118TH CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPORT 118–625

VA SUPPLY CHAIN MANAGEMENT SYSTEM AUTHORIZATION ACT

AUGUST 9, 2024.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. BOST, from the Committee on Veterans' Affairs, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2499]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 2499) to authorize the Secretary of Veterans Affairs to carry out an information technology system and prioritize certain requirements to manage supply chains for medical facilities of the Department of Veterans Affairs, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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49–006

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "VA Supply Chain Management System Authorization Act".

SEC. 2. MANAGEMENT OF SUPPLY CHAINS FOR MEDICAL FACILITIES OF DEPARTMENT OF VETERANS AFFAIRS.

(a) AUTHORIZATION.—The Secretary of Veterans Affairs is authorized to—

(1) purchase or develop for the Veterans Health Administration an information technology system for the management of inventory, including expendable and nonexpendable items; and

(2) implement such system.

(b) PILOT.—If the Secretary purchases or develops a system under subsection (a), the Secretary shall carry out a pilot program at one Department of Veterans Affairs facility before implementing the system throughout the Department. The pilot program shall be designed to determine whether the functions of the system are satisfactory.

(c) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for the Department of Veterans Affairs $50,000,000 to carry out this section.

(d) DEADLINE.—If the Secretary purchases or develops a system under subsection (a), the Secretary shall complete the implementation of the system by not later than three years after the date of the enactment of this Act.

SEC. 3. MODIFICATION OF CERTAIN HOUSING LOAN FEES.

The loan fee table in section 3729(b)(2) of title 38, United States Code, is amended by striking "November 15, 2031" each place it appears and inserting "December 17, 2031".

PURPOSE AND SUMMARY

H.R. 2499, the *"VA Supply Chain Management System Authorization Act"* was introduced by Representative Jen Kiggans of Virginia on April 6, 2023. The bill, as amended, would authorize $50 million for the Secretary of the Department of Veterans Affairs (VA) to purchase or develop an inventory management information technology system for VA medical centers. The bill would also provide an offset for the cost of the authorization by extending current rates for VA home loan funding fees paid by non-service-connected veterans.

BACKGROUND AND NEED FOR LEGISLATION

Section 1: Short Title

This Act may be cited as the *"VA Supply Chain Management System Authorization Act"*.

Section 2: Management of Supply Chains for Medical Facilities of Department of Veterans Affairs

VA spends billions of dollars on medical supplies and other goods annually, using several dozen different IT systems and disparate processes at the central office, regional, and local levels. VA has many different supply chains, and they are not well integrated. This was highlighted in 2020 during the COVID–19 pandemic when VA had no unified view, for months, of supply inventories throughout the medical centers and other facilities, and no way to move supplies around efficiently to resolve shortages.

VA's primary inventory management system is still the Generic Inventory Package (GIP), which was developed in the early 1990s and is time consuming and difficult to use. Many VA medical centers neglect it and keep inventory manually. VA has attempted to replace it at least twice, most recently by adopting the Defense Medical Logistics Standard Support (DMLSS) system, which was largely abandoned in 2022. In June 2023, VA released a Supply Chain Modernization request for proposal (RFP) seeking a contractor to build, deliver, and manage a cloud-based enterprise supply chain system. "Enterprise" means encompassing the medical and nonmedical supply chains of the Veterans Health Administration, Veterans Benefits Administration, National Cemetery Administration, and other VA offices. VA determined that the requirements are too broad and complex to be met by any single system. Instead, the RFP calls for a "system-of-systems" approach where a prime contractor will integrate systems provided by multiple software companies and partners, replacing many of the legacy systems.

The Committee believes that based on VA's past failed attempts to modernize individual components of its supply chain, the project as constituted in the June 2023 RFP poses significant technical, organizational, and logistical risks that VA has not demonstrated the capacity to overcome. During the Subcommittee on Technology Modernization's April 19, 2024 oversight hearing, members examined these risks as well as the project's potential cost which, according to VA's initial lifecycle cost estimate, could be between $9 and $15 billion. The Committee believes that rather than VA attempting to replace all of its supply chain information technology systems in one project, veterans would be better served by the Department focusing its efforts and resources on modernizing the most inadequate and operationally important component of its supply chain, the medical center inventory management system.

This section would authorize the VA to purchase or develop an inventory management information technology system for VA medical centers. If the VA purchases or develops said system, the section would require the VA to first conduct a pilot program before fully implementing the system and would require the VA to fully implement the system no later than three years after the enactment of this Act. The section would authorize $50 million to fully implement the system.

Section 3: Modification of Certain Housing Loan Fees

Veterans who utilize the VA Home Loan Program pay a small fee that is included in their monthly mortgage payments. This section would offset the costs of the legislation's other sections by extending the expiration of the current rates for VA home loan funding fees by 32 days to December 17, 2031. Veterans with service-connected disabilities do not pay the funding fee and would not be affected by this extension of the home loan fees. The Committee believes this short-term extension of current funding fee rates is a reasonable way to cover the costs associated with this legislation.

HEARINGS

On April 19, 2023, the Subcommittee on Oversight and Investigations held a legislative hearing on H.R. 2499 and other bills that were pending before the subcommittee.

The following witnesses testified:

Mr. Phillip Christy, Deputy Executive Director, Office of Acquisition, Logistics, and Construction, Department of Veterans Affairs; Ms. Catherine Cravens, Chief of Staff, Office of Information and Technology, Department of Veterans Affairs; Dr. Leslie Sofocleous, Executive Director, Program Management Office, Electronic Health Record Modernization Integration Office, Department of Veterans Affairs; Ms. Shana Love-Holmon, Acting Assistant Secretary, Office of Enterprise Integration, Department of Veterans Affairs.

The following organizations submitted statement for the record:

The American Legion; Fleet Reserve Association.

On April 9, 2024, the Subcommittee on Technology Modernization held an oversight hearing titled "VA Supply Chain Modernization: Ready for Prime Time?" on the VA Logistics Redesign program and the Department's plans to modernize its enterprise supply chain.

The following witnesses testified:

Mr. Michael Parrish, Chief Acquisition Office and Principal Executive Director, Office of Acquisition, Logistics, and Construction, Department of Veterans Affairs; Mr. Ronald Miller, Deputy Assistant Under Secretary for Health for Support, Veterans Health Administration, Department of Veterans Affairs; Mr. Dewaine Beard, Principal Deputy Assistant Secretary, Office of Information and Technology, Department of Veterans Affairs; Ms. Chanel Bankston-Carter, Acting Program Executive Director, Veterans Affairs Logistics Redesign Program, Department of Veterans Affairs.

SUBCOMMITTEE CONSIDERATION

On July 19, 2023, the Subcommittee on Oversight and Investigations held a markup on pending legislation which included H.R. 2499. Representative Kiggans offered an amendment in the nature of a substitute to narrow the scope of the legislation from authorizing an enterprise wide supply chain modernization project to authorizing VA to purchase or develop an information technology system to modernize a particular aspect of the Veterans Health Administration (VHA) supply chain—the inventory management system—thereby reducing the amount authorized to $50 million. A motion by Representative Mrvan to report H.R. 2499, as amended, was favorably forwarded to the full Committee.

COMMITTEE CONSIDERATION

On May 1, 2024, the full Committee met in open markup session, a quorum being present, and ordered H.R. 2499, as amended, to be reported favorably to the House of Representatives. During consideration of the bill, the following amendment was considered:

An amendment in the nature of a substitute offered by Representative Kiggans to add section three which extends the current rates for VA home loan funding fees as an offset for the other sections of the bill.

The amendment in the nature of a substitute was adopted by voice vote.

A motion by Representative Bergman to report H.R. 2499, as amended, favorably to the House of Representatives was agreed to after a recorded vote with thirteen members voting in favor and ten in opposition.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, a recorded vote was taken during the full Committee open markup session on May 1, 2024 on the motion to favorably report H.R. 2499, as amended, to the full House. The motion was agreed to with thirteen members voting in favor and ten in opposition.

The following members voted in favor of the motion:

Chairman Mike Bost, Representative Amata Coleman Radewagen, Representative Jack Bergman, Representative Nancy Mace, Representative Matthew M. Rosendale, Representative Mariannette Miller-Meeks, Representative Scott Franklin, Representative Derrick Van Orden, Representative Morgan Luttrell, Representative Juan Ciscomani, Representative Eli Crane, Representative Keith Self, Representative Jennifer Kiggans.

The following members opposed the motion:

Ranking Member Mark Takano, Representative Julia Brownley, Representative Mike Levin, Representative Chris Pappas, Representative Frank J. Mrvan, Representative Sheila Cherfilus-McCormick, Representative Chris Deluzio, Representative Morgan McGarvey, Representative Delia Ramirez, Representative Nikki Budzinski.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives of H.R. 2499, as amended, is to authorize a VA supply chain modernization project that has a reasonable cost and achievable scope.

EARMARKS AND TAX AND TARIFF BENEFITS

H.R. 2499, as amended, does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI of the Rules of the House of Representatives.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate on H.R. 2499, as amended, prepared by the Director of the Congressional Budget Office.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate for H.R. 2499, as amended, provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

H.R. 2499, VA Supply Chain Management Systems Authorization Act
As ordered reported by the House Committee on Veterans' Affairs on May 1, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	-51
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	-51
Spending Subject to Appropriation (Outlays)	0	45	50

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

H.R. 2499 would authorize the Department of Veterans Affairs (VA) to develop an information technology (IT) system to manage inventory at its medical facilities. The bill would also increase the fees that VA charges borrowers for its home loan guarantees. In total, H.R. 2499 would increase spending subject to appropriation by $50 million and reduce direct spending by $51 million over the 2024–2034 period.

The costs of the legislation, detailed in Table 1, fall within budget function 700 (veterans benefits and services).

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 2499

	By fiscal year, millions of dollars—												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024–2029	2024–2034
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
Authorization	0	50	0	0	0	0	0	0	0	0	0	50	50
Estimated Outlays	0	12	27	4	1	1	1	1	1	1	1	45	50
DECREASES (−) IN DIRECT SPENDING													
Estimated Budget Authority	0	0	0	0	0	0	0	0	−51	0	0	0	−51
Estimated Outlays	0	0	0	0	0	0	0	0	−51	0	0	0	−51

Spending subject to appropriation: H.R. 2499 would authorize appropriations of $50 million for VA to purchase or develop a system for managing inventory of expendable and nonexpendable items at its medical facilities and to implement that system. VA would initially implement the system at one VA medical facility before expanding its use throughout the department, assuming functions of the system are satisfactory. Using information on spending patterns for similar IT programs, CBO estimates implementing the bill would cost $50 million over the 2024–2034 period. Such spending would be subject to the appropriation of the specified amounts.

Direct spending: VA provides loan guarantees to lenders that allow eligible borrowers to obtain better loan terms—such as lower interest rates or smaller down payments—to purchase, construct, improve, or refinance a home. VA typically pays lenders up to 25 percent of the outstanding mortgage balance if a borrower's home is foreclosed upon. Those payments, net of fees paid by borrowers and recoveries by lenders, constitute the subsidy cost for the loan guarantees.[1] That subsidy cost is reflected in the federal budget as direct spending.

Under current law, the rates for most of the fees that borrowers pay to VA for loans guaranteed after November 15, 2031, will drop from a weighted average of about 2.3 percent to about 1.2 percent of the loan amount. The bill would extend the higher rates through December 17, 2031, thereby reducing the subsidy cost of loans guaranteed during that period. Using its forecast of loan volume based on data provided by VA, CBO estimates that extending the higher rates would decrease direct spending by $51 million over the 2024–2034 period (see Table 1).

The CBO staff contacts for this estimate are Logan Smith (IT systems) and Paul B.A. Holland (home loans). The estimate was reviewed by Christina Hawley Anthony, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,
Director, Congressional Budget Office.

FEDERAL MANDATES STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104–4 is inapplicable to H.R. 2499, as amended.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act would be created by H.R. 2499, as amended.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that H.R. 2499, as amended, does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

[1] Under the Federal Credit Reform Act of 1990, the subsidy cost of a loan guarantee is the net present value of estimated payments by the government to cover defaults and delinquencies, interest subsidies, or other expenses offset by any payments to the government, including origination or other fees, penalties, and recoveries on defaulted loans. Such subsidy costs are calculated by discounting those expected cash flows using the rate on Treasury securities of comparable maturity. The resulting estimated subsidy costs are recorded in the budget when the loans are disbursed or modified. A positive subsidy indicates that the loan results in net outlays from the Treasury; a negative subsidy indicates that the loan results in net receipts to the Treasury.

Statement on Duplication of Federal Programs

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee finds that no provision of H.R. 2499, as amended, would establish or reauthorize a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

Section-by-Section Analysis of the Legislation

Section 1. Short title

This section would establish the short title of the bill as the "VA Supply Chain Management System Authorization Act".

Section 2. Management of supply chains for medical facilities of Department of Veterans Affairs

Subsection (a) would authorize the VA Secretary to purchase or develop an information technology system for the management of inventory, including expendable and nonexpendable items, at VA medical facilities.

Subsection (b) would authorize the VA Secretary to complete implementation of the system under subsection (a) no later than three years after the enactment of this Act.

Section 3. Modification of certain housing loan fees

This section would offset the costs of the other sections of the bill by extending current VA home loan funding fee rates as established in 38 U.S.C. § 3729, from November 15, 2031, to November 17, 2031.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

TITLE 38, UNITED STATES CODE

*   *   *   *   *   *   *

PART III—READJUSTMENT AND RELATED BENEFITS

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CHAPTER 37—HOUSING AND SMALL BUSINESS LOANS

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SUBCHAPTER III—ADMINISTRATIVE PROVISIONS

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§ 3729. Loan fee

(a) REQUIREMENT OF FEE.—(1) Except as provided in subsection (c), a fee shall be collected from each person obtaining a housing loan guaranteed, insured, or made under this chapter, and each person assuming a loan to which section 3714 of this title applies. No such loan may be guaranteed, insured, made, or assumed until the fee payable under this section has been remitted to the Secretary.

(2) The fee may be included in the loan and paid from the proceeds thereof.

(b) DETERMINATION OF FEE.—(1) The amount of the fee shall be determined from the loan fee table in paragraph (2). The fee is expressed as a percentage of the total amount of the loan guaranteed, insured, or made, or, in the case of a loan assumption, the unpaid principal balance of the loan on the date of the transfer of the property.

(2) The loan fee table referred to in paragraph (1) is as follows:

Type of loan	Active duty veteran	Reservist	Other obligor
(A)(i) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed on or after October 1, 2004, and before January 1, 2020).	2.15	2.40	NA

Type of loan	Active duty veteran	Reservist	Other obligor
(A)(ii) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed on or after January 1, 2020, and before April 7, 2023).	2.30	2.30	NA
(A)(iii) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed on or after April 7, 2023, and before ⟦November 15, 2031⟧ *December 17, 2031*).	2.15	2.15	NA
(A)(iv) Initial loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other initial loan described in section 3710(a) other than with 5-down or 10-down (closed on or after ⟦November 15, 2031⟧ *December 17, 2031*).	1.40	1.40	NA
(B)(i) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed on or after October 1, 2004, and before January 1, 2020).	3.30	3.30	NA

Type of loan	Active duty veteran	Reservist	Other obligor
(B)(ii) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed on or after January 1, 2020, and before April 7, 2023).	3.60	3.60	NA
(B)(iii) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed on or after April 7, 2023, and before 【November 15, 2031】 *December 17, 2031*).	3.30	3.30	NA
(B)(iv) Subsequent loan described in section 3710(a) to purchase or construct a dwelling with 0-down, or any other subsequent loan described in section 3710(a) (closed on or after 【November 15, 2031】 *December 17, 2031*).	1.25	1.25	NA
(C)(i) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed before January 1, 2020).	1.50	1.75	NA
(C)(ii) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed on or after January 1, 2020, and before April 7, 2023).	1.65	1.65	NA

Type of loan	Active duty veteran	Reservist	Other obligor
(C)(iii) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed on or after April 7, 2023, and before 【November 15, 2031】 *December 17, 2031*).	1.50	1.50	NA
(C)(iv) Loan described in section 3710(a) to purchase or construct a dwelling with 5-down (closed on or after 【November 15, 2031】 *December 17, 2031*).	0.75	0.75	NA
(D)(i) Loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed before January 1, 2020).	1.25	1.50	NA
(D)(ii) Loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed on or after January 1, 2020, and before April 7, 2023).	1.40	1.40	NA
(D)(iii) Loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed on or after April 7, 2023, and before 【November 15, 2031】 *December 17, 2031*).	1.25	1.25	NA
(D)(iv) Loan described in section 3710(a) to purchase or construct a dwelling with 10-down (closed on or after 【November 15, 2031】 *December 17, 2031*).	0.50	0.50	NA
(E) Interest rate reduction refinancing loan.	0.50	0.50	NA

Type of loan	Active duty veteran	Reservist	Other obligor
(F) Direct loan under section 3711.	1.00	1.00	NA
(G) Manufactured home loan under section 3712 (other than an interest rate reduction refinancing loan).	1.00	1.00	NA
(H) Loan to Native American veteran under section 3762 (other than an interest rate reduction refinancing loan).	1.25	1.25	NA
(I) Loan assumption under section 3714.	0.50	0.50	0.50
(J) Loan under section 3733(a).	2.25	2.25	2.25.

(3) Any reference to a section in the "Type of loan" column in the loan fee table in paragraph (2) refers to a section of this title.

(4) For the purposes of paragraph (2):

(A) The term "active duty veteran" means any veteran eligible for the benefits of this chapter other than a Reservist.

(B) The term "Reservist" means a veteran described in section 3701(b)(5)(A) of this title who is eligible under section 3702(a)(2)(E) of this title.

(C) The term "other obligor" means a person who is not a veteran, as defined in section 101 of this title or other provision of this chapter.

(D)(i) The term "initial loan" means a loan to a veteran guaranteed under section 3710 or made under section 3711 of this title if the veteran has never obtained a loan guaranteed under section 3710 or made under section 3711 of this title.

(ii) If a veteran has obtained a loan guaranteed under section 3710 or made under section 3711 of this title and the dwelling securing such loan was substantially damaged or destroyed by a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), the Secretary shall treat as an initial loan, as defined in clause (i), the next loan the Secretary guarantees or makes to such veteran under section 3710 or 3711, respectively, if—

(I) such loan is guaranteed or made before the date that is three years after the date on which the dwelling was substantially damaged or destroyed; and

(II) such loan is only for repairs or construction of the dwelling, as determined by the Secretary.

(E) The term "subsequent loan" means a loan to a veteran, other than an interest rate reduction refinancing loan, guaranteed under section 3710 or made under section 3711 of this title that is not an initial loan.

(F) The term "interest rate reduction refinancing loan" means a loan described in section 3710(a)(8), 3710(a)(9)(B)(i), 3710(a)(11), 3712(a)(1)(F), or 3762(h) of this title.

(G) The term "0-down" means a downpayment, if any, of less than 5 percent of the total purchase price or construction cost of the dwelling.

(H) The term "5-down" means a downpayment of at least 5 percent or more, but less than 10 percent, of the total purchase price or construction cost of the dwelling.

(I) The term "10-down" means a downpayment of 10 percent or more of the total purchase price or construction cost of the dwelling.

(c) WAIVER OF FEE.—(1) A fee may not be collected under this section from a veteran who is receiving compensation (or who, but for the receipt of retirement pay or active service pay, would be entitled to receive compensation), from a surviving spouse of any veteran (including a person who died in the active military, naval, air, or space service) who died from a service-connected disability, or from a member of the Armed Forces who is serving on active duty and who provides, on or before the date of loan closing, evidence of having been awarded the Purple Heart.

(2)(A) A veteran described in subparagraph (B) shall be treated as receiving compensation for purposes of this subsection as of the date of the rating described in such subparagraph without regard to whether an effective date of the award of compensation is established as of that date.

(B) A veteran described in this subparagraph is a veteran who is rated eligible to receive compensation—

(i) as the result of a pre-discharge disability examination and rating; or

(ii) based on a pre-discharge review of existing medical evidence (including service medical and treatment records) that results in the issuance of a memorandum rating.

* * * * * * *

MINORITY VIEWS

The Department of Veterans Affairs (VA) Supply Chain Modernization (SCM) effort faces significant challenges. Without intentional and consistent effort to address these systemic issues, VA will be unable to implement a modern, enterprise-wide supply chain and logistics system. H.R. 2499 would compound those issues by authorizing a Veterans Health Administration pilot that does not reflect the enterprise-wide system that VA requires.

In VA's written testimony regarding H.R. 2499 for the April 19, 2023, Oversight & Investigations Subcommittee legislative hearing, the Department stated:

> First, as written, the bill may impede ongoing efforts toward an enterprise supply chain solution. Second, the timeline does not accurately reflect the complexities involved in successful procurement and execution. As such, VA welcomes the opportunity to continue working with the Committee to provide additional technical assistance that will create the flexibility and scope of timing needed to ensure success of the mission.

Despite VA's concerns, the bill was advanced during the July 19, 2023, Oversight & Investigations Subcommittee markup. At that time, Committee Democratic Members supported the authorization of a medical supply chain logistics solution within the Veterans Health Association (VHA). Since then, VA has taken significant steps to develop an enterprise-wide supply chain and logistics solution, one that is much larger than what H.R. 2499 seeks to authorize.

The Committee finally learned of VA's plans during a Technology Modernization Subcommittee hearing on April 9, 2024. Members questioned VA on a number of issues, such as VA's lack of compliance with Sec. 403 of PL 117–328, staffing challenges within modernization and acquisition lines, the lack of involvement from the Office of Information and Technology, and systemic challenges regarding the vendor-contractor relationship.

While H.R. 2499 seeks to legislate a piecemeal approach through the deployment of a pilot within the VHA, it does not address any of the systemic challenges with VA's current modernization efforts. The Government Accountability Office (GAO) has acknowledged such challenges within VA, and has pushed VA to make these adjustments prior to implementation, as it noted in testimony from the April 19, 2023, legislative hearing:

> In addition to an effective pilot, to ensure success, the decision-making process leading up to the choice of a system must be sound. In March 2021, we reported that VA was pursuing several major supply chain initiatives that were highly interrelated and had overlapping timelines—

> potentially leading to cascading effects in the event of changes to initiatives or delays. We recommended that VA develop a comprehensive supply chain strategy to address this complexity and create an implementation plan with key milestones. VA concurred with the recommendation and continues work to develop this strategy. This planned comprehensive supply chain management strategy should drive its acquisition of a new supply chain IT platform—not vice versa.

Democratic Members are gravely concerned that VA's current efforts at SCM are repeating the errors of other major modernization efforts, namely poor requirements development, a lack of measures of success, and an unclear strategy for accomplishing this effort. It would be irresponsible to authorize this program before these issues are addressed. Democratic Members are prepared to continue working with the Majority to conduct oversight of this program at VA, prior to yet another failure of VA's modernization efforts for necessary supply chain and logistics lines.

MARK TAKANO,
Ranking Member.

○