

## \$17 Billion Band-Aid:

### Emergency VA Funding Offers Risk and Reward for Contractors

As congress has just passed a \$17 billion bill to fund the Department of Veterans Affairs, expect quick action at the VA to resolve the current wait time issues that have plagued the department in recent months.

While much of the funding is directed to the commercial health sector for rapid treatment, federal contractors should look for opportunities to help administer and monitor the programs stemming from this cash infusion.

**Amy Strouse**



**AVASCENT**  
WHITE PAPER  
August 2014



Congress moved as quickly as it has in recent memory to approve the \$17 billion compromise bill for the Department of Veterans Affairs before the August recess. The bill targets the excruciatingly long wait times for care-seeking veterans that have been making headlines over the last several months. The measure includes \$10 billion in emergency spending to help veterans who can't get prompt appointments with VA doctors to obtain outside care; \$5 billion to hire doctors, nurses and other medical staff; and about \$1.5 billion to lease 27 new clinics across the country. Incoming VA Secretary Bob McDonald will need to move quickly and efficiently to oversee the outlay of this funding influx.

On the surface, most of this spending seems oriented towards the commercial healthcare sector or the augmentation of organic staff and facilities. Avascent believes, however, that there are several critical areas where government contractors may be able to help the VA manage the new funds. Furthermore, while \$12 billion of the new funding is being classified as "emergency supplemental" and hence outside the discretionary caps under the Budget Control Act, the other \$5 billion will be taken from as yet unidentified cuts to existing VA programs. In addition to looking for new opportunities, contractors should carefully examine their existing VA portfolios for risk.

**Veterans have been moving in and out of the VA and commercial sectors for treatment for years, but this intentional and massive movement may highlight electronic health records (EHR) interoperability and digital records transfer issues that are already under scrutiny.**

Avascent will continue to monitor the details of the bill and the VA's implementation of it, but in the meantime, look out for these potential pain points and related opportunities to arise:

- **Eligibility Determinations**

The rules for which veterans are eligible to receive care in the private sector are not incredibly complex, but will nonetheless require a robust and defensible eligibility determination process. The VA will need to determine which veterans are unable to get prompt appointments, had enrolled in the VA system prior to August 1st 2014, and/or live at least 40 miles away from a VA facility. This requires coordination and records sharing from at least three different systems with potentially additional records and substantiation being requested from the veterans to make each determination, and then beneficiary notification. Veterans eligible for Medicaid or Medicare treatment will require coordination, as well.

- **Records Management & Coordination of Care**

When a veteran is determined to be eligible to seek care outside of the VA system, the VA will need to provide that patient's history to the private sector provider to include laboratory results, diagnostic imaging, prescription management, and more. In turn, once the veteran returns to the VA system, the VA will want to understand what treatment was provided and ingest the updated records. Veterans have been moving in and out of the VA and commercial sectors for treatment for years, but this intentional and massive movement may highlight electronic health records (EHR) interoperability and digital records transfer issues that are already under scrutiny.

- **Human Resource System Inadequacies**

Could the allocation of \$5B in funds dedicated to hiring new doctors and nurses spotlight

inadequacies with the VA’s HR system that will need to be fixed? The VA has historically struggled to assess personnel gaps and retain and manage talent. These weaknesses may be brought into sharper relief once “lack of funds” is eliminated as a scapegoat. The VA is currently pursuing a modernization effort focused on overhauling its 50-year-old HR system and transitioning to a Software as a Service (SaaS) model, but this won’t be deployed until the end of 2015.

- **Metrics & Reporting Overhaul**

Scheduling and wait-time metrics will not be allowed as performance measures under the new legislation due to the apparent problems this created with “secret” waiting lists to keep numbers low. Instead, quality of care received by veterans will be used for performance measures and bonus determinations. It is unclear, but unlikely, that the VA currently has a system for capturing and reporting quality of care. Look for a VistA-compatible quality measures system to be rapidly developed. The bill provides the Secretary with unprecedented authority to review, demote, and fire employees, making these performance measures more critical than ever before.

- **Auditing & Accountability**

A cornerstone of the legislation will be the requirement that the VA conduct regular audits on the accuracy of care and staffing levels at each major facility. While this function could be performed organically by the Inspector General’s office, there may be a desire for a trusted, independent audit firm to oversee this as well. Robust program integrity work is being done by contractors elsewhere in the federal healthcare space, such as at CMS and DHA, and the VA audit program could take this form.

- **Initial Outfitting & Transition of New Clinics**

Leasing 27 new facilities rapidly will require a concert of activity, ranging from survey and site identification to light modification and refurbishment to IO&T. Once the new clinics are up and running they will also need to be incorporated into the VA’s vast supply chain management system to keep them supplied with everything from bandages to medications.

**A cornerstone of the legislation will be the requirement that the VA conduct regular audits on the accuracy of care and staffing levels at each major facility...there may be a desire for a trusted, independent audit firm to oversee this as well.**

- **Education Benefit Program Management**

Another provision expands veterans scholarship programs and allows all veterans to qualify for in-state tuition. The VA already administers the GI Bill education benefit within the Veterans Benefits Administration; these new provisions will require a massive expansion of the VBA’s ability to award funds and determine eligibility.

- **Mental & Behavioral Health Pipeline Expansion**

In addition to hiring new clinicians, some funds are set-aside to expand counseling for veterans who suffered sexual trauma while in the service. This could take the form of hiring psychologists and other counselors, or could expand programs to connect vets with networks of counselors in the private sector which would provide these services on a “surge” basis without a commitment from the VA to permanently expand its mental and behavioral health staff.

The \$17 billion is intended to be short-term surge funding to deal with a crisis that took years to come to a head. This is a Band-Aid approach to widespread, systemic issues that require thorough and lasting reform. One hope contractors can take away is that the VA's now high-profile issues will come up for frequent review on Capitol Hill. Once this tranche of funding is spent, perhaps the new leadership at the VA will have the political will to invest in fully modernizing and updating antiquated IT systems and facilities via farsighted and predictable investment. This could present opportunities for the contractor community, and, most importantly, it would provide the health care that our nation's veterans deserve.

*Rachel Meyer, Melissa Niedrich, Veronica Clarkson, and Ryan Heffrin contributed to this report.*

**Amy Strouse** is a Principal at Avascent and leads Avascent's healthcare practice, consulting on a wide range of issues faced by companies in this market, from market entry strategy development to acquisition due diligence. Ms. Strouse's analysis and advice to clients is grounded in industry-leading knowledge of healthcare industry trends and dynamics. Her analysis has led consulting engagements for firms that are new to the healthcare community, helping them identify transferable capabilities as well as gaps in expertise. She has recommended strategies for complementing areas of strength with organic or inorganic investments as appropriate. She has also supported firms whose heritage is in the commercial healthcare market, and who may have little experience with the federal government as a customer.

### About Avascent

Avascent is the leading strategy and management consulting firm serving clients operating in government-driven markets. Working with corporate leaders and financial investors, Avascent delivers sophisticated, fact-based solutions in the areas of strategic growth, value capture, and mergers and acquisition support. With deep sector expertise, analytically rigorous consulting methodologies, and a uniquely flexible service model, Avascent provides clients with the insights and advice they need to succeed in dynamic customer environments.

For more information, please contact:  
astrouse@avascent.com

## AVASCENT

### US Office

1615 L Street NW, Suite 1200  
Washington, DC 20036  
Tel: +1 202 452 6990

### Europe Office

59, rue des Petits Champs  
75001 Paris  
Tel: +33 1 73 77 56 19

[www.avascent.com](http://www.avascent.com)

