



THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON

March 25, 2005

The Honorable Lane Evans
Ranking Democratic Member
Committee on Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Evans:

This is in response to your letter jointly signed by Congressman Ted Strickland regarding management efficiencies. The Department of Veterans Affairs (VA) has been very aggressive during the last few years in implementing a variety of initiatives that continue to improve the efficiency with which we provide health care to our Nation's veterans.

During FY 2003 and FY 2004, VA achieved actual management savings in excess of the estimates included in the budget requests for those 2 years. In FY 2003, our management efficiencies totaled over \$627 million, or nearly double the amount projected in the budget. Last year our savings reached in excess of \$649 million, or 2 percent more than the budget estimate. The majority of these management savings are the result of implementing numerous procurement reforms, particularly standardization related to the purchase of pharmaceuticals. The Department has also realized significant efficiencies due to standardization of other supplies, materials, and equipment; administrative consolidations; and increased sharing with the Department of Defense.

Our recent success in achieving management savings beyond those projected in the budget have been documented by the Government Accountability Office (GAO) in a review released in early March titled, "Budget Justification Issue Papers on Fiscal Year 2006, Department of Veterans Affairs' Medical Care Collections Fund and Management Efficiencies." Not only did GAO attest to the efficiencies VA actually realized during the last 2 years, but based on our past performance, GAO believes our estimate of \$590 million in management savings for FY 2006 appears achievable.

Part of our continuing focus on maximizing the level of management efficiencies will be the implementation of improved contracting practices with medical schools and other VA affiliates for scarce medical specialties. This is a long-standing issue for which the Department is aggressively implementing management changes to ensure fair pricing for the services provided by our affiliates. VA will continue to explore additional opportunities to improve the efficiency of our health care delivery system.

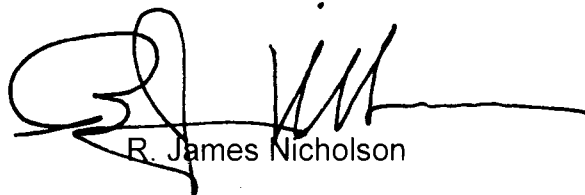
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The Honorable Lane Evans

I appreciate your ongoing commitment to veterans and look forward to working with you to ensure that our former servicemen and women who have given so much to this country in defense of freedom around the world are provided the very best in health care and benefits.

A similar letter has been sent to Congressman Strickland.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'R. James Nicholson', with a long horizontal line extending to the right. The signature is written over the printed name.

R. James Nicholson