, Hal
Continuity of Operations Plan—2006	Sheehan, Don	Yu, Chi
Enterprise Cyber Security Infrastructure Program	Williams, Carol	White, Odd
Automated Monument Applications Systems (AMAS)—2006	Menor, Dennis	Guyan, Kevin
Burial Operations Support System (BOSS)—2006	Guyan, Kevin	Menor, Dennis
BDN Maintenance & Operations—2006	Mercier, Steve	Quigley, John
BIRLS/VADS—2006	Hawkins, Ron	Baron, Bill
C&P Benefits Replacement System—2006	Thompson, Dianne	Meyer, Bret
C&P Maintenance & Operations (non-BDN)—2006	Abbey, Jon	Pessagno, Bernadette
Education Maintenance & Operations (non-BDN)—2006	Pasenelli, Jennifer	Alexander, Rodney

Project	Project Manager	Alternate Project Manager
Insurance Systems Maintenance & Operations—2006	Buffington, Thomas	Kirk, Richard Sacchetti, Robert
Loan Administration Redesign—2006	Purgason, Frank	Reynolds, Rob
Loan Guaranty Maintenance & Operations—2006	Norwood, Maris	Hoffman, Gail
Program Integrity/Data Management	Perez, Susan	Modder, Donald
The Education Expert System (TEES)—2006	Daniels, Roma	Alexander, Rodney
VR&E Maintenance & Operation (non-BDN)—2006	Cunningham, Donna	Alexander, Rodney
Allocation Resource Center (ARC)—2006	Pike, David	McNamara, Bob
Decision Support System (DSS) Legacy—2006	Burgess, Eric	Shamon, J. Ned
Decision Support System Modernization	Shamon, J. Ned	Burgess, Eric

Enrollment (Includes Income Verification)-2006	Warner, Mark D.	Michalak, Don
Federal Health Information Exchange (FHIE)—2006	Donham, Greg	Endicott-Sullivan, Sylvia
Fee Basis Replacement—2006	Chipman, Carol	Williams, Joe
Health Administration Center (HAC) Information Technology Operations—2006	Williams, Joe	Richards, Cynthia
Health Data Repository—2006	Cromwell, Tim	Kindred, Cynthia
Health E-Vet	Ford, Jennifer	Green, Howard
Medical and Prosthetic Research—2006	Thomas, Jean	Wu, Jack
Patient Financial Services System	Harris, Walter	Tietmeyer, Keith
Pharmacy Re-Engineering and Information Technology Support—2006	Mims, Michael	Whitley, Hal
Scheduling Replacement—2006	Drew, Tonya	Warner, Mark
VA-Learning Management System—2006	Griffin, Melinda	Schaefer, Joe
VistA—Legacy—2006	Scott, Robert	Neidermeier, Craig
VistA Imaging—2006	Dayhoff, Ruth E. M.D.	Chou, Julius
VistA Laboratory IS System Re-engineering	Latham, Cheryl	Chou, Julius
IT Staffing (VHA)	Kolodner, Robert	

Question 6: In the VA IT Budget, each Administration (VHA, VBA, NCA), has a listing for Computing Infrastructure that add up to $223 million and $281 million for FY 2006 and FY 2007 respectively. While each Administration is a separate entity, please list all overlapping areas in this funding that the Department could centralize?

Response: There are no known overlapping areas. All computing infrastructure budget funds are now centralized and are under the control of VA's CIO.

Question 7: Written testimony stated, "as a result of the FY 2006 budget reductions, VA's IT programs operate in a tight environment." Please expand on that statement and provide specific detail? Please list all activities that will anticipate a shortfall or will failed to be addressed because of the reductions.

Response: Initially, VA planned its efforts for FY 2006 based upon the estimates in the President's budget--$1.457 billion. This funding provided resources for mission-critical operational systems, as well as money for developing systems that would ultimately replace current applications with more modern, cost-effective, IT tools. The passage of the IT Systems Account (Public Law 109-114) necessitated a reprioritization of efforts to address the reduction to $1.213 billion, or $244 million less than originally anticipated. The principal motivation in determining how to make VA IT activities "fit" within the smaller funding paradigm was "do no harm" to the continued operations and maintenance of existing services; it was deemed essential to protect those systems aiding in direct patient care and providing benefits to veterans before funding any development activities. That assessment was made upon development activities regardless of how long they had been in place, and was done jointly between VA CIO and the VA organization undertaking the development.

Because of these reductions, there was insufficient funding to continue all projects at the planned level and two lower priority projects will be terminated: the replacement of the FEE Basis system, and an effort to study possible replacements to the aging Decision Support System. Both of these efforts are Veterans Health Administration (VHA) projects. VHA recommended the termination of their development and the VA CIO concurred. FY 2006 funding for these two projects represents the amount needed to provide for an orderly termination of activities.

Almost all other major development activities suffered reductions necessitating, at a minimum, the lengthening of timelines for VA to realize the benefits these investments might yield. The following table shows the development activities that experienced reductions to their funding requests in FY 2006 as a result of the IT Systems Account enactment. The amount of the reduction is also shown.

IT Development Efforts - Reductions (FY 06)	
($000)	
Investment	**Reductions**
Decision Support System Modernization	2,500
FEE Basis Replacement	11,051
Health Data Repository	17,900
HealtheVet VistA 1/	54,569
MyHealtheVet	10,500
Patient Financial Services System	19,775
Pharmacy Re-Engineering and IT Support	12,855
Scheduling Replacement	9,300
VA Learning Management System	2,897
VistA Imaging	18,447
VistA Laboratory IS System Re-Engineering	18,000
TEES	4,800
e-Payroll	3,175
FLITE (formerly CoreFLS)	4,110
Enterprise Cyber Security Program	40,452
AAIP (Managed by HR--HR Line Item in FY 2008 Build)	7,049
Enterprise Privacy Program	1,581
One-VA Eligibility and Registration	5,057
VA Network Management	18,233
NOTE: Total does not add to $244M as only major investments and major reductions are listed.	

Question 8: The federated model as described by Secretary Mansfield requires a framework for developing applications, what type of budgetary accountability will be attached to program development?

Response: Oversight for the entire IT Systems Appropriation remains with the VA CIO under the federated model. The administrations must develop and submit budget proposals for their development projects through the IT Portfolio review process. All

application development proposals will be scrutinized by the Investment Review Working Group and the Executive Information Technology Board prior to presentation to the Deputy Secretary and the Strategic Management Council.

Any development proposals approved by Congress in the enacted appropriation will then be monitored by the VA CIO through the IT budget execution and program/project review management processes. Analysis of the execution of both development projects and operations and maintenance projects will be reported to the House and Senate Appropriations Committees quarterly. They will be monitored internally in VA on a monthly basis.

Question 9: The VA budget provides for $188 million in 2007 to operate the VistA legacy system. According to the VA budget received by the Committee, the VA request for the VistA legacy system is approximately $460 million. Is the $188 million cited in testimony for personnel costs, or is it full funding for the operations and maintenance of VistA legacy? Which figure is correct?

Response: The $460 million is the total VistA Legacy costs (Pay and Non-Pay) for both VHA's field and the Office of Information (OI). The $188.1 million is the Non-pay portion of the $460 million which primarily covers operations and maintenance and some associated development costs.

Question 10: When will HealtheVet be developed, and what are the implementation milestone dates?

Response: HealtheVet-VistA program is focused on modernization and replacement of the existing VistA-Legacy health care infrastructure (IT Framework), which will enable VA to provide affordable "world class" support capability to our veterans. It will also ensure VA's basic system infrastructure can continue to support current as well as future system requirements.

The FY 2006 funding for the HealtheVet-VistA program was recently reduced to approximately 25 percent of the original FY 2006 request which has required an extensive re-baseline of the program and re-establishment of sub-project milestones.

Development of the Integrated Master Plan and Schedule will be part of the HealtheVet program deliverables in FY 2006. The Integrated Master Plan and Schedule will demonstrate to stakeholders how VHA IT development has traceable business requirements as well as a supportable business plan, including annual budget requirements for the individual projects that make up HealtheVet-VistA. Ultimate phase in of the new system will be dependent on receiving the requested development budget to support the 2012 Integrated Program Master Plan.

Question 11: How long has TEES been in development, and how much has the Department spent on its development in payroll and non-payroll costs?

Response: Funding for The Education Expert System (TEES) began in 1999 when resources were expended for a feasibility analysis of the concept. Expenditures

continued in 2000 to begin the development of functional requirements, which were completed in 2001. Funds have been expended in each succeeding year to develop and deploy components of the TEES project. These components include the following:

- On-line Certification of Enrollment (VA-Once)
- Web Automated Verification of Enrollment (WAVE) and Interactive Voice Response (IVR) Verifications
- Veterans On-line Application (VONAPP) education forms

In addition, detailed functional requirements have been developed for education applications. These requirements can be used to support the migration of legacy education applications off the Benefits Delivery Network.

Through the end of 2005, $7.6 million in non-payroll has been obligated for TEES development. Payroll costs have totaled $4.5 million.

Question 12: Please explain how the Gartner federated model is different than the new or consensus federated model that VA is attempting to implement?

Response: Simply stated, there is no difference between the "Gartner federated model" and the consensus federated model VA is implementing. In June 23, 2005, Gartner completed its One VA IT Organizational Alignment Assessment Project (The Gartner Report). In this report, Gartner proposed five organizational options for VA: (1) status quo; (2) geography centric; (3) administration centric; (4) centralized and (5) a federated model. Gartner recommended the centralized option.

Further analysis and discussion within VA resulted in the selection of the federated model. It was VA's belief that the two principle underpinnings of the IT realignment effort -- continued "world class" service for veterans and our firm commitment to patient safety -- could best be achieved within a philosophy of "do no harm" by implementing a federated model.

In an Executive Decision Memorandum dated October 19, 2005, the Secretary approved the concept of a Federated IT Management System for VA and charged the Assistant Secretary for Information and Technology with the development of a federated model to be used as the foundation for development of a more detailed implementation plan along with execution details.

This Federated IT System Model was developed by Technatomy/Gartner. A follow-on contractor will use this Federated IT System Model as a framework and guide as they develop the best business principles, practices and processes that will be implemented in VA's Federated IT Management System.

VA will fully implement the plan and complete the transition to the Federated IT Management System on or about June 2008.

Question 13: The Gartner Report recommended that VA adopt a "Centralized" IT infrastructure model versus the VA's adoption of a "Federated" model, and cited the "poor state of the VA's investment management process" as a reason for this

recommendation. Deputy Secretary Gordon Mansfield's written testimony stated that he was "pleased to report that VA is making steady progress in adopting a federated management model that will result in considerable efficiencies."

(a) Please describe thoroughly and in detail the VA's understanding of the "federated" model it is adopting. How does this view differ from the definition or understanding of the federated option recommended by Gartner?

Response: Principal elements of the Federated IT System Model include:

- (Definitions of the roles, responsibilities and boundaries between the *Operations and Maintenance (O&M) Domain* that is the responsibility of the Assistant Secretary for Information and Technology/Chief Information officer and an *Application Development Domain*, to include determination of business needs and priorities that is the responsibility of the administrations and staff offices. Although the domains are separated, the model sets forth essential cohesion among the domains in order to provide for CIO oversight and budget responsibilities for all IT projects across VA.
- Authority, delegation of authority, and governance structure and process for the conduct of all VA IT-related business.
- Key IT service delivery business process flows.
- Sample scenarios to illustrate how domain activities are coordinated by process flows. These process flows must be clearly defined to reflect the critical interdependence of business applications and the performance of the IT infrastructure.
- A recommended "To-Be" organization for the Office of the CIO designed to balance the tactical needs of operating a complex infrastructure as a shared service with the strategic needs of aligning IT resources to best meet the mission requirements of the Department.

There is no difference between the "Gartner federated model" and the consensus federated model VA is attempting to implement.

(b) How has the department improved the "poor state" of its' "investment management process" and how certain can this Subcommittee be that the promised "efficiencies" will be realized?

Response: A detailed review of the budget and spend plans for VA's IT projects is underway now. Evaluation of the execution of both development projects and operations and maintenance projects will be monitored internally in VA on a monthly basis. The Investment Review Working Group and the Executive Information Technology Board represent the review and oversight bodies for IT investments prior to decision making by the Deputy Secretary and the Strategic Management Council. In this year of transition, this increased responsibility will be placed upon the Enterprise Project Management Office and the proposed IT Comptroller organization to analyze, reconcile, and validate existing financial and programmatic processes to meet oversight responsibilities related to project funding and execution. VA will make quarterly reports to the Congress on the conduct of IT programs/projects and financial execution.

(c) During the Subcommittee hearing on March 2, 2006, Assistant Secretary McFarland was unable to respond to a question from the Subcommittee regarding six VistA applications because he claimed he had not seen a "detailed analysis of the budget and spend plans." Under the VA's explanation of the "federated model" it seeks to follow, the Assistant Secretary for Information and Technology is, according to Deputy Secretary Mansfield's written testimony, "responsible for the Operations and Maintenance Domain, with oversight and accountability over all IT budgets and projects within VA." Is the failure to provide Mr. McFarland with "detailed analysis of the budget and spend plans" a further example of the 'poor state of the VA's investment management process" or an indication that the VA's reorganization efforts to date in the IT area have been cursory at best?

Response: As Mr. McFarland indicated in his testimony, a detailed review of the budget and spend plans for VA's IT projects is underway now. When the proposed IT Comptroller's office is established, evaluation of the execution of both development projects and operations and maintenance projects will be monitored internally in VA on a monthly basis and reported to the Appropriations Committees of the House and the Senate quarterly. The Investment Review Working Group and the Executive Information Technology Board represent the review and oversight bodies for IT investments prior to decision making by the Deputy Secretary and the Strategic Management Council In this year of transition, this increased responsibility will be placed upon the Enterprise Project Management Office and the proposed IT Comptroller organization to analyze, reconcile, and validate existing financial and programmatic processes to meet oversight responsibilities related to project funding and execution.

Question 14: The VA's budget request seeks funding for certain programs that ultimately may not be consistent with the VA's VistA re-hosting efforts. It is not clear how VA could determine its IT needs without first completing a re-hosting or transition plan. We assume that such plans are complete – please forward a copy of these plans to the Subcommittee for inclusion – as appropriate – in the hearing record. If the plans are not immediately available, please so state and comment on how the VA determines its funding needs for IT.

Response: The FY 2006 funding for HealtheVet-VistA program was recently reduced to approximately 25 percent of the original FY 2006 request which has required an extensive re-baseline of the program and re-establishment of sub-project milestones.

Because of the budget reductions, the HealtheVet-VistA projects for 2006 were realigned to perform functional assessments and VistA system "Gap" analysis which will lead to a determination of the future health care environment and an Integrated Master Plan and Schedule. VA will be pleased to share information with the Subcommittee as we continue to move forward in developing the plan and schedule, which will include estimates for future IT funding needs.

Question 15: There have been anecdotal reports that we have heard from the field regarding the difficulty faced by some in obtaining basic computer equipment such as cables and ink cartridges. Is this a problem? If so, why and where is this happening?

Response: VHA is unaware of any specific reports regarding these stated deficiencies.

Question 16: You state in your written testimony that "until HealtheVet is operational, we must maintain the VistA legacy system." We also believe that we must maintain what we already have as we move forward, but we also must be assured that this process is indeed moving forward. What is the timeline for HealtheVet to become operational? How many years is VA estimating that the VistA legacy system be funded?

Response: VA is currently developing the first "spiral" of the HealtheVet program– the future health care environment for veterans to be operational in 2012. The goal for the program will be to provide affordable "world class" support capability to veterans while simultaneously ensuring the in-place "VistA-Legacy" system can support current and future system requirements.

The task is to deliver current capability while seamlessly transferring to the new systems. VistA-Legacy will be phased out as soon as verified functionality exists in HealtheVet to ensure that critical clinical and business functions will not be compromised, and that the highest quality of care can continue to be provided. Development of the Integrated Master Plan and Schedule (IMP/IMS) will be part of the HealtheVet program deliverables in FY 2006. Ultimate phase in of the new VistA system and phase out of the old will be dependent on receiving the requested development budget to support the 2012 Integrated Program Master Plan.

Question 17: Deputy Secretary Mansfield stated in his written testimony that for "Development and Infrastructure Realignment" that the VA is in a "Strategic Pause" for FY 2006 and FY 2007.

(a) By adopting one model over another – here the federated model over the centralized model – VA has already selected a strategic course of action for remolding its IT management and investment process. As VA now states that it is in a "strategic pause," what strategic issues were not considered before the selection to adopt a Federated Model was made. Please define "strategic pause."

Response: The *strategic pause* refers a state of transition between the correct long-standing deficiencies in the current decentralized IT management system and our efforts to complete our transition into the VA Federated IT Management System. It implies that we will continue to sustain our "world class" service for veterans and our firm commitment to patient safety as we transition to the Federated IT Management System. All strategic issues have been addressed in the Federated IT System Model developed by Technatomy/Gartner and in our Statement of Objectives for the follow-on Implementation Plan development.

(b) Why is the VA experiencing a "strategic pause," and when can this Subcommittee be assured that the VA is moving forward in achieving real IT reforms and promised savings?

Response: The transition out of our *strategic pause* is an evolutionary process that has already started and will continue throughout the development and execution of the Federated IT Management System Implementation Plan. VA will fully implement the Plan and complete the transition to the Federated IT Management System on or about June 2008.

(c) The VA has requested for FY 2007 an IT Systems budget of $1.3 billion. How confident is the VA that this level of funding can be sustained in light of your "strategic pause?"

Response: During this strategic pause, our firm commitment is to "World Class" service for veterans and patient safety.

In this year of transition, increased responsibility will be placed upon the Enterprise Project Management Office and the proposed IT Comptroller organization to analyze, reconcile, and validate existing financial and programmatic processes not only to meet oversight responsibilities related to project funding and execution, but also to maximize our scarce resources. Evaluation of the execution of both development projects and operations and maintenance projects will be monitored internally in VA on a monthly basis and reported to the Appropriations Committees of the House and the Senate quarterly.

(d) The Subcommittee is concerned that the distinctions between the Federated Model and the Status Quo model as defined in the Gartner Report are minimal and that bureaucratic inertia at VA could readily turn the former back into the latter. What institutional safeguards will be implemented to assure that the requirements and management safeguards of the federated model will not be compromised by parties interested in reverting to the "status quo?"

Response: If the Federated IT System Model is fully implemented as written, the resulting Federated IT Management System will be successful. As with any change management endeavor, the success of the transition to a Federated IT Management System rests squarely on leadership's shoulders. Leaders are responsible and accountable to advocate the required changes and fully support the implementation of these changes. It is leadership that will determine the success of VA's Federated IT Management System. Simply stated, a failure by VA to implement and sustain the Federated IT Management System would be a failure of VA leadership.

Question 18: Deputy Secretary Gordon Mansfield stated in his written testimony that the Patient Financial Services System will "enhance" VA's first and third party billing procedures, and that this "project takes on additional urgency because estimates anticipate that we can significantly increase collections when the system is fully deployed."

(a) What is the timeline for this project?

Response: The Patient Financial Services System (PFSS) is designed to meet VHA's overall revenue improvement goals. Mandated by Congress and supported by VHA Leadership, PFSS will test the viability of an integrated, commercial inpatient billing and accounts receivable software project to enhance first and third party billing processes. The project is currently in the initiation phase of Integrated Testing, with an anticipated Activation Process, or "Go-Live" date, at the Louis Stokes VAMC Cleveland, Ohio, planned for July 2006.

(b) How, in detail, will it "significantly increase collections?"

Response: Collection gains are expected to be seen as a result of more accurate billing, better charge capture and more timely billing.

(c) Has the anticipation of this system led the VA to estimate a higher percentage increase in collections in FY 2007 than it has historically received in the past?

Response: The third party budget submission was based on the FY 2004 actuals, escalated by factors for patient volume, service volume, and CPI-U medical rate increases and efficiency gains in the revenue cycle. The efficiency gains were considered to be improvements in the normal day-to-day business and were not attributed to the potential implementation.

Question 19: For VA's FLITE program to fill the need for an integrated financial management system at VA that was originally to be filled by the failed CoreFLS system, VA must thoroughly articulate its business processes for accounts payable and related processes before embarking on other aspects of the system design and subsequent deployment process.

(a) Please provide documentation to the Subcommittee on how VA has thoroughly articulated its business processes for accounts payable.

Response: As briefed to the House Authorization staff on February 13 and 17, VA has only begun to articulate and standardize business process. It is anticipated that this work will continue throughout FY 2006. When completed documentation is available it will be provided to Congressional Committees.

(b) How does the FLITE program differ significantly from the failed CoreFLS system?

Response: There are several aspects of the FLITE program that are very different from the CoreFLS project. In the FLITE program more emphasis will be placed on people-related issues such as training and change management. Involvement from field organizations is also more extensive than was the case with CoreFLS. Significant emphasis is also being placed on the standardization of business processes. Another significant difference is the involvement of the most senior officials, including monthly reviews by the Deputy Secretary as well as monthly oversight reviews by the Office of Management and Budget.

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