

SHARE AND SAVE

VA's Deputy Assistant Secretary for Acquisition and Logistics sees cost-cutting opportunities in collaboration with DoD

Critical Thinking offers perspectives from those outside DOD and the defense industry on issues faced by the Army AL&T community. Our intent is to provide fresh opinion and expertise on difficult challenges.

This Critical Thinking Q&A is with Jan R. Frye, Deputy Assistant Secretary in the U.S. Department of Veterans Affairs (VA) Office of Acquisition and Logistics. Frye is a retired Army Colonel who served in senior acquisition and logistics positions.

Frye was appointed as VA's Deputy Assistant Secretary for Acquisition and Logistics in 2005. In his position, he manages and oversees the development and implementation of policies and procedures supporting the entire VA acquisition and logistics program, one of the largest in the federal government. VA serves 22.2 million veterans through three major organizations: the Veterans Health Administration, with 152 hospitals, 974 outpatient clinics, and 133 community living centers (formerly called nursing homes), among other facilities; the Veterans Benefits Administration, with 57 regional offices; and the National Cemetery Administration, which operates 131 cemeteries.

His responsibilities include management of VA's National Acquisition Center in Hines, IL; the VA Acquisition Academy in Frederick, MD; and the Denver Acquisition and Logistics Center in Denver, CO. He also serves as VA's Senior Procurement Executive.

Before his appointment as VA Deputy Assistant Secretary, Frye was Chief of Contracting, U.S. Department of Transportation Federal Motor Carrier Safety Administration.

During his 30-year career in the Army, Frye served as Principal Assistant Responsible for Contracting in Eighth U.S. Army/U.S. Forces Korea; Principal Assistant Responsible for Contracting in the U.S. Army Military Surface Deployment and Distribution Command; and Deputy Principal Assistant Responsible for Contracting at the U.S. Army Corps of Engineers. He commanded three DoD contracting commands, in the United Kingdom; Minneapolis, MN; and the Republic of Korea. He also served as the Deputy Commander, Rock Island Arsenal, IL.

Frye holds a B.S. in education from the University of Nebraska, an M.S. in contracting and acquisition management from the Florida Institute of Technology, and an M.S. in national resource strategy from the National Defense University. He is also a graduate of the U.S. Army Command and General Staff College, the Defense Systems Management College, and the Industrial College of the Armed Forces. He is Level III certified in program management and contracting.

Q. As the chief buyer for VA, you have responsibility for constantly seeking efficiencies across an enormous range of products representing the \$16 billion that VA spends every year on

contracts. As an Army officer, you also held a variety of senior acquisition and logistics positions. Are there particular benchmarks of efficiency—such as consolidation or product standardization—that you look at across VA procurement operations that might also apply to the U.S. military as it prepares to absorb at least \$450 billion in cuts over the next decade?

A. We've got a great leadership team here: Secretary [Eric K.] Shinseki, former Army Chief of Staff, knows where he wants to take VA, and he's taking it there. Deputy Secretary [W.] Scott Gould, also the Chief Operating Officer, is just a consummate professional, a great businessman who has served both in government positions and in the private sector; and my boss, Glenn [D.] Haggstrom [Principal Executive Director, Office of Acquisition, Logistics, and Construction], who's the Acting Chief Acquisition Officer at VA, which is comparable to the Army Acquisition Executive. All three of them have been very, very supportive, and their predecessors as well, for changes that we've made here in VA. Believe me, we've made some, and we need to make a lot more to get us where we need to go.

There have been, and there are, a lot of opportunities for standardization and consolidation, or strategic sourcing, if you will, of products across VA and DoD. VA is a major player in the national health care arena; DoD is as well. Over the years there's been a lot of talk between players, major players in some cases, in the government about duplication in government programs. After all, we serve the same people, albeit at different times of their careers. Some substantial savings have been achieved, and more could be achieved, certainly.

Let's look at what we both use across the spectrum of our health care facilities or health care programs and decide what common things we could use. In our hospitals here in CONUS, we probably use about the same things. There are some differences. Obviously overseas in war zones, the forward-deployed medical commands use some different things because of their forward-deployed posture. But things that come to mind are what we call durable medical equipment, or DME, from wheelchairs to hearing aids like I'm wearing.

We have a very notable example where we and DoD share these contracts: We've agreed on what hearing aids we will provide to our constituents, to our clients, and we combine our spend. We buy most of DoD's hearing aids out of VA's Denver Acquisition and Logistics Center. We average a cost per unit of \$348. That is in comparison to a retail cost for the same units of \$1,200 to \$3,000.

We have captured 20 percent of the U.S. market, between DoD and VA, for hearing aids. And because of this combined spend, we are able to strategically source and drive these prices down to what I think everyone will agree is a great price. Best of all, we're getting the best technology available. So we see satisfied veterans, we see satisfied Soldiers, we see satisfied retirees at medical care facilities in DoD. Common sense, I think, would lead us to pursue more standardization and strategic sourcing in the DME arena.

Major medical equipment is another arena where we can do a lot more. We currently do some work with Defense Supply Center Philadelphia. But I believe we could do a lot more work. If we were to combine the total spend for high-tech or major medical equipment and then use that

spending power to negotiate with suppliers, I believe we could drive the prices down for a significant advantage for both DoD and VA. We are doing it to some degree now, but I think there's more progress that we could make. CT [computed tomography] scanners, MRIs [magnetic resonance imaging machines], those are very, very expensive. We buy millions of dollars worth of them across VA every year. And, of course, these machines wear out, they become in some ways obsolete, and they have a life expectancy of x years. At some point they have to be replaced.

Those are just two examples. There are many, many more examples out there.

Q. VA and the U.S. military, as federal government organizations serving our Nation's service members, undoubtedly have a lot in common related to acquisition. Is there any regular sharing of information and expertise on efficiencies, processes, etc.? Are there opportunities to do so?

A. Emphatically, yes. There is a regular sharing of information and expertise on efficiencies and processes between DoD and VA. Back in 2003, the *National Defense Authorization Act* required VA and DoD to implement programs, referred to as the Joint Incentive Fund, and demonstrate efficient site selection to increase health care resource sharing. There is a VA-DoD collaboration office that exists to facilitate the development of joint policies and programs between VA and DoD, and it also provides oversight. The Joint Executive Council and the Senior Oversight Committee were established to facilitate collaboration and health care resource sharing between the departments. So I don't think that there's any question that considerable progress has been made, but I would venture to say that probably everybody involved agrees that more can be

done. Now, in my arena, there's the Health Executive Committee. This is a body jointly chaired by VA's Under Secretary for Health and DoD's Assistant Secretary for Health Affairs. And senior leaders like myself from both departments serve on this committee. There are about a dozen working groups—11, to be exact—and one of those groups is composed of people to approve medical and surgical [med-surg] supply purchasing.

Although there's a lot of communication, a lot of sharing ideas, there's still much, much more that could be done in the arena of durable medical equipment and high-tech medical equipment. If we were to combine our spend, we could buy like Walmart. We could buy by the trainload instead of by the carload. And that's where we need to go.

Q. VA has taken significant steps, with your leadership, to build up its contracting workforce. What can the Army learn from VA acquisition to foster professionalism, innovation, and risk-taking through hiring, assignment, and promotion practices?

A. First of all, I want to let you know that everything that I know about contracting, I learned from the Army. The Army allowed me to serve in the contracting arena for 20 of my 30 years, even before the Acquisition Corps was developed. I was single-tracked in contracting. I enjoyed operational contracting. I spent a considerable amount of time in both post-award and pre-award, and I think I understand both arenas maybe equally as well, but I really enjoy the pre-award.

Here's what I found when I got here in 2005, and I used the experience and the knowledge that I gained while I was in the Army to tackle these problems: Our procurement workforce here was not nearly as capable as the Army's. They weren't as well led as the Army's procurement workforce, they weren't as well trained, and there was no acquisition corps. The Army implemented the Acquisition Corps 22 years ago. We had none here. And there was virtually no program management culture. We had program managers at very senior levels who didn't know that the budget was their responsibility, and this isn't unusual outside DoD. The Department of Defense is far, far ahead of most other government agencies. They were out in front of this years ago. We're just now catching up.

So I've expended a lot of effort, a lot of resources to improve training, the culture, and professionalism. But we've got a long way to go, we've got a lot to do, before we can declare this a world-class procurement or acquisition organization. Let me give you an example: We're in the process of implementing the VA Acquisition Corps a la Department of the Army because that's what I learned. And Secretary Shinseki directed us to do that last year. Fortunately, I already had an effort going, so we're about to stand that up.

We have a very professional IT [information technology] contracting organization. Just two years ago, we could barely put an IT contract in place. But there happened to be a BRAC [Base Realignment and Closure move] at a place called Eatontown, NJ, at the Army's Communications-Electronics Command [CECOM]. When I found out about it, I presented the idea to the leadership here, said that what I thought we needed to do was move up there and see what professionals we could retain at Eatontown. We did so, did it very, very quickly. And we

eventually will have over 250 people on the ground putting contracts in place, totally dedicated to IT contracting. It's the U.S. Army that set the stage there. We were able to capitalize on their BRAC. We got the best and the brightest from CECOM's contracting shop, headed by an SES [Senior Executive Service official] we hired from CECOM.

The personnel strength right now is about 160, including program personnel. They're also supplemented by a workforce of about 55 down in Austin. Eventually we will have somewhere around 250 to 275 people doing IT contracting, strategically sourcing everything through one center.

We were way behind the curve in terms of training, and consequently I conceived the standing up of the VA Acquisition Academy in Frederick, MD, because none exists outside DoD. DAU was full up. We now have over 80,000 square feet of bricks and mortar and 16 classrooms. It's a world-class facility, an award-winning facility, by the way. Our Chancellor was recently named the Chief Learning Officer of the Year by the organization that sponsors that [Chief Learning Officer magazine]. So we have, on a much smaller scale, stood up a training center that we think rivals what DAU has put in place. I am very familiar with their facilities and their professionalism, so we've emulated that.

But I will tell you that we have, I believe, a decided advantage over the Army in one area—agility. Because we're smaller. We have a much smaller budget; we have a much smaller spend, only \$16 billion vs. the Army's \$140 billion. We have some 300,000 employees. And our

leadership is not as thickly layered. It's easier for us to get to our leadership with ideas and get ideas implemented if they agree.

For instance, when I recommended that we move the headquarters contracting support out of Washington up to Frederick, MD, it took just a matter of weeks to get that approved. Now, why did we do that? Because we were having the same problems supporting this headquarters that the Army has—or at least had when I was in the Army—supporting their headquarters: You have a constant rotation of contracting personnel in the Washington area because jobs are available. You might have a GS-11 who tomorrow is a -12 and pretty soon applies for a -13. There are costs of rotation, and you don't get any consistency or retention in your contracting shops. My idea was to move it out of Washington, just far enough away where it's inconvenient for [employees] to come into Washington, and it works like a charm. We have a great place, and they live 50 miles or so from the flagpole. They don't have to drive down that long parking lot called Interstate 270. We've got a very professional contracting workforce there.

It's refreshing, because as we move into an even more constrained environment than we're in, there will be further competition for good contracting people. If we can get inside the cycle of a larger organization, we may end up on top in hiring personnel. And I think we did that and demonstrated that to some degree, with our decision up in New Jersey; we got inside the Army's cycle and were able to hire people before they were given the option of transferring from Fort Monmouth, NJ, to Aberdeen Proving Ground, MD. And I think, had I been in the Army, I probably wouldn't have tried it, because I would have had to go through so many layers and so many decision points that it would have been a waste of my time.

I think it's going to be important that the leadership in the DoD acquisition community do everything they can to attempt to become more agile as we move forward, even given the numbers of layers that they are required to go through.

Within the last year, we decided to stand up a Strategic Acquisition Center in Fredericksburg, VA, and we're currently doing that. We're looking at hiring people who didn't want to move, perhaps with the Army Materiel Command down to Redstone Arsenal, AL. We'll have about 150 contracting officers down there to do strategic sourcing of durable medical equipment and medical-surgical products. We will look to hire the best and the brightest from the Department of Defense and other government agencies here in Washington. It's very healthy competition. We're all going to be competing even more splendidly in the future, so it's going to be incumbent upon all of us in leadership positions, again, I think, to strive for agility and fast decisions because we're going to be making decisions without as much information as we like, without as much time as we like, and we're going to have to capitalize on speed.

Q. VA is, and has been, a leader in procurement from small businesses, which many in acquisition view as inherently more agile and innovative. Do you find this to be true? What do small businesses need from the federal government to encourage this agility and innovation?

A. As you probably know, we embrace small businesses here at VA. We've met our bogies, our requirements given to us by the Small Business Administration, every year I've been here—certainly since I started this cycle in 2006, and even before that. Our experiences show that small

businesses provide just as much in many ways as large businesses do. Sometimes small businesses can't get the financing to do large construction projects, so those are naturally left to large businesses. But the small businesses we contract with are very, very good, by and large. They are agile. Some of them can literally turn on a dime, and some of the larger companies are not able to do that; they're just not as quick at making changes. In the last two years [FY10 and FY11], we have awarded about 20 percent of our total procurement spend to small business—specifically veteran-owned and service-disabled veteran-owned—over \$3.5 billion. We have been able to hit the 20 to 22 percent mark for each of those years. So we are by far the leader in awarding contracts to veteran-owned small businesses.

We have every intention of meeting our goals or exceeding goals in the small business arena even as we move into an era where we know we have to do more strategic sourcing. I'll give you an example; The T4 [Transformation 21 Total Technology] contract is an information services contract awarded to 15 large and small businesses (seven of them are small) up at our Technology Acquisition Center. All seven small business are veteran-owned or service-disabled veteran-owned. Those seven businesses competed very, very well against larger businesses. So they're in for a portion of the potential \$12 billion projected through these contracts over the next five years.

Although we don't run Federal Strategic Sourcing Initiatives, we are their largest supporter. FSSI is something GSA [the U.S. General Services Administration] started in 2005, supported by the Office of Federal Procurement Policy and OMB [the Office of Management and Budget]. VA is the leader in the FSSI initiative for small package shipment, since its inception five years ago.

We now dictate to our workforce that they will use Federal Strategic Sourcing Initiatives. These are 15 contracts that GSA awarded. Most of these, 13 of them, are small businesses, and some are veteran-owned small business. So we dictate use of these small businesses, and we saved over \$10 million in FY11. And by the way, when GSA first stood this program up, small businesses screamed loudly that they wouldn't be able to compete with large business. Again, they did, and did so admirably, and they're serving us very, very well, and we're saving money. So it's absolutely not true that small businesses can't compete.

Now, what do small businesses need from the federal government? It's real easy: They need a chance. If the rest of the government agencies follow VA's lead and meet their statutory goals and the goals given to them by the Small Business Administration, we will have infused billions of dollars into small businesses and the economy. It's often said that these small businesses are the engine of our economy, creating between two-thirds and three-quarters of all new jobs.

Q. You have been called a "change agent." Army AL&T professionals (and their colleagues in the other services) are steeped in change, with a mandate to identify and execute efficiencies in five broad areas: affordability, incentives for productivity in industry, promoting competition, improving tradecraft, and reducing bureaucracy. As an experienced public-sector executive, what have you found are the greatest obstacles to change, and the best methods for overcoming them?

A. No doubt about it, change is hard. I see the greatest obstacle as the inability to execute. There are a lot of people who can develop ideas. I call them idea ducks: They waddle around the barnyard laying idea eggs. But there are very few people that can sit on the clutch of eggs and

see the eggs hatch, because it's just a lot of work. I think if I had to illustrate how hard change is, I need only turn to our executive and legislative branches, who are faced with very severe budget issues, and they are not able to execute the changes they know we need. Down at my level, where the rubber meets the road, leadership is the key, just as it is on the more strategic and national levels. Leadership, leadership, leadership.

I think it's absolutely essential that you get everyone down at the lowest levels involved in developing the vision for the organization, developing the idea of where you want to go, developing the goals and the objectives. And once it's decided, once you've collaborated, it takes leaders to just press that home on a daily basis. You've just got to be almost ruthless in putting people on point and getting people to execute. If you don't, change doesn't happen. And it's hard even if you do it that way. Now, I've got it great here at VA, because again I've got guys like Secretary Shinseki and Deputy Secretary Gould who are absolutely change agents and were before they got here. So I have the advantage of watching these guys be the change agents every day and emulating what they do.

Q. The Army encourages the application of Lean Six Sigma principles to identify opportunities for greater efficiency and effectiveness. What do you see as the greatest value of the Lean Six Sigma and other quality improvement processes?

A. I've lived long enough to have been through a bunch of these quality improvement programs. I recall in the '70s at Fort Carson, CO, seeing "Zero Defects" emblazoned on all the clocks on

the walls. And, of course, I scratched my head and wondered, knowing then and knowing now that there's no such thing as a zero-defects environment. I participated in Total Quality Management in DoD. Here in VA, the Veterans Health Administration, for one, is an absolute role model in embracing Lean Six Sigma concepts—identifying and removing causes, defects, and errors in the delivery of their daily health care services. But we're doing the same thing in the procurement arena. We haven't always done it this way, but in the last year, year and a half, we began measuring the health of our procurement organizations across VA.

We do this based on agreed-upon metrics. There are 11 metrics we use. And we provide those metrics to the leadership at the highest levels of VA on a monthly basis. So the leadership understands the temperature, understands the health of the procurement organization. That measurement enables us to make changes in processes, enables us to make changes in our training at the VA Acquisition Academy, and in some cases, helps us to make changes in our organizational structure; we've done some of that in the recent past as well.

If we have a process that's out of whack, do we need to go look at that process? Do we need to proof it and make sure that if we have a good process in place, the process is actually being used? Our electronic contract writing system is a good example. We think we have a good contract writing system. We put it in place for use, and sometimes we fail to use it. When you don't use the contract writing system, there's no database; there are other problems that ensue.

Let me tell you about something that we've done here that really illustrates how we can make data-driven decisions, instead of going by a gut feel or a notion. We've created a pod of systems

analysts in my office who develop quantitative businesses cases for changes in the way we procure. It's very difficult to find people with quantitative skills in the government because we haven't emphasized that in the past. So in this instance, the majority of them are suppliers we've hired. What they do is, they develop hypotheses. These hypotheses say if we do x, we can save y. And then we require them to prove their hypotheses with a business case, and in doing so they develop a range for return on investment. And once a business case is approved, it might tell us we need to standardize. We did this, for instance, with office supplies.

Then the same analysts are required to bird-dog or monitor that program so they can tell us what we're actually saving, because it does little good to go off on a tangent on a cost-saving initiative if you don't monitor the cost savings, if you don't know the baseline to begin with. These analysts—I call them my ORSA pod, Operations Research System Analysts (sort of like an orca pod)—are doing a great job.

We do a broad analysis of our spend. We look at our spend, let's say, in medical-surgical products. We examine the top 20 and say, out of this top 20, what do we think we could standardize? The No. 1 item on the list might be cardiac stents, for instance. Okay, is that a physician preference item, or is that something that we think we could standardize? I'm just giving you that as an example. It could be anything else. But we do an analysis, an upfront analysis, before we start down the road of a business case. More important, though, we are working with VHA [the Veterans Health Administration] in standing up some program offices that will manage portfolios of products and monitor the market, emerging technology, and clinical preferences.

While I promote Lean Six Sigma and its tenets, I've seen many times in my career that my bosses were willing to spend money on total quality initiatives, such as Lean Six Sigma, but in many cases they weren't willing to spend the money on a group of people like we have here in VA who could actually put the business cases together and then bird-dog those decisions down the road. My leadership has allowed me to hire people I need. We think there's going to be a large payoff. We've got a long ways to go before we can declare victory. Come see me in a year and ask me what our return on investment is, and I'll be able to give you more information.

Q. The VA must continuously support and improve on its core products and services. At the same time, VA strives to stay abreast of new products and services that address emerging needs. This same balancing of priorities is also true of the U.S. Army. How does VA stay abreast of veterans' needs for particular products and services?

A. Medical care products, at least from my layman's viewpoint, are primarily commercial-off-the-shelf. New methodologies, new products, are developed by for-profit companies for the most part, and there's a profit motive. The faster they can produce new products and get them on the market, the sooner they can make profits for their shareholders. The development of those products, which we all assume will better our health, is within their realm. Now, VA does a tremendous amount of research and development, and we do it with affiliates. I don't recall how many affiliate universities we have, but it's over 100. For instance, Duke University Medical Center in North Carolina is right across the street from the VA Medical Center. So doctors from Duke work and conduct research in the VA Medical Center, constantly infusing new ideas into

VA while gaining experience in one of the best health care facilities in the world. The practice is routine across VHA's health care system.

How do the vendors, the suppliers, let our health care folks, the clinicians, know about new products? Well, there's a lot of interaction out there with suppliers. Clinicians learn what new processes, new products, new pharmaceuticals emerge by meeting with suppliers. What we've not done at VA, though, up until now, was manage our durable medical equipment and our prosthetics to a large degree using program management offices or commodity managers. As I mentioned earlier, we're working with VHA to stand up seven program offices. Each of these program offices will have a portfolio of products. For instance, a portfolio could be surgical. And so, this portfolio manager and others who work for him or her will know everything there is to know about products ranging from staples to scalpels, for instance. They will know what the market is, they will know what new products are being developed by industry, and they will in turn work with the analysis team, this ORSA pod, who will constantly develop new business cases for them. Requirements will then be sent to the Strategic Acquisition Center in Fredericksburg, VA, which will put these requirements on contract.

So we've got a three-leg stool. If we decide we're going to strategically source something, if we decide we're going to standardize products, we'll have people standing behind the clinicians to make it happen. We'll have program managers, spend analysts, and contracting officers working in concert. We will make data-driven decisions, and we'll collect data after we make our decisions to determine if we made the right decisions. This has never been done in the past here at VA.

If the Army medical folks are doing [portfolio management], that would be a perfect way for us to collaborate.

Q. Logistics is a driving force in any acquisition operation. What sorts of logistical challenges has VA faced that could be instructive for the Army?

A. None. I say it with tongue in cheek, but unfortunately VA is well behind DoD in implementing modern, up-to-date logistics systems. In 2005, shortly before I got here, VA shut down a program called the Core FLS [Financial and Logistics System]. It was an ERP [enterprise resource planning] system; we expended over \$300 million and received absolutely no benefit from it except lessons learned.

Later on, an attempt was made at a new integrated financial and logistics system. That one was dubbed FLITE, which stood for Financial and Logistics Integrated Technology Enterprise. That was scrapped in 2010 due to cost overruns, schedule delays, and some technology issues. So we still don't have a modern logistics system.

Logistics IT systems that we use in VA are stand-alone. Each one of our hospitals has a logistics IT system that's stand-alone. So we have a lack of inventory visibility. And I'll give you an example: If you were in Denver and you needed some 2x2 gauze bandages and there's a hospital in Cheyenne, WY, the ideal thing would be to sit down and tickle the keys and find out whether they had excess inventory and, if they did, ship them right away. You can't do that. Now you can

get on the telephone and ask them, but because we've got nomenclature issues, the 2x2 gauze bandages might be different products in the two facilities. We rely on manual processes that don't promote efficiencies. Of course, this presents challenges to the inventory manager.

So the Army probably can't learn a thing from us. But what I would say is, we're developing a plan to move forward. We've laid all our hopes on these major systems that have failed. One of the things we may do is recommend to VA's leadership that we lease a system, in other words, have a supplier come in and provide the system to us. There are advantages in doing that and disadvantages. Or we might suggest to the leadership that we use a system that's already in place. DoD, for instance, has a system called DMLSS [Defense Medical Logistics Standard Support] that they use in the medical arena. That was a spiral development system, and I understand it's working pretty well. I don't know at this point what we'll recommend, but we've got to focus on it and provide a solution as quickly as possible.

Q. Do you have any final words of advice for Army AL&T professionals trying to support a climate of efficient and effective business practices and to succeed amid global change and constant competition for resources?

A. I hope VA and DoD endeavor to work ever more closely together as we move into an ever more constrained budget environment. It's going to take leadership from the top down to make this happen. Leadership, leadership, leadership. Without it, nothing seems to take place. It seems every well-intended move to save the government money has some corollary political or turf issue associated with it. We've got to somehow get over those issues and get over them quickly,

because there's gold in those hills to be mined. We owe the American people, I think, our best efforts, and so my advice is we all sit down and work collectively and demonstrate superb leadership in making it happen.