

STEVE BUYER, INDIANA, CHAIRMAN

MICHAEL BILIRAKIS, FLORIDA
 TERRY EVERETT, ALABAMA
 CLIFF STEARNS, FLORIDA
 DAN BURTON, INDIANA
 JERRY MORAN, KANSAS
 RICHARD H. BAKER, LOUISIANA
 HENRY E. BROWN, JR., SOUTH CAROLINA
 JEFF MILLER, FLORIDA
 JOHN BOOZMAN, ARKANSAS
 JEB BRADLEY, NEW HAMPSHIRE
 GINNY BROWN-WAITE, FLORIDA
 MICHAEL R. TURNER, OHIO

LANE EVANS, ILLINOIS, RANKING

BOB FILNER, CALIFORNIA
 LUIS V. GUTIERREZ, ILLINOIS
 CORRINE BROWN, FLORIDA
 VIC SNYDER, ARKANSAS
 MICHAEL H. MICHAUD, MAINE
 STEPHANIE HERSETH, SOUTH DAKOTA
 TED STRICKLAND, OHIO
 DARLENE HOOLEY, OREGON
 SILVESTRE REYES, TEXAS
 SHELLEY BERKLEY, NEVADA
 TOM UDALL, NEW MEXICO

U.S. House of Representatives**COMMITTEE ON VETERANS' AFFAIRS**

ONE HUNDRED NINTH CONGRESS

335 CANNON HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

<http://veterans.house.gov>

February 15, 2006

Honorable R. James Nicholson
 Secretary
 Department of Veterans Affairs
 Washington, DC 20420

Dear Mr. Secretary:

At the February 8, 2006, hearing on the FY 2007 budget for the Department of Veterans Affairs (VA), we asked you about looming shortfalls in the VA health care system. Our concern and questions were prompted by reports from the field that some VA regional health care networks and the medical facilities they oversee will try to manage shortfalls by delaying equipment purchases and hiring of hospital staff. You responded that you were unaware of shortfalls at VA medical facilities and that you would look into the matter.

Yesterday at the Health Subcommittee hearing on the FY 2007 budget for VA medical programs, VA officials conceded that indeed some VA facilities have deficits that they are trying to manage. At the same time that VA officials demurred that the problem was not systemic, they also acknowledged that the VA would shortly be notifying Congress that it needs to shift funds around in its medical programs accounts to cover gaps in funding. VA officials also divulged that regional health care networks might be transferring funds back and forth to cover shortfalls, apparently with VA Central Office tacit approval but without oversight. VA officials acknowledged that the previous transfer of funds, which is in effect loans to cover gaps in funding, may need to be paid back to the originating regional network. These actions are early warning indicators that something is amiss with VA's funding for FY 2006.

We are concerned that the transfer of funds among accounts and between regional health care networks may mask but not rectify recurring shortfalls.

Honorable R. James Nicholson
February 15, 2006
Page 2

We request that by March 1, 2006, you provide us with an accurate, detailed, candid and complete account of:

- 1) Any and all Veterans Service Integrated Networks (VISNs) that have a negative variance in projected revenues and expenses;
- 2) VISN to VISN transfer of funds;
- 3) Facility transfer of funds to their respective VISN as repayment of a previous transfer of funds to cover a shortfall;
- 4) Steps VA is taking to centralize oversight of VISN to VISN transfer of funds;
- 5) Steps VA is taking to monitor and rectify shortfalls.

If you or your staff have any questions about this request, please contact Linda Bennett, Democratic Staff Director of the Subcommittee on Health, at (202) 225-9756.

Sincerely,



LANE EVANS
Ranking Democratic Member



MICHAEL MICHAUD
Ranking Democratic Member
Subcommittee on Health

cc: The Honorable Steve Buyer
The Honorable Henry Brown