



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

May 12, 2015

The Honorable Richard Blumenthal
Ranking Member
Committee on Veterans' Affairs
United States Senate
Washington, DC 20510

Dear Senator Blumenthal:

The inexcusable delays and cost overruns that have plagued the Denver Replacement Medical Center have imperiled our ability to complete this project for the more than 390,000 Veterans and their families it is intended to serve. In order to complete the project, VA requires an additional \$830 million to pay for the unanticipated cost of the Denver Medical Center project. After an extensive review of our funding situation, we have identified approximately \$100 million in FY 2015 unobligated balances that could be used to help finance the cost of completion for the Denver project without affecting the quality of care and services we provide to Veterans. However, even after these unobligated balances are applied, continued uncertainty about fully funding the project would have an adverse impact on the ability to complete the hospital without additional substantial delays and even greater cost. Accordingly, VA seeks authorization to use \$730 million from Section 801(a) of Veterans Access, Choice, and Accountability Act of 2014 (Choice Act) to pay for the remaining costs of the replacement hospital.

The changes to this funding plan for Section 801 of the Choice Act will result in a delay to Non-Recurring Maintenance projects and seven minor construction projects that were expected to be funded under VA's initial spend plan. We plan to prioritize these projects for available resources in our VA construction spend plan over the next three years. In the meantime, we will continue to mitigate any potential effect on Veterans' access to care in these areas through VA care in the community, extended daily and weekend hours for care at local VA facilities, and further improvements in medical center productivity.

To prevent a recurrence of the unacceptable mistakes made on the Denver project, VA intends to expand its relationship with the Army Corps of Engineers (the Corps) regarding management of future VA major construction projects. Of 15 active major construction projects planned for the next three years, five are already underway and past the logical transition point for the Corps to take over. VA expects to designate the Corps as our construction agent for seven other projects, which total 86 percent of the value of the 10 active major construction projects. Going forward, VA believes that the Corps should be designated as our construction agent for all new medical facilities with a cost of \$250 million or greater that have not yet started construction.

As we continue to learn from and embrace the lessons of these and other past mistakes, we must hold accountable all those who are found to have presided over mismanagement or acted inappropriately. VA requests to use \$15 Million from Section 801 of the Choice Act to increase the VA Office of Inspector General's (OIG) ability to perform oversight across the Department. VA will also support an independent investigation into the

Page 2.

The Honorable Richard Blumenthal

Denver construction project (beyond the current investigations being conducted by the OIG, the Corps, and as part of the Independent Assessments required by the Choice Act) to ensure that we fully understand what occurred and are positioned to take needed corrective actions for future projects. We welcome your suggestions on qualified organizations to perform this investigation.

We understand that the Veterans Choice Program is not working as well for Veterans as it should, in part because Veterans, VA employees, and community providers do not understand how the program works. VA worked hard to implement this incredibly complex program as effectively and efficiently as possible in a short period of time. However, the establishment and utilization of this new program tested our ability to adequately communicate to more than eight million enrolled Veterans and thousands of community providers, as well as adapt to new business processes.

To honor the spirit and intent of Congress in establishing the Veterans Choice Program and ensure Veterans received timely care, VA has used its current authority to refer Veterans for care in the community as quickly as possible. Over the past year, VA has increased the number of authorizations for Veterans to receive care in the community by nearly 50 percent, hired thousands of new clinicians and essential support staff, extended hours of operations, and boosted productivity. While these efforts have led to faster care in some cases, the cost growth in the existing care in the community program has been substantial and it is clear that we cannot sustain the current rate of spending for this care within our FY 2015 budget.

Accordingly, as we make the necessary adjustments to shift care provided in the community to the Veterans Choice Program, VA requests flexibility to make the program work better for Veterans through limited authority to use funds from Section 802 of the Choice Act to fund care in the community to the extent it exceeds our FY 2015 budget. The total funds required to cover additional costs of providing care in the community will depend on the level of flexibility provided by Congress. This request is wholly consistent with both the spirit and intent of Congress to accelerate access to care by making more care available in the community, as well as with Secretary McDonald's request for flexibility to allow resources to flow to Veterans' needs as they evolve

Finally, VA's FY 2015 budget did not include any designated funding to provide Veterans diagnosed with Hepatitis C Virus (HCV) with the new, state-of-the-art medications. Anticipating higher utilization of the Veterans Choice Program, VA transferred nearly \$700 million in funding from its budgeted amounts for care in the community to meet the significant surge in Veterans seeking HCV treatment within VA. However, even that amount is proving to be insufficient to meet the needs of Veterans. These new drugs have significantly higher cure rates, are easier to prescribe, and have fewer and milder side effects than older medications. Prior to these medications becoming available, VA was treating approximately 100 patients per week. After these newer drugs were released, VA

Page 3.

The Honorable Richard Blumenthal

began treating approximately 750 patients per week. VA currently estimates that demand for HCV treatment will outpace FY2015 HCV-specific funds. In order for VA physicians to provide Veterans living with HCV with a known cure, VA seeks authority to access \$400 million from Section 802 of the Choice Act to meet the needs of Veterans with HCV. This request is consistent with the purpose of section 802 to address emergent needs for Veterans' health care that cannot be covered within current resources, as well as our shared goal of accelerating access to care for Veterans.

Thank you very much for your continued support of our Nation's Veterans. Similar letters are being sent to the leaders of the House and Senate Committees on Appropriations and Veterans' Affairs.

Sincerely,



Sloan D. Gibson