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Chairman Lankford, Ranking Member Sinema, and Members of the Committee. Thank you for the opportunity to discuss the Department of Veterans Affairs' (VA) ability to be a competitive employer in the health care industry, including any impacts of the rising labor costs and the provider pay structure, as well as the impact of previous hiring and retention related efforts.

Competitive Employer in the Health Care Industry

As the operator of the largest integrated health care delivery system in America, VA successfully attracts and retains high quality talent and VA's overall workforce has consistently grown by approximately two to five percent annually over the last five years. This growth is responsive to an increased demand for services, which is the result of improved access, reduced wait times, improved quality, enhanced Veteran satisfaction, and overall mission growth. Most of the additional staffing capacity needed in VA in the past 5 years has been in clinical occupations, which accounts for 81 percent of overall growth in VA. VA has consistently maintained turnover rates at or below 9.5 percent for the past decade, which is low when compared with other large Cabinet-level agencies that average 11 percent (as published by OPM, Fed Scope), or with health care industry turnover rates of 20-30 percent (per Bureau of Labor Statistics).

Impacts of the Rising Labor Costs

VA is extremely appreciative of the work Congress has done and continues to do in providing flexibilities to support the recruitment and retention of talent to care for our Nation's Veterans. The White House has also made it clear that the inflexibility of the existing pay structure is a barrier to appropriately compensating mission-critical employees and top performers. However, VA still contends with ongoing pay challenges presented by the limitations of multiple pay systems and compounded by the rising labor costs. While VA utilizes many incentives available under statute to recruit and retain talent successfully, these incentives provide only a short-term solution. In many situations, existing flexibilities are insufficient to support a strategic approach to attracting and retaining talent. Incentives do not necessarily eliminate salary disparities with competing employers and therefore, do not address long-term gaps in pay. As labor costs continue to increase, private sector employers are nimble enough to adjust quickly to changes in local labor markets by modifying starting salaries and total compensation packages, as needed, to attract top talent. Meanwhile, VHA and other Federal employers are restricted by Federal statutes and regulations regarding the establishment of pay rates, and often require years of pay disparities to exist before lengthy processes can respond to market changes. This leaves Federal agencies at a disadvantage when competing for talented employees. While VA has employees and applicants who are willing to accept a lower salary to be part of an organization with such an important mission, VHA faces increasing challenges in its ability to attract or retain quality health care professionals when the salary gap continues to increase.

The General Schedule (GS) is the predominant pay scale for Federal employees and is based on the level of difficulty, responsibility, and qualifications required for the position. By law, GS base rates are adjusted annually based on average increases in private sector salaries as measured by the Employment Cost Index, except as otherwise provided under a Presidential alternative plan. Annual locality pay adjustments for GS employees are also provided by law, but are subject to a Presidential alternative plan. As part of the FY 2020 budget, the President has

proposed that no increases in GS base rates or locality rates be made in January 2020. The Administration supports reforming the GS pay system so that it is more performance-based and so pay levels and adjustments are targeted to address occupation-specific pay disparities. As a first step, the Administration has proposed legislative changes that would slow the frequency of GS longevity-based step increases and make funding available to provide targeted performance-based pay increases for mission-critical occupations. To request Special Salary Rates (SSR) or adjustments to these scales, VA must prepare comprehensive documentation on market conditions and submit the request to the Office of Personnel Management for approval, which coordinates special rate requests with other agencies employing the same type of employees. The Federal Wage System (FWS) is a uniform pay-setting structure that covers Federal blue-collar hourly employees. The Office of Personnel Management oversees this pay system, with the support of the Department of Defense, which has responsibility for conducting wage surveys and coordinating special rate requests. These existing pay systems do not meet the fluid and dynamic nature of today's market. VHA's volume of positions to hire is tremendous, reaching more than 45,000 new hires in FY 2018 to replace workers due to turnover and grow the workforce to meet Veteran demand. As a result, it is necessary for the pay structure to support VHA's ability to hire qualified candidates as quickly as possible to support access to care for Veterans.

In addition to the limited flexibility in establishing new locality areas and the overall pay structure, the GS pay system and the FWS require the use of antiquated rules and formulas that do not provide for market driven pay-setting latitude. GS employees are entitled to locality pay, which is a geographic-based percentage rate that reflects pay levels for non-Federal workers in certain geographic areas as determined by surveys conducted by the United States (U.S.) Bureau of Labor Statistics. Those localities that do not fall under a specified locality pay schedule are placed on the Rest of United States (RUS) schedule covering all other localities not otherwise having a specified schedule. VHA facilities serve multiple local labor markets, to include heavily populated cities, suburban towns, and low populated rural areas. Many of these areas receive locality pay under the RUS schedule because they do not meet the criteria for a

separate locality pay area or as an area of application to a locality pay area by being adjacent to the metropolitan statistical area or combined statistical area comprising the basic locality pay area and having 2,500 or more GS employees. VHA facilities in smaller counties and rural towns generally offer salaries significantly lower than the local labor market because they do not have enough GS employees to be considered for their own locality pay schedule.

Provider Pay Structure

VHA currently functions under multiple personnel systems (title 38, Hybrid title 38, and title 5), each with multiple pay systems that contain distinctive variations and complexities. VHA hires health care providers under title 38 and associated health professionals under Hybrid title 38 (i.e. employees are covered under title 38 for appointment, advancement, and some pay structures, but for all other purposes are covered under title 5). Both authorities allow the Secretary of VA broad flexibility in setting pay based on both the individual's qualifications and conditions in the local market. VHA hires non-clinical employees under Government-wide title 5 authorities, with pay set under the GS and FWS.

VHA needs the ability to offer competitive salaries to recruit and retain employees in various occupations that have much higher rates of pay in the private sector, particularly in larger cities and rural areas. VHA is in the process of developing a comprehensive legislative package that would provide additional flexibilities for its workforce.

Impact and Success of Previous Hiring and Retention Related Efforts

Despite the above challenges, VA employs a variety of tools to attract and retain quality talent. Those tools include direct hiring authorities, recruitment and retention flexibilities, hiring initiatives, improved employee engagement, workforce planning, targeted recruitment of service members transitioning from DoD, national recruitment

programs for hard-to-fill occupations and specialties, and strategies for filling medical center director positions.

The VA Maintaining Internal Systems and Strengthening Integrated Outside Networks (MISSION) Act of 2018 authorized or expanded several programs intended to recruit and retain health care providers in VHA, to include an increase in the maximum amount of student loan debt that may be reimbursed under the VHA Education Debt Reduction Program (EDRP); authorizing designated scholarships for physicians and dentists under the VA Health Professional Scholarship Program (HPSP); establishing the VA specialty education loan repayment program to incentivize VHA employees to pursue education and training in medical specialties for which VA determines there is a shortage; and establishing a pilot program for the Veterans Healing Veterans Medical Access and Scholarship program.

VA strategically allocates recruitment, retention, and relocation (3R) incentives to close skills gaps and provide greater flexibility in the recruitment, relocation, and retention of highly qualified VA professionals. In Fiscal Year (FY) 2018, VA spent \$52.4 million on 3R incentives. Of that total, \$41.2 million (78.6 percent) was directed toward VHA shortage occupations (i.e. the 10 clinical and 8 non-clinical occupations identified by facilities as shortage occupations via the VHA workforce planning cycle).

VA uses EDRP to secure health care providers in specific, difficult to fill positions for up to 5 years by providing student loan payment reimbursements. Positions eligible for EDRP are prioritized based on local recruitment and retention requirements to meet specific staffing needs. In FY 2018, VA spent \$44 million on EDRP. Section 302 of the MISSION Act enhanced EDRP by increasing the maximum award amount from \$120,000 to \$200,000, not to exceed \$40,000 per year. Additionally, section 306 ensures clinical staff working at Vet Centers are eligible to participate in EDRP.

During FY 2018, VA awarded 1,071 new scholarships in the Employee Incentive Scholarship Program and supported 3,133 employees actively participating in the

educational phase of their scholarship with funding totaling \$29 million. The top five scholarship-funded occupations were: Registered Nurse, Licensed Practical/Vocational Nurse, Social Worker, Physical Therapist, and Medical Technologist/Medical Records Technician. The VA Learning Opportunity Residency program allows nursing, pharmacy, and medical technology students who have completed their junior year in an accredited clinical program to gain valuable clinical experience at a VA health care facility for up to 800 hours, with pay. From FY 2015 through FY 2018, VA funded 339 student salaries for nurses, pharmacists, and medical technology students for a total of \$4.2 million. VA also awarded \$5.2 million new and continuing awards to 201 nursing, physical therapy, and physician assistant participants in the HPSP. HPSP awards scholarships to students receiving education or training in a direct or indirect health care services discipline to assist in providing an adequate supply of such personnel for VA and the U.S.

Targeted hiring initiatives have proven to be an extremely effective way of hiring talent where it is needed most. In 2017, VA introduced a Mental Health Hiring Initiative, committing to hiring 1,000 new mental health providers by June 30, 2019 as part of VA's number one clinical priority to eliminate Veteran suicide. By January 31, 2019, VA surpassed its goal by hiring 3,956 mental health providers resulting in a net gain of 1,045 additional mental health providers. This initiative included VA's inaugural virtual trainee hiring fair where 85 facilities participated to connect, match, and place interested candidates into mental health positions across VHA. Through the trainee hiring fair, 74 mental health trainees accepted job offers at a matched location after completion of their training. This initiative laid the groundwork for a permanent trainee hiring capability in VHA.

Hire Right Hire Fast (HRHF) is a hiring model initiated in 2017 for the medical support assistance occupation. The goal for HRHF was to reduce time to hire and fill open positions within this occupation. This was achieved by developing applicant registers and implementing specific actions integral to hiring success. This program drove time-to-hire to under 60 days (formerly 180 days) and reduced open positions to

9.4 percent. Based on the preliminary results, HRHF will be extended to the Housekeeping Aid occupation. The HRHF model was found to be most impactful in occupations that exhibit few requirements to entry (e.g., no licenses, no certifications, etc.); high loss rates; and large onboard full-time employee equivalent requirements.

VHA's Workforce Planning Cycle places direct emphasis on optimizing VA's most vulnerable professions. During this process VHA identifies staffing shortage occupations; assists with current and future workforce planning efforts; and challenges, and other workforce planning activities. In response to requirements in the VA Choice and Quality Employment Act of 2017, the workforce planning cycle was redesigned to provide a structured, data-driven approach for identifying clinical and non-clinical shortage occupations at the health care system level. Each year, VHA publishes a staffing shortage report that identifies the results from the Workforce Planning Cycle. During the FY 2018 cycle, recruitment challenges were selected as the primary drivers for 64 percent of the shortage occupations and specialties, while the remaining 36 percent were primarily associated with retention challenges. The most commonly cited root causes for shortage occupations included competition with other health care employers and a limited supply of candidates. The most commonly cited strategies to address staffing challenges included non-competitive hiring flexibilities and utilization of recruitment and retention incentives.

As a subset of the military to civilian transition, DoD and VA have combined efforts to recruit transitioning service members into vacant positions within VA. In a 2015 study of over 8,500 Veterans, active duty Servicemembers, National Guard and Reserve members, and military dependents, 55 percent of the participants identified "finding a job" as their most significant transition challenge. The goal of this effort is to create an additional candidate pipeline for entry level job opportunities. Beginning in FY 2018, VHA launched a direct marketing campaign to target military medical professionals currently enrolled in the transition process for recruitment into VHA employment. VHA uses the VA-DoD Identity Repository data to identify service members, their time of discharge, and their military occupational specialty or specialty

codes. In FY 2018, VHA's total Veteran hires increased by 36 percent, totaling over 17,000. VA is also partnering with DoD to support hiring military spouses for mission-critical and hard to fill positions. Military spouses represent a robust pipeline of talent for health care and science, technology, engineering, and mathematics occupations nationwide. Through the Military Spouse Employment Partnership, VA will have direct access to points of contact at military installations to share job opportunities and access resumes of qualified candidates for noncompetitive employment.

The VHA National Recruitment Program (NRP) provides a small in-house team of skilled professional recruiters employing private sector best practices to the Agency's most critical clinical and executive positions. The VHA-NRP works directly with VHA Office of Rural Health and other national program offices, Veterans Integrated Service Network Directors, VAMC Directors, clinical leadership, and local VAMC Facility Recruitment Liaisons to develop a comprehensive, client-centered recruitment strategy that addresses both current and future critical needs.

VHA has made significant progress in efficiently filling medical center director (MCD) positions through the implementation of a vigorous national recruitment strategy which includes the following: use of existing legal authorities to fill MCD positions such as the Senior Executive Service authority and title 38 physician hiring authorities and leveraging critical pay authority to adjust the rate of pay up to \$201,900 (as of January 2019) for 39 Complexity Level 1A MCD positions. In addition, the Agency has adopted a 120-day time-to-fill standard for MCD positions. The result has been a significant reduction in the MCD opening positions from as high as 25 percent in FY 2015 to 11 percent in FY 2018.

Improved outcomes show that VA is on the right track and that Veterans are being well served. Recent studies have reported that Veterans are receiving the same or better care at VAMCs as patients at private sector hospitals. Since 2014, the number of annual appointments for VA care is up by 3.4 million, with more than 58 million appointments scheduled in VA facilities last fiscal year. According to a study in the

Journal of the American Medical Association, VA average wait times are shorter than those in the private sector for primary care, as well as two out of three specialty care areas. VA recently reached a telehealth milestone, achieving more than 1 million video telehealth visits in FY 2018, a 19 percent increase in video telehealth visits over the prior year. This technology gives Veterans access to the timely, quality care they deserve, without having to travel great distances to a distant VA facility. As published in a March 2019 article in the Annals of Internal Medicine®, Veterans who choose VA for their health care have a greater chance of survival beyond 30 days after hospital discharge, if they were admitted for heart attacks, severe chronic lung disease, heart failure and pneumonia as compared with non-VA hospitals.

In FY 2018, 86.4 percent of 1.6 million Veterans surveyed said they trust VA, with an overwhelming majority (92.1 percent) of VAMCs improving in that trust score from fall of 2017. Additionally, in December 2018, the Partnership for Public Service released its Best Places to Work in the Federal Government rankings where VA ranked 6th out of large Federal agencies. As one of the top ten large agencies to work for in the Federal Government, VA continues to enhance employee engagement, focusing on multiple touchpoints to receive employee feedback. VA's Employee Engagement Council periodically meets to address and implement solutions. In April, the Secretary approved VA's first ever Employee Engagement Enterprise-Wide Plan which emphasizes principles of servant leadership. Leaders at all levels seek feedback year-round, in person and online, to ensure the Agency continues making progress. High employee engagement at VA will positively impact the customer service Veterans receive daily.

In summary, VA is very appreciative of the numerous recruitment and retention authorities granted by Congress to help support a high-quality workforce providing the best possible care to Veterans. However, the competition for talent in the health care industry is increasingly competitive. Shortages of physicians and nurses abound nationwide. Medical schools and private hospitals are implementing innovative and progressive solutions to address these deficits both in the short and long term.

VHA has fallen significantly behind private sector health care recruitment and compensation practices, which are aggressive and effective at targeting an array of new employees from entry levels to experienced professional staff. VHA has struggled with staying competitive and being an employer of choice with the limitations placed on the Agency under the current pay systems and with the increased demands to hire additional staff quickly to meet patient needs and support our Veterans. We look forward to working with this Committee on opportunities to enhance VA's ability to attract top talent. This concludes my testimony. I am prepared to respond to any questions you may have.