DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2018

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES APPROPRIATIONS FOR 2018

THURSDAY, MARCH 9, 2017.

MANAGEMENT CHALLENGES AT THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND THE SOCIAL SECURITY ADMINISTRATION: VIEWS FROM THE INSPECTORS GENERAL

WITNESSES

SCOTT S. DAHL, INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR
DANIEL R. LEVINSON, INSPECTOR GENERAL, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
KATHLEEN TIGHE, INSPECTOR GENERAL, U.S. DEPARTMENT OF EDUCATION
GALE STALLWORTH STONE, ACTING INSPECTOR GENERAL, SOCIAL SECURITY ADMINISTRATION

Mr. COLE. I open the hearing, and good morning. It is my pleasure to welcome everybody to the Subcommittee on Labor, Health and Human Services, and Education for a hearing this subcommittee has not had for a few years, and that is to hear from our inspectors general about some of the most pressing management and fiscal challenges facing the agencies under our purview.

Programs administered by these three Cabinet agencies as well as the Social Security Administration touch the lives of every American. Many people rely on programs they oversee to see them through tough times in the case of unemployment insurance, to go to school in the case of Pell Grants, and to obtain medical care in the case of the Indian Health Services and Medicare, and to do something as simple as legally changing their name on their Social Security card.

It is, therefore, crucially important that these agencies maintain strict security over personally identifiable information, that they ensure payments are made properly, in the correct amounts, and to the person to whom they are intended. It is critical that the agencies modernize their internal system to keep one step ahead of criminals and cyber terrorists, and to maintain the trust the public places in them both in terms of finances as well as information, and, in some cases, people's very lives.

The inspectors general have each outlined some of the most pressing challenges confronting each agency, and I look forward to hearing their testimony.

Before we begin, though, I would like to turn to my ranking member, my good friend, the gentlelady from Connecticut, for any remarks that she would care to make. And, please, the gentlelady is recognized.

Ms. DELAURO. Thank you very much, Mr. Chairman. Let me say thank you to our four inspectors general who have joined us today: Department of Education, Department of Health and Human Services, Social Security Administration, Department of Labor.

Today both trust in government and confidence in public institutions are at record lows, and to restore that trust, we need to insist on a strong ethical framework and invest in robust oversight of our Federal Government. The work that is carried out every day by the OIG agencies is fundamental for maintaining the integrity and the efficiency of our government programs.

At a time when resources are limited, there are significant management challenges that require the IGs to identify and address the most pressing issues facing our agencies. So, it is imperative that our public resources are used effectively, and that fraud, waste, and abuse are addressed or eliminated.

I want to focus specifically on the ways in which the taxpayers are victims of fraud and abuse. As inspector general reports highlight, we have problems with the skyrocketing cost of prescription drugs, the predatory practices of low-quality, for-profit education institutions targeting vulnerable students, and we need to uphold our obligation to ensure that American workers have a safe and healthy workplace, and to protect the Social Security Program, the most successful social program in our Nation's history.

With regard to the Department of Health and Human Services—thank you—I am concerned about funding for program integrity activities. In 2016, the Budget Control Act allowed for a cap adjustment of $395,000,000 for healthcare, fraud, and abuse control, which acts as a deterrent against fraud and overbilling in our Medicare system. It saves billions of taxpayers' dollars and ensures that our seniors receive the benefits that they have earned. Unfortunately, the majority did not allow for full funding of this program, leaving us $25,000,000 short.

HICVAC has returned $18,000,000,0000 to the Medicare Trust Fund since 2009. That is an average of more than $2,000,000,000 per year in 2016, and I quote, "Over $3,300,000,000 was deposited with the Departments of Treasury, CMS, transferred to other Federal agencies administering healthcare programs, or paid to private individuals." If we are truly concerned about stopping healthcare fraud and reducing the deficit, we need to fund the programs that work to do so. And I hope together with my colleagues we can commit to fully funding this program this year.

The pattern repeats itself when we looked at the Social Security Administration's cap adjustment. The Budget Control Act allowed for $1,170,000,000. We fell $13,000,000 short. We should talk about curtailing waste, fraud, and abuse, but we need to fully fund the prevention efforts in order to make this happen.

Fraud, waste, and abuse do not just manifest itself in one form. We have the obligation to root it out when it is carried out by large corporations just as we do with individuals. We cannot pick and choose where we want to apply program integrity.

I would note that in 2017, the Budget Control Act allows a cap adjustment of $725,000,000 for healthcare, fraud, and abuse control. However, it allows a cap adjustment of more than $1,500,000,000 for efforts to identify fraud and disability in SSI benefits. While I fully support ensuring that disability and SSI are reserved for their intended recipients, I cannot help but notice that we spend twice as much locking predominantly low-income Americans from receiving modest benefits than we spend investigating fraud and overbilling by large healthcare providers.

Education. We have an obligation to protect students at risk from low-quality, high-debt for-profit programs that hurt students and veterans. These programs prey on vulnerable students and men and women who serve our country. This is unacceptable.

Students at for-profit colleges represent only 10 percent of the total higher education population, yet they represent 35 percent of all Federal student loan defaults. Over the past few years, we have seen the collapse of two publicly-traded for-profit colleges, Corinthian and ITT Technical Institute. The Department of Education IG recently issued an audit report that evaluated the ways in which the Department is monitoring these institutions. It concluded that the new borrower defense regulation will help the Department better mitigate potential harm to students and taxpayers. So, it is critical that we heed the information and the recommendations that come from your reports because we need to protect the integrity of the borrower defense rule.

I am interested in your views on our Reemployment Services and Eligibility Assessment Program. This is an evidence-based program that has shown unemployment insurance claimants return to work sooner and save $3 for every dollar spent.

Look, I will conclude. Our inspectors general take on management challenges that are sometimes herculean, but they are essential for ethical and effective governance. These challenges become all the more difficult when budgets are cut. The fewer resources, we have fewer staff to thoroughly review activities in our agencies, and fewer opportunities to pursue the very actions that the inspectors general recommend. The chairman and I have talked about this. We have heard that the Administration wants to cut non-defense spending by $54,000,000,000, a profound negative impact, in my view, on Labor, HHS, Education programs, and for the OIGs. Our bill comprises nearly one-third of non-defense discretionary spending.

So, the Administration's proposed reduction would result in a cut of nearly $18,000,000,000. The cuts may be even higher since he would not be likely to cut veterans or homeland security. So, I agree, and the chairman and I have agreed, and we have spoken about this, is you cannot balance the budget on the back of non-defense discretionary funding.

A lot to cover in today's hearing, and I thank the four of you for the great work that you do, and I look forward to this discussion. Thank you very much.

Mr. COLE. I thank the gentlelady, and I want to begin with an assurance to every member of the committee and certainly to our witnesses. We are not going to try and compete with Energy and Commerce with the length of our hearing today. [Laughter.]

Ms. DELAURO. Thank you.

Mr. COLE. You will be out at a reasonable time. I expect you to be in your beds tonight, and we will handle this expeditiously. But I want to begin, obviously we want to hear from our witnesses first, so if we can we will recognize you, Mr. Dahl, for your opening statement.

Mr. DAHL. Let me begin by highlighting one of the Department's most serious challenges. In 2015, two students were killed at Jobs Corps in different Job Corps centers allegedly by fellow students. We found Job Corps had problems with centers reporting serious incidents to law enforcement. We also found that Job Corps required centers to run background checks for a very limited number of positions. To better protect the students and staff, Job Corps needs to update its policies on interactions with law enforcement and expand the use of background checks.

The next challenge is managing the astronomical increase in compounded drugs in the Federal Employee's Compensation Program. Over 5 years, the reported costs of compounded drugs skyrocketed from $2,000,000 a year to $263,000,000, more than the cost of all the other drugs combined. With the exorbitant reimbursement rates, these drugs pose a high risk of fraud, including collusion between pharmacies and physicians.

In one case alone, we uncovered potential fraud for nearly $100,000,000. The Department needs to ensure that any compounded drugs that are reimbursed are medically necessary, effective, safe, and reasonably priced.

Another challenge is reducing improper payments in the Unemployment Insurance Program. In 2016, the UI Program had $3,900,000,000 in improper payments. That was the 7th highest among all Federal programs. The Department needs to evaluate the impact of its strategies to reduce improper payments. The Department should also address the systemic weaknesses that make the program more susceptible to fraud. Many of our criminal investigations around the country involve identity theft by criminal groups that have found ways to exploit these program weaknesses.

Furthermore, for many years we have reported on recurring information security deficiencies that create unnecessary risk to DOL systems, as the chairman pointed out. The Department needs to place greater emphasis on and prioritize available resources to address these deficiencies.

Finally, Mr. Chairman, we remain concerned about fraud in the Foreign Labor Certification Programs, including H–1B. We have investigated many criminal schemes involving fictitious employers filing fraudulent applications. We have recommended that the Department report suspensions and debarments on the government-wide exclusion list. We have also partnered with DOJ and other law enforcement to combat human trafficking where workers are often exploited for economic gain.

I want to thank you for your continued support of our work. That support has helped us identify nearly $4,000,000,000 in recoveries and savings over the past 5 years, representing a return on investment of 9 to 1. As the subcommittee has recognized, the work of the OIG offers a solid investment for taxpayers.

That concludes my statement, and I would be pleased to answer any questions.

[The prepared statement and biography of Mr. Dahl follow:]

U.S. Department of Labor
Office of Inspector General

Congressional Testimony

Testimony before the U.S. House of Representatives
Committee on Appropriations
Subcommittee on Labor, Health and Human Services,
Education, and Related Agencies

"Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General"

Testimony of Scott S. Dahl
Inspector General
Office of Inspector General
U.S. Department of Labor

March 9, 2017
10:00am

Good morning, Chairman Cole, Ranking Member DeLauro, and distinguished Members of the Subcommittee. Thank you for the opportunity to discuss what the Office of Inspector General (OIG) views as the most serious challenges facing the U.S. Department of Labor (DOL). My testimony today will focus on those challenges related to protecting Job Corps students, ensuring the effectiveness of job training programs, managing compounded drugs in the Federal Employees' Compensation Act (FECA) program, reducing improper payments, mitigating information security vulnerabilities, and combatting foreign labor certification fraud.

Protecting Job Corps Students

The Department's Job Corps program provides residential and nonresidential education, training, and support services to approximately 50,000 disadvantaged, at-risk youth, ages 16-24, at 126 Job Corps centers nationwide. This program remains challenged in its efforts to provide safe learning environments at its campuses. Job Corps centers have had problems with violence and other criminal behavior for many years. Our audits revealed some Job Corps centers failed to report and investigate serious misconduct, including assaults and possession of illegal drugs, or downgraded incidents of violence to lesser infractions to keep students enrolled.

In 2015, two students were killed at different Job Corps centers, allegedly by fellow students. In response, and as a follow on to previous work, we initiated our most recent review that exposed problems with centers reporting serious incidents to law enforcement. We also found physical security weaknesses that potentially put students and staff at risk. Finally, Job Corps required pre-employment background checks for only a few positions and had not considered background checks for many other positions that involve contact with students.

To better protect students and staff, Job Corps needs to update and clarify its policies regarding interactions with law enforcement and should determine what additional positions require background checks.

Ensuring Employment and Training Outcomes

In Fiscal Year (FY) 2016 DOL received $4.6 billion to fund job training and placement programs intended to improve the employment prospects of adults, youth, dislocated workers, and veterans. The

Department faces challenges ensuring these programs are successful in training and placing participants in suitable jobs. Our audit work has documented the difficulties encountered by the Department in providing active oversight of the grant making and grant execution process; ensuring that performance expectations are clear to grantees and sub-grantees; obtaining accurate and reliable data to measure grant and program success; and, most critically, ensuring that training provided by grantees leads to placements in training-related jobs.

The Department needs to ensure states are reporting accurate performance results under the Workforce Innovation and Opportunity Act, and should continue to pursue access to the National Directory of New Hires. Access to this database would streamline the process of obtaining earnings data needed to assess the impact of job training programs. Additionally, the Department should require states to report training costs and funding sources at the participant level so Congress and other stakeholders have adequate information to make return on investment decisions. Furthermore, the Department needs to evaluate the criteria for the credentials earned in the training programs it funds to ensure the credentials add value to participants' career development and job prospects.

Managing the Rising Costs and Use of Compounded Drugs

In the FECA program, the Department faces challenges in monitoring and managing the use and costs of pharmaceuticals, particularly compounded drug medications. Compounded drugs are created by combining, mixing, or altering the ingredients of drugs to tailor them to individual patients. The FECA program, along with other Federal government workers' compensation programs, has experienced a dramatic increase in medical provider abuse and costs of compounded drugs, particularly pain relief creams. Reported costs for compounded drugs in the FECA program rose from approximately $2 million in FY 2011 to $263 million in FY 2016, more than a hundredfold increase. During FY 2015 alone, reported compounded drug costs jumped from $80 million to $214 million, surpassing the costs of all other drugs billed to FECA ($199 million) combined. We recognize that certain compounded drugs can be beneficial and necessary for some patients. However, there is concern that some of these medications are not subject to approval and regulation by the Food and Drug Administration and have been found to be unsafe in some cases. In addition, billings for these

medications are highly susceptible to abuse and fraud. Our current investigations are focusing on collusion between prescribing physicians and dispensing pharmacies. In one case alone, we have identified potential fraud involving nearly $100 million.

The Department needs to ensure that any compounded drugs reimbursed are medically necessary, effective, and safe. The Department also needs to ensure it pays a fair and reasonable price for the medications.

In addition to our work with the Department, my office is collaborating with other OIGs who have faced similar problems with compounded drugs in an effort to identify best practices and programmatic changes that reduce susceptibility to fraud.

Reducing Unemployment Insurance Improper Payments

Another challenge facing the Department is the prevention or mitigation of improper payments, particularly in the Unemployment Insurance (UI) program. In FY 2016, the UI program had the seventh-highest amount of reported improper payments ($3.9 billion) among all federal programs. The UI improper payment rate increased to 11.65 percent in FY 2016 from 10.7 percent in FY 2015 and remained above OMB's threshold of 10 percent. Although improper payments can occur for many reasons, fraud continues to be a significant threat to the integrity of the UI program, as identity thieves and organized criminal groups have found ways to exploit program weaknesses. The majority of our large-scale UI investigations involve fictitious employer schemes, where individuals establish fake business entities and then, by means of aggravated identity theft, file for and collect UI benefits using the identities of other individuals. In one recent example, nine individuals were convicted for a conspiracy to fraudulently obtain nearly $1.5 million in UI benefits from the Maryland and Pennsylvania programs.

The Department needs to employ cost benefit and return on investment analyses to evaluate the impact of its improper payment reduction strategies for UI and ensure the most successful strategies are being effectively leveraged by states. The OIG has also made several recommendations on actions the Department should take to address systemic weaknesses that make the UI program more susceptible to fraudulent activity, including discontinuing the use of pre-paid debit cards. In

addition, we recommended states remove auto-populating features from online UI benefit application systems, particularly for employer data, which make it easier to initiate fraudulent claims with minimal personal information. Making this change will also deny subjects access to information often used to file fraudulent IRS tax returns and to apply for other federal benefits.

Securing and Managing the Department's Information Systems

For many years, we have reported on long-standing information security deficiencies, including third-party oversight, incident response and reporting, risk management, and continuous monitoring. These deficiencies represent ongoing, unnecessary risks to the confidentiality, integrity, and availability of DOL's information. We have recommended that the Department place greater emphasis and prioritize available resources to address these deficiencies. We likewise recommended realigning the position of the Chief Information Officer (CIO) to report directly to the Deputy Secretary to give the CIO greater independence and authority for implementing and maintaining an effective information security program.

Mr. Chairman, another area of significant concern, which directly affects my office, is the Department's ability to provide the OIG timely access to its many electronic data systems. This challenge has been particularly acute for systems managed by contractors. We have encountered delays gaining access to data from contractors and the Department has incurred increased costs from outsourcing data management. To address this challenge, the Department needs to ensure that contracting for third-party data systems specifically provides the Department, along with the OIG, timely access to contractor-owned or contractor-operated systems.

Combatting Fraud in Foreign Labor Certification Programs and Human Trafficking

We remain concerned with fraud in DOL's foreign labor certification programs, which are intended to permit U.S. businesses to hire foreign workers when necessary to meet their workforce needs while protecting the jobs and wages of U.S. workers. OIG investigations have shown these visa programs, in particular the H-1B program, to be susceptible to significant fraud and abuse, often by dishonest immigration attorneys, labor brokers, employers, and organized criminal enterprises. Our investigations have revealed schemes where fraudulent applications were filed with DOL on behalf of

individuals, fictitious companies, and dishonest businesses seeking to acquire foreign workers. For example, owners of a New York heath care staffing company were convicted last year of fraudulently using the program to staff medical centers with more than 100 foreign nurses, who were otherwise ineligible for the program.

To combat abuse of the foreign labor certification programs, we recommended the Department determine and document the appropriateness of debarring individuals convicted of foreign labor certification violations as a result of OIG investigations, and report foreign labor certification program suspensions and debarments on the government-wide exclusion system.

As part of our investigations, we have uncovered numerous instances of unscrupulous employers misusing foreign labor certification programs to engage in human trafficking, with victims often exploited for economic gain. The OIG has partnered with the Department of Justice and other law enforcement agencies on Anti-Trafficking Coordination Teams to combat human trafficking.

Conclusion

Mr. Chairman, thank you for calling this hearing and for the Subcommittee's continued support for the work of the OIG. That support has enabled the OIG to produce significant returns for the federal government and U.S. taxpayers. Over the past 5 fiscal years, the OIG has identified more than $3.9 billion in questioned costs, recommendations that funds be put to better use, and investigative recoveries and savings. That represents a return on investment of more than $9 for every dollar invested in the OIG. In addition, during the same time period, the OIG made more than 740 audit recommendations to improve DOL programs and operations, and OIG investigations resulted in 2,149 criminal convictions. As the Subcommittee has recognized, OIGs offer a solid investment for U.S. taxpayers, particularly in times of resource constraints.

We look forward to continuing our productive relationship with this Subcommittee and the Department in our shared goal of improving the efficiency, effectiveness, and integrity of DOL's programs and operations. I would be pleased to answer any questions you or the other members of the committee may have.

SCOTT S. DAHL
INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR

The Honorable Scott S. Dahl was confirmed as the Inspector General of the U.S. Department of Labor by the United States Senate on October 16, 2013. As head of the Office of Inspector General, Mr. Dahl is responsible for overseeing the administration of a nationwide, independent program of audits and investigations involving Department of Labor programs and operations. He also directs a unique responsibility to investigate organized crime influence and labor racketeering corruption in employee benefit plans, internal union affairs, and labor-management relations. In addition, the OIG works with other law enforcement partners on labor trafficking matters.

Prior to his appointment, Mr. Dahl served as the Inspector General at the Smithsonian Institution. In addition, he has served in other senior positions in the Inspector General community—first as Senior Counsel to the Inspector General at the Department of Justice, then as Deputy Inspector General for the Office of the Director of National Intelligence, and as the Deputy Inspector General for the Department of Commerce.

Before joining the IG community, Mr. Dahl served in the Department of Justice as a corruption prosecutor in the Public Integrity Section of the Criminal Division and as a trial attorney in the Civil Fraud Section of the Civil Division. He has been a federal public servant for 26 years.

Prior to his confirmation, Mr. Dahl also served as an adjunct professor at the Georgetown University Law Center since 1992, teaching classes on professional responsibility and public corruption.

Mr. COLE. And we will certainly return for questions. We are going to obviously move through and give everybody a chance to testify.

Mr. Levinson, delighted to have you here. You are recognized for 5 minutes for any remarks you care to make.

Mr. LEVINSON. Good morning, and thank you for the opportunity to testify about top management challenges facing the Department of Health and Human Services.

HHS programs touch the lives of virtually every American. Sound stewardship of these programs depends on strong partnerships within HHS as well as with external organizations, including other Federal, State, and local government agencies and with the private sector.

My testimony today focuses on three key management challenges. One, is strengthening the use and security of data and technology. The right data managed and used effectively can help to ensure the efficient operation of HHS programs, as well as support proactive management oversight fueled by data modeling.

To capitalize on growing amounts of data in healthcare, complete, accurate, and timely data must be available, subject to security and privacy protections. For example, my office has long raised concerns that neither HHS nor the States have complete and accurate national data needed for effective oversight of Medicaid.

Two, is effectively administering grants and contracts. HHS has opportunities to improve its oversight of grants and contracts management working with its State partners. For example, HHS lacks effective mechanisms to share information among its awarding agencies about problematic grantees, making it difficult to assess new grant applicants.

Third, is maintaining focus on safety and quality of care. My office had recommended stronger quality and safety protections for people receiving services in a variety of settings. For example, HHS should harness expertise from across its agencies and from stakeholders to address serious and longstanding challenges at Indian Health Service hospitals.

HHS also has opportunities to reduce patient harm through better detection and prevention of adverse events occurring in institutional settings. In addition, fraud, abuse, and neglect in home- and community-based settings have resulted in deaths, hospitalizations, and patient harm.

Finally, OIG management reviews of HHS' implementation of new programs offer lessons for the efficient management of large and complex government programs. These include having clear project leadership, rigorous contract oversight, close coordination of policy and technical work, and effective planning and prioritization to achieve program goals. One key step HHS can take is to redouble its effort to implement pending OIG recommendations.

I thank the committee for its commitment to program integrity, and look forward to continued collaboration with HHS and Congress to safeguard taxpayer dollars and promote the welfare of the people served by HHS programs. I look forward to responding to your questions.

[The prepared statement and biography of Daniel R. Levinson follows:]

"Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General"

Testimony of
Daniel R. Levinson
Inspector General
U.S. Department of Health and Human Services

Before the United States House Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
March 9, 2017

The Office of Inspector General (OIG) is charged with overseeing the Department of Health and Human Services' (the Department) more than $1 trillion investment in health and human services programs that touch the lives of virtually all Americans. Ensuring that programs operate free from fraud, waste, and abuse is a top priority and a goal we share with the Department. This effort requires sustained focus on prevention, detection, and enforcement. It also requires close attention to promoting economy, efficiency, and effectiveness of programs so that they work well for taxpayers, patients, providers, and others they affect. Sound stewardship depends on strong partnerships within the Department, as well as with external organizations, including other Federal, State, and local government agencies, and with the private sector, including, for example, through the Healthcare Fraud Prevention Partnership.

Today, I focus on management challenges related to (1) strengthening the use and security of data and technology; (2) effectively administering grants and contracts; and (3) maintaining focus on safety and quality of care.[1]

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[1] For 2016, OIG identified 10 top management and performance challenges. OIG's 2016 *Top Management and Performance Challenges Facing HHS* is at https://oig.hhs.gov/reports-and-publications/top-challenges/2016/.

STRENGTHENING THE USE AND SECURITY OF DATA AND TECHNOLOGY

In support of its mission and operations, the Department maintains and uses expanding amounts of sensitive information. The right data, managed and used effectively, can inform and help ensure efficient operations of the Department and its programs, as well as support data analytics and other proactive program oversight. Similarly, the American health care system increasingly relies on health information technology (health IT) and the electronic exchange and use of health information. To capitalize on growing amounts of data in health care, complete, accurate, and timely data must be available, where and when needed, subject to applicable security and privacy protections.

Several factors may impede the Department's ability to enable and encourage the flow of information. These include technical barriers (e.g., lack of interoperability), the complex nature of privacy and security laws, financial considerations (e.g., the cost of health IT acquisition), and other issues—such as information blocking and consumer confidence—that relate to a willingness to share information. The Department must continue to find ways to leverage data to enhance decision-making, including streamlining and accelerating internal data exchange. Similarly, it is critical that the Department ensure that the systems on which it relies are able to promptly detect problems to help prevent inappropriate payments, protect people, and reduce time-consuming and expensive "pay and chase" activities. Notably, OIG has long raised concerns that neither the Department nor the States have complete and accurate national data needed for effective oversight of Medicaid, including for purposes of ensuring that only trustworthy providers enter the system.

Equally important is ensuring that data are appropriately protected, both within Department systems and in the larger health and human services community. Threats to the confidentiality, integrity, and availability of data can result in a range of harms, including financial and physical patient harm. We are active in this area. For example, OIG annually assesses information security controls in

various Department networks and systems. OIG has recommended fixes for specific security problems, as well as a greater management focus on strengthening information security across the Department.

EFFECTIVELY ADMINISTERING GRANTS AND CONTRACTS

The Department awarded approximately $100 billion in discretionary grants in Fiscal Year (FY) 2016. OIG has identified vulnerabilities in the Department's oversight of grant programs and grantees that could be mitigated by improved Department oversight. These include deficiencies in grantees' internal controls, financial stability, organizational structures, and policies and procedures.

Ineffective grants administration puts Federal funds and people at risk. For example, OIG's work shows that the Department's awarding agencies lack effective mechanisms to share with each other information about problematic grantees, thereby impairing the Department's ability to assess risks posed by new grant applicants. We have also identified opportunities for the Department to work with States to strengthen oversight of Federal grant funds. For example, audits of child care providers funded by the Child Care and Development Fund (CCDF) block grant program revealed the need to strengthen compliance with requirements for background screenings of individuals caring for children. Additional OIG work found that States receiving CCDF grants sometimes failed to perform important program integrity activities, such as reviewing provider records, sharing or matching data from other Government programs, and conducting onsite visits. OIG recommended that the Department work with States to examine the effectiveness of program integrity activities and share best practices.

In addition to grants, the Department awarded $24 billion in contracts in FY 2016. To prevent misspent funds, OIG has recommended improvements to the Department's contracts management throughout the life cycle of a contract, from better acquisition planning and contract monitoring to timely contract closeouts.

MAINTAINING FOCUS ON SAFETY AND QUALITY OF CARE

As it works to strengthen program operations, the Department must continue to ensure that taxpayer funds support the delivery of safe, high-quality services and that it is well prepared to address public health emergencies in concert with its partners.

Indian Health Service (IHS) hospitals face serious, longstanding challenges to providing quality care. Pressing challenges include recruiting and retaining competent clinical staff; aging facilities; hospitals unable to render competent emergency or high-level care; and limited resources for referred care. The Department must harness expertise from across its agencies and the stakeholder community to address these challenges. Specifically, IHS should (1) implement a quality-focused compliance program, (2) establish standards for local oversight activities, (3) set hospital performance metrics, and (4) better train hospital administrators and staff. In addition, the Centers for Medicare & Medicaid Services should conduct more frequent surveys of nonaccredited IHS hospitals.

OIG has identified opportunities to reduce patient harm through better detection and prevention of adverse events occurring in institutional settings. We have also recommended stronger quality and safety protections for people receiving home- and community-based services, including personal care services that enable people to stay in their homes and avoid costly, disruptive facility-based care. Additionally, we have uncovered problems with hospice care, including inadequate oversight of certification surveys and staff licensure requirements; care planning failures; inadequate medical and nursing care; and fraudulent enrollments without beneficiary consent.

OIG's work highlights opportunities to improve the quality and safety of services provided to children. For example, OIG reviews revealed that many children covered by Medicaid, including children in foster care, do not receive required medical or dental services. In addition, our work uncovered quality-of-care concerns with second-generation antipsychotic drug use among Medicaid-

enrolled children, including poor monitoring, children taking too many drugs or wrong doses, and wrong treatments for the child's condition. OIG has recommended that the Department work with State Medicaid programs to perform utilization reviews of second-generation antipsychotic drugs prescribed to children.

Addressing the abuse and misuse of opioids and other controlled substances poses a significant, ongoing challenge for the Department. Effectively coordinating Departmental efforts and prioritizing initiatives will be key to combating this complex epidemic. OIG's recommendations include more effective use of drug utilization programs to identify excessive, inappropriate prescribing and other steps to prevent patient harm and drug diversion schemes.

CONCLUSION

OIG management reviews of the Department's implementation of new programs offer lessons for the efficient management of large, complex government programs, among them the importance of clear project leadership, rigorous contract oversight, close coordination of policy and technical work, and effective planning and prioritization to align available resources with the most important and achievable goals. OIG will continue our vigilant oversight and stands ready to assist the Department, as appropriate, in addressing the challenges discussed in my testimony and other challenges identified in our work. One key step the Department can take is to redouble its efforts to implement pending OIG recommendations.[2] I thank this Committee for its commitment to program integrity and look forward to continued collaboration with the Department and Congress to safeguard taxpayer dollars and promote the welfare of the people served by the Department.

[2] OIG's *Compendium of Unimplemented Recommendations* can be found at https://oig.hhs.gov/reports-and-publications/compendium/ .

Daniel R. Levinson, Inspector General

U.S. Department of Health and Human Services

Daniel R. Levinson has headed the Office of Inspector General of the U.S. Department of Health and Human Services (HHS) for over a decade. A lawyer and a certified fraud examiner, Mr. Levinson leads an independent and objective organization of more than 1,600 auditors, evaluators, investigators, and lawyers who oversee the integrity and efficiency of the Nation's $1 trillion annual investment in Federal health and human services programs. He is responsible for overseeing more than 100 programs administered by HHS agencies such as the Centers for Medicare & Medicaid Services, Administration for Children and Families, Centers for Disease Control and Prevention, Food and Drug Administration, and National Institutes of Health.

Mr. Levinson participates in a number of interagency oversight entities and public-private partnerships. He serves on the Executive Council of the Council of Inspectors General on Integrity and Efficiency and the governing body of the Health Care Fraud Prevention Partnership. In 2015, Mr. Levinson was named a Senior Fellow of the Administrative Conference of the United States. In 2011, President Obama appointed him to be a member of the Government Accountability and Transparency Board. Mr. Levinson also was a member of the Recovery Act Accountability and Transparency Board.

Mr. Levinson first entered Federal service in 1983 as Deputy General Counsel of the U.S. Office of Personnel Management. He thereafter served as General Counsel of the U.S. Consumer Product Safety Commission. In 1986, President Reagan appointed him to be Chairman of the U.S. Merit Systems Protection Board, a bipartisan, quasi-judicial agency that adjudicates Federal civilian personnel appeals. In 2001, President George W. Bush appointed Mr. Levinson to be Inspector General of the U.S. General Services Administration and in 2005 Inspector General of HHS.

Mr. Levinson is a Phi Beta Kappa graduate of the University of Southern California. He earned his law degree from Georgetown University, where he served as Notes and Comments Editor of The American Criminal Law Review.

Mr. COLE. Thank you very much. And is it Ms. Tighe? I wish I could take credit for that. Fortunately, the clerk here corrected me immediately. So, Ms. Tighe, you are recognized for 5 minutes for whatever remarks you care to deliver to the committee.

Ms. TIGHE. Good morning. I am pleased to be invited here today to discuss the most significant management challenges facing the Department of Education. In my written testimony, I provide information on all five of the challenges we identified this year. In the time I have this morning, I would like to focus on one of them as well as highlight an emerging fiscal challenge.

The Department must be able to ensure that the billions of dollars entrusted to it are reaching the intended recipients. However, our work has identified weaknesses in the Department's ability to do so. One of those areas is improper payments.

In May 2016, we reported that the Department's improper payment estimates for both the Direct Loan and Pell Grant Programs were inaccurate and unreliable because the Department used estimation methodologies that did not include all program reviews that could identify improper payments, and did not include improper payments from ineligible programs or locations or other sources.

In response to our recommendations, the Department revised its estimates for fiscal year 2016. This resulted in an increase in the improper payment rate for the Direct Loan Program from $1,280,000,000 to $3,860,000,000, and for the Pell Program from $560,000,000 to $2,200,000,000.

Although my office believes that the revised rates are more realistic, the significant increases in improper payment rates emphasize for the need for the Department to more aggressively address this challenge by using a more stable estimation and methodology in intensifying its efforts to address root causes of improper payments.

Now, I would like to talk to you a little bit this morning about an emerging fiscal challenge. The Department has developed a set of complex financial and economic models to estimate the cost of its student loan programs. The audits of the Department's and FSA's financial statements this past year, however, determined that the Department did not have fully-developed modeling activities, and particularly those involving the new income-driven repayment plans.

Given the size, growth, and changes to this program, ineffective controls over the design of the new models can impact the reliability of any data, but particularly the overall cost to the Federal government. As an example, the Direct Loan Program loan cost, called the subsidy cost, was adjusted upward nearly $22,000,000,000 in fiscal year 2016 based on a number of factors, including program changes in the percentage of discretionary income to be paid under the income-driven repayment options, lower than anticipated collection rates, and the fact that a greater percentage of borrowers chose these costlier programs.

My office is currently conducting an audit of the Department's disclosures of costs related to these programs. We will share the findings of that audit once it is completed.

And this concludes my statement this morning.

[The information follows:]

Testimony of Inspector General Kathleen S. Tighe,
U.S. Department of Education, before the
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
Committee on Appropriations, U.S. House of Representatives
March 9, 2017

Chairman Cole, Ranking Member DeLauro, and members of the Subcommittee, thank you for inviting me here today to discuss the most significant management challenges facing the U.S. Department of Education (Department). For fiscal year (FY) 2017, the Office of Inspector General (OIG) identified five management challenges facing the Department. I will discuss these challenges today, as well as highlight an emerging fiscal challenge involving the Federal student aid credit subsidy estimates.

Oversight and Monitoring

The Challenge: Effective oversight and monitoring of the Department's programs and operations are critical to ensuring that funds reach the intended recipients and achieve the desired results. This is a significant responsibility for the Department as it disburses about $125 billion in student aid annually and manages an outstanding loan portfolio of nearly $1.3 trillion – making it one of the largest financial institutions in the country. In addition, the Department administers more than 100 programs that serve 55 State and territorial educational agencies, nearly 18,200 public school districts with 50 million students who attend more than 132,000 schools, more than 6,000 institutions of higher education, and numerous other grantees and subgrantees. Our work in both the Federal student aid and the K-12 areas has identified a number of weaknesses that could be alleviated through more effective oversight and monitoring.

Needed Action: For Federal student aid, the Department needs to ensure that the activities of its Program Compliance office result in effective processes to monitor program participants and reduce risk, ensure its program reviews verify that high-risk schools meet all necessary requirements, and

develop and implement improved methods to prevent and detect fraud. For K-12, the Department needs to ensure that its program offices are providing risk-based oversight of grant recipients and use the single audit process to improve its monitoring efforts and help mitigate fraud and abuse in its programs.

Information Technology Security

The Challenge: The OIG has identified repeated problems in the Department's information technology (IT) security and therefore has listed it as a significant challenge for the Department since 2006. Most recently, our FY 2016 Federal Information Security Modernization Act review concluded that the Department's overall information security programs were generally not effective. Although the Department reported significant progress towards addressing long-standing IT security weaknesses, our work identified repeated weaknesses that limit the Department's ability to mitigate threats to its systems and data, leaving them vulnerable to unauthorized access and attack.

Needed Action: Implementation and management of the technical security architecture supporting the Department's and the Federal Student Aid office's (FSA) applications requires strengthening to more effectively restrict unauthorized access to information resources, and policies and procedures to manage an effective incident response policy need to be developed.

Data Quality and Reporting

The Challenge: The Department, its grantees, and its subgrantees must have controls in place and effectively operating to ensure that accurate, reliable data are reported, as data quality contributes to effective program management, funding decisions, and helps ensure the credibility of information the Department publishes. Our work has identified a variety of weaknesses in the quality of reported data, specifically in the areas of program performance and student testing.

Needed Action: The Department needs to clarify requirements to grantees and subgrantees through appropriate technical assistance. It also needs to improve its review processes to ensure that grantees and subgrantees are reporting accurate and reliable data.

IT System Development and Implementation

The Challenge: The Department faces an ongoing challenge of efficiently providing services to growing numbers of program participants and managing additional requirements with declining resources. This makes effective information systems development and implementation—and the greater efficiencies such investments can provide—critical to the success of the Department's activities. Our recent work has identified weaknesses in the Department's processes to oversee and monitor systems development that have negatively impacted operations.

Needed Action: The Department needs to monitor contractor performance to ensure that system deficiencies are corrected. It also needs to ensure that it successfully implements and complies with the Federal Information Technology Acquisition Reform Act and other related guidance.

Improper Payments

The Challenge: Our Improper Payments Elimination and Recovery Act (IPERA) audits for FY 2014 and FY 2015 found that the Department did not comply with IPERA as its estimated improper payments for the Direct Loan program did not meet the annual reduction target published by the Department in its Annual Financial Report (AFR). Further, although our FY 2016 IPERA audit is not yet completed, the Department stated in its most recent AFR that it anticipates the OIG will find that it did not comply with IPERA for FY 2016 because its improper payment rates did not meet the annual reduction targets for the Direct Loan or the Pell Grant programs. In May 2016, we reported that the Department's improper payment estimates for both the Direct Loan and Pell programs were inaccurate and unreliable because the Department (1) used estimation methodologies that did not include all program reviews that could identify improper payments and (2) did not include all improper payments from ineligible programs or locations identified in program reviews or other sources. As a result of these flaws, we could not conclude whether the Department actually met its reduction target for the Pell program. The Department's ability to assess progress in addressing the

root causes of improper payments is limited because it relies on program reviews that identify root causes that vary from year to year.

Needed Action: In response to OIG recommendations, the Department revised its estimation methodologies for both the Direct Loan and Pell programs for FY 2106. Among the changes was the inclusion of estimates of misreported income (over and under) by Free Application for Student Aid applicants. The revised estimation methodologies resulted in significant increases in the improper payment rates for these programs: the rate for the Direct Loan program increased from 1.30 percent for FY 2015 ($1.28 billion) to 3.98 percent for FY 2016 ($3.86 billion); the rate for the Pell program increased from 1.88 percent for FY 2015 ($562 million) to 7.85 percent for FY 2016 ($2.21 billion). Although the OIG believes that the revised rates are more realistic, the significant increases emphasize the need for the Department to use a more stable estimation methodology and intensify its efforts to identify and address internal controls and oversight to address the root causes.

Emerging Fiscal Challenge – Credit Subsidy Estimates

The Challenge: An emerging fiscal challenge for the Department is developing estimates of the subsidy cost of the direct and guaranteed loan programs. These estimates are used to support budget estimates, policy decisions, and financial reporting. The Department has developed a set of complex financial and economic models that apply mathematical techniques and statistical methods to historical loan level data to develop student loan program performance assumptions and estimate the value and cost of its student loan programs. These models support the Department's estimate of the net present value of cash flows related to a nearly $1.3 trillion loan portfolio of 42 million borrowers as of September 30, 2016. The audits of the Department's and FSA's 2015 and 2016 financial statements[1] identified a significant deficiency in internal controls. The audits determined that the Department did not have a comprehensive framework for risk management or fully-developed

[1] The audits of the financial statements are conducted under contract with CliftonLarsonAllen LLP and overseen by the OIG.

critical modeling activities. Limited documentation was maintained supporting the initial design, evaluation, justification, and testing of the model for selecting a sample of borrowers used for calculating program performance assumptions; estimating future incomes for borrowers under income-driven (IDR) plans; projecting future cash flows for borrowers under IDR plans; and projecting overall program level cash flows. Given the size, growth, and changes to the IDR program, ineffective controls over the design of new models can impact the reliability of any data gleaned and presented to the public and Congress from these models. For example, in 2015, the Department's Pay as You Earn program changed IDR payment amounts on qualified loans from 15 percent of discretionary income to 10 percent. The Direct Loan program re-estimated subsidy cost was adjusted upward by $21.8 billion in FY 2016. The re-estimates reflect several updated assumptions; however, the size of the increased re-estimate was due largely to collection rates on defaulted loans and repayment plan selection. Actual collections on defaults were lower since FY 2011 than anticipated, which reduced estimated lifetime rates and increased the estimated cost to the Government by $10.1 billion. A greater percentage of borrowers chose costlier IDR plans than had been estimated and increased the estimated cost to the Government by $8.1 billion in FY 2016.

Needed Action: It is critical for the Department to update and improve both its governance and its modeling for policymakers to fully understand the long-term costs of providing Direct Loans and the impact of repayment plan options.[2] My office is currently conducting an audit of the Department's disclosures of costs related to the IDR and loan forgiveness programs. We will share the findings of this work once the audit is completed later this year.

Our FY 2017 Management Challenges Report provides more detailed information on the management challenges that I touched on today. This report is available on our Web site at www.ed.gov/oig.

[2] In November 2016, the U.S. Government Accountability Office also issued a report titled, "Education Needs to Improve Its Income-Driven Repayment Plan Budget Estimates.

Mr. COLE. Thank you very much for your testimony.

And, Ms. Stone, we will turn to you now, and you have 5 minutes to deliver any remarks you care to to the committee.

Ms. STONE. Thank you. Good morning. Chairman Cole, Ranking Member DeLauro, members of the subcommittee, thank you for the invitation to testify. Today I will highlight three challenges that Social Security needs to prioritize in these times of limited resources.

First, SSA must modernize its IT infrastructure. The Agency relies on old programming code and applications to process core workloads. Modernization is critical to meet current and future workloads. By effectively implementing new technologies, SSA could improve efficiency, customer service, and program integrity.

In the past, SSA has outlined general multiyear goals to modernize specific applications and databases. While the Agency does have some modernization efforts under way now, the Agency still needs to develop a comprehensive IT plan with specific objectives and deliverables.

Second, SSA must address service delivery challenges. In 2015, the average wait time in SSA field offices was 26 minutes, and this was an increase of about 37 percent since 2010. To reduce office visits, SSA plans to offer more of its services online. However, the Agency must ensure that these services are secure and that customers understand how to use them.

With regard to the disability process, SSA had made progress in completing more initial claims. However, SSA must reduce the average time for a hearing decision as well as reduce the number of hearings that are pending. At the end of 2016, it took 543 days for a claimant to receive a hearing decision, and SSA had 1.1 million hearings pending.

Third, SSA must strengthen program integrity. Given the overall dollars in SSA's program, a slight error can result in significant losses. For that reason, we have encouraged SSA to prioritize integrity workloads that prevent and identify improper payments and fraud.

Recent legislation, such as the Bipartisan Budget Act of 2015, authorized SSA to access wage data for disability applicants. It also mandated that SSA expand the successful Cooperative Disability Investigations Program. Additionally, I want to thank Congress for the IG Empowerment Act, which will help us to pursue timely data matches with other agencies so that we may identify potential fraud and waste.

In conclusion, these challenges are complex and interrelated. However, SSA must address them in order to serve its customers effectively and promote program integrity. We will work with both SSA and this Subcommittee to address these challenges.

Thank you, and I would be happy to answer any of your questions.

[The information follows:]

United States House of Representatives

Committee on Appropriations

Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

Statement for the Record

Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General

Gale Stallworth Stone
Acting Inspector General
Social Security Administration

Good morning, Chairman Cole, Ranking Member DeLauro, and Members of the Subcommittee. Thank you for the invitation to discuss the Social Security Administration's (SSA) management challenges.

To provide context for this discussion, I would like to give a brief overview of SSA's benefit programs. Individuals earn coverage for benefits under the Old-Age, Survivors' and Disability Insurance (OASDI) program by working and paying Social Security taxes on their earnings. In Fiscal Year (FY) 2017, SSA expects to pay about $940 billion in monthly OASDI benefits to a monthly average of about 62 million beneficiaries. Also, the Supplemental Security Income (SSI) program provides monthly payments to people with limited income and resources who are aged, blind, or disabled; general tax revenues fund the SSI program. In FY2017, SSA expects to pay about $55 billion in Federal benefits to a monthly average of about 8 million SSI recipients. SSA administers its programs and operations with a staff of over 60,000 employees; the agency's administrative expenses totaled $12.2 billion in FY2016.

During times of fiscal restraint, to administer its programs and prepare for the future, SSA must focus on its most pressing challenges and allocate resources on initiatives that will provide significant returns to SSA and its customers. In the Office of the Inspector General's (OIG) annual statement on SSA's major management challenges, we summarize the most serious challenges facing the agency. Our most recent statement, issued in November 2016, detailed seven challenges facing SSA. Today, I want to highlight three challenges SSA must prioritize: Modernizing Information Technology Infrastructure; Improving Customer Service; and Strengthening Program Integrity.

Modernizing Information Technology Infrastructure

SSA must modernize its information technology (IT) infrastructure to support current and future workloads. SSA's IT environment includes hundreds of applications and an array of technologies, and it is increasingly difficult and expensive to maintain. To process its core workloads, such as retirement and disability claims, the agency relies on decades-old applications programmed with Common Business Oriented Language (COBOL). SSA maintains more than 60 million lines of COBOL today, along with millions more lines of other legacy programming languages.

According to SSA's Chief Information Officer, these legacy systems are not sustainable because the agency's dated technologies cannot meet modern customer expectations.

SSA spent $1.2 billion on IT in FY2016. However, according to SSA, the agency must use most of its IT funding to operate and maintain existing systems. Last year, SSA issued an IT modernization proposal, which called for enhancing applications critical to processing core workloads, updating its data infrastructure, and pursuing cloud computing to reduce data-storage costs. To achieve these goals, SSA said it would need an additional $300 million in IT funding. SSA is developing a formal modernization plan, which we will review upon completion. We recommend that SSA clearly define the plan to ensure careful allocation of resources and diligent oversight of this effort.

SSA's development of the Disability Case Processing System (DCPS) demonstrates the challenge of implementing major IT projects with expected functionality, on schedule, and within budget. SSA first conceived of DCPS in 2008 and envisioned it as a single case-processing tool for the 54 disability determination services (DDS) across the country; the agency said DCPS would simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall rate of infrastructure costs. In 2014, an outside consultant analyzed DCPS development and reported the project delivered limited functionality and had fallen behind schedule.

SSA "reset" DCPS in May 2015 and began redeveloping the system in an "Agile" environment, which emphasizes developer-user collaboration and delivers software incrementally. Last year, SSA said it would deliver the first release of the new DCPS to some DDSs by the end of 2016, and the first release would process the DDSs' core workloads. SSA did release its first working software to three DDSs in December 2016, and the initial user feedback was positive. However, the system only included functionality that allowed the participating DDSs to work certain types of cases. SSA plans to release the core DCPS product by January 2018. By the end of FY2017, SSA will have invested over $400 million in DCPS. We expect to issue a DCPS progress report soon.

SSA has developed a new IT investment process, which will focus on up-front project planning tied to specific goals. An IT investment board will make funding decisions on projects that provide the greatest benefit to the agency. We recommend that SSA adhere to an effective IT planning and investment process that follows a clearly

defined roadmap for IT modernization. Absent additional IT funding, SSA must rely on a long-term IT plan with clear objectives and resource allocations, project milestones, and deadlines for deliverables.

Improving Customer Service

SSA faces service delivery challenges due to the aging of the baby boomer population, rapid advances in technology, and the expectation that many of its most experienced staff will retire in the near future. SSA estimates that the number of retirement and disability beneficiaries will increase to 75 million in 2025, and it projects that more than one-third of its workforce will retire by 2022.

SSA's field offices are the agency's primary point of face-to-face contact with the public; there are about 1,220 field offices across the country. In December 2016, we reported on customer wait times at SSA field offices. We found that the total number of SSA field office visitors declined from FY2011 to FY2015; however, the average wait time for visitors increased from 19 minutes in FY2010 to 26 minutes in FY2015. Additionally, more than 11 percent of all visitors waited longer than an hour for service in FY2015. We are conducting a follow-up review to examine the factors affecting customer wait times and SSA's actions to reduce wait times.

To reduce unnecessary field office visits, SSA plans to enhance its online capabilities to provide self-service options for customers through the *my* Social Security web account. We acknowledge that there is great potential in expanding electronic services; however, as SSA makes these functions available, the agency must ensure that they are secure, and that SSA customers understand how to access and use them successfully.

SSA has made progress in reducing the number of pending initial disability claims in recent years, but the agency still faces challenges with the level of pending disability hearings and appeals. Specifically, from FY2010 to the end of FY2016, the average processing time for a hearing decision increased 27 percent to 543 days. During the same period, the pending hearings level grew 59 percent to over 1.1 million hearings.

In January 2016, SSA's Office of Disability Adjudication and Review (ODAR) issued the *Compassionate And REsponsive Service* (CARES) plan, which included 21 initiatives to address wait times and pending hearings; ODAR

added six initiatives after it issued the plan. ODAR expects to reduce the average processing time for a decision to 270 days and to cut the level of pending hearings in half by FY2020.

We reviewed the CARES plan, and in September 2016, we reported that 13 of the original 21 initiatives were similar to previous backlog-reduction plans issued by SSA, including hiring new administrative law judges (ALJs) in FYs 2016, 2017, and 2018. SSA hired 264 new ALJs in FY2016, and the agency recently received an exemption to the Federal hiring freeze for ALJs and hearing support staff. We recommended that SSA review "lessons learned" from prior initiatives so it can avoid previous implementation issues. Other CARES initiatives include improving business processes, identifying high-risk cases through IT enhancements, and leveraging other agency components to support ODAR workloads. SSA should closely monitor its progress in implementing the CARES initiatives to determine whether they achieve intended results and help claimants get a decision sooner.

Strengthening Program Integrity

For many years, the OIG has encouraged SSA to balance service initiatives with stewardship responsibilities. Given the overall dollars involved in SSA's programs, even the slightest error in any part of the payment process can result in significant overpayments or underpayments. In FY2016, SSA reported $3.7 billion in improper payments in the OASDI program and $4.2 billion in the SSI program. For both programs, about 80 percent of reported improper payments were overpayments.

SSA estimates that medical continuing disability reviews (CDRs) conducted in FY2017 will yield a return of about $8 in Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding. In 2014, SSA's medical CDR backlog stood at more than 900,000. However, with dedicated funding, SSA completed 799,000 medical CDRs in FY2015 and 854,000 medical CDRs in FY2016, to reduce the backlog to 280,000 at the end of FY2016. SSA should continue to complete the budgeted number of CDRs to eliminate the backlog.

The Cooperative Disability Investigations (CDI) program, for almost 20 years, has been extremely successful in preventing fraud and waste in the disability programs. CDI units, composed of OIG, SSA, DDS, and local law enforcement personnel, investigate disability claims, gathering evidence that can lead to accurate claims decisions.

Since the program launched in FY1998, CDI efforts have contributed to a projected $3.6 billion in savings to SSA's programs. CDI currently consists of 39 units covering 33 states, Washington, D.C., and the Commonwealth of Puerto Rico. SSA should continue to pursue program expansion, as resources allow, to provide CDI coverage for all 50 states by 2022, as mandated by the *Bipartisan Budget Act of 2015* (BBA).

Finally, we have long recommended SSA pursue data matches with other governmental agencies to ensure program integrity and to utilize non-governmental databases to improve payment accuracy. We are very pleased that Congress recently passed the *Inspector General Empowerment Act of 2016*; the law includes an OIG exemption to the *Computer Matching and Privacy Protection Act of 1988*, which will benefit OIGs in their efforts to match data with other agencies and entities to identify improper payments and fraud and waste. Additionally, effective November 2016, the BBA authorized SSA to enter in data agreements with private payroll providers to determine benefit eligibility and proper payment amounts and improve program administration. We will continue to make similar cost-effective recommendations to SSA to improve program integrity.

Conclusion

Comprehensive, long-term strategic planning will help SSA address all of these challenges in support of its mission to serve the American public. A long-term roadmap for SSA is critical to ensure the agency has the programs, processes, staff, and infrastructure required to provide quality service 10 to 20 years from now and beyond. SSA released its *Vision 2025* report in 2015, and the high-level strategy presents three priorities for SSA—superior customer service, exceptional employees, and innovative organization. To implement this vision in the current fiscal climate, SSA should develop several long-term plans, with specific approaches and measureable goals under different budget scenarios, that address the IT modernization, customer service, and program integrity challenges I have discussed.

The OIG will continue to work with the agency and your Subcommittee to address these and other challenges facing SSA. Thank you again for the invitation to testify. I am happy to answer any questions.

Mr. COLE. You all four are remarkable because you are well under 5 minutes. We are not used to that around here, so thank you for that, allowing us to get to the questions even more quickly.

I am going to ask you something that is probably not a fair question. I am going to ask you each in turn because it is really not your purview, and it is a question I will, frankly, be putting to the respective secretaries and administrator when they come before us in the future. But you know these departments intimately.

If we really did have a 15 to 20 percent cut in the funding level for each of your respective agencies, how would they respond, and would they be able to meet their missions and commitments in your view? We will start with you, Mr. Dahl, if we may.

Ms. DELAURO. He is shy. [Laughter.]

Mr. DAHL. As the chairman and members know, we use an evidence-based approach in our work, and the methodologies that we use would lend themselves to making the findings that we do and recommendations that we do. So, it is difficult to come at this from a theoretical perspective.

I think the challenges that I identified this morning will only be compounded by fewer resources. And I think that it would be difficult for them to address many of them, and many of them where additional resources are required. But what we do identify in our work is recommendations that are resource neutral that would allow them to make improvements in the program with existing resources.

So, you know, not to dodge the question, but it is difficult for us to answer that in a theoretical manner.

Mr. COLE. It is difficult to answer. I am going to just move down the line because time is limited. Mr. Levinson, what would be your response to a question like that?

Mr. LEVINSON. I think one of the key complications, Mr. Chairman, for HHS in responding to that question would be that 80 percent or 90 percent of the money is on the non-discretionary side, so we are dealing with Medicare and——

Mr. COLE. And let me be clear. I am not talking about the non-discretionary side.

Mr. LEVINSON. We are not talking about that, so we are in a much smaller percentage, but nonetheless we are talking about in excess of $100,000,000,000 covering a vast range of human services research and so forth. So, while we work daily to find where the efficiencies could be had and to uncover dollars wrongly or unnecessarily spent, it would be an enormous challenge at this point, I think, for each of those components represented on the discretionary side to be able to do their jobs effectively.

Mr. COLE. Ms. Tighe.

Ms. TIGHE. Well, I would point out first that the Department of Education already has the smallest staff of any Cabinet-level department, but the third largest discretionary amount of money it has to disburse. It is also the third largest grant making agency, the third largest portfolio of grant making agencies.

It is already challenged to meet some of the things we point out through our management challenges work, such as oversight and monitoring of the money that goes out, the billions that go out. It has a few large pots of money, the Title I money, IDEA, the special

education money, and Pell Grants. And it is hard to think about cutting and what that mean for students.

Mr. COLE. It would be pretty dramatic on just IDEA. That is almost a $12,000,000,000 program. So, if we cut——

Ms. TIGHE. As a mother of a son, a special needs child, that is a hard one. It is a hard one to think about. But I think that a lot would depend on how those cuts are made. Are they across the board? Are you going to take away programs?

Mr. COLE. You know, if we ended up, that is what you would have to do.

Ms. TIGHE. Yes.

Mr. COLE. I mean, you would not just do it across the board. This committee would be called upon to make an extraordinary range of difficult decisions about letting whole programs go in some cases. I do not see how you could manage cuts like that in any other way.

Ms. TIGHE. The one area I would really worry about for the Department in particular is IT security. It has been a management challenge since 2006. You cannot fix that on the cheap. Money has to be put in, and it is a never-ending keeping one step ahead of technology and of the bad guys who find new ways into our systems. I think it is a hard one to do without sufficient resources.

Mr. COLE. Thank you. Ms. Stone, and obviously this would not apply to Social Security payments, but to the administrative apparatus that we appropriate money for here.

Ms. STONE. As I have highlighted in both the oral and written testimony, modernizing IT is a huge challenge for the Agency, and any reduction would force the Agency to have to make some very tough decisions about do we modernize so that we can sustain our business process and service to the community in the future, or do we just try to do the next step. So, those will be some pretty tough management challenges.

Mr. COLE. I assume that this will probably compound our problem with wait lists, and backlogs, and cases pretty dramatically.

Ms. STONE. That would be a good assumption considering that we had wait times go up by about 37 percent, as I indicated, and we have also seen the number of individuals coming into our field offices increase over the past year.

Mr. COLE. I appreciate that. With that, let me turn to my good friend, the ranking member, for any questions she cares to ask.

Ms. DELAURO. Thank you very much, Mr. Chairman. Let me just make a very quick point that in the present 2017 budget, each of these departments would have an increase, some pretty substantially for the inspectors general, HHS, Social Security now already, and the 2017 has not been passed yet. But already there is a cut in some instances, fairly significant in the terms of the work that you do. So, if you compound that with what could potentially happen in 2018, you need to think very carefully about what you can and what you cannot do.

To my question. The White House does not have an inspector general. In my view, this is a serious concern given the avalanche of questions about unethical relationships, investments, and activities in this Administration that have gone unanswered.

I have introduced a bill to create an IG in the White House to ensure the executive office of the President acts in the public inter-

est. Similar legislation did pass the House in a landslide in the 104th Congress. On a similar note, many of the Cabinet appointments have been plagued by ethical conflicts, so I expect that many of future political appointments may be trailed by complicated financial arrangements that could lead to personal conflicts of interest.

The question is this. What will you do to raise and uncover any conflicts of interest or other unethical activities? Let us go for it, guys.

Mr. LEVINSON. Well, I think it would be useful to keep in mind that there are agencies within the executive branch, especially the Office of Government Ethics, that serve as a government wide——

Ms. DELAURO. I am reminded that that was one that we wanted to have eliminated at the outset of this Congress. Fortunately, that did not happen, but go ahead.

Mr. LEVINSON. It is a very important part of the infrastructure, if you will, of the executive branch.

Ms. DELAURO. Right.

Mr. LEVINSON. And Congress crafts these so that there is maximum coverage of the executive branch, notwithstanding that there are certain things that are carved out——

Ms. DELAURO. What about agency secretaries?

Mr. LEVINSON. Well, as IGs, we are embedded in our departments and agencies. So, our jurisdiction generally stops at the door.

Ms. DELAURO. At the secretary level?

Mr. LEVINSON. Well, and it includes everyone up to the secretarial level.

Ms. DELAURO. But it excludes the secretary.

Mr. LEVINSON. No, no. It would include the secretary.

Ms. DELAURO. Oh.

Mr. LEVINSON. Everyone who works at the Department. Again, there are some exceptions in areas like national security and so forth, so I am speaking far more general than may be the case comprehensively. But, no, it includes everybody within the Department. But because we stop with the Department, when there are issues that, in effect, transcend the Department or that connect with other players, that is where sometimes IGs face difficulties in being able to really get a full handle on a particular investigation or review.

Ms. DELAURO. Ms. Tighe.

Ms. TIGHE. Well, I think, you know, strong ethics is important for our agencies. I do believe it is a partnership, though. Mr. Levinson mentioned the Office of Government Ethics, but also our in-house ethics groups that are responsible for doing the training, the mandatory training, that should go on every year. That is an important part, I think, of achieving good ethics because you need to make sure there is awareness of the rules of the road that we all have to abide by.

And then the responsibility really of the IG's offices is when we have complaints is that we go investigate those.

Ms. DELAURO. And conflict of interest?

Ms. TIGHE. Including conflicts of interest.

Ms. DELAURO. And that is all the way up to the top.

Ms. TIGHE. Yes, our jurisdiction, as Mr. Levinson said, is——

Ms. DELAURO. I am not going to have much time, so let me get to Mr. Dahl.

Mr. DAHL. Like Kathy and Dan mentioned, we would have a vigorous, as we do now, a vigorous conflict of interest approach to any allegation that we would get, no matter what level that we pursue it.

Ms. DELAURO. I am going to hold on Social Security for a second. Each of you has asked for a funding increase: 10 percent DOL, 13 percent HHS, 5 percent Education, 2 percent SSA. You have got a hiring freeze, which was established on January 23, 2017. That has got to, well, you tell me, impacting the vital mission and the work of the OIG. Have you enforced and scaled back your oversight work based on the hiring freeze, yes or no. And I am going to ask you to get to me in writing.

[The information follows:]

Ms. DELAURO. Each of you has asked for a funding increase: 10 percent DOL, 13 percent HHS, 5 percent Education, 2 percent SSA. You have got a hiring freeze, which was established on January 23rd, 2017. That has got to, well, you tell me, impacting the vital mission and the work of the OIG. Have you enforced and scaled back your oversight work based on the hiring freeze, yes or no?

Ms. STONE. Thank you for the question, Ranking Member DeLauro. We have not scaled back our oversight because of the hiring freeze. We continue to focus our resources on high-priority projects and mandated reviews. For example, on the audit side, we continue to issue audit reports and work on ongoing reviews, as we follow our fiscal year 2017 Audit Work Plan. As Social Security fraud allegations continue to come into our Fraud Hotline, our program specialists are reviewing those allegations and forwarding them to our special agents around the country for investigation. Despite the hiring freeze, in the first half of the fiscal year, we expect to issue over 20 audit reports with estimated savings of approximately $1.4 billion on various issues affecting SSA, and we expect our investigations to lead to over 400 criminal convictions and about 100 civil monetary penalties. Further, in the first six months of the fiscal year, the OIG's Cooperative Disability Investigations program projects to contribute to $120 million in future savings to SSA's disability programs. So, our oversight work continues to make an impact. Where the hiring freeze does limit us, of course, is in bringing on new auditors, investigators, attorneys, and support staff to contribute to the OIG mission, in promoting employees, and in offering temporary promotions and detail assignments to develop our workforce and support succession planning. But, overall, we are prioritizing our workloads with the resources we have at this time.

Ranking Member Rosa DeLauro
Topic: Hiring Freeze

Q: What are we not now able to do because of the hiring freeze, which can only be compounded by a cut in 2017 and potential cut in 2018?

A: Whenever funding decreases for oversight activities, OIG must reassess the number and scope of audits, evaluations, and investigations it can conduct. OIG is a people-driven organization, and our largest investments are in employees with skills necessary for effective oversight of more than a hundred highly complex health and human services programs. Any decrease in OIG's oversight activities reduces program oversight. Reductions to oversight funding make it more difficult to ensure program integrity and increase the potential for harm to patients and recipients of social services. OIG is charged with overseeing the Department's more than $1 trillion investment in health and human services programs that touch the lives of virtually all Americans. This represents approximately a quarter of every Federal dollar spent. On average, OIG has one full-time employee to oversee more than $680 million a year. Effective oversight would become more challenging with fewer resources. We are assessing the impact of a reduced budget on our work and will continue to make hard choices to prioritize the most critical oversight needs. We are also continuing to review our operations and infrastructure to ensure that we operate as efficiently as possible.

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

MAY 18 2017

The Honorable Rosa DeLauro
Appropriations Committee,
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Ranking Member DeLauro:

On March 9, 2017, the Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on *Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General.* At that hearing, you requested that I provide information regarding the impact of the hiring freeze on the U.S. Department of Labor (DOL), Office of Inspector General (OIG).

The hiring freeze has and will continue to have a detrimental impact on the DOL OIG's ability to protect the interests of American taxpayers, workers, and retirees by reducing our capacity to combat waste, fraud and abuse at the Department of Labor. As a result of sequestration and subsequent funding shortages, the DOL OIG Full Time Equivalent (FTE) level is currently at its lowest level in more than 24 years, having experienced a reduction of more than 30 percent. This decrease in operational capacity has already been detrimental to our ability to provide audit and investigative oversight to DOL programs. We have been forced to eliminate, delay the timing of, and reduce the scope of audit work. We have also downsized coverage we provide in certain program areas, and have curtailed other investigative efforts. Any further downsizing of OIG staff will require eliminating even more high priority, high impact audits and investigations. Consequentially, this will significantly diminish the positive return on investment that the OIG generates for the American taxpayer.

Over the past five years, every dollar invested in the OIG resulted in a return on investment of nearly 10 dollars to the federal government and American taxpayers. Over this period, the OIG identified more than $3.9 billion in questioned costs, recommendations that funds be put to better use, and investigative recoveries and savings. This demonstrates that the OIG offers a solid investment for U.S. taxpayers, particularly in times of resource constraint. However, staffing reductions have, and continue to jeopardize the very audit and investigative capabilities that create this positive return on investment.

Additionally, during the hearing, you requested that the OIG provide information on the Reemployment Services and Eligibility Assessment program (RESEA). The RESEA program is the successor program to the Reemployment and Eligibility Assessments (REA) program the Department began funding in 2005. In the REA program, the Department

provided grant funding for states to use to provide REA to Unemployment Insurance (UI) claimants. As part of these assessments, states confirmed claimants' eligibility for UI benefits and assisted eligible claimants to quickly find new jobs by developing reemployment plans, providing them with labor market information, and referring them to reemployment services and training. States targeted a variety of UI claimants, ranging from those more likely to exhaust benefits to those less likely to exhaust benefits. States allowed a maximum of two hours of staff time to be spent with each claimant. From Fiscal Year (FY) 2010 to FY 2015, ETA awarded $398 million in REA grants to 48 states.

In 2015, ETA made changes to REA and renamed it the Reemployment Services and Eligibility Assessment program. Under RESEA, all states are required to target claimants profiled as most likely to exhaust their UI benefits before finding new employment. RESEA also added all transitioning veterans receiving Unemployment Compensation for Ex-Servicemembers to the target population. Furthermore, RESEA allowed a maximum of five hours of staff time spent with each claimant, and eliminated the requirement for a comparison group.

The RESEA program will rely on the WIOA common performance measures to assess program success. The common performance measures include the entered employment rate, employment retention rate, and average earnings. The common measures do not include metrics to assess whether states are serving claimants who are most likely to exhaust their UI benefits. To ensure the RESEA program is working as intended, ETA needs to have the right performance measures and it needs to ensure the data reported by states are accurate.

We are currently conducting an audit to assess the steps the Department is taking to assess the effectiveness of RESEA, particularly the extent to which states are targeting the program to those most likely to exhaust their UI benefits. Additionally, we are assessing the accuracy of state-reported performance information. We expect to issue our report by summer 2017.

Please feel free to contact me at 202-693-5100, if you have any questions concerning this matter. Alternatively, your staff may contact Luiz Santos, Director of the OIG's Office of Congressional and Public Relations, at 202-693-7062, for further information.

Sincerely,

Scott S. Dahl
Inspector General

Cc: The Honorable Tom Cole, Chairman

Kathleen S. Tighe, Inspector General, U.S. Department of Education
to the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
March 9, 2017

Question from Representative DeLauro to Inspector General Tighe: Have you had to scale back your oversight work based on the hiring freeze, yes or no?

Ms. Tighe: Yes, however, the January 23, 2017, memorandum instituting a hiring freeze had a limited impact on the OIG, delaying planned hires for 1 to 3 months.

Ms. TIGHE. Yes.
Ms. DELAURO. Yes.
Mr. LEVINSON. Yes.
Ms. DELAURO. Yes.
Mr. DAHL. Yes.
Ms. DELAURO. Yes. OK, in writing I would like to know, and I think this committee would like to know, what is it that you are not now able to do, each of these departments, because of a hiring freeze, which can only be compounded by a cut in 2017 and a potential cut in 2018.
Thank you, Mr. Chairman.
Mr. COLE. Thank you. I thank the gentlelady. That is a great question, and that would help the committee to know that.
With that, let me turn to my good friend, the gentleman from Idaho, and recognize him for 5 minutes for any questions he cares to ask.
Mr. SIMPSON. Thank you, Mr. Chairman, and thank all of you for being here today, and thanks for the work that you do. We appreciate it very much.
Just to set the record straight, there was no effort to eliminate the Ethics Office earlier in this Congress. Some changes, some reforms maybe, but there was no effort, just so that we have that on the record. [Laughter.]
But I do want to thank you for the work you do. And I do not really have any questions specifically for you, but as I read these reports, we are in kind of a strange state in that we have a new Administration coming in that has said they are going to make significant changes in the direction of a lot of these things. And a lot of the recommendations that you make will probably still be valid when new secretaries do new programs and those kinds of things.
But I suspect that even with the requests that you have made for increases with the inspector general that your job is going to become significantly more difficult as we change programs, change directions, and change the way we do things. Would you say that is true?
Ms. TIGHE. Yes, I mean, I think it will. Every time sort of new programs come in, we have to sort of shift gears, right? And it entails learning about those new programs, and planning audit work, and anticipating potential fraud and things that may be associated with the program. So, I think we can really expect some challenges for our work.
Mr. LEVINSON. And I think one of the overarching challenges in this, what you call strange times, and I think that that is accurate, is the technology transformation that we are not at the beginning of, and absolutely not at the end of. We are truly in the middle of, and it affects a variety, perhaps in one form or another, virtually all public programs. But certainly at HHS we feel it enormously, and it holds great threat, and it holds great promise.
So, it requires a very dedicated and sophisticated approach to being able to handle the challenge of technology in a way that actually creates the efficiencies ultimately that will allow programs to be delivered in a very cost-effective way. We are not there, although in many respects we can kind of see it. We just cannot get

there yet because we simply do not have the infrastructure in place.

And I think that is really the challenge of the 21st century, at least this period of it. And I think it does make it difficult for those who try to administer and oversee programs like us and for policymakers like you who are trying to make the most of what we have right now.

Mr. SIMPSON. I suspect with the Social Security Administration, IT security and cybersecurity is a huge issue because, you know, every time that any release goes out, whether it is with some department store or whatever, everybody says they have got your Social Security number now. That has got to be huge within the Department.

Ms. STONE. It is, and, in fact, each year when we do our financial statement audit, at least for the last 3 years, we have noted deficiencies in the IT infrastructure or IT security infrastructure. And it can range from making sure that the right people have access to certain systems or to a more global practice of how the Agency monitors its network to identify vulnerabilities and to remediate those vulnerabilities immediately, and, if you can, prevent them from happening again in the future.

So yes, and that is why even with IT modernization, security has to be a part of the development. It cannot be an afterthought.

Mr. SIMPSON. Well, again, thank you all for being here and testifying on this. It is going to be, as I said, challenging in the future, particularly for all of you. I would hope that the slowdown in the Senate of getting the nominees and the undersecretaries and stuff to do so much of the work halts, and that we can get the Administration in place so that they can address these issues as well as the ones that are going to be coming up as we make probably significant changes in the direction that a lot of these departments are going. So, thank you.

Mr. COLE. I thank the gentleman. Again, just reminding members, obviously we move according to who was here at the beginning of the hearing. So, Mr. Pocan, you are actually next up.

Mr. POCAN. Well, thank you, Mr. Chairman. Thanks for being here today. So, I am new to the subcommittee, new to the committee, so if I ask something you have maybe done a previous review on, just, you know, please give me a quick update on where that is at.

The first question I just have on the management side is to Ms. Tighe. In the Department of Education, you know, Wisconsin is one of these States that was early on putting public dollars into private schools through voucher programs. I was in the legislature in the very, very beginning, now, like, 18 years ago, on this, and it has not been the smoothest ride. We had the GAO do a study, I believe it was last year. I do not know if you have had a chance to see the GAO review. It is the first part of it.

But one of the things they found is that in the four States they visited with these programs, that the administrators said they are having a problem getting resources for educational services, like speech therapy and reading tutors. Specifically, a lot of these schools do not take children with disabilities, and yet the funds that we have specifically for disabilities are going to these schools.

So, is there anything that we are doing to kind of ensure that the dollars that are supposed to go to these programs, to students with disabilities, are actually getting there given that a lot of these dollars are siphoning off to programs that are not taking the children with disabilities, but it is still the same dollars?

Ms. TIGHE. Well, the special education money is done under a formula for each State every year, and it goes, you know, based on anticipated numbers of needed students to service. And I do recall reading that GAO report, and I think it pointed out some, you know, very good issues.

But I think that, and there is oversight by the Department on ensuring that the special education requirements are met. There is no sort of Federal voucher program that is being, you know, administered in any fashion by the Department of Education currently, so.

Mr. POCAN. Just ensuring that because the schools are not taking it. That is what the report said, and it is true in my State, children with disabilities, but they are still getting the public dollars. What is happening is the public school system is left then with more children that have higher costs.

Ms. TIGHE. Yeah, I think the issue relates to the, and I forget what it is called, but it is sort of like sort of services like speech therapy and other things that a school district will agree to give students. So, when they go to do it in other schools, then the real practical sort of implications are that, say a speech therapist there may serve, like, the main high school. And maybe, you know, have a full day of students to see there, all of a sudden then has to spend some time going to other parts of the district covering the other students.

And I think those things need to be thought through. But I thought the GAO had brought out some really good issues on that.

Mr. POCAN. And I know they are doing a second part two on outcomes, which I am really looking forward to seeing on that. But we did have recently a lawsuit in Milwaukee against one of the schools, and what they found, they were going after abusive practices of the children. But when they studied the children, 7 percent of the students at the school tested at proficient or above in English and language arts, and zero percent tested at being proficient in math.

So, one of the problems, again, is, you know, how do we ensure that the kids who are going to these schools are still getting the educational quality services? They are getting taxpayer dollars, but by things like this, they are clearly not getting the education they expected.

Ms. TIGHE. I mean, I think those are good issues for the Department to be focusing on.

Mr. POCAN. OK, so they could possibly. All right, great. And then a question for Inspector General Dahl at the Department of Labor. I had sent a letter a while back on some Davis-Bacon issues. And one of the issues that we are seeing, and I just talked to Darren Soto from Central Florida, and they are having some issues where they are having some depression of the prevailing wages.

But the question I had that we have seen in Wisconsin is on the form, and I am going to have to read this form because I do not

have this memory. WH–347 Form, but it is a form where they report the wages in areas for prevailing wages has not been updated really since 1968. And there have been some areas where people are kind of artificially exaggerating fringe benefit claims in order to affect what they are really not paying in wages. And some States have changed forms to adjust this, but I do think there is adjustment of the Federal form.

Have you looked at this at all, because, again, 1968, there really have not been any major, significant changes, but some States have noticed this as an error.

Mr. DAHL. Yeah, my recollection is that we are looking at the fact that the Department is referring back to fairly ancient data in determining the prevailing wage. And we will get back to your office on exactly what is going on on that.

[The information follows:]

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

MAY 1 8 2017

The Honorable Mark Pocan
Appropriations Committee,
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Representative Pocan:

On March 9, 2017, the Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on *Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social* Security Administration: Views from the Inspectors General. At that hearing, you requested that the Office of Inspector General (OIG) provide any information we may have regarding the Department's Form WH-347.

We currently have an ongoing audit of Davis-Bacon Prevailing Wages Survey Accuracy and Timeliness. This audit will determine if the Department issued prevailing wage determinations that were current and accurate; and if the Department adequately monitored the survey process to ensure performance goals were met. As a part of this audit, we are also examining whether Form WH-347 should be updated to better capture fringe benefits data. We expect the audit report to be issued later this year.

Please feel free to contact me at 202-693-5100, if you have any questions concerning this matter. Alternatively, your staff may contact Luiz Santos, Director of the OIG's Office of Congressional and Public Relations, at 202-693-7062, for further information.

Sincerely,

Scott S. Dahl
Inspector General

Cc: The Honorable Tom Cole, Chairman
The Honorable Rosa DeLauro, Ranking Member

Mr. POCAN. Great, thank you. And at this point I will yield back. I got 6 seconds. [Laughter.]

Mr. COLE. I appreciate the extra time. [Laughter.]

The gentleman from Arkansas is recognized for 5 minutes.

Mr. WOMACK. Thank you, Mr. Chairman. My appreciation to the inspectors general that are before us this morning.

I know my friend, Mike Simpson, has already corrected the record in part, but I want to further perfect the record, if you will, regarding the discussion about ethics from my friend from Connecticut. And that had nothing to do with government ethics, which has been discussed here. It has everything to do with Office of Congressional Ethics, and that system or that change was abandoned obviously. But I wanted to make sure that we are talking about the right ethics organization so that there will be no misunderstandings.

Acting Inspector General Stone, I appreciate your comments about IT. We hear this in every hearing. We need to spend more money on IT. I hear it every year. I am an old mayor, and I heard it from my staff. I know it is an ever-changing technical world out there and that we need to spend money on IT, and I can certainly see where we need to do some things within the Social Security system.

But one of my real concerns is that it takes place when a government entity abandons a commercial off-the-shelf type product in order to do something specific to their particular needs. So, I want to talk a bit just about the Disability Case Processing System, and I appreciate your office's effort to monitor the program. This poorly-operated project demonstrates the value of an inspector general.

In 2016, just a few months ago, the OIG released an updated report pointing out that the Case Processing System is again behind schedule, expecting to spend nearly $50,000,000 more on the system in 2017 prior to the 2016 setback, for a running total now of over $427,000,000 spent from 2008 to 2017, again, prior to the setback. It still admitted it had years of development before it could be completed.

So, more direct to my question, are you aware a current commercial vendor completed an upgraded system that apparently could achieve most of what SSA is working to achieve?

Ms. STONE. I do know that there are some commercial or at least one commercial entity that has proposed a possible solution. I am not aware of the details. But our recommendation to the Agency is that you have to compare the alternatives. You have to have good cost information so that you can determine which is going to be the best bang for your bucks.

Mr. WOMACK. Are there any new revelations about this, I call it a failed IT project, but has it revealed any additional information useful in the discussion?

Ms. STONE. I will say this. This is a huge complex modernization effort that they are taking on. They are using a strategy that is not commonly used in the Federal realm. They are using Agile. In the private sector, it may be more common to do that. In government, we are more accustomed to what is called the waterfall effect where you identify specific milestones and estimated costs. You either meet it or you do not.

Agile is a little more iterative, and there is a lot of ambiguity around that. So, when you try to marry those two environments that do not necessarily match well together, there was a huge learning curve for the Agency in trying to adopt that. So, in December, they did not release the anticipated, I guess they call it Release 1, and there was supposed to be more functionality by December. They did not have that.

The three States that are using this model are processing about 1 percent of that workload. Now, is that enough information to tell you that it is worth going forward? I do not know that, but our recommendation continues to be you really need to closely monitor this. And I have said this before other committees, I really do not want to be sitting in front of someone 6 months from now and them asking me the same question about did you get your money's worth after expending a serious amount of money.

Mr. WOMACK. Well, I know I am out of time, and I cannot get to the second part of my question. I will just say for the record that every dime that we spend trying to modernize with a lot of failure is money that cannot be paid on paying claims. And I think this is a case that continues to need some direct supervision and some tough choices, some tough decisions in the near term.

Thank you. I yield back my time.

Mr. COLE. Thank you. We will go next to my good friend. The gentlelady from California is recognized for 5 minutes.

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman, and welcome.

Inspector General Levinson, your 2016 report states that oversight of programs for children as one of HHS' top management challenges, and uses one example, the difficulty of preventing grant fraud in the custody care of unaccompanied minor children.

For example, I was appalled by the findings of last year's Senate investigation, which reported that unaccompanied minors who were ordered released from ORR and placed with distant relatives ended up being trafficked to eight farms and forced to work 12 hours a day. Your 2017 OIG work plan for HHS recommends that ORR develop a formal agreement with DHS to delineate each Department's specific responsibilities for gathering and exchanging information about children after placement.

As ranking member of the Homeland Security Subcommittee, I am particularly concerned that this recommendation be carried out in a way that ensures the ongoing safety of these most vulnerable children.

I have a three-part question. What improvements have been made since the Senate investigation? Do you think the responsibility of ensuring child safety should reside with HHS or DHS? And do you believe this formal agreement between ORR and HHS will be sufficient to ensure child safety post-placement? And if not, what other recommendations would you have?

Mr. LEVINSON. I will need to get back to you on where things stand since the Senate investigation, and we will be sure to give you a current status of where things are.

[The information follows:]

Rep. Lucille Roybal-Allard
Topic: Unaccompanied Alien Children (UACs)

Q: What improvements have been made since the Senate's investigation into unaccompanied minors?

A: Over the last few years, the Department of Health and Human Services (HHS or Department), Office of Refugee Resettlement (ORR), has made significant changes, including strengthening its protocols to screen potential sponsors and increasing contact with children and sponsors after children have been released from ORR custody. Many of these changes were implemented after the surge of unaccompanied children who came into ORR's custody in 2014 and the indictments related to human trafficking in 2015. Before approving the release of a child to a sponsor, ORR now requires background checks of all adult household members living with the potential sponsor, as well as certain other adult caregivers. Additionally, ORR now provides more services and engages in more activities than mandated under the William Wilberforce Trafficking Victims Protection Reauthorization Act (TVPRA). For example, ORR provides post-release services to more children than required under Federal law, attempts to contact every child and his or her sponsor 30 days after release, and operates helplines that children or their sponsors can call to report safety concerns or request assistance. The Department of Health and Human Services (HHS), Office of the Inspector General (OIG), is conducting a study to examine these efforts to promote the safety and well-being of unaccompanied children after their release from ORR custody to sponsors; the report is expected to be issued in summer 2017. In addition, OIG is conducting health and safety reviews of housing facilities to assess the quality of care for children in ORR custody.

Q: Do you think the responsibility of ensuring child safety should reside with HHS or DHS?

A: Responsibility for ensuring the safety of unaccompanied children is shared among the Department of Homeland Security (DHS), HHS, sponsors, and local child welfare agencies. Primary responsibility for a child's safety rests with the entity or individual that has custody of the child at a given time. DHS typically has custody and, therefore, responsibility for the safety and well-being of unaccompanied children, from the time of apprehension until the child can be transferred to the custody of HHS. Within HHS, ORR grantee care providers are caring for children referred to HHS custody and are responsible for child safety and well-being until their release to sponsors. Throughout the sponsor screening and release process, ORR grantee care providers work with the child and sponsor so that they can plan for the child's needs after his or her release to a sponsor. Before releasing a child to the custody of a sponsor, ORR communicates expectations for sponsorship and explains the sponsor's responsibilities. Specifically, the Sponsor Care Agreement used by ORR describes provisions of the custodial arrangement with which the sponsor agrees to comply while the minor is in the sponsor's care; for example, providing for the physical and mental well-being of the child. Once ORR releases a child to a sponsor, the sponsor takes custody of the child and has primary responsibility for the child's safety. As with any other child, if teachers, neighbors, or others have concerns about the safety of a child, referrals can be made to local law enforcement and child protective services. If, during contact with children and sponsors, ORR or its grantee care providers become concerned about a child's safety, it is ORR's policy for its staff and grantee care providers to make referrals, as "mandatory reporters," to the appropriate local law enforcement and child protective services officials.

Current as of May 25, 2017

Q: Do you believe this formal agreement between ORR and DHS will be sufficient to ensure child safety post placement, and if not, what other recommendations would you have?

A: OIG's ongoing study is designed specifically to follow up on our prior recommendation that HHS work with DHS to establish a formal agreement outlining each department's responsibilities related to unaccompanied children. In the report, expected to be issued in summer 2017, OIG will indicate the extent to which HHS has addressed this recommendation and whether OIG will make other recommendations. With regard specifically to ensuring child safety after release, we note that primary responsibility for the child's safety rests with the sponsor who has taken custody of the child, as well as with local child welfare agencies. Even so, we note that ORR provides more post-release services and engages in more activities than mandated under the TVPRA. If ORR or its contractors become concerned about the child's safety, it is ORR's policy for its staff and contractors to make referrals, as "mandatory reporters," to the appropriate local law enforcement and child protective services officials.

Mr. LEVINSON. We certainly do oversight of whatever programs HHS is responsible for, and there are, in fact, a variety of different programs that feature safety and quality of care concerns with respect to children. Obviously, Medicaid and the Children's Health Insurance Program are an important part of our responsibilities to oversee, the Foster Care Program under ACF as well as the Child Care Development Fund. All of these programs during the course of our work, we have uncovered vulnerabilities in how those programs are actually administered.

So, there are millions of children who are, in terms of quality and safety, are HHS' responsibility, and this is an important element of that variety. We certainly assume that HHS has a lot of expertise that would be important in being able to protect children in these kinds of circumstances. But when it comes to who decides about jurisdiction, who should be the primary agency, that really is a policy matter that policymakers need to make in the first instance.

And we will work and we do work in coordination with our colleagues in the Department of Homeland Security Office of Inspector General to make sure that we are coordinating our oversight work to give maximum effect to the activities that we do engage in to protect children.

Ms. ROYBAL-ALLARD. HHS has more of the experience in terms of dealing with children directly.

Mr. LEVINSON. Well, there is certainly a long, extensive record with respect to children, and it is not surprising that HHS was given the responsibility, I will say that. But ultimately, it is a matter for others to make that decision based on——

Ms. ROYBAL-ALLARD. I understand that.

Mr. LEVINSON [continuing]. Expertise and resources.

Ms. ROYBAL-ALLARD. And just with regard to the agreement between DHS and HHS, do you think that that in itself is sufficient to ensure the child safety post-placement, or do you have other ideas or recommendations that might strengthen that agreement?

Mr. LEVINSON. There is ongoing work here, so I think this is a matter in which we need to just keep you informed in a timely way about how things are moving along and, you know, where we see a need for immediate action to let you know.

Ms. ROYBAL-ALLARD. I have several other questions, but I am out of time, so I will do it in a second round.

Mr. COLE. Let me move next to the gentlelady from Washington, Ms. Herrera Beutler, for 5 minutes for any questions she cares to ask.

Ms. HERRERA BEUTLER. Thank you, and I will try and make this as quick as I can. Thank you all for your testimony. This is really helpful for me.

This was not one of the ones I had prepared, but I wanted to just clarify. In talking, Ms. Tighe, about the payments, I do not know if I totally understood that. Improper payment rates, those are huge numbers with regard to Direct Loans and Pell, and there was so much controversy in the last decade about Pell loans or direct lending, and that is a ton of money. Can you clarify that, the improper payments rates, what that means?

Ms. TIGHE. Yeah. Well, it is the rate that the Department has estimated, of course, that payments within the Direct Loans and Pell Programs are being paid improperly. Sometimes that can be underpayments as well as overpayments. Particularly in the Pell Program, I think that when you are talking about the area of misreported income, that it is, like, a 2 to 1 ratio of overpayments to underpayments.

But the sources that caused the increase, which were mainly the fact that in previous years, or at least in the last couple of years, the Federal Student Aid Organization had used primarily a number of program reviews. They go out to institutions of higher education and do reviews, so those would then inform the proper or improper payment methodologies. But they——

Ms. HERRERA BEUTLER. So——

Ms. TIGHE. There were problems in how they executed them.

Ms. HERRERA BEUTLER. So, on the Pell Program, between $560,000,000 and $2,200,000,000——

Ms. TIGHE. That was the increase this past year.

Ms. HERRERA BEUTLER [continuing]. In terms of what was improperly paid. And you're——

Ms. TIGHE. Yes, and the two things that caused it to jump were that the Department went back to including an IRS statistical study, which basically looks at improper payments related to filling out the FAFSA and the income levels with the——

Ms. HERRERA BEUTLER. So, OK. So, they are using improper input for these algorithms?

Ms. TIGHE. Well, I mean, improper payments, so let us just take an easy one like income levels.

Ms. HERRERA BEUTLER. I apologize. I am halfway through.

Ms. TIGHE. Yes, go ahead.

Ms. HERRERA BEUTLER. And on direct lending, $1,200,000,000 to $3,600,000,000, meaning we actually could have overpaid $3,600,000,000 in the direct lending program in the last year?

Ms. TIGHE. Yes.

Ms. HERRERA BEUTLER. OK. I just wanted to clarify that because that is a really big number.

Ms. TIGHE. It is.

Ms. HERRERA BEUTLER. And that is part of the big controversy why we went from Pell indirect lending to just direct lending. That was part of the argument, to eliminate problems in overpayments. So, I just wanted to make sure I had that number on the record.

And I apologize, I need to move over to Social Security. So, this has to do with field offices, and how they are chosen, and how GSA handles it. So, we just had a field office move in my biggest county and biggest city from one location to the next, and this was during the recession. Everybody was trying to lease land at this point. I mean, there was vacant properties all over the place. We were particularly hard hit by the housing crisis.

But GSA managed to find the one location that went from a level round place to up 5 floors with no parking, and parking across the street in a lot that you have to pay in the rain because it rains a lot in western Washington State. And then, or you could park on the street and plug. But you can imagine seniors going up and

down these stairs, and we have had people who have fallen, who have had problems.

And I was baffled that in the middle of a time when there were all these vacant leases all over the place, we managed to find the one that was the most difficult. And I wanted to ask does the IG review complaints that beneficiaries make on these field offices, and in terms of the lease locations that GSA in their process of renewal? I have heard it, you know, in talking with SSA, it is pretty difficult.

So, I guess I am saying, and maybe more you, Ms. Stone, than HHS, but I am thinking through how GSA does this. How can we affect this problem to where they are choosing locations that it is not just somebody checking a box, but the inspections, so to speak, before these take place? I apologize. I think it is much more Ms. Stone. I was thinking Medicaid, Medicare, and then I totally switched over. That is why you gave me that funny look. OK, go ahead. [Laughter.]

You could have taken a swing at it. It would have been a while before I figured it out, but——

Ms. STONE. And I think since neither one of us really have oversight of GSA, that is probably the IG Office that would have more insight on GSA's process for selecting real estate locations for agencies.

Now, this is not done in isolation. I do know that the Agency is involved in that process at least. But if I recall correctly, I do believe we did some work probably about 4 years ago looking at the decision making for field office locations.

Ms. HERRERA BEUTLER. And that is what——

Mr. COLE. The gentlelady's time——

Ms. HERRERA BEUTLER. Oh, am I over already?

Mr. COLE. Yes. As a gentle reminder to the members, please do not pose your question 2 seconds before the end of your time because it puts the——

Ms. HERRERA BEUTLER. I am sorry.

Mr. COLE. No, it is quite all right. It puts obviously our witnesses in a difficult spot. Let us just try to keep moving on, but we will be back for a second round, so do not worry.

Ms. HERRERA BEUTLER. Thank you.

Mr. COLE. There will be plenty of time. And with that, I recognize my good friend from Massachusetts, the gentlelady, Ms. Clark.

Ms. CLARK. Thank you so much, Mr. Chairman, and thank you to all the inspectors general who joined us today for your work and your testimony.

First, I have a question really for Mr. Dahl and Mr. Levinson. Mr. Dahl, you raised concerns about compounding pharmacies, and I know that, Mr. Levinson, you have ongoing concerns about misuse and diversion.

I would be interested in both of your takes on electronic prescribing, and do you see that as part of the solution for the problems that you have identified in your testimony.

Mr. LEVINSON. Electronic prescribing, I think, does offer opportunities for better controls. The important thing is that you make sure that those controls are in place as you roll out that kind of program.

I think cases have been made by policymakers that it is a way of being able to control better the issues of diversion. If you can come up with a system that is far less likely to leak or to bleed than you have with a paper record with pharmacies, that sounds attractive, and it is not something that I think should be dismissed. I think it has the potential, but the question is whether it can really be done.

On compound drugs especially, the numbers really have shot up so enormously over the last few years, especially with topical drugs. And for reasons that I cannot fathom, the numbers are especially high in New York, for example, where New York has about 6 percent of the Part D population, but uses an enormous percentage of compound drugs.

So, there are some distortions going on nationally that we need to continue to dig deep into to understand what is really going on.

Ms. CLARK. Thank you. Mr. Dahl, do you have anything to add?

Mr. DAHL. As Dan mentioned, you know, this is an area that agencies are trying to move towards to manage prescriptions better. I do not know how effective it would be on compounded drugs, however, because of the vulnerabilities in terms of the collusion between the pharmacies and the medical providers that are occurring, and whether electronic prescription would reduce that. It is unclear to me.

It could be one of the techniques that they could use to better manage it and to use data analytics to monitor those. But I think the critical aspect is to figure out a way of making sure that in prescribing these medications, like compounded drugs, that they are medically necessary. And that is where we are having problems.

Ms. CLARK. Thank you. My time is already running out. Ms. Tighe, you talked about the small staff for the third largest grant making agency, the oversight and management challenges. How do you feel? Do you feel that this point we have the oversight, we have the staff if we were to see a dramatic expansion of charter schools, voucher programs, and for-profit institutions?

Ms. TIGHE. Well, one of our identified management challenges is, in fact, oversight and monitoring already.

Ms. CLARK. Yeah.

Ms. TIGHE. And we cover both the student, the Federal student aid programs and grantees. So, I think it is fair to say that cuts to the Department in those areas will reduce staff available who are already challenged to do the job they need to make sure money is going to the intended recipients.

Ms. CLARK. Thank you. Back to you, Mr. Dahl, very briefly. I was very alarmed to read your testimony that we are seeing human trafficking in some of the foreign labor certifications, that we are seeing that abuse go on. Can you say specifically anything that is happening with DOJ? Are you seeing those programs continue to combat this?

Mr. DAHL. Yes, there have been additional cities that have been identified as ACT, where ACT teams are, the anti-trafficking teams that have been placed. And we are working with DOJ and DHS and others in trying to combat those, and there have been greater successes in coordinating among those agencies to combat this. It

still unfortunately is occurring in greater and greater numbers, and not just in the visa programs that we oversee, but beyond those.

Ms. CLARK. Thank you. Thank you, Mr. Chairman.

Mr. COLE. I thank the gentlelady. The gentleman from Michigan is recognized for 5 minutes for whatever questions he cares to pose.

Mr. MOOLENAAR. Thank you, Mr. Chairman, and thank you all for being here today. And just a follow-up on some of the questions Ms. Clark was raising about the trafficking.

You know, it kind of raises this question, when we have citizens or, you know, undocumented individuals in our country, I am just curious as to what each of your particular agencies' role is in terms of trying to have integrity in this system.

For instance, you know, when I talk to employers, especially in the agriculture industry, you know, they rely on, you know, workers who are here from other countries, and, you know, the visa process. And, you know, there needs to be some policy reforms. But what they would say is, you know, they have Social Security numbers and information, but, you know, this whole E-Verify has not really been implemented, I do not think, across the board.

But it just seems that each of you has a role in sort of the integrity of the Agency in ensuring that it is doing everything it can to have integrity in this area. And I just wondered if you would comment, each of you, on that.

Mr. DAHL. With the Department of Labor, particularly in the H-2A and the agricultural area, one of the biggest challenges is that many employers do not elect to use the visa program that provides that verification and circumvent that program. And so, that makes this integrity issue much more difficult.

Mr. MOOLENAAR. Can I interrupt you for one second? Is it your understanding that it is because the program is designed with kind of a lot of hoops to go through, or is it because they are deliberately just trying to avoid, you know, some legality?

Mr. DAHL. Well, it is difficult to identify the root cause, but what we are finding is that there are very few employers who are utilizing the program based on the numbers of agricultural workers that exist around the country. And, in fact, one of the reports that we did focused on certain employers in a certain region. And they pointed out unfair it was that they were being singled out because they were complying with the program, whereas many employers are not.

And that is something that we have pointed out to the Department, and they need to take steps to encourage employers to utilize the program where they can have those verification steps and preserve integrity, as you mentioned.

Mr. MOOLENAAR. And then, I guess, in terms of the Social Security aspect, how does it work when someone can be in this country with another Social Security number, I mean, they can be getting on the payroll, you know, paying taxes even. Is it just that they assume someone else's identity and we cannot somehow track that?

Ms. STONE. Well, that would be a logical conclusion, but that is not the only reason that you may have a Social Security number being used by someone other than the person to whom the original number was issued.

From an SSA perspective, when there are wages reported to SSA and the identifying information for the wage earner does not match the information in SSA's system, they do have an earnings suspense file where they maintain that information where there is, as we call it, a mismatch.

Mr. MOOLENAAR. And then, where does it go from there?

Ms. STONE. I believe there is a process between SSA and IRS where if it matches in SSA and does not match in IRS, there is a back and forth to try to reconcile that. But the issue is that particular file still contains a substantial number of records.

We have done work in the past where we have tried to identify the root causes of why we have all this information in the suspense file. And quite frankly, we do find inconsistencies, i.e., why do you have a child under the age of 9 who has substantial wages. So, those are the kinds of things that from a program integrity standpoint, you could data mine that information to look for anomalies, and you could better identify suspect earnings.

Mr. MOOLENAAR. OK, thank you. Thank you, Mr. Chairman.

Mr. COLE. Thank you. The gentlelady from Alabama is recognized for 5 minutes.

Mrs. ROBY. Thank you, Chairman, and thank you for all being here. Ms. Stone, good to see you. Yes, ma'am.

I wanted to ask you, you submitted in your testimony, you spoke about Social Security Administration's drive to reduce wait times with your self-service options on the mysocialsecurity web account. Can you explain to me a little bit more about how you think that the Social Security offices can help alleviate wait times? I think I could probably speak for everybody here, although I will not, I will only speak for myself, that a large majority of the casework that we do is because of wait times.

And so, I thought that there were decreasing visitors to the office, but I understand in my absence you testified that you are seeing an uptick in——

Ms. STONE. Especially between 2015 to 2016 we have an increase in the number of visitors to field offices.

Mrs. ROBY. So, help us understand, you know, with the self-service options and other things, what are you guys doing to help decrease the wait times?

Ms. STONE. Well, I cannot specifically speak to what the Agency is doing to reduce wait times. What I can say is even when there are efforts to put more services online, what we are seeing is that people still either want to call that 1-800 number or they want to go into a field office. And it really comes down to the Agency's senior management making a decision about where they want to allocate their resources. Do you put them on the front line or is it another place where those resources are needed?

Mrs. ROBY. So, what are the recommendations that we can do here in order to help alleviate those wait times?

Ms. STONE. Would it be ok if I answer that for the record for you?

Mrs. ROBY. Sure. Sure.

[The information follows:]

Mrs. ROBY. So, help us understand, you know, with the self-service options and other things, what are you guys doing to help decrease the [field office] waiting times?

Ms. STONE. Well, I specifically could not speak to what the Agency is doing to reduce wait times. What I can say is even where there are efforts to put more services online, what we are seeing is that people still either want to call that 1–800 number or that want to go into the field office. And it really comes down to the Agency's senior management making a decision about where they want to allocate their resources. Do you put them on the front line or is it another place where those resources are needed?

Ms. STONE. I do not want to misspeak because we have done some work to look at field office performance. And what we have asked or recommended in the past is that the Agency needs to make data-driven decisions. That is the simplest way to put it, to look at the performance of field offices of varying sizes, find out what works and try to replicate that in other offices.

Mrs. ROBY. Well, I feel very strongly that we need to work together to try to figure out, you know, be solution driven on this point. And, again, I can only speak for the work we do in Alabama's Second District, but I suspect that it is the same throughout the country. So, thank you. Thank you for being here today.

Mr. Dahl, I am glad to see in your testimony that you are committed to protecting our students at Job Corps sites around our country. Students at all levels, and ages, and programs must have safe and secure environments in order to learn and grow. And so, I appreciate you making this a very important point in your report.

But another point I want to discuss with you is the training and employment outcomes with programs from the Department of Labor. Authorizing programs and then this committee funding them must happen in order for them to exist. But it is your Department's oversight and execution process to know whether or not these various programs are actually putting people into employable status and full-time jobs.

So, can you explain your recommendation on this and how you feel we as a committee can help make these programs be more efficient when it comes to actual outcomes?

Mr. DAHL. Thank you, Congresswoman. That is precisely the gravamen of most of our recommendations in the training and employment area is to have the Department look at what the outcome is, what was intended, and going in and spending money on the grants or the training programs, and what comes out.

And so, most of our recommendations are coming up with ways of measuring those outcomes to determine if there is a return on investment and what that return on investment is, so that we can see whether someone is better off at the end of the program than at the beginning.

What the committee can do is to continue to have hearings like this, to press the Department with appropriation language, and report language, and requests, and implementing our recommendations in a timely manner, and doing those so they can come up with good performance metrics for you to answer those questions.

Mrs. ROBY. Thank you. Thank you, Mr. Chairman. I yield back.

Mr. COLE. Thank you. I remain deeply concerned with the events we saw last year in the Great Plains when three Indian Health Service facilities lost CMS certification, closed emergency rooms, and delivered substandard—I do not know what is wrong with the

sound system—substandard care. In addition, just last month, the General Accountability Office added the Indian Health Service to its high-risk list, and then called the IHS "ineffectively administered."

I think it is a little better. Thank you. You can always count on [Audio malfunction in the hearing room]. [Laughter.]

Mr. Levinson, could you tell us to the best of your knowledge, and you may have to answer this for the record, I do not know, but what happened in the Great Plains facilities that led to the problems reported? What is the status of those facilities today? Have those problems been resolved, and at what cost? And in light of the GAO status report and seeming endemic mismanagement in Indian Health Service, what are some of the long-term issues we need to be aware? Do you have any potential suggestions to help us ensure that incidents like that do not happen again?

Mr. LEVINSON. Thank you, Mr. Chairman. As far as where things stand now, I will need to get back to you for the record on our work.

[The information follows:]

Chairman Tom Cole
Topic: Indian Health Service (IHS)

Q: What led to the problems with Indian Health Service (IHS) operated facilities in the Great Plains?

A: The problems with Indian Health Service (IHS)-operated facilities in Great Plains were likely the result of many factors related to the agency's organization, resources, and service area. The Department of Health and Human Services (HHS or Department), Office of Inspector General's (OIG), recent and continuing body of work examining quality of care provided by IHS and IHS management provides insights into these problems and recommendations for improvement.

OIG released two reports in October 2016 regarding the quality of care provided in IHS hospitals, including hospitals in the Great Plains (OEI-06-14-00010 and OEI-06-14-00011). We identified longstanding challenges that affect IHS hospitals' ability to provide quality care and comply with Medicare standards, including ensuring access to needed care, maintaining clinical competence, recruiting and retaining essential staff, and keeping patients safe despite outdated buildings and equipment. Reports similar to ours date back almost a century, and problems persist despite reported efforts to address them. We also found that IHS has few sources of information on its hospitals' performance, a limited capacity to provide clinical support, and may lack the quality assurance infrastructure and monitoring efforts that it urgently needs. These longstanding challenges, combined with the limitations in IHS's quality monitoring, provide insights into how the problems with the Great Plains facilities may have developed. These reports can be accessed at https://oig.hhs.gov

OIG is conducting additional work on IHS management and quality of care that will shed further light on these problems and how to avoid them in the future. First, we are developing a review of the recent 7-month emergency department closure at Rosebud Hospital that will focus on IHS management of the temporary closure and subsequent reopening of the emergency department and its collaboration and coordination with affected parties. Second, we are drafting a memorandum report based on a series of interviews we conducted with IHS senior executive staff in late 2016. The report will articulate key issues raised by IHS officials during the interviews, and our observations about the agency's organizational framework, policies, and practices to inform future organizational improvements. Third, we are planning an extensive review of medical records to identify the incidence of adverse clinical events (patient harm) for patients in IHS-operated hospitals in the Great Plains Area. We are also exploring possible new work focused on IHS's management of and response to specific quality problems in its facilities.

Q: What is the status of the facilities today? Were the problems resolved? What was the cost?

A: Over the past year, IHS has reported numerous actions to address problems with Great Plains facilities. For example, IHS sent multiple teams to the area, recruiting top performing staff from other areas and headquarters. These teams identified specific problems, proposed corrective

actions, and trained staff. IHS also reported to OIG that it deployed more than 100 Commissioned Corps officers to fill vacancies in IHS hospitals, largely in the Great Plains. As another example, IHS released in November 2016 a Quality Framework to guide the agency's strategic vision for quality and patient safety. As part of implementing the framework, IHS plans to establish an Office of Quality responsible for advising the IHS Director on quality health care, overseeing implementation of the Quality Framework, integrating organizational and tribal feedback, and overseeing accreditation readiness activities. Further, IHS is working with the Centers for Medicare & Medicaid Services (CMS) Quality Improvement Organization – Quality Innovation Network to ensure that all Area offices and service units have comprehensive programs to monitor quality and patient safety. We have not assessed costs or specific outcomes associated with remediation efforts.

There have also been developments at the department level. In early 2016, the HHS Office of the Secretary formed an Executive Council on Quality Care, holding biweekly meetings with agency heads across the Department to identify opportunities to assist IHS in its improvement efforts. Executive Council members include top policy and clinical leaders throughout HHS, including CMS and the Health Resources and Services Administration (HRSA) with the objective to further integrate departmental standards into IHS policies and practices, and to provide expert staff and technical assistance to IHS.

These efforts are promising, but some are still in the initial stages and may not have resulted in the intended practice changes at the facility level. We are concerned about ensuring that any progress be sustained, which is one reason we are identifying key issues with IHS management at an organizational level and also plan to examine management of the temporary closure of the Rosebud emergency department to glean lessons learned.

Also, there is clear evidence that some serious problems continue at Great Plains hospitals:

- CMS conducted a survey of Pine Ridge Hospital in November 2016. It found an immediate jeopardy deficiency, a violation of the Emergency Medical Treatment and Labor Act (EMTALA), along with other deficiencies. As a result, IHS sent a notice to the contractor (A/B Staffing) that it failed to adequately staff and manage the emergency department and that the failure "poses immediate danger to patient lives."
- Winnebago Hospital lost Medicare certification on July 8, 2015, and continues to operate without certification.
- Sioux San Hospital closed its emergency department on September 20, 2016. It remains closed today.
- On April 30, 2016, IHS signed 12-month Systems Improvement Agreements (SIAs) for Rosebud Hospital and Pine Ridge Hospital. The SIAs require substantial technical assistance and improvement initiatives, including awarding a contract to a private company, A/B Staffing, to provide management and staffing services.

Q: How can we ensure this doesn't happen again?

A: In our recent evaluations, we concluded that given the duration and extent of IHS's problems, the agency is unlikely to overcome its management challenges without broad support from experts both within and outside HHS, and consideration of different models for providing services. As such, we recommended that the Office of the Secretary lead an examination of the quality of care delivered in IHS hospitals and use the findings to identify and implement innovative strategies to mitigate IHS's longstanding challenges. We also made several recommendations to IHS, including the development of an agency-wide strategic plan and a quality-focused compliance program. We believe these efforts are necessary for sustained improvements in the Great Plains and throughout IHS. Other reforms are also needed to address fundamental organizational needs, such as funding and staffing.

OIG is committed to continuing our focus on IHS oversight, and working with IHS, CMS and other stakeholders to improve the effectiveness of IHS's management and the quality of care it provides. In addition to the evaluations described above, OIG hosted compliance training on April 27, 2017, at the Crazy Horse Memorial in South Dakota for IHS and tribal officials. The conference gathered approximately 150 representatives from OIG, CMS, IHS, and tribal organizations. Sessions covered a variety of topics, including guidance for complying with HHS program provisions and efforts to improve the quality of health care.

Over the past 25 years, OIG has posted more than 55 audits and evaluations of IHS and related tribal programs on our website. Our oversight work has found three basic problem areas: financial management, program management, and quality of care. OIG published a webpage, Indian Health and Human Services, where we have collected our recent reports, enforcement information and guidance documents. The Indian Health and Human Services webpage can be found at https://oig.hhs.gov/reports-and-publications/featured-topics/ihs/.

Financial management problems identified by OIG relate to deficiencies in internal controls, financial management, financial reporting, accounting, and compliance with policy, administrative, and statutory requirements. Program management problems generally were the result of ambiguous or misunderstood policies and personnel practices that potentially affected the integrity of IHS programs. Finally, our work found quality problems related to IHS health care facilities, resulting from longstanding challenges, including an inability to recruit and retain staff with skills necessary to treat patients with complex health conditions, and limited resources for maintaining old hospital structures and outdated equipment.

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Mr. LEVINSON. But having actually visited Indian Country a few years ago and going through the Dakotas, it certainly brought home to me personally what a remarkable challenge it is to be able to provide the kinds of services that are really needed in those places under those conditions. I came away impressed about how beautiful the area was and how wonderful the people were, but how remote these locations are.

And I was not traveling alone. I was accompanied by a couple of our terrific criminal investigators, who devote a lot of time to visiting the reservations, doing both proactive information education and also investigating serious healthcare fraud issues with the Indian Health Service. I was also with my chief medical officer and the acting chief medical officer of the Indian Health Service.

The Indian Health Service is a very small part of HHS. It could easily be lost in such a large trillion-dollar plus department, but OIG does not lose it. We actually devote a considerable amount of time to looking at the grant and contract fraud issues that are constantly arising within the Health Service. And we have done important work within the OIG community with the Interior OIG and the Justice OIG to try to root out as much contract and grant fraud as possible. And that is an ongoing effort that I would like to keep you apprised of because it is important.

The things that really hit me a few years ago when I visited was the challenge of behavioral health. There was a serious suicide issue in one of the reservations, and how difficult it is to be able to get the right expertise on the ground for that, the difficulty of dental services, of being able to provide dentists out there, and oral health is a very serious, compelling issue that needs to be addressed better.

Although there are good people within the Service that really believe in the programs and are doing what they can, there is a lot that still needs to happen. And some of it may really benefit from technology, from telemedicine, from being able to, even if you cannot get the expertise there on the ground, being able to provide it. But you still need people who are familiar culturally with what is going on on these reservations. And there is a gap that really needs to be filled.

So, it is resources certainly, but it is also the right and smart kinds of resources that really need to be devoted to it.

Mr. COLE. Well, you are absolutely right. Having visited 2 of the 3 facilities actually before they were closed down on trips for the Interior Committee, you know, just finding places for professionals to live. They are so incredibly remote, and, frankly, so incredibly poor. It is extremely difficult to get the personnel that you need, so it is a challenge. But, yeah, anything that you could send us on that—conclusions, suggestions—would be gratefully appreciated.

And you might think, too, as you put that together, it has always been a question to me, and I'm not asking you to respond too much to this, you know, why we are appropriating out of the Interior Subcommittee for this particular agency of HHS while we have got most of it over here. Actually, to be honest, it would be much easier for us to put additional resources there given the size of our prospective jurisdiction than it is for Interior which has, you know, to look after all the national parks and lands and all that. And they

have got about a $30,000,000,000 budget. We have got about $163,000,000,000.

So, I just wondered structurally if that is something we should think of sometime so that we actually match this up where we do the primary funding for HHS, except in this particular category. That seems to me very inefficient. So, with that, again, any suggestions you have, I would gratefully receive.

And I want to go next to our ranking member. You are recognized for 5 minutes.

Ms. DELAURO. Thank you, Mr. Chairman. I want to for the record say that I did misspeak. It was the House Office of Ethics that we tried to remove. I also want to let people know, though, that the Office of Government Ethics has about a $16,000,000 budget, which is not a terrible lot, a lot of this then focuses on what you all do in terms of ethics and conflicts of interest. So, with that I really have a couple of questions.

One is, Ms. Tighe, this is the borrower defense regulation. Corinthian, ITT, they collapsed. And for-profits can receive up to 90 percent of their revenue from Federal student loans and grants. They receive above the threshold if they are dealing with vets and job training programs. The problem is these schools have shown consistently to fail our students.

You have written about the importance of the integrity of higher ed programs and regulations to safeguard with the Federal student aid processes for identifying at-risk Title IV schools and mitigating potential harm to students and taxpayers. The report concludes that the Department has improved its financial oversight.

You praised the borrower defense regulation. If enforced, will this help identify schools that are at risk of closing abruptly or unexpectedly? And can you comment briefly on other integrity regulations, like gainful employment, and how that protects students and taxpayers?

Ms. TIGHE. Sure, I am happy to. The gainful employment regulation, or the requirement in the Higher Education Act for vocational schools and for-profits, has been around a long time.

Ms. DELAURO. Right.

Ms. TIGHE. The Office of Inspector General since 1998 has pushed to have some criteria for which gainful employment can be judged and some accountability structure for schools, or institutions, and for-profit schools, and vocational schools.

You know, essentially, gainful employment's purpose is to find programs that are not, you know, good programs for schools. It is poor performing sort of programs. And it really is designed to protect students.

Ms. DELAURO. Right.

Ms. TIGHE. But also to protect, you know, taxpayers' investment. The amount we spend in Federal education money is enormous, and we want that money to be well spent.

Ms. DELAURO. Let me just ask you this question. So, the gainful employment rule is a good rule in terms of protecting kids and protecting taxpayers' dollars in your view.

Ms. TIGHE. Yes.

Ms. DELAURO. Thank you. If I can move to another area. I am just going to presume on the Borrower Defense Program, you believe that is solid. It is good. We should hang in there with it.

Ms. TIGHE. Well, yes. I mean, our report that you mentioned does——

Ms. DELAURO. Yes.

Ms. TIGHE [continuing]. Specifically say, you know, that the amount of information that FSA can get is going to protect students because it is going to give better oversight over schools.

Ms. DELAURO. Right.

Ms. TIGHE. I think the caution I would put out there is the criteria, which it did a good job in putting criteria in which the borrower defense loans can be—I am sorry, I am losing my vocabulary here. The thing that we have to watch out for is how that is implemented because if you went to a school that had misrepresentations, let us take that, for example, and but you succeeded. You got your certificate and you have a job, should you be allowed to have your loan discharged? I have questions for sort of taxpayer implications on that.

Ms. DELAURO. Thank you. Mr. Levinson, let me try to move quickly to food recalls. In 2016, your office did an early alert, ongoing audit of the FDA, their recall program. This is what you said: "FDA does not have an efficient and effective food recall initiation process that helps ensure the safety of the Nation's food supply, policies, and procedures. They do not have policies and procedures to ensure that firms initiate voluntary food recalls promptly, which have real health implications."

Eleven of the 12 illnesses that were reported in children under the age of 18, this was recent outbreaks that we have seen. The early alert, can you give an update on when you expect a final report? Did the FDA make any changes to their policy and procedures? If so, can you elaborate? And the question is, is it not in the jurisdiction of FSMA to be able to deal with a mandatory recall? And do you think that we ought to deal with mandatory recall in these instances?

Mr. LEVINSON. I do not have actually current information on where we stand with our food safety issues, so I will have to get back to you, and I would have to reserve opinion on the impact of FSMA. It is not something that I was prepared to talk about this morning.

[The information follows:]

Ranking Member Rosa DeLauro
Topic: Food Recall

Q: Provide an update of when OIG's final report will be released and did the FDA make any changes to their food recall policies and procedures? If so, can you elaborate?

A: Our final report is expected to be issued by the end of fiscal year 2017. Since our alert was issued, the Food and Drug Administration (FDA) has implemented the Strategic Coordinated Oversight of Recall Execution (SCORE). SCORE was launched, in part, in response to concerns we raised about FDA's ability to ensure that companies initiate voluntary recalls in a prompt and effective manner. Information on SCORE can be found in an FDA blog dated October 25, 2016. Please see embedded link.
https://blogs.fda.gov/fdavoice/index.php/2016/10/score-at-six-months-meeting-the-challenge-of- complex-recalls/

Q: Is it in the jurisdiction of FSMA to be able to deal with a mandatory recall?

A: Yes, based on the Department of Health and Human Services (HHS or Department), Office of Inspector General's (OIG) understanding of the Food Safety Modernization Act (FSMA). In 2011, FSMA amended section 423 of the Federal Food, Drug, and Cosmetic Act, granting FDA the authority to order a firm to recall certain articles of food after FDA determines that there is a reasonable probability that the food is adulterated or misbranded and that its use or exposure to it will cause serious adverse health consequences or death to humans or animals.

Q: Do you think that we ought to deal with a mandatory recall in these instances?

A: The health and safety of the nation's food supply is paramount. In certain cases in which there is reasonable probability that tainted food might cause serious adverse health consequences or death, use of FDA's mandatory recall authority should be considered. However, FDA, as the subject matter expert in this area, is in the best position to determine when to use this authority.

Ms. DELAURO. OK, both of those are very critically important to what you have already done in terms of an early alert, and your comments about FDA not having in place proper kinds of requirements in order to ensure food safety. Thank you. Thank you, Mr. Chairman.

Mr. COLE. We will next go to the gentleman from Maryland. He is recognized for 5 minutes for whatever questions he cares to ask.

Mr. HARRIS. Thank you very much, Mr. Chairman. Let me start with Mr. Levinson. Let me ask you. It is not mentioned in your testimony here, but what is the last time that your office looked at Medicaid fraud, and what is the estimate, the current estimate, of what percent of Medicaid payments are fraudulent? Waste, fraud, and abuse.

Mr. LEVINSON. Yes, we are looking at Medicaid fraud issues all the time. That portfolio, when it comes to Medicaid fraud in particular, the frontline troops in many cases are the Medicaid Fraud Control Units. These are units in virtually every State where they are looking both to protect the State share as well as the Federal share. And we certainly work with them as well as with other enforcement partners.

There is a rather high improper payment rate we fear with it. That is not necessarily a fraud rate. It is not possible really to provide accurate fraud rate figures because fraudsters do not let you know what they are going to do. So, given the clandestine nature of fraud, one can hear a lot of estimates, and there unquestionably exists serious fraud issues, particularly on particular subjects in particular parts of the country. And we devote a lot of effort with the Justice Department and with State and local partners to create special teams to be able to handle that effectively.

Mr. HARRIS. Let me just ask, these units in various States, are some better than others in your experience?

Mr. LEVINSON. Well, we do oversight of those units.

Mr. HARRIS. OK.

Mr. LEVINSON. And it is true that you really cannot speak in a general term about the units because they do, to a certain degree, reflect the particular environment that they are dealing with in those States as well as the personnel, the support of the attorney general's office in the State. We would like to see maximum resources for the Medicaid Fraud Control Units, but very often States do not give enough money for the Federal share to kick in at an optimal level.

Mr. HARRIS. Sure. You know, with the Medicaid expansions, the fact of the matter is that the State, to borrow an expression, has little skin in the game. Do you worry that they may not be willing to look at fraud as much when, you know, the U.S. taxpayer is paying 95 percent of the bill?

Mr. LEVINSON. Well, it is a concern for us to make sure that the Federal share is going to be protected, and it was Congress that sought to use the Medical Fraud Control Units as a first line. And it is true that it is really helpful to have people who know that environment who are able to operate full time with it.

That said, I think what has become difficult for both the State enforcement folks as well as for us is the enormous increase in managed care that makes a lot of this opaque. It just makes it dif-

ficult for us not having the encounter data, not being able to really know what is going on, to be able to give you any sense of confidence in large respect.

What we need to make sure is that there are controls in place so that—even if we are not doing the work, which we really cannot (we are not that large)—you, who are actually appropriating north of $350,000,000,000 to the Federal share of Medicaid have assurances that the money is being spent for the purposes intended.

Mr. HARRIS. Thank you. Mr. Dahl, let me just ask a couple of brief questions about your testimony here. Is this right? I mean, the improper payments on the Unemployment Insurance Program in fiscal year 2016 is $3,900,000,000? When we mean improper payments, we mean payments that basically just should not have been made?

Mr. DAHL. That is correct. I mean, as Dan pointed out, you know, most of them are process issues in terms of eligibility issues and that kind of thing.

Mr. HARRIS. No, I fully understand that, but that is $3,900,000,000. That is just the Federal dollars, $3,900,000,000 of Federal taxpayer dollars.

Mr. DAHL. That is the estimate that was provided by the Department of Labor. That is correct.

Mr. HARRIS. Wow.

Mr. DAHL. And that is an 11 percent improper rate, which is one of the highest——

Mr. HARRIS. Yes, that is pretty amazing, I mean, 11 percent improper. I mean, look, we all want unemployment insurance, but that is pretty amazing. Let me just ask you about a chronic issue over at the Department of Labor and see if you have dealt with it, which are the chronic delays in processing of H–2B visas.

I mean, I could send you reams of letters. You know, the law says it is supposed to be done in a certain amount of time. It never gets done in that time, and the Department just throws up its hands, well, it is Congress' fault. It is everybody's fault but the Department of Labor.

Have you looked and audited how long it takes to process these applications because these are important? In my district, these are critical jobs. Our economy depends on these. Our American jobs depend on those temporary farm workers, and this greatly impairs our ability to staff those positions. Has your office looked at these delays?

Mr. DAHL. I have heard of these delays, and we will get back to you on what we are doing in our work.

[The information follows:]

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

MAY 1 8 2017

The Honorable Andy Harris
Appropriations Committee,
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Representative Harris:

On March 9, 2017, the Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on *Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General.* At that hearing, you requested that the Office of Inspector General (OIG) provide information regarding delays in the Department of Labor's processing of H-2B visas.

Several U.S. Senators have expressed their concerns regarding the amount of time it took for ETA to complete required prevailing wage determinations and process H-2B applications. Additionally, the Department has indicated that implementing changes required by the Consolidate Appropriation Act of 2106 resulted in a processing backlog for H-2B applications. We have an ongoing audit examining the Department's timeliness in processing H-2B applications, including the issuance of prevailing wage determinations. The audit is also reviewing the progress the Department has made in reducing the backlog of H-2B applications. We expect the audit report to be issued later this year.

Please feel free to contact me at 202-693-5100, if you have any questions concerning this matter. Alternatively, your staff may contact Luiz Santos, Director of the OIG's Office of Congressional and Public Relations, at 202-693-7062, for further information.

Sincerely,

Scott S. Dahl
Inspector General

Cc: The Honorable Tom Cole, Chairman
The Honorable Rosa DeLauro, Ranking Member

Mr. HARRIS. Thank you. I can help you hear more about them if you want. [Laughter.]

Mr. DAHL. We do hear it.

Mr. HARRIS. Thank you very much.

Mr. COLE. Thank you. My friend, the gentlelady from California, Ms. Lee, is recognized for 5 minutes.

Ms. LEE. Thank you very much. I apologize for being late, and hopefully my questions are not redundant. But I would like to ask, Mr. Levinson, about the——

Mr. COLE. One moment. Would the gentlelady just bring the microphone a little closer?

Ms. LEE. Oh, sure. The PEPFAR funding.

Mr. COLE. Thank you.

Ms. LEE. Mr. Levinson, excuse me. In the report to Congress covering, I think it was April 1st, 2016 to September 30th, 2016, that report reported that the Centers for Disease Control and Prevention did not award PEPFAR funds in compliance with applicable HHS policies. It noted that for all 30 funding opportunity announcements in your example, CDC did not comply with one or more of the internal policies as it relates to HHS.

So, it seems like that there is poor documentation, and I think, what, we spent about $1,900,000,000 over the 5-year period. Some applications maybe should have been considered which were not considered and were considered which probably should not have been considered.

So, I wanted to find out, do you have an update on how CDC is addressing these issues that were found in the audit because, you know, our resources as it relates to HIV and AIDS are very limited, and we want to make sure they are being spent wisely, and that people are benefitting from it.

Mr. LEVINSON. Thank you, Ms. Lee. These are very, very precious funds indeed, and I will have to get back to you specifically on an update of where we stand.

[The information follows:]

Rep. Barbara Lee
Topic: PEPFAR

Q: Provide an update on how CDC is addressing the issues found in the IG's PEPFAR Audit.

A: In May 2016, we issued an audit report on the Centers for Disease Control and Prevention's (CDC) awarding of the President's Emergency Plan for AIDS Relief (PEPFAR) program funds for fiscal year 2013 and found that CDC did not award funds in compliance with applicable departmental policies. As a result, the Department of Health and Human Services (HHS), Office of the Inspector General (OIG), determined that CDC did not fully support its funding decisions to award $1.9 billion over the 5-year project period and may have treated applicants inconsistently. See embedded link for the OIG report. The CDC Did Not Award President's Emergency Plan for AIDS Relief Funds for 2013 in Compliance With Applicable HHS Policies (https://oig.hhs.gov/oas/reports/region4/41404021.pdf).

To date, CDC stated that it has completed the following actions to address our report findings and recommendations:

- Fully implemented an online grant management services, Grants Management Module GrantSolution in June 2016.
- Provided additional training and subsequent regular refresher training.
- Finalized Pre-Award Checks standard operating procedure in December 2016 and established a Financial Assessment and Resolution Unit in October 2015.
- Revised Grant File and Program Book's standard operating procedures.
- Conducted quarterly internal control review of grant files.
- Established a workgroup to develop tools to ensure that all grants management officers are reviewing awards consistently.

Further, CDC told us it is developing policy to ensure that it conducts an "objective review"[1] of the grant applications. OIG plans to conduct a followup audit to assess actions CDC has taken to improve program operations. We anticipate work will begin late fiscal year 2017, pending PEPFAR funding from the State Department Office of Global AIDS Coordinator.

[1] An objective review is a process involving an unbiased, thorough and consistent examination of applications based on standard criteria.

Mr. LEVINSON. But our auditors have actually been visiting. They have done audits in South and East Africa and in Asia as a follow-up to that PEPFAR funding in conjunction with the State Department and USAID OIG. And there have been some irregularities uncovered, but those audits have also brought back very encouraging news about how much money actually is being spent for the purposes intended.

So, without providing any specifics right now about those dollars that need to be addressed better, I think it has by and large been a program that has been running rather well, and has really been extremely effective for many, many people in these regions of the world.

Ms. LEE. Yes, and, you know, some of us have actually visited PEPFAR programs throughout the world and have talked to people. We are saving a lot of lives, and we are moving towards an AIDS-free generation.

Mr. LEVINSON. Exactly.

Ms. LEE. So, we have got to keep the funding. Well, we are trying to increase the funding, of course, that is what I want to do, so we can achieve our goals.

Mr. LEVINSON. Yes.

Ms. LEE. And so, wherever there are any difficulties, we need to get them corrected very quickly.

Mr. LEVINSON. I will give you an update.

Ms. LEE. OK, thank you. And also, Mr. Dahl, let me ask you. In terms of the Department of Labor, in terms of challenges to job training programs that place participants in jobs that exist, what are you seeing in terms of the training programs? This goes back to the day in the 70s, I had established a community mental health center, and I had CEDA funds. We were required for trainees to have positive job placements as a condition of receiving the funds.

What is going on now with the Department of Labor as it relates to job training funds and positive, permanent placements in industries and in jobs that exist?

Mr. DAHL. As I said a few minutes ago, Congresswoman, that is a very big concern for us, and it has been the basis of many of our recommendations is to ensure that there are meaningful job placement outcomes for these job programs. And one facet could be to put a requirement in there for the grants, as you point out, that there be some type of outcome that is required. But the Department has declined to place those types of requirements in the grants.

Ms. LEE. But you do sector analysis, right, for the Department of Labor? I mean, you have your job sector analysis that identify industries where there are openings and where, you know, jobs exist.

Mr. DAHL. Yes, the Department does. They do job sector analysis, and they should be using those as a form of where they would give grants out and in what circumstances they would provide those grants.

Ms. LEE. But they don't use them?

Mr. DAHL. Well, you know, some of our recommendations do go to, as I said, coming up with better metrics for determining what

the outcomes are going to be. But I can follow up with your office to find out what they are doing with those sector analyses.

[The information follows:]

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

MAY 18 2017

The Honorable Barbara Lee
Appropriations Committee,
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Representative Lee:

On March 9, 2017, the Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on *Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General.* At that hearing, you requested that the Office of Inspector General (OIG) provide information regarding whether and how the Department is using job sector analysis to determine where job-training grants should be distributed.

The Workforce Innovation Opportunities Act contains provisions that encourages states and local workforce systems to adopt and expand the use of programs focused on specific employment sectors and career pathways. The legislation also encourages the creation of "bridge" programs that provide training and support services to help lower-skilled workers prepare for and land jobs. Our ongoing audit of Local Workforce Investment Boards is reviewing how Boards engaged local employers to learn what jobs employers were looking to fill and the type of skills those jobs required. We are also currently reviewing whether assessments and services Boards provided to participants improved their employment statuses. We expect to issue our report later this year.

Please feel free to contact me at 202-693-5100, if you have any questions concerning this matter. Alternatively, your staff may contact Luiz Santos, Director of the OIG's Office of Congressional and Public Relations, at 202-693-7062, for further information.

Sincerely,

Scott S. Dahl
Inspector General

Cc: The Honorable Tom Cole, Chairman
The Honorable Rosa DeLauro, Ranking Member

Ms. LEE. OK. Thank you very much, Mr. Chair. I would like to follow up with this so we can get our hands around it.

Mr. COLE. I thank the gentlelady. The gentleman from Wisconsin is recognized for 5 minutes.

Mr. POCAN. Great. Thank you, Mr. Chairman. So, I do have a few questions for Mr. Levinson on prescription drugs, but first I just want to do one follow up with Ms. Tighe on the conversation we had on Pell Grants.

So, as someone who was a recipient of Pell Grants in order to go to college, I want to make sure we have got clarity here, because as I understand it, it is not like the money is a loss to the government, the dollars you are talking about. In some cases, it is, like, eight institutions that were responsible for a couple hundred million of that.

Can you just talk a little bit more about that because I just want to make sure people understand the numbers and what you are saying about the Pell Grant.

Ms. TIGHE. Well, the Pell Grant improper payment estimate is based on a number of things, and there are sources for that. It is including now program reviews where Federal student aid may go out to over 300 different schools and gather information that may inform that estimate. They also now rely on a statistical study done that is a blind study done with IRS that will figure out if there is mis-reporting of income.

And I do not know how many people or how many students that would cover, and I can find that out. But, you know, it is an estimate. I mean, that is what they are, but they are doing better now I think this year. That does not mean the Pell Grant Program is a bad program. It just means I think they need to focus on areas of reducing the improper payments.

And I think the estimates just give you visibility into the depth of the problem. What the Department really needs to do is focus on root cause.

Mr. POCAN. And it is a relatively small sample, if I understand, right, of how they are doing these estimates?

Ms. TIGHE. You know, and I do not know, and I would have to get back to you on that.

[The information follows:]

KATHLEEN S. TIGHE, INSPECTOR GENERAL, U.S. DEPARTMENT OF EDUCATION TO THE SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES, MARCH 9, 2017

Question from Representative Pocan to Inspector General Tighe: And it is a relatively small sample [Pell Grant improper payments] if I understand, right, of how they are doing these estimates?

Ms. Tighe: Yes, the Department reported 5,435 schools that participated in the Pell Grant program and the FY 2016 Pell grant improper payment estimate was based on 400 program reviews conducted over a 3 year period covering Pell grant program disbursements made to 6,782 students for the 2013–2014 award year.

Mr. POCAN. If you could. I would not mind having a little more clarity on that.

Ms. TIGHE. Absolutely.

Mr. POCAN. Because what I do not want to happen is people to think that somehow the program is being used improperly because, you know, there are too many people like me that would not have

had a chance to go college if it was not for that Pell Grant. So, I am just really cautious.

Ms. TIGHE. I understand. Well, if you look, the dollars are large. The rate is 7 percent or 7.85 percent, so.

Mr. POCAN. Yes, if you could get us more information.

Ms. TIGHE. Absolutely.

Mr. POCAN. Mr. Levinson, I have a question. There was a report I think in January 2017 about they concluded that high drug costs were largely responsible for the huge jump in Medicare D catastrophic spending over the last 5 years, which puts the program's future at risk. I guess the question I have is what solutions does your office propose to address skyrocketing drug prices within Medicare Part D?

Mr. LEVINSON. Well, this is something that we——

VOICE. Microphone.

Mr. LEVINSON [continuing]. We are certainly encouraging CMS to come up with solutions because we are able to see the numbers. Everyone, if they look are able to see the numbers nearly triple from the time the program was implemented in 2006 to now. And that kind of an increase, we need to understand how we can get better control of those dollars, notwithstanding that to a certain degree the increase in spending hopefully represents some savings and other kinds of health expenses that would be triggered. So, we need to continue to press and understand why that increase is occurring at such a rapid rate.

We are involved specifically in trying to get a better handle with our law enforcement partners on the opioid epidemic, and the fact that we have so many painkillers being prescribed. We know the impact that that is having nationally. And so, we are encouraging better controls on both controlled as well as non-controlled substances, which oftentimes can be used in conjunction to create the kinds of powerful highs that you wind up with a lot of deaths on the streets as a result.

So, we are focusing our fraud, waste, and abuse efforts primarily in that respect on our investigations and making sure that we are able to——

Mr. POCAN. And do you focus at all or do you recommend focusing at all on things like, you know, we talk about the non-transparency around research and development costs for pharmaceutical companies and then the prices that are getting translated.

I mean, do you address those issues or the fact that, I think according to Public Citizen, between, what is it, 1991 and 2015, about $36,000,000,000 in criminal and civil penalties were taken on by pharmaceutical companies, and yet, you know, wondering what measures that we could help do to help keep those companies more accountable given these increases. Do you address any of those issues?

Mr. LEVINSON. Well, we certainly do pricing work with respect to helping to make sure that the programs get the benefit of the reimbursement and the rebates that they are entitled to. And we have done a considerable amount of work there to recover money that should have been brought back to the Treasury.

Mr. POCAN. All right. Thank you.

Mr. COLE. Thank you. The gentlelady from California, Ms. Roybal-Allard, is recognized for 5 minutes.

Ms. ROYBAL-ALLARD. Mr. Dahl, before I ask my question to Inspector General Levinson, I would just like some clarification on what you said to Congressman Harris. You said that it was around 11 percent of incorrect unemployment insurance that is being paid out right now?

Mr. DAHL. That is correct.

Ms. ROYBAL-ALLARD. OK.

Mr. DAHL. That is the improper payment rate.

Ms. ROYBAL-ALLARD. OK. So, my question is, is it that we are paying too much, or does it also include underpayments, you know, various types of mistakes?

Mr. DAHL. That is a very good question. It is similar to what Kathy Tighe had said. There is a portion of it that could be underpayment, but it is fairly small.

Ms. ROYBAL-ALLARD. OK. I just needed the clarification on that. Inspector General Levinson, due to our concern about the use of psychotropic drugs to treat foster youth with behavioral problems, my colleague, Rosa DeLauro, and I asked GAO to look into this issue. And GAO found that children on Medicaid are prescribed psychotropic drugs at twice the rate of privately insured children, and that 18 percent of foster children were prescribed psychotropic medications often in amounts that exceed FDA guidelines.

And more recently, a February 2017 CRS report cited that on any given day, 16 to 33 percent of children in out-of-home care are on psychotropic medication compared to 6 percent of children in the general population. And then, in January 2017, a GAO study that looked at the monitoring and oversight of psychotropic drugs among foster care youth in 7 States recommended that HHS convene child welfare, Medicaid, and other stakeholders to promote collaboration and information sharing on psychotropic drug oversight.

I was pleased that your 2017 work plan calls for States to develop a plan for oversight and coordination of how services for children in foster care, including oversight of prescription medicines. Your plan also states that ACF will provide oversight to State plans to ensure children in foster care receive psychotropic drugs in accordance with States' proposals.

My question is that if Medicaid expansion is eliminated as part of repealing the ACA, how will this impact states' ability to develop plans and monitor the protocol of prescribing psychotropic medications to foster youth?

Mr. LEVINSON. Our resources are extended so far at this point, that in all honesty we really do not try to predict what the consequences are for a variety of particular drugs and, for that matter, particular programs might be depending upon what might happen with respect to something like expansion or a diminished expansion of Medicaid.

So, it is really not possible to provide an answer to a hypothetical like that, but what we have identified in our work, as you have explained, is a very alarming use of psychotropic drugs for a population where serious questions have to be raised about such extensive usage. And we are continuing to do work on that, and we do

work in coordination with GAO so that we can really complement each other's work. And our office will keep you apprised of our work in this area as well.

Ms. ROYBAL-ALLARD. Well, if our subcommittee is forced to absorb part of the $54,000,000,000 non-defense discretionary cuts that President Trump is calling for, will ACF have the resources needed to complete the analysis and oversight of State plans for addressing the psychotropic drug crisis that is impacting our foster care children?

Mr. LEVINSON. And I think that is an important question to pose to ACF.

Ms. ROYBAL-ALLARD. But you do not have an opinion.

Mr. LEVINSON. I try to avoid answering hypotheticals because my auditors get very angry with me when I look ahead instead of look back.

Ms. ROYBAL-ALLARD. OK. All right.

Mr. COLE. You are allowed to dodge, but we will keep asking. [Laughter.]

Ms. DELAURO. It is not going away.

Mr. COLE. The gentlelady from Massachusetts is recognized for 5 minutes.

Ms. CLARK. Thank you, Mr. Chairman. Mr. Levinson, I wanted to go back to some of your testimony. And you referred to an ongoing focus on increasing the security of health information and what we can do around health information technology. I wonder if you could elaborate a little bit on the progress that has been made and how we can best support those efforts in Congress.

Mr. LEVINSON. Well, as I said earlier, we really are in the midst of this transformation on health information technology. And a critical key, of course, is making sure we have interoperability so that information, this is really a transportation of information problem, that we make sure that healthcare information is passed promptly and accurately in a secure and safe way to the right people.

And the Congress has invested billions of dollars over the last decade in modernizing our healthcare system, and we are seeing in some of the demonstration projects under Title III of the Affordable Care Act, we are seeing efforts to move to value as opposed to volume. So much of it really does depend on the effective use of information technology to make it happen, to get away from the fee-for-service, volume practices, and the paper record.

We are on that track, and Congress through the IMPACT Act and its use with MACRA, we are moving towards an effective use of information technology, but as I say, we are really not there. That kind of support is important. It probably would be helpful more and more to think outside the box of the Federal healthcare programs per se and really think of them as a collection of important healthcare vehicles that ultimately need a national platform for information technology.

HHS has what I call four of the big seven: Medicare and Medicaid and the Health Insurance Program in the IHS, the others being the Veterans Health Administration, TRICARE, and OPM has FEHBP. All of these obviously serve different populations, and then there are different issues involved with each one. But the more and more we can focus on how interoperability with

healthcare information can happen, I think we can accelerate this move down the road towards really effective and efficient use of healthcare resources. So much depends on it.

We cannot go back, even when we have problems, and we certainly have our share. We have to continue to move towards that paperless record in which we can really share it effectively.

We are continuing as an office to monitor the investments that are made by HHS, and depending on the program changes that might be made by Congress we will need to move accordingly. But I think that we are moving in the right direction. Any effort to think in a more coordinated fashion about all of these major Federal healthcare programs, because the Federal government has more than $1,000,000,000,000 in the $3,100,000,000,000, $3,200,000,000,000 healthcare economy of the Nation.

So, if we to a certain degree think outside of a particular healthcare program about what that means, because the private sector is doing it as well. This is something that really is about the $3,000,000,000,000 ultimately. If we can start to think more and more about how we use interoperability to create a national platform like we did with the railroads in the 19th century, coming up with a standard gauge, and the Federal highways coming up with a standard way of being able to drive, you know, 60 miles an hour safely, reasonably safely.

Ms. CLARK. Right. So, when I hear about this and I think, you know, we would agree we are on the right track. Hearing about the cut, like, is there the capacity within our existing budgets to look at this kind of technology to really establish that?

Mr. LEVINSON. From an inspector general's standpoint, the thing that I would stress is not so much what dollar figure I can come up with because as policymakers, you are the ones who need to come up with the dollar figures, but to make sure that we coordinate the policy people and the technical people. And that was a critical problem with the flawed launch of the marketplaces, is that the tech people were down one hole, and the policy people were down another hole.

Ms. CLARK. Right.

Mr. LEVINSON. You really cannot do that effectively. Health information technology requires you get the technical expertise and the policy expertise in the same room.

Ms. CLARK. Thank you.

Mr. COLE. Thank you. Just for informal purposes, I am going to call on my friend, Ms. Lee, so she gets a second round of questions. And then we will close out with the ranking member, and that will conclude the hearing.

So, the gentlelady from California is recognized for 5 minutes.

Ms. LEE. Thank you very much, Mr. Chair. Let me go back to the issue of HIV and AIDS and global health more generally. You know that President Trump issued this executive order reinstating the Mexico City policy. Now, generally, and it is called the Global Gag Rule. While this policy has been in place under prior Republican presidents, it traditionally has only been applied to family planning and reproductive health funds under USAID and State Department. This new executive order proposes expanding the

Global Gag Rule to include all global health funds furnished by all departments and agencies, which includes HHS.

So, I wanted to find out from you, Mr. Levinson, have you looked at this, and how dramatically you will have to expand your oversight and audit activities to ensure that grantees, sub-grantees, and local organizations around the world are in compliance with this policy. I would like to know, and you probably do not have it here, but an estimate of the costs, including staff time and the cost to update the contract clauses with this new executive order.

Mr. LEVINSON. Ms. Lee, I think in the first instance, we need to be in contact with the Department to see what the Department plans because these are the kinds of things that were issued to the programs to administer. And at this early date, I doubt quite frankly that we have had an opportunity to even interact at the very beginning with the Department.

But as we interact with the Department as it seeks to implement whatever executive orders are issued that require implementation, we will certainly be actively involved with the Department on the oversight.

Ms. LEE. And once you get that feedback and have your costs, could you let us know what those cost estimates will be with regard to the audit requirement staff time and what have you?

[The information follows:]

REPRESENTATIVE BARBARA LEE

TOPIC: MEXICO CITY POLICY

Q: And you get that feedback and have your costs, could you let us know what those cost estimates will be with regard to the audit requirement staff time and what have you?

A: Regarding an ". . . estimate of the costs, including staff time and the cost to update the contract clauses with this new executive order," I defer to the Department of Health and Human Services, as the program official administering the funds. On the basis of the President's January 23, 2017, Executive Order, the Office of Inspector General's (OIG) Office of Audit Services has updated its audit guidelines. For future oversight work regarding the Mexico City Policy, and where funds are spent on or after the date of the Executive Order, as part of the scope of its work, OIG will audit for compliance with these additional requirements.

Ms. LEE. Thank you. And, Mr. Dahl, let me go back to the issue of Job Corps. I think in your testimony you mentioned the really terrible murders of two students, I think it was 2015——

Mr. DAHL. Yes.

Ms. LEE [continuing]. In terms of misconduct. It is really alarming, and I hope that the safety issues at Job Corps centers are being addressed. So far, I do not believe we have had any safety issues at my local Job Corps center at Treasure Island, but I wanted to hear some of your immediate steps that you are taking to ensure that students and employees at Job Corps programs are safe.

And then secondly, if Job Corps funds were cut significantly, have you looked at that in terms of what that means in terms of the IG's ability to address some of these pressing issues at the Job Corps if your funds were cut?

Mr. DAHL. In answer to your first question, there are a couple of things that Job Corps needs to do very quickly and that we have recommended to them. The first is that for the safety and protection of the students and staff, to issue clear guidance on when a

center should be calling law enforcement, and reporting those serious incidents to law enforcement in a timely manner. The second thing that they need to do is expand background checks beyond the limited positions that it applies to now. We are concerned about that. And the third thing is to focus attention, and some of this may be resources which gets to your second question, on making sure that the physical premises are safe for the students. The Department has moved out on some of these already and has made some progress, but they need to remain focused on it and be proactive about it.

In terms of the impact of any cuts to the Job Corps Program, as I said, it is going to compound these challenges and make it much more difficult for them to address some of these issues. But the ones that I identified, the two do not require any resources. And so, we want them to focus on those that they can to help the students, and then try to make it, still a priority even with cuts to make sure that the students and staff are safe.

Ms. LEE. Thank you very much. Thank you, Mr. Chairman, very much.

Mr. COLE. Thank you. Before I call on the ranking member to close us out, I just want to make a quick point myself in response to one of the questions you raised and some of your remarks. If we had cuts of the magnitude that I asked you about in the opening round, I can just assure you that we would be talking about reducing centers, you know. You cannot run this number of centers that we have on 80 percent of the money we have.

You would have to literally start picking sides, and that is an expensive process in itself. I have lived through one of those in my own district when our Job Corps center was shut down. You do not even get all the savings right up front because there is a lot of costs associated with the close down.

But we would be in the difficult position of deciding, and probably after obviously asking for recommendations from the Department, how many centers do you want to close if you have only got 80 percent of the amount of money we have, because I just do not see how you could run them at 80 percent. So, I mean, this committee would be involved in some really difficult choices, and it would be painful for a lot of members beyond this committee because, again, they would see a dramatic decline in services in their districts or facilities in their districts. So, I thank my friend for raising her question.

Now, with that, I am going to recognize the gentlelady from Connecticut to close out the hearing in terms of questions or points she cares to make.

Ms. DELAURO. Thank you very much, Mr. Chairman, and I associate myself with those remarks. We have a great Job Corps center in New Haven, Connecticut, and we would be in the business——

Mr. COLE. As the gentlelady would know, that one probably would survive. [Laughter.]

Ms. DELAURO. But you never know, Mr. Chairman, you never know. Like I referred to it once, what is going to happen with Medicaid with B rationing, this would be rationing as well.

I want to, first of all, say thank you to all of you. I said in my opening remarks, you have a herculean task, and I think you understand that this committee appreciates that.

Mr. Levinson, I am going to ask you to just give us answers to this in writing. There are three pieces of this. This is on prescription drug prices. And the first is about have you done any work on whether Medicare could save money by negotiating directly with drug companies. And if that is the case, do you believe that using Medicare's substantial buying power to negotiate lower prices could save taxpayer dollars? And when you get back to us, if yes, how much money we would save with that.

Secondly, how much taxpayer dollars could we save if inflation indexed rebates were required under Medicare Part B, and what would be the potential savings there? And the last piece of this one is, potential savings to Medicare of extending the Medicaid drug price rebate to low-income Medicare Part D enrollees. There is lots of discussion about saving Medicare dollars and a lot of issues with regard to how we might be able to do that.

[The information follows:]

Ranking Member Rosa DeLauro
Topic: Drug Costs

Q: Has OIG done any work on whether Medicare could save money by negotiating directly with drug companies? If that is the case, do you believe that using Medicare's substantial buying power to negotiate lower prices could save tax payers dollars? If yes, how much money we would save?

A: The law establishing the Medicare Part D drug program prohibits such price negotiations, so the Department of Health and Human Services, (HHS or Department), Office of the Inspector General (OIG), has no direct work on that topic. However, OIG has recently done work that indicates rising drug prices are increasing Federal payments for Part D drugs: 1) *High-Price Drugs Are Increasing Federal Payments for Medicare Part D Catastrophic Coverage* (OEI-02-16-00270) at https://oig.hhs.gov/oei/reports/oei-02-16-00270.pdf. In addition, OIG has examined potential savings for Medicare Part B drugs, which includes this work: 1) *Least Costly Alternative Policies: Impact on Prostate Cancer Drugs Covered Under Medicare Part B* (OEI-12-12-00210) at https://oig.hhs.gov/oei/reports/oei-12-12-00210.pdf; and 2) *Medicare Could Collect Billions If Pharmaceutical Manufacturers Were Required To Pay Rebates for Part B Drugs* (OEI-12-12-00260) at https://oig.hhs.gov/oei/reports/oei-12-12-00260.pdf. Finally, OIG recently posted a Drug Pricing and Reimbursement Portfolio, pulling together our body of work since 2010, as well as several older relevant items, that relate to drug pricing and reimbursement in HHS programs. The portfolio features planned work, completed reports, industry guidance, and enforcement actions. The Drug Pricing and Reimbursement Portfolio can be found at https://oig.hhs.gov/reports-and-publications/portfolio/drug-pricing/?ref=widget.

Q: How much taxpayer dollars could we save if inflation indexed rebates were required under Medicare Part B. What would be potential savings?

A: OIG released a report in 2013 estimating how much Medicare could have recouped in 2011 had a rebate program similar to Medicaid existed for Part B drugs (OEI-12-12-00260). OIG found that Medicare could have collected at least $2.7 billion in 2011 if manufacturers had been required to pay full rebates, which include both the inflation-indexed and basic rebate segments of the rebate calculation, for 60 high-expenditure Part B drugs. We plan to release a report this fiscal year that calculates how much Medicare could have recouped in 2015 if manufacturers had been required to pay only the inflation-indexed segment of the rebate methodology for 64 high-expenditure Part B drugs. This forthcoming report will also include a comprehensive discussion of potential implementation issues that could hinder rebate collections under a Part B rebate program (OEI-12-17-00180).

Q: What are the potential savings to Medicare by extending the Medicaid drug price rebate to low income Medicare part D enrollees?

A: Although OIG has issued reports comparing the Medicaid drug rebate program to the Part D program, none of the reports have calculated the potential savings to Medicare by extending the Medicaid drug rebate program to low-income Medicare Part D enrollees. We suggest followup with CMS for additional information on this topic.

Current as of May 25, 2017

Ms. DELAURO. Mr. Dahl, because you talked about the issue on unemployment, what I wanted to do is to ask you to get to us the Reemployment Services and Eligibility Assessment Program, RESEA. It would appear that it has saved us money in the past, and it also looks at those folks who would be not eligible, if you will, for these benefits to deal with your error rate or your overpayment rate, et cetera.

Now, the President's 2017 budget would have taken us to $186,000,000. The House and the Senate for 2017 have gone well below that amount of money. What the President was suggesting, and it started back in 2013, that the Congress do a cap adjustment so that could deal with the RESEA in looking at improper payments because we found that this was the way in which we could look at who was eligible and who was not eligible, thereby saving what was concluded, every dollar spent produced $3 in savings.

If you can get back to us in terms of the benefits of RESEA and are doing something with regard to that cap adjustment, which could help us to lower the 11 percent that you were talking about.

[The information follows:]

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

MAY 1 8 2017

The Honorable Rosa DeLauro
Appropriations Committee,
Subcommittee on Labor, Health and Human Services,
Education and Related Agencies
U.S. House of Representatives
Washington, DC 20515

Dear Ranking Member DeLauro:

On March 9, 2017, the Appropriations Committee, Subcommittee on Labor, Health and Human Services, Education and Related Agencies held a hearing on *Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General.* At that hearing, you requested that I provide information regarding the impact of the hiring freeze on the U.S. Department of Labor (DOL), Office of Inspector General (OIG).

The hiring freeze has and will continue to have a detrimental impact on the DOL OIG's ability to protect the interests of American taxpayers, workers, and retirees by reducing our capacity to combat waste, fraud and abuse at the Department of Labor. As a result of sequestration and subsequent funding shortages, the DOL OIG Full Time Equivalent (FTE) level is currently at its lowest level in more than 24 years, having experienced a reduction of more than 30 percent. This decrease in operational capacity has already been detrimental to our ability to provide audit and investigative oversight to DOL programs. We have been forced to eliminate, delay the timing of, and reduce the scope of audit work. We have also downsized coverage we provide in certain program areas, and have curtailed other investigative efforts. Any further downsizing of OIG staff will require eliminating even more high priority, high impact audits and investigations. Consequentially, this will significantly diminish the positive return on investment that the OIG generates for the American taxpayer.

Over the past five years, every dollar invested in the OIG resulted in a return on investment of nearly 10 dollars to the federal government and American taxpayers. Over this period, the OIG identified more than $3.9 billion in questioned costs, recommendations that funds be put to better use, and investigative recoveries and savings. This demonstrates that the OIG offers a solid investment for U.S. taxpayers, particularly in times of resource constraint. However, staffing reductions have, and continue to jeopardize the very audit and investigative capabilities that create this positive return on investment.

Additionally, during the hearing, you requested that the OIG provide information on the Reemployment Services and Eligibility Assessment program (RESEA). The RESEA program is the successor program to the Reemployment and Eligibility Assessments (REA) program the Department began funding in 2005. In the REA program, the Department

provided grant funding for states to use to provide REA to Unemployment Insurance (UI) claimants. As part of these assessments, states confirmed claimants' eligibility for UI benefits and assisted eligible claimants to quickly find new jobs by developing reemployment plans, providing them with labor market information, and referring them to reemployment services and training. States targeted a variety of UI claimants, ranging from those more likely to exhaust benefits to those less likely to exhaust benefits. States allowed a maximum of two hours of staff time to be spent with each claimant. From Fiscal Year (FY) 2010 to FY 2015, ETA awarded $398 million in REA grants to 48 states.

In 2015, ETA made changes to REA and renamed it the Reemployment Services and Eligibility Assessment program. Under RESEA, all states are required to target claimants profiled as most likely to exhaust their UI benefits before finding new employment. RESEA also added all transitioning veterans receiving Unemployment Compensation for Ex-Servicemembers to the target population. Furthermore, RESEA allowed a maximum of five hours of staff time spent with each claimant, and eliminated the requirement for a comparison group.

The RESEA program will rely on the WIOA common performance measures to assess program success. The common performance measures include the entered employment rate, employment retention rate, and average earnings. The common measures do not include metrics to assess whether states are serving claimants who are most likely to exhaust their UI benefits. To ensure the RESEA program is working as intended, ETA needs to have the right performance measures and it needs to ensure the data reported by states are accurate.

We are currently conducting an audit to assess the steps the Department is taking to assess the effectiveness of RESEA, particularly the extent to which states are targeting the program to those most likely to exhaust their UI benefits. Additionally, we are assessing the accuracy of state-reported performance information. We expect to issue our report by summer 2017.

Please feel free to contact me at 202-693-5100, if you have any questions concerning this matter. Alternatively, your staff may contact Luiz Santos, Director of the OIG's Office of Congressional and Public Relations, at 202-693-7062, for further information.

Sincerely,

Scott S. Dahl
Inspector General

Cc: The Honorable Tom Cole, Chairman

Ms. DELAURO. My final comment, Mr. Chairman, and this is about the Office of Government Ethics, which I have said 2015, $15,400,000, 2016, $15,700,000 to deal with a very large area. Also, you should understand that with regard to their nominee reports, the financials, under the Obama Administration, OGE had received 140 nominee reports by February 5th, 2009. Under the Trump Administration, only about 30 had been received by February 5th, 2017, and many more are considered "complex reports."

The completion of these financial reviews are critical for Senate confirmation. I mention that because that is the work of that effort. I asked the original question about your efforts in looking at conflicts of interest in your agencies, which coincide with what is done with the Office of Government Ethics.

Mr. Chairman, again, thank you very, very much for your indulgence. But, again, to all of you, thank you for the great service that you perform for our government. Thank you.

Mr. COLE. I actually thank the gentlelady. As always, she asks good questions and has good points to make.

Just for context and not for debate, when we look at the 2017 budget, remember we do not have a 2017 bill yet, which I know both you and I would love to see happen, and I am sure would make your work a little bit easier as well.

And second, remember when we talk about we are below the President's numbers, we were above his numbers in things like NIH and what happened? And the third point on that, the President did—this is former President Obama—did use mandatory money to plus up some of the agencies, and, frankly, we do not have the authority to expend that money on this subcommittee. So, that sometimes can lead you into apples and oranges comparisons if you are not careful.

I want to close by echoing my good friend, the ranking member's, remark about how much we appreciate you. We appreciate very much your time today obviously. But more profoundly, we appreciate very much your service, your service to the American people, your service certainly to this committee in helping us get at some of the knotty issues, and the service to your respective agencies and departments.

You are all to be commended. You have all been extraordinarily helpful to this committee over the years, and we continue to look forward to working with you. And, again, thank you for appearing here. Thank you for what you do each and every day on behalf of the American people and the American taxpayer. We are very grateful. Thank you.

With that, the hearing is closed.

Ms. DELAURO. Thank you, Mr. Chairman.

Department of Labor, Health and Human Services and Education and Related Agencies
FY 2018 Budget Hearing: Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General

March 9, 2017

[The following questions were submitted to be answered for the record:]

CYBERSECURITY

Mr. Cole: Increasingly, we're reminded how important it is that we secure medical data. Cybersecurity breaches can wreak havoc on an organization. I find it alarming the number of hospitals that were forced to pay ransom in 2016 after having their systems attacked. Mr. Levinson, could you discuss some of your recommendations HHS could take to ensure medical data in electronic health records and hospitals is being protected?

Mr. Levinson: The Department of Health and Human Services (HHS, or the Department), Office of Inspector General (OIG), has a long history of work focusing on protection of electronic medical data. Some of our work has resulted in recommendations directly to the Department (e.g., the Centers for Medicare & Medicaid Services (CMS) and the Office for Civil Rights (OCR)), while other recommendations have been directed at health care providers, such as hospitals. All of our work, regardless of to whom the recommendations have been made, identified areas of potential focus for the Department to ensure that electronic medical data are protected.

Between 2008 and 2010, as part of our body of work to audit HHS's (first CMS, then OCR) oversight of the Health Insurance Portability and Accountability Act (HIPAA) Security Rule, we audited and made recommendations to seven hospitals to address 110 vulnerabilities in medical data and hospital systems, 106 of which we considered high impact. Examples of those vulnerabilities included uninstalled critical security patches, outdated antivirus software updates, operating systems no longer supported by the manufacturer, and unrestricted Internet access.

In 2011 and 2013, we issued reports to OCR with recommendations to address concerns with its oversight of the HIPAA Security Rule. We recommended that OCR implement procedures to conduct compliance reviews of covered entities (e.g., hospitals) and provide periodic audit reports of covered entities in accordance with the Health Information Technology for Economic and Clinical Health (HITECH) Act to ensure compliance with the HIPAA Security Rule.

Between 2015 and 2016, we audited 8 hospitals and made 25 recommendations to improve the protection of medical data in electronic health records (EHR) and hospitals. Our recommendations included 11 for enhancements to the hospitals' authorization and authentication (access) controls, 8 to correct unpatched or unsupported software within the hospitals' EHR, and 3 to correct insecure EHR system settings and configuration.

Although OIG provided our reports and recommendations to CMS and OCR, we are still in the process of summarizing our results in a separate report to CMS. We have therefore yet to determine whether the 25 recommendations to the hospitals have been implemented.

Based on our work at hospitals and HHS Operating Divisions over the past 9 years, we made the following general recommendations so that HHS could ensure that medical data in EHR and at hospitals are protected:

- Identify where protected electronic health information is created, stored, or transmitted; assess the risk to that information; and address identified vulnerabilities in a timely manner.
- Use operating systems and applications supported by the vendor.
  - For example, systems using the Windows XP operating system, which is no longer supported by Microsoft, did not receive the patch that could have prevented the recent ransomware attack known as WannaCry.
- Test and apply patches as soon as possible.
  - These patches help to prevent known vulnerabilities from being exploited – WannaCry exploited a known vulnerability where the patch had not been applied.
- Use intrusion prevention and detection software.
  - Security professionals know that it is not a question of whether an organization will be breached, but when; they need to be able to detect and quickly respond to a range of breaches.
- Encrypt stored, protected electronic health information, which would prevent that information, if captured, from being exploited.
- Validate user input from web pages; this can help protect against the security flaws by significantly reducing the probability of successful exploitation from, for example, Structured Query Language (SQL) injection, cross-site scripting, and command injection.

HEAD START

Mr. Cole: We must ensure that our programs prioritize the health and safety of children. Recent audits of Head Start have found gaps in oversight, leading to potential health and safety problems. What can HHS do to ensure we know children in Head Start are being cared for in a safe environment and by qualified professionals?

Mr. Levinson: Gaps in oversight and monitoring can place the health and safety of children at risk, as our work has demonstrated. In fiscal year 2012, OIG issued a report (https://oig.hhs.gov/oas/reports/region10/11102503.pdf) that addressed the health and safety of children under care at 24 high-risk Head Start grantees in 8 States. OIG found instances of noncompliance, such as facilities with toxic chemicals accessible to children and play areas with debris like glass or nails as well as noncompliance with criminal

records checks. In February 2017, OIG issued a report on a Head Start grantee (https://oig.hhs.gov/oas/reports/region2/21402024.pdf) that failed to monitor its partner agencies, resulting in children not receiving required Head Start services such as ongoing care, home visits, and up-to-date dental exams among other things. HHS's effective implementation of the recently issued Head Start Program Performance Standards will be an important step toward strengthening oversight of the health and safety of children. These new standards increase staff qualification requirements, strengthen background check requirements, and reinforce the health services provided for vulnerable populations. In addition, given past reported issues, HHS should continue to monitor Head Start grantees to ensure compliance with requirements.

INDIAN HEALTH SERVICE (Response current as of May 25, 2017)

Mr. Cole: I remain deeply concerned with the events we saw last year in the Great Plains, facilities lost CMS certification, closed emergency rooms, and there were widespread reports of substandard care. In addition, just last month, the Government Accountability Office added the Indian Health Service to its "high risk" list and called the IHS "ineffectively administered."

Mr. Levinson, can you tell us what happened in the Great Plains IHS facilities that lead to the problems reported, what is the status of those facilities today, have the problems been resolved, and what was the cost associated with resolving the issues? In light of the GAO status and seemingly endemic mismanagement at IHS, what are some of the long term issues we need to be aware of and do you have any potential solution to help ensure we do not see incidents like those in the Great Plains in other IHS facilities?

Mr. Levinson: The problems with Indian Health Service (IHS)-operated facilities in the Great Plains likely resulted from many factors related to the agency's organization, resources, and service area. OIG's recent and continuing work examining quality of care provided by IHS and its management offers insights into these problems and recommendations for improvement.

In October 2016, OIG issued two reports about the quality of care provided in IHS hospitals, including hospitals in the Great Plains (OEI-06-14-00010 and OEI-06-14-00011). We identified longstanding challenges that affect IHS hospitals' ability to provide quality care and comply with Medicare standards, including ensuring access to needed care, maintaining clinical competence, recruiting and retaining essential staff, and keeping patients safe despite outdated buildings and equipment. Reports similar to ours date back almost a century, and problems persist despite reported efforts to address them. We also found that IHS has few sources of information on its hospitals' performance, a

limited capacity to provide clinical support, and may lack the quality assurance infrastructure and monitoring efforts that it urgently needs. These longstanding challenges, combined with the limitations in IHS's quality monitoring, provide insights into how the problems with the Great Plains facilities may have developed. These reports can be accessed at https://oig.hhs.gov

OIG is conducting additional work on IHS management and quality of care that will shed further light on these problems and how to avoid them in the future. First, we are reviewing the recent 7-month closure of the emergency department at Rosebud Hospital that will focus on IHS management of the closure and subsequent reopening of the emergency department and its collaboration and coordination with affected parties. Second, we are drafting a memorandum report based on a series of interviews we conducted with IHS senior executive staff in late 2016. The report will articulate key issues raised by IHS officials during the interviews and our observations about the agency's organizational framework, policies, and practices to inform future organizational improvements. Third, we plan to conduct an extensive review of medical records to identify the incidence of adverse clinical events (patient harm) for patients in IHS-operated hospitals in the Great Plains Area. We are also exploring possible new work focusing on IHS's management of and response to specific quality problems in its facilities.

Mr. Levinson: Over the past year, IHS has reported numerous actions to address problems with Great Plains facilities. For example, IHS sent multiple teams to the area, recruiting top performing staff from other areas and headquarters. These teams identified specific problems, proposed corrective actions, and trained staff. IHS also reported to OIG that it deployed more than 100 Commissioned Corps officers to fill vacancies in IHS hospitals, largely in the Great Plains. As another example, IHS released in November 2016 a Quality Framework to guide the agency's strategic vision for quality and patient safety. As part of implementing the framework, IHS plans to establish an Office of Quality responsible for advising the IHS Director on quality health care, overseeing implementation of the Quality Framework, integrating organizational and tribal feedback, and overseeing accreditation readiness activities. Further, IHS is working with the Centers for Medicare & Medicaid Services (CMS) Quality Improvement Organization – Quality Innovation Network to ensure that all Area offices and service units have comprehensive programs to monitor quality and patient safety. We have not assessed costs or specific outcomes associated with remediation efforts.

There have also been developments at the department level. In early 2016, the HHS Office of the Secretary formed an Executive Council on Quality Care, holding biweekly meetings with agency heads across the Department to identify opportunities to assist IHS in its improvement efforts. Executive Council members include top policy and clinical leaders throughout HHS, including CMS and the Health Resources and Services Administration (HRSA) with the objective to further integrate departmental standards

into IHS policies and practices, and to provide expert staff and technical assistance to IHS.

These efforts are promising, but some are still in the initial stages and may not have resulted in the intended practice changes at the facility level. We are concerned about ensuring that any progress be sustained, which is one reason we are identifying key issues with IHS management at an organizational level and also plan to examine management of the temporary closure of the Rosebud emergency department to glean lessons learned.

Also, there is clear evidence that some serious problems continue at Great Plains hospitals:

- CMS conducted a survey of Pine Ridge Hospital in November 2016. It found an immediate jeopardy deficiency, a violation of the Emergency Medical Treatment and Labor Act (EMTALA), along with other deficiencies. As a result, IHS sent a notice to the contractor (A/B Staffing) that it failed to adequately staff and manage the emergency department and that the failure "poses immediate danger to patient lives."
- Winnebago Hospital lost Medicare certification on July 8, 2015, and continues to operate without certification.
- Sioux San Hospital closed its emergency department on September 20, 2016. It remains closed today.
- On April 30, 2016, IHS signed 12-month Systems Improvement Agreements (SIAs) for Rosebud Hospital and Pine Ridge Hospital. The SIAs require substantial technical assistance and improvement initiatives, including awarding a contract to a private company, A/B Staffing, to provide management and staffing services.

Mr. Levinson: In our recent evaluations, we concluded that given the duration and extent of IHS's problems, the agency is unlikely to overcome its management challenges without broad support from experts both within and outside HHS, and consideration of different models for providing services. As such, we recommended that the Office of the Secretary lead an examination of the quality of care delivered in IHS hospitals and use the findings to identify and implement innovative strategies to mitigate IHS's longstanding challenges. We also made several recommendations to IHS, including the development of an agency-wide strategic plan and a quality-focused compliance program. We believe these efforts are necessary for sustained improvements in the Great Plains and throughout IHS. Other reforms are also needed to address fundamental organizational needs, such as funding and staffing.

OIG is committed to continuing our focus on IHS oversight, and working with IHS, CMS and other stakeholders to improve the effectiveness of IHS's management and the quality of care it provides. In addition to the evaluations described above, OIG hosted compliance training on April 27, 2017, at the Crazy Horse Memorial in South Dakota for IHS and tribal officials. The conference gathered approximately 150 representatives

from OIG, CMS, IHS, and tribal organizations. Sessions covered a variety of topics, including guidance for complying with HHS program provisions and efforts to improve the quality of health care.

Over the past 25 years, OIG has posted more than 55 audits and evaluations of IHS and related tribal programs on our website. Our oversight work has found three basic problem areas: financial management, program management, and quality of care. OIG published a webpage, Indian Health and Human Services, where we have collected our recent reports, enforcement information and guidance documents. The Indian Health and Human Services webpage can be found at https://oig.hhs.gov/reports-and-publications/featured-topics/ihs/.

Financial management problems identified by OIG relate to deficiencies in internal controls, financial management, financial reporting, accounting, and compliance with policy, administrative, and statutory requirements. Program management problems generally were the result of ambiguous or misunderstood policies and personnel practices that potentially affected the integrity of IHS programs. Finally, our work found quality problems related to IHS health care facilities, resulting from longstanding challenges, including an inability to recruit and retain staff with skills necessary to treat patients with complex health conditions, and limited resources for maintaining old hospital structures and outdated equipment.

HIRING FREEZE

Ms. DeLauro: Can you tell the committee how President Trump's January 23, 2017, Memorandum instituting a hiring freeze is impacting the vital mission and work of the OIG? Have you been forced to scale back your oversight work?

Mr. Levinson: OIG is charged with overseeing the Department's more than $1 trillion investment in over 100 highly complex health and human services programs that touch the lives of virtually all Americans. OIG is a people-driven organization, and our largest investments are in employees with skills necessary for effective oversight. On January 31, 2017, the Office of Personnel Management (OPM) issued a memorandum, M-17-18, that provided guidance on staff positions exempt for which OIG can continue to hire. That memorandum stated that the Inspector General is considered the agency head for purposes of deciding which positions qualify for either a public safety or national security exemption, as well as for the purposes of reviewing job offers that were extended before the hiring freeze was implemented. I have approved a public safety exemption for our criminal investigators, who comprise slightly more than 25 percent of our workforce as of January 2017. As required by the memorandum, any other requests for exemptions not covered by the memorandum will be sent to OPM for approval.

While maintaining our criminal investigator onboard strength is key for public safety, our auditors, evaluators, attorneys, data experts, and support staff provide critically important oversight to ensure program integrity and protect beneficiaries. OIG's average annual attrition rate—excluding criminal investigators—is approximately 4 percent, which equates to 50 lost positions in FY 2017. Given the estimated reduction in its workforce, OIG will continue to prioritize critical oversight based on available resources.

MEDICARE PART B (Response current as of May 25, 2017)

Ms. DeLauro: Mr. Levinson, your office notes that "each year, statutorily mandated rebates enable Medicaid to recoup a substantial portion of the billions spent by the program on prescription drugs. In contrast, Medicare Part B also spends billions annually on prescription drugs; however, no similar rebate authority exists for Part B to reduce the costs of drugs to the program."

Can you tell us how much taxpayers could be saving each year if inflation-indexed rebates were required under Medicare Part B? If you don't have a precise estimate yet, please provide a range of potential savings.

Mr. Levinson: OIG released a report in 2013 estimating how much Medicare could have recouped in 2011 had a rebate program similar to Medicaid existed for Part B drugs (OEI-12-12-00260). OIG found that Medicare could have collected at least $2.7 billion in 2011 if manufacturers had been required to pay full rebates, which include both the inflation-indexed and basic rebate segments of the rebate calculation, for 60 high-expenditure Part B drugs. We plan to release a report this fiscal year that calculates how much Medicare could

have recouped in 2015 if manufacturers had been required to pay only the inflation-indexed segment of the rebate methodology for 64 high-expenditure Part B drugs. This forthcoming report will also include a comprehensive discussion of potential implementation issues that could hinder rebate collections under a Part B rebate program (OEI-12-17-00180).

MEDICARE PART D (Response current as of May 25, 2017)

Ms. DeLauro: Another proposal to save taxpayer dollars is to extend the Medicaid drug price rebate to low-income Medicare Part D enrollees. According to the Congressional Budget Office (CBO), the rebate proposal would achieve $145 billion in savings to Medicare over 8 years.

Mr. Levinson, has your office reviewed the potential savings to Medicare of extending the Medicaid drug price rebate to low-income Medicare Part D enrollees? Do you agree that it could lead to billions in savings to the Medicare program?

Mr. Levinson: Although OIG has issued reports comparing the Medicaid drug rebate program to the Part D program, none of the reports have calculated the potential savings to Medicare by extending the Medicaid drug rebate program to low-income Medicare Part D enrollees. We suggest followup with CMS for additional information on this topic.

NEGOTIATING DIRECTLY WITH DRUG COMPANIES OVER THE PRICE OF PRESCRIPTION DRUGS (Response current as of May 25, 2017)

Ms. DeLauro: Mr. Levinson, as you know, the Secretary of Health and Human Services is currently prohibited from negotiating directly with drug companies over drug prices in the Medicare program.

According to the Kaiser Family Foundation's Health Tracking Poll, 82% of Americans – that's about five-out-of-six Americans – support allowing the federal government to negotiate directly with drug companies to get a lower price on medications for individuals on Medicare.

I strongly support negotiating with drug companies to save taxpayers' money. In fact, during his campaign, President Trump publicly supported direct negotiations with drug companies.

According to a report by Public Citizen, Medicare could save $15-16 billion annually by negotiating directly with drug companies, rather than having individual insurers negotiate drug prices. On average, Medicare pays 83% of a brand-name drug's official price. In comparison, Medicaid and the Veterans Health Administration pay only 48% and 46% of the official price for the same drugs.

Mr. Levinson, has the HHS Inspector General's office done any work on whether Medicare could save money by negotiating directly with drug companies? If so, do you

believe that using Medicare's substantial buying power to negotiate lower prices could save taxpayer dollars?

Mr. Levinson: The law establishing the Medicare Part D drug program prohibits such price negotiations, so the Department of Health and Human Services, (HHS or Department), Office of the Inspector General (OIG), has no direct work on that topic. However, OIG has recently done work that indicates rising drug prices are increasing Federal payments for Part D drugs: 1) *High-Price Drugs Are Increasing Federal Payments for Medicare Part D Catastrophic Coverage* (OEI-02-16-00270) at https://oig.hhs.gov/oei/reports/oei-02-16-00270.pdf. In addition, OIG has examined potential savings for Medicare Part B drugs, which includes this work: 1) *Least Costly Alternative Policies: Impact on Prostate Cancer Drugs Covered Under Medicare Part B* (OEI-12-12-00210) at https://oig.hhs.gov/oei/reports/oei-12-12-00210.pdf; and 2) *Medicare Could Collect Billions If Pharmaceutical Manufacturers Were Required To Pay Rebates for Part B Drugs (*OEI-12-12-00260) at https://oig.hhs.gov/oei/reports/oei-12-12-00260.pdf. Finally, OIG recently posted an online Drug Pricing and Reimbursement Portfolio, pulling together our body of work since 2010, as well as several older relevant items that relate to drug pricing and reimbursement in HHS programs. The portfolio features planned work, completed reports, industry guidance, and enforcement actions. The Drug Pricing and Reimbursement Portfolio can be found at

OPIOID RELATED GRANTS

Ms. Herrera Beutler: Mr. Levinson, as you know the heroin and opioid epidemic is killing over 33,000 Americans every year. Communities, law enforcement, first responders, and medical professionals are doing their best but struggling to respond to this epidemic. CARA and the 21st Century Cures Act authorized numerous grant programs for everything from training first responders how to effectively handle overdose to purchasing the overdose reversal drug naloxone, to incentivizing new treatment and intervention programs, many of which are under the jurisdiction of HHS. Some of the grants will go to state agencies and provide flexibility on how they can be used. While we provided funds to begin addressing the issue in the CR last year, every dollar is precious and it was needed yesterday. Do you think these grants are going out fast enough, and are there protocols or policies for how they go out, and a mechanism to measure their effectiveness? And how does HHS catch mismanagement or mis-use of these grants?

Mr. Levinson: In the 21st Century Cures Act, Congress appropriated $1 billion for HHS over FYs 2017 and 2018 for "State Targeted Response to the Opioid Crisis Grants" (STR). The purpose of these grants is to increase access to treatment and reduce opioid and heroin overdose deaths. The 21st Century Cures Act was signed into law on December 13, 2016. On December 14, 2016, HHS posted the STR Funding Opportunity Announcement to Grants.gov with an application deadline of February 17, 2017. By April 2017, in a relatively short period, HHS announced and awarded the STR grant funds.

Throughout the pre- and post-award process, HHS awarding agencies must comply with Federal regulations such as 45 CFR part 75, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, and guidance such as OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. These Federal requirements govern grants administration and mechanisms to measure their effectiveness. For example, 45 CFR part 75 requires HHS to monitor and receive financial and performance reports from the grantee that highlight key milestones and funds used to fulfill the goals of the grant. Similarly, OMB Circular No. A-123 provides Federal agencies guidance for establishing and maintaining internal control to achieve program objectives related to effective and efficient operations, reporting reliable information about its operations, and compliance with laws and regulations. For the STR grants, HHS requires annual financial reports and semiannual performance reports, with grantees required to report on expenditures for all activities and performance measures such as number of people who receive treatment, rates of opioid use, and rates of opioid overdose-related deaths. Although it is too early to audit the grant expenditures and related performance measures, HHS OIG has planned work to review HHS's pre-award process related to the STR grants. Regarding how HHS catches mismanagement or mis-use of these grants, we refer you to HHS for its process.

ORGAN TRANSPLANT DISCRIMINATION

Ms. Herrera Beutler: Mr. Levinson, the OIG is tasked with not only fighting fraud, waste, and abuse, but also the oversight of HHS programs that represent some of our most vulnerable citizens. Last October, former Member Honda and I led a letter to Ms. Jocelyn Samuels, Director of the Office for Civil Rights (OCR) at the Department of Health and Human Services, expressing concerns and requesting OCR issue guidance on organ transplant discrimination with regards to persons with disabilities. Several states across the country, including California, Maryland, New Jersey and now Massachusetts and Kansas, have passed laws banning organ transplant discrimination. These laws prohibit the discrimination against a potential recipient of any organ transplant solely on the basis of an individual's disability, as defined in the Americans with Disability Act of 1990. Unfortunately, many transplant centers and surgeons continue to refuse to provide access to transplant registries and transplantation surgery to qualified people with disabilities. We are concerned with the lack of engagement and action from HHS/OCR on this important civil rights matter.

Can you provide an update on the status of our request for HHS/OCR to issue guidance on organ transplant discrimination with regards to persons with disabilities? People with an intellectual and/or developmental disability must not be denied life-saving organ transplants for no reason other than their disability.

Mr. Levinson: OIG does not have data responsive to this question. I defer to the Department of Health and Human Services, Office for Civil Rights, as the program office where your initial request was made in order to obtain the status of your request.

OVERSIGHT OF VULNERABLE UNACCOMPANIED MINORS

Ms. Roybal-Allard: Your 2016 report states "oversight of programs for children" as one of HHS' top management challenges, and uses as one example the difficulty of preventing grant fraud in the custody care of unaccompanied alien children (UAC). Appropriate placement (preferably with family members) as well as oversight of these placements is particularly challenging, given that the sizable increases in UAC referrals since FY2008 have challenged ORR to meet the demand for its services while maintaining related child welfare protocols and administrative standards.

How will the current environment of aggressive deportation policy impact the efforts of ORR to prioritize placing unaccompanied minors with family members, many of whom may be unauthorized themselves?

Mr. Levinson: OIG does not have data responsive to this question. I defer to the Department of Health and Human Services, Office of Refugee Resettlement, as the program office that would be the source of information about whether its efforts to place unaccompanied minors with family members, who may also be unauthorized, has been impacted by the Administration's deportation policy.

Ms. Roybal-Allard: The Trafficking Victims Protection Reauthorization Act of 2008 (TVPRA) requires that HHS ensure, to the greatest extent possible, that UAC have access to legal counsel, and it also permits HHS to appoint independent child advocates for child trafficking victims and other vulnerable unaccompanied alien children. However many unaccompanied minors continue to face immigration removal proceedings without adequate counsel, since there is such a discrepancy in outcomes between those children who have legal representation and those who don't.

Given the Trump Administration's proposed elimination of the Corporation for National and Community Service, an agency that currently supplies the majority of pro-bono representation for unaccompanied minors, how will HHS ensure protection of these vulnerable children during immigration removal proceedings?

Mr. Levinson: OIG does not have data responsive to this question. I defer to the Department of Health and Human Services, Office of the Secretary, as the office charged with carrying out the provision found at 8 U.S.C. 1232(c)(5) (related to legal counsel).

FEE FORGIVENESS IN MOLECULAR DIAGNOSTIC TESTING

Ms. Roybal-Allard: The field of precision medicine is growing rapidly and molecular diagnostic testing is quickly becoming standard of care in many clinical settings. The practice of fee forgiveness, where testing companies waive patient fees when physicians direct patients to their tests, is known to be happening throughout our healthcare system; however it's accelerating in and becoming of increasing concern in the field of advanced diagnostics.

On the surface, this practice seems like an advantage to patients by eliminating their financial responsibility; however the ongoing use fee forgiveness schemes threaten the ability of labs to innovate and continue to invest in research and development for new diagnostics. I'm concerned that in addition to increasing the overall cost of healthcare, there are other non-financial effects on their care.

The OIG has previously indicated that this practice is illegal and that this corrupts the medical decision-making process for both physicians and patients, and ultimately impacts patient care. Unfortunately, companies continue to do this and the entire healthcare system has to absorb the increased costs.

How widespread are fee forgiveness schemes throughout the healthcare system and how are they being used within the emerging and expanding diagnostics space?

Mr. Levinson: OIG is not aware of any studies or statistics that quantify the number of routine copayment waiver schemes in the health care system nor of the effects of such waivers. However, because Medicare does not require beneficiaries to pay copayments for diagnostic laboratory tests, issues related to routine waivers of copayments for genetic tests, which are generally considered diagnostic laboratory tests, are inapplicable to Medicare patients.

Ms. Roybal-Allard: How do these schemes drive up the cost of healthcare, specifically for both private and public payers?

Mr. Levinson: OIG does not have any data responsive to this question. However, we note our 1994 Special Fraud Alert: Routine Waiver of Copayments or Deductibles Under Medicare Part B, in which we described that routine copayment waivers could increase Medicare Part B costs by encouraging overutilization: "Studies have shown that if patients are required to pay even a small portion of their care, they will be better health care consumers, and select items or services because they are medically needed, rather than simply because they are free." Special Fraud Alert, 59 Fed. Reg. 65374 (Dec. 19, 1994). Further, we have consistently expressed our concern about potentially abusive waivers of cost-sharing amounts under the anti-kickback statute and the civil monetary penalty law in Advisory Opinions. See, e.g., OIG Ad. Ops. 00-05, 01-10, 12-11.

Ms. Roybal-Allard: What is the impact of these schemes on patients' healthcare and wellbeing and have you found that they are having unnecessary procedures, tests, or other medical services because of them?

Mr. Levinson: OIG does not have data responsive to this question. However, OIG has longstanding concerns that routine copayment waivers can result in overutilization and medically unnecessary items and services. Notably, in a 2002 Special Advisory Bulletin on Offering Gifts and Other Inducements to Beneficiaries, we stated: "Offering valuable gifts to beneficiaries to influence their choice of a Medicare or Medicaid provider raises quality and cost concerns. Providers may have an economic incentive to offset the additional costs attributable to the giveaway by providing unnecessary services or by substituting cheaper or lower quality services. The use of giveaways to attract business also favors large providers with greater financial resources for such activities, disadvantaging smaller providers and businesses."
https://oig.hhs.gov/fraud/docs/alertsandbulletins/SABGiftsandInducements.pdf.

Additionally, in Advisory Opinion 15-04, we addressed a proposal for a laboratory to waive all fees, including copayments for certain private pay patients, by entering into agreements with physician practices to provide all laboratory services for the practices' patients. In that opinion we expressed concern that waiving these fees could, among other things, lead physicians to inappropriately steer all patients, including Federal healthcare program patients, to a particular lab.

Ms. Roybal-Allard: What has your agency done previously to address fee forgiveness schemes and what resources do you need from Congress to help put an end to these fraudulent and wasteful practices?

Mr. Levinson: OIG has provided guidance to the industry on copayment waivers in Federal health care programs for more than 20 years. OIG first addressed the routine waiver of copayments generally in a 1994 Special Fraud Alert: Routine Waiver of Copayments or Deductibles Under Medicare Part B. Special Fraud Alert, 59 Fed. Reg. 65374 (Dec. 19, 1994). In that document, we stated, "Routine waiver of deductibles and copayments by charge-based providers, practitioners or suppliers is unlawful because it results in (1) false claims, (2) violations of the anti-kickback statute, and (3) excessive utilization of items and services paid for by Medicare." In 2002, we issued a Special Advisory Bulletin on Offering Gifts and Other Inducements to Beneficiaries in which we provided further guidance on waiver of copayments.
https://oig.hhs.gov/fraud/docs/alertsandbulletins/SABGiftsandInducements.pdf.

Additionally, we provided guidance in this area in OIG Advisory Opinions, which express our longstanding concern about the routine waiver of copayments. See, e.g., OIG Ad. Ops. 00-05, 01-10, 12-11.

In addition to guidance, OIG has pursued appropriate enforcement actions. Kickbacks in the form of copayment waivers are an aspect of many OIG investigations and are

typically part of a larger health care fraud scheme involving medically unnecessary testing or other services. The risks of overutilization and the performance of medically unnecessary services are exemplified in a case that was settled in 2016 against Dr. Asad U. Qamar and the Institute for Cardiovascular Excellence. Specifically, Dr. Qamar and the Institute for Cardiovascular Excellence allegedly routinely waived Medicare beneficiary copayments and provided medically unnecessary peripheral arterial interventions. In addition to paying $7.3 million, Dr. Qamar agreed to a 3-year period of exclusion and to enter into an integrity agreement with OIG effective when he is reinstated to Federal health care programs.

OIG is assessing the impact of the President's FY 2018 Budget and prioritizing critical oversight needs. We ask for your continued support.

Additional Questions from Chairman Tom Cole

Chairman Cole: Ms. Stone, in your testimony you highlight the growing backlog of initial disability hearings and pending appeals. Do you have any plans to study the current process in place used by SSA to hear initial claims or process appeals?

Ms. Stone: Yes, Chairman Cole, we have two reviews ongoing related to this issue. In one report, we are reviewing hearing office performance and regional management support for two Office of Disability Adjudication and Review regions that have a disproportionate number of the lowest-ranking hearing offices in terms of average processing time. We plan to issue that report by February 2018. We are also working on a report that will identify factors that have contributed to decreased ALJ productivity, and we expect to issue that report by October 2017. I should mention that we are also planning some work on SSA's CARES Plan, which outlines SSA's initiatives to address the number of pending hearings and wait times for hearings.

Chairman Cole: Ms. Stone, you've issued several reports recently regarding a lack of program controls in the Representative Payee program. Could you summarize some of your most recent findings? Please include any upcoming work you plan to undertake on the Representative Payee program this fiscal year as well.

Ms. Stone: Certainly, Chairman Cole. Over the years, our audit work has shown that SSA could improve the payee program by strengthening beneficiary capability determinations and increasing efforts to identify beneficiaries who may need a payee. Our work has also identified several systems vulnerabilities. We have found instances in which beneficiaries with payees serve as payees for others, which is against SSA policy. We have also identified millions of dollars of payments provided to deceased payees, payees without Social Security numbers in SSA's systems, and payees identified in SSA's systems as terminated or not-selected. To improve program integrity and payment accuracy, SSA should consider developing systems enhancements that alert employees of discrepancies in SSA's systems, and require employees to resolve discrepancies before processing payee actions. We have several payee program reviews ongoing and planned, including reviewing whether SSA has selected individuals as payees who were convicted of crimes that bar them from serving as payees, potential vulnerabilities of payments to payees aged 85 or older, and whether SSA accurately reports to Congress the results of its site reviews and other reviews of payees.

Chairman Cole: Given the current fiscal environment, what are some of the things SSA can do with its existing appropriation to strengthen program integrity and improve service?

Ms. Stone: We have long said SSA needs to determine the most effective balance each year between resources dedicated to core service workloads and to program integrity efforts. Only the Agency can determine what that exact balance is, but it needs accurate management information and the means to analyze and interpret that information to determine the best resource allocation. However, we have made many recommendations to SSA on this issue, over the years. For example, SSA could allocate resources to conduct more CDRs and SSI redeterminations to ensure people remain eligible for benefits, it could invest in service automation, through online tools, to decrease processing times and improve payment accuracy, and it could increase data-matches with other Federal agencies to gather data and ensure is paying the right amounts to the right people.

Additional Question from Ranking Member Rosa DeLauro

Ranking Member DeLauro: Can you tell the committee how President Trump's January 23, 2017, Memorandum instituting a hiring freeze is impacting the vital mission and work of the OIG? Have you been forced to scale back your oversight work?

Ms. Stone: Thank you for the question, Ranking Member DeLauro. We have not scaled back our oversight because of the hiring freeze. We continue to focus our resources on high-priority projects and mandated reviews. For example, on the audit side, we continue to issue audit reports and work on ongoing reviews, as we follow our fiscal year 2017 Audit Work Plan. As Social Security fraud allegations continue to come into our Fraud Hotline, our program specialists are reviewing those allegations and forwarding them to our special agents around the country for investigation. Despite the hiring freeze, in the first half of the fiscal year, we expect to issue over 20 audit reports with related estimated savings of approximately $1.4 billion on various issues affecting SSA, and we expect our investigations to lead to over 400 criminal convictions and about 100 civil monetary penalties. Further, in the first six months of the fiscal year, the OIG's Cooperative Disability Investigations program projects to contribute to $120 million in future savings to SSA's disability programs. So, our oversight work continues to make an impact. Where the hiring freeze does limit us, of course, is in bringing on new auditors, investigators, attorneys, and support staff to contribute to the OIG mission, in promoting employees, and in offering temporary promotions and detail assignments to develop our workforce and support succession planning. But, overall, we are prioritizing our workloads with the resources we have at this time.

Additional Questions from Member Andy Harris

Mr. Harris: Acting Inspector General Stone, State Disability Determination Services, or DDSs, have relied on Commercial Off the Shelf, or COTS, software products for decades. In December 2016, the Social Security Administration's third reset of the Disability Case Processing System, or DCPS, demonstrates it was again not able to meet the expectations SSA advertised for "release 1" of DCPS. It was advertised as a product with much anticipated functionality, but it fell short as it can only process about 1 percent of the workload. If left alone, DCPS is on track to cost well more than $500 million with years more development time before it may ever be completed. What are the advantages to halting DCPS and giving the current DDS COTS software systems the opportunity to demonstrate the upgrades already developed/planned are functional and meet the DDS requirements?

Ms. Stone: Thank you for the question, Congressman Harris. We did not evaluate alternative solutions for the Agency to process disability cases, including whether upgrades to the COTS software systems would meet DDS requirements. However, in May 2016, we recommended SSA identify all the costs the Agency expects to incur to fully develop, implement, and maintain the new DCPS application, to ensure its chosen solution would enable the Agency to meet its disability case-processing needs at the lowest cost to the taxpayers. Additionally, our December 2016 report stated that SSA should evaluate its plans to ensure it can demonstrate to Congress and the public that it has chosen the most cost-effective alternative to achieve its goals. SSA has hired a contractor to perform an independent "Buy versus Build" analysis to assess the Agency's DCPS custom-build solution and any other existing and/or future commercial solutions. The contractor's analysis of alternatives will consider product functionality, architecture, risks, costs, and assumptions and dependencies. The contractor's final report is due in July. Once we receive the final report, we will review it and include a discussion of the "Buy versus Build" analysis in our next DCPS report to the House Ways and Means Subcommittee on Social Security.

Mr. Harris: What are the estimated development and sustainment costs for DCPS if it were to continue until it is fully developed by SSA?

Ms. Stone: SSA spent about $344 million on its first DCPS project before discontinuing it in FY 2015. Since then, SSA has been working on DCPS2. The Agency expects it will have spent about $86 million on DCPS2 before it is fully developed in April 2018.

Mr. Harris: What are the estimated upgraded COTS development and sustainment costs to the taxpayer?

Ms. Stone: We do not have cost information for the upgraded COTS solution. The contractor SSA hired to perform an independent "Buy versus Build" analysis is expected to review these costs, and the contractor's report is due in July.

Mr. Harris: How quickly can the current COTS upgraded software be fully implemented to the DDSs?

Ms. Stone: We do not have information about when the current COTS software may be upgraded and implemented. The independent contractor should also cover this information in its "Buy versus Build" report.

Mr. Harris: What is the timeline and costs to implement DCPS once the development is fully completed at the end of 2024?

Ms. Stone: SSA is using an incremental approach to develop and deploy DCPS. As of June 2017, the Agency had deployed DCPS to six DDSs to process limited workloads. SSA expects to deploy to additional DDSs as it continues to develop the system. SSA expects to complete development and deploy DCPS to about half the DDSs by April 2018, at a total cost of about $86 million. From April 2018 through September 2019, the Agency projects it will spend approximately $34 million to fully implement DCPS to all remaining sites. Beginning in Fiscal Year 2020, SSA expects to spend about $6.5 million each year to operate and maintain DCPS.

Mr. Harris: What is the DCPS plan to keep the assurances made to the DDSs that DCPS will address their different organizational models, business processes, state mandates, non-SSA workloads, and different fiscal and correspondence requirements?

Ms. Stone: SSA states it is using iterative methods, meaning Agile, to develop and deploy DCPS. One of the cornerstones of Agile development is close and constant communication between the computer programmers that write the code and the end-users that require the product. SSA expects the enhanced communication between developers and users will result in a product that meets the needs of the disability community in shorter timeframes, with less cost, and with significantly less rework.

Department of Labor, Health and Human Services and Education and Related Agencies
FY 2018 Budget Hearing: Management Challenges at the Departments of Labor, Health and Human Services, and Education and the Social Security Administration: Views from the Inspectors General

March 9, 2017

Questions for the Record from **Chairman Cole** for Inspector General Daniel R. Levinson of the U. S. Department of Health and Human Services

1. **Cybersecurity**

   Increasingly, we're reminded how important it is that we secure medical data. Cybersecurity breaches can wreak havoc on an organization. I find it alarming the number of hospitals that were forced to pay ransom in 2016 after having their systems attacked. Mr. Levinson, could you discuss some of your recommendations HHS could take to ensure medical data in electronic health records and hospitals is being protected?

2. **Head Start**

   We must ensure that our programs prioritize the health and safety of children. Recent audits of Head Start have found gaps in oversight, leading to potential health and safety problems. What can HHS do to ensure we know children in Head Start are being cared for in a safe environment and by qualified professionals?

3. **Indian Health Service**

   I remain deeply concerned with the events we saw last year in the Great Plains, facilities lost CMS certification, closed emergency rooms, and there were widespread reports of substandard care. In addition, just last month, the Government Accountability Office added the Indian Health Service to its "high risk" list and called the IHS "ineffectively administered."
   Mr. Levinson, can you tell us what happened in the Great Plains IHS facilities that lead to the problems reported, what is the status of those facilities today, have the problems been resolved, and what was the cost associated with resolving the issues? In light of the GAO status and seemingly endemic mismanagement at IHS, what are some of the long term issues we need to be aware of and do you have any potential solution to help ensure we do not see incidents like those in the Great Plains in other IHS facilities?

Questions for the Record from **Chairman Cole** for Inspector General of the U. S. Department of Health and Human Services

1. **SSA DISABILITY HEARING BACKLOG**

   Ms. Stone, in your testimony you highlight the growing backlog of initial disability hearings and pending appeals, do you have any plans to study the current process in place used by SSA to hear initial claims or process appeals?

2. **SSA PROGRAM CONTROL**

   Ms. Stone, you've issued several reports recently regarding a lack of program controls in the Representative Payee program, could you summarize some of your most recent findings? Please include any upcoming work you plan to undertake on the Representative Payee program this fiscal year as well.

3. **SSA PROGRAM INTEGRITY**

   Given the current fiscal environment, what are some of the things SSA can do with its existing appropriation—to strengthen program integrity and improve service?

Budget Hearing: Inspectors Generals Dahl, Levinson, Tighe, and Stone
Questions for the Record from **Rep. Harris**
Wednesday, March 09, 2017

Witness: Social Security Administration (SSA) Acting Inspector General Stone
Disability Case Processing System (DCPS)

Acting Inspector General Stone,

State Disability Determination Services (DDSs) have relied on Commercial Off the Shelf (COTS) software products for decades. In December 2016, Social Security Administration's (SSA's) third reset of the Disability Case Processing System (DCPS) demonstrates it was again not able to meet the expectations SSA advertised for "release 1" of the DCPS. It was advertised as a product with much anticipated functionality but fell short as it can only process about 1 percent of the workload. If left alone, DCPS is on track to cost well more than $500 million with years more development time before it may ever be completed.

1) What are the advantages to halting the DCPS and giving the current DDS COTS software systems the opportunity to demonstrate the upgrades already developed/planned are functional and meet the DDS requirements?
2) What are the estimated development and sustainment costs for the DCPS if it were to continue until it is fully developed by the SSA?
3) What are the estimated upgraded COTS development and sustainment costs to the taxpayer?
4) How quickly can the current COTS upgraded software be fully implemented to the DDS's?
5) What is the timeline and costs to implement the DCPS once the development is fully completed at the end of 2024?
6) What is the DCPS plan to keep the assurances made to the DDSs that DCPS will address their different organizational models, business processes, state mandates, non-SSA workloads and different fiscal and correspondence requirements?"

Questions for the Record from **Jaime Herrera Beutler** for Inspector General Daniel R. Levinson of the U. S. Department of Health and Human Services

Question #1:

Mr. Levinson, as you know the heroin and opioid epidemic is killing over 33,000 Americans every year. Communities, law enforcement, first responders, and medical professionals are doing their best but struggling to respond to this epidemic. CARA and the 21st Century Cures Act authorized numerous grant programs for everything from training first responders how to effectively handle overdose to purchasing the overdose reversal drug naloxone, to incentivizing new treatment and intervention programs, many of which are under the jurisdiction of HHS. Some of the grants will go to state agencies and provide flexibility on how they can be used. While we provided funds to begin addressing the issue in the CR last year, every dollar is precious and it was needed yesterday. Do you think these grants are going out fast enough, and are there protocols or policies for how they go out, and a mechanism to measure their effectiveness? And how does HHS catch mismanagement or mis-use of these grants?

Question #2:
Mr. Levinson, the OIG is tasked with not only fighting fraud, waste, and abuse, but also the oversight of HHS programs that represent some of our most vulnerable citizens. Last October, former Member Honda and I led a letter to Ms. Jocelyn Samuels, Director of the Office for Civil Rights (OCR) at the Department of Health and Human Services, expressing concerns and requesting OCR issue guidance on organ transplant discrimination with regards to persons with disabilities. Several states across the country, including California, Maryland, New Jersey and now Massachusetts and Kansas, have passed laws banning organ transplant discrimination. These laws prohibit the discrimination against a potential recipient of any organ transplant solely on the basis of an individual's disability, as defined in the Americans with Disability Act of 1990. Unfortunately, many transplant centers and surgeons continue to refuse to provide access to transplant registries and transplantation surgery to qualified people with disabilities. We are concerned with the lack of engagement and action from HHS/OCR on this important civil rights matter.

Can you provide an update on the status of our request for HHS/OCR to issue guidance on organ transplant discrimination with regards to persons with disabilities? People with an intellectual and/or developmental disability must not be denied life-saving organ transplants for no reason other than their disability.

Ranking Member **Rosa DeLauro** Questions for the Record

All Inspectors General

Hiring Freeze:

Can you tell the committee how President Trump's January 23, 2017, Memorandum instituting a hiring freeze is impacting the vital mission and work of the OIG? Have you been forced to scale back your oversight work?

DOL-OIG Response:
The hiring freeze had a detrimental impact on the Department of Labor–Office of Inspector General's (DOL-OIG) ability to protect the interests of American taxpayers, workers, and retirees by reducing our capacity to combat waste, fraud and abuse at DOL. As a result of sequestration and subsequent funding shortages, the DOL-OIG Full Time Equivalent level is currently at its lowest level in more than 24 years, having experienced a reduction of more than 30 percent. This decrease in operational capacity has already been detrimental to our ability to provide audit and investigative oversight to DOL programs. DOL-OIG has been forced to eliminate, delay the timing of, and reduce the scope of audit work. DOL-OIG has also had to downsize coverage provided in certain program areas, and have curtailed other investigative efforts. Any further downsizing of DOL-OIG staff will require eliminating even more high priority, high impact audits and investigations. Consequentially, this will significantly diminish the positive return on investment that the DOL-OIG generates for the American taxpayer.

Over the past five years, every dollar invested in the DOL-OIG resulted in a return on investment of nearly 10 dollars to the federal government and American taxpayers. Over this period, the DOL-OIG identified more than $3.9 billion in questioned costs, recommendations that funds be put to better use, and investigative recoveries and savings. This demonstrates that the DOL-OIG offers a solid investment for U.S. taxpayers, particularly in times of resource constraint. However, staffing reductions have, and continue to jeopardize the very audit and investigative capabilities that create this positive return on investment.

Department of Labor

Foreign Labor Certification:

In the Department of Labor IG's most recent semi-annual report to Congress, "Maintaining the Integrity of Foreign Labor Certification Programs" is identified as a significant concern. In addition, a recent GAO report on foreign labor programs states that the OIG investigates more H-2B cases than other temporary worker programs. Work conducted by the OIG found that the Department's management of the H-2B program, in particular, needed to be strengthened to ensure adequate protections for workers. Rulemaking under the previous Administration

addressed the deficiencies the OIG has identified, but that rule was not implemented due to Congressional riders and legal challenges.

The FY16 omnibus included a rider – which I strongly opposed —that shuts down audit authority of the H-2B program. Audits help protect U.S. workers from employers that discourage them from applying for temporary work. Given the problems within the H-2B program and the need for reform, could you please elaborate on the impact the rider has had on the program?

DOL-OIG Response:
The Department of Labor–Office of Inspector General (DOL-OIG) has not done work to assess the impact of the rider. However, post-adjudication audits are an important control for ensuring attestations made by employers as part of the application process are valid. Removal of this control may encourage certain employers to circumvent or even abuse the process. If employers know there is no chance of being audited, they can cut corners without fear of consequences for not properly recruiting U.S. workers.

Fiduciary Rule:

Mr. Dahl, the Department of Labor Inspector General's office released a report in 2010 entitled, "EBSA Needs To Do More To Protect Retirement Plan Assets From Conflicts of Interest."

The 2010 report expressed concern that EBSA ("Employment Benefits Security Administration") had not taken sufficient action to protect pension plan assets from financial advisers who had competing conflicts of interest.

The report included two recommendations from the IG:

1) Broaden the definition of a fiduciary for investment advisers;
2) Develop regulations requiring disclosure of all conflicts of interest and consideration of conflicts of interest in selection of service providers.

As your office correctly identified, this is a massive problem for workers. The White House Council of Economic Advisers estimated last year that middle-class families lose about $17 billion every year due to conflicts of interest.

As we know, the Department of Labor heeded the IG's recommendation. DOL spent years promulgating a rule to protect retirement savings from financial conflicts of interest; it opened the draft rule to multiple periods of public comment; it finalized the rule last year. And yet, this Administration has postponed its implementation date, and seems to be laying the groundwork for further delay as a favor to the finance industry.

Mr. Dahl, put simply, is this rule as essential now as it was in 2010? And do you think it's in the interest of middle-class investors to delay this rule?

DOL-OIG Response:
The Department of Labor–Office of Inspector General's (DOL-OIG) 2010 report highlighted the need for the DOL to evaluate and reduce the risk of harm arising from conflicts of interest in pension plan providers. Conflicts of interest continue to be a risk

for pension plan participants. Consequently, there remains a need for the DOL to evaluate and reduce the risk of harm from conflicts of interest. According to a 2015 report by the White House Council of Economic Advisers, conflicted economic advice costs savers about $17 billion a year. Evaluating and reducing that risk could bring down the cost of conflicted economic advice to investors. The so-called "fiduciary rule" is one mechanism by which the DOL chose to address the potential for conflicts of interest in pension plan service providers. In addition to promulgating the fiduciary rule, DOL has taken several actions to address these conflicts, including regulations on fee disclosures and implementing an enforcement program to discover and address potential improper and undisclosed compensation arrangements for service providers.

Reemployment Services and Eligibility Assessments Program:

The Reemployment Services and Eligibility Assessments (RESEA) program help beneficiaries access reemployment services. It also identifies and removes individuals who are not eligible for UI. Recent research shows that every dollar invested in RESEA saves the UI system an estimated $3 in benefits.

The FY 2010 Budget Resolution provided a $50 million allocation adjustment for these anti-fraud activities. It is estimated to have saved more than $200 million in State UI funds. Unfortunately, American taxpayers no longer recoup all of those savings. Despite the research and success of RESEAs, Congress has not enacted the more formal cap adjustment that has been proposed in the budget since 2013, which would allow for additional funding for this evidence-based initiative.

In your testimony, you say that, in order to reduce UI improper payments, the Department needs to "employ cost benefit and return on investment analyses…to ensure the most successful strategies are being effectively leveraged by states." In light of that reasoning, can you comment on the value of the RESEA program as part of the Department's approach to reducing UI improper payments?

DOL-OIG Response:

To assess the success of the RESEA program, the Department of Labor (DOL) will rely on the common performance measures provided by the Workforce Innovation and Opportunity Act. The common performance measures include the entered employment rate, employment retention rate, and average earnings. The common measures do not include metrics related to reducing UI improper payments.

To ensure the RESEA program is working as intended, DOL's Employment and Training Administration needs to have the right performance measures and it needs to ensure the data reported by states are accurate. The DOL-OIG is currently conducting an audit to assess the steps the DOL is taking to assess the effectiveness of the RESEA program. Additionally, we are assessing the accuracy of state-reported performance information. We expect to issue our report later this year.

Compounded Drugs:

Mr. Dahl, your testimony highlights the rising cost of compounded drugs to the Workers Compensation Program. You note that federal costs have increased more than a hundredfold in only five years. That is astounding.

My understanding is that much of the $400 million in payments to pharmacies last year was spent on creams and lotions that had not been approved by the FDA and had no pharmacological value. For example, over-the-counter diet supplements such as resveratrol, an ingredient in red wine, were being mixed with a cream base and sold for $50,000 per tube, supposedly to cure back pain.

DOL implemented a requirement last October that doctors must submit a "letter of medical necessity" before the Department will approve payment for compounded drugs. What kind of impact has this new policy had on unwarranted payments for prescriptions with no medicinal value?

DOL-OIG Response:
In addition to the new requirement for a "letter of medical necessity," DOL has reported taking numerous actions to address the rising cost and use of compounded drugs. DOL stated its Federal Employees' Compensation Act (FECA) program was paying more than $20 million per month for compounded drugs prior to the changes it made in July and October 2016. Subsequent to those changes, DOL reports it has been paying about $2.5 million per month, which projects to about $30 million for FY 2017. DOL-OIG has not conducted work to determine the extent to which this reduction resulted from the changes DOL has made or whether DOL's focus on compounded drugs has had the unintended effect of increasing the use and cost of non-compounded drugs.

The DOL-OIG is currently assessing DOL's controls over pharmaceuticals to determine how the agency ensures providers are qualified and have a bona fide relationship with the patient; prescriptions are medically necessary, safe and effective; prices paid are fair and reasonable; and claimants received their prescriptions. The audit is also assessing how DOL ensures the overall integrity of pharmaceutical benefits.

Your testimony notes that your office identified a single case involving nearly $100 million in fraud. How many prosecutions are underway right now against compounding pharmacies? Can this problem be remedied through criminal cases? If not, what other measures are needed?

DOL-OIG Response:
Criminal prosecution occurs after the fraud has been committed. While criminal prosecution may serve as a deterrent to discourage future fraud attempts, DOL needs to take additional proactive measures to prevent fraud. For example, at the DOL-OIG's request, DOL's Office of Workers' Compensation Programs (OWCP) sent a letter to FECA recipients who were receiving compounded drugs asking them to contact the DOL-OIG hotline if they were aware of potential fraud. This letter has resulted in

hundreds of complaints being sent to the DOL-OIG hotline. DOL has instituted other measures to control the cost and use of compounded drugs, such as requiring a letter of medical necessity and prior approval for prescriptions, but needs to take additional legislative, regulatory, and policy actions. These actions include seeking statutory changes to allow the agency to remove questionable providers. DOL also needs to make regulatory changes to require prior authorization for compounded drugs and implement a new pricing methodology. The DOL-OIG has approximately 50 subjects currently charged in cases related to compounded drugs.

I understand that TRICARE had the same problem with skyrocketing costs for compounded drugs. Is the Department of Labor using the same approach as TRICARE to fix this problem?

DOL-OIG Response:
In developing its action plan for combatting the compounded drug issue, DOL consulted with TRICARE and several others insurance and federal health benefit programs regarding the prior authorization and letter of medical necessity process for compounded drugs. While the approaches of OWCP and TRICARE are similar, both agencies are taking other actions to address the problem.

Finally, the fiscal year 2017 Continuing Resolution included an anomaly to provide added funds for the Office of Workers Compensation to address this problem. Do you believe the OWCP has a good strategy for fixing this problem? Does DOL need added statutory authority?

DOL-OIG Response:
The DOL-OIG's ongoing audit is assessing DOL's controls over pharmaceuticals to determine how the agency ensures providers are qualified and have a bona fide relationship with the patient; prescriptions are medically necessary, safe and effective; prices paid are fair and reasonable; and claimants received their prescriptions. DOL-OIG's audit is also assessing how DOL ensures the overall integrity of pharmaceutical benefits.

In an interim report issued May 23, 2017, DOL-OIG found DOL had not effectively managed the use and cost of compounded pharmaceuticals in the FECA program. This report identified actions that could improve the management of pharmaceuticals. DOL instituted some measures during our work, such as requiring a letter of medical necessity and prior approval for prescriptions, but needs to take additional legislative, regulatory, and policy actions. These actions include seeking statutory changes to allow the agency to remove questionable providers. DOL needs to make regulatory changes to require prior authorization for compounded drugs and implement a new pricing methodology.

While changes in its statutory and regulatory authority would make it easier for DOL to manage the workers' compensation program, DOL currently has the authority and ability to provide better stewardship of the program by making policy changes, such as requiring drug exclusion lists, drug formulary lists, and limits on initial fills and refills of

prescriptions. Other needed actions DOL has existing authority to take include performing reviews of questionable provider practices, ensuring the existence of a bona fide prescriber/patient relationship, improving DOL's review of unusual bills, and establish an effective Program Integrity Unit. Finally, DOL needs to ensure generic drugs and preferred providers are used when appropriate.

DOL has taken corrective action in response to items DOL-OIG has identified to date. The agency indicated corrective actions are under consideration, in progress, or in some cases, were completed during DOL-OIG's work. DOL also noted many of its efforts are hindered by its current contract for bill processing services. DOL is currently in the process of re-competing and awarding a new contract, but that is still several years away from implementation.

Wage Theft:

Mr. Dahl, your most recent semiannual report to Congress included two cases of companies who were found guilty of wage theft thanks to your investigation: one restaurant in South Carolina who failed to pay than $105,000 in minimum wage and overtime pay over approximately two years; and a clothing factory in California who had underpaid its employees by about $100,000 from May 2012 until March 2015.

The report did not include any legislative recommendations in this area. Given your findings, do you believe that more investigations are necessary?

DOL-OIG Response:
DOL's Wage and Hour Division (WHD) is generally responsible for the investigation of violations of the Fair Labor Standards Act as well as the prevailing wage provision of the Davis Bacon Act and certain Foreign Labor Certification programs administered by the Department. DOL-OIG conducts criminal investigations in this area that generally involve the obstruction of WHD or other components of the DOL. DOL-OIG could increase investigative activities in this area with additional investigative resources.

UI Improper Payments:

Mr. Dahl, your testimony states that the UI program had the highest amount of reported improper payments ($3.9 billion) among all federal programs. The Department has implemented supplemental measures that provide additional insights into the root causes of improper payments. Can you please provide committee with the following information? Using these measures, where does the UI program fall in terms of improper payments among all federal programs?

- Improper Payment Rate excluding work search (all overpayments minus work search overpayments plus total underpayments)

- Improper Payment Rate excluding recoveries (total overpayments plus total underpayments minus the amount of overpayments recovered by State workforce agencies)

DOL-OIG Response:

- As reported by OMB on its paymentaccuracy.gov website, for the year ending June 30, 2016, the UI program's improper payment rate of 11.65 percent was the sixth highest among all federal programs.

- Using the supplemental measure, Improper Payment Rate excluding work search, the UI improper payment of 7.69 percent would be the twelfth highest among all federal programs.

- Using the supplemental measure, Improper Payment Rate excluding recoveries, the UI improper payment rate of 8.7 percent would be tenth highest among all federal programs.

Department of Health and Human Services

Medicare Part B:

Mr. Levinson, your office notes that "each year, statutorily mandated rebates enable Medicaid to recoup a substantial portion of the billions spent by the program on prescription drugs. In contrast, Medicare Part B also spends billions annually on prescription drugs; however, no similar rebate authority exists for Part B to reduce the costs of drugs to the program."

Can you tell us how much taxpayers could be saving each year if inflation-indexed rebates were required under Medicare Part B? If you don't have a precise estimate yet, please provide a range of potential savings.

Medicare Part D:

Another proposal to save taxpayer dollars is to extend the Medicaid drug price rebate to low-income Medicare Part D enrollees. According to the Congressional Budget Office (CBO), the rebate proposal would achieve $145 billion in savings to Medicare over 8 years.

Mr. Levinson, has your office reviewed the potential savings to Medicare of extending the Medicaid drug price rebate to low-income Medicare Part D enrollees? Do you agree that it could lead to billions in savings to the Medicare program?

Negotiating Directly with Drug Companies over the Price of Prescription Drugs:

Mr. Levinson, as you know, the Secretary of Health and Human Services is currently prohibited from negotiating directly with drug companies over drug prices in the Medicare program.

According to the Kaiser Family Foundation's Health Tracking Poll, 82% of Americans – that's about five-out-of-six Americans – support allowing the federal government to negotiate directly with drug companies to get a lower price on medications for individuals on Medicare.

I strongly support negotiating with drug companies to save taxpayers' money. In fact, during his campaign, President Trump publicly supported direct negotiations with drug companies.

According to a report by Public Citizen, Medicare could save $15-16 billion annually by negotiating directly with drug companies, rather than having individual insurers negotiate drug prices. On average, Medicare pays 83% of a brand-name drug's official price. In comparison, Medicaid and the Veterans Health Administration pay only 48% and 46% of the official price for the same drugs.

Mr. Levinson, has the HHS Inspector General's office done any work on whether Medicare could save money by negotiating directly with drug companies? If so, do you believe that using Medicare's substantial buying power to negotiate lower prices could save taxpayer dollars?

Department of Education

Charter Schools:

Your FY17 Management Challenges report includes charter school oversight. In addition, this past fall, you released an audit report that looked at the relationship between federally-funded charter schools and charter management organizations (CMOs). That report found dozens of examples of internal control weaknesses, conflicts of interest and lack of accountability over federal funds – all posing significant risk to Department program objectives. While this is not a statistical sample, the report says "through these case studies, we determined that similar systemic internal control issues could occur at other charter schools."

Over the past few years, this subcommittee has increased charter funding by 38% ($242 million in FY13 to $333 million in FY16). This does not include funding schools receive also through Title I and IDEA. I believe in charter schools, but they must be held accountable and operate in a transparent way.

Can you elaborate on the conflicts of interest and lack of accountability over charter school funding that your recent audit report found? Do you have recommendations on what this subcommittee can do to increase oversight?

Hiring Freeze:

As you know, the Department of Education spends approximately $150 billion in Federal student aid annually to help more than 12 million students access and complete higher education. In addition, the Department oversees more than 100 programs that distribute billions of dollars to States and territorial education agencies, serving more than 18,000 school districts.

The ED OIG has provided Congress and the Department with many recommendations on what should be done to better safeguard taxpayer dollars through improved monitoring and oversight, verifying eligibility for benefits, and so on. Lack of staff is not an excuse for poorly managing federal dollars. However, we must be realistic about what can be accomplished with dwindling resources—especially as the current Administration proposes to slash non-defense discretionary funding by $54 billion.

Can you describe to the subcommittee what the impact of limited funds and staff has on implementing your recommendations? I would also be interested to hear your perspective on the effect of the federal hiring freeze currently in effect.

Questions for the Record from **Rep. Roybal-Allard** for Inspector Levinson

Oversight of Vulnerable Unaccompanied Minors

Your 2016 report states "oversight of programs for children" as one of HHS' top management challenges, and uses as one example the difficulty of preventing grant fraud in the custody care of unaccompanied alien children (UAC). Appropriate placement (preferably with family members) as well as oversight of these placements is particularly challenging, given that the sizable increases in UAC referrals since FY2008 have challenged ORR to meet the demand for its services while maintaining related child welfare protocols and administrative standards.

Question:

1. How will the current environment of aggressive deportation policy impact the efforts of ORR to prioritize placing unaccompanied minors with family members, many of whom may be unauthorized themselves?

The Trafficking Victims Protection Reauthorization Act of 2008 (TVPRA) requires that HHS ensure, to the greatest extent possible, that UAC have access to legal counsel, and it also permits HHS to appoint independent child advocates for child trafficking victims and other vulnerable unaccompanied alien children. However many unaccompanied minors continue to face immigration removal proceedings without adequate counsel, since there is such a discrepancy in outcomes between those children who have legal representation and those who don't.

Question:

2. Given the Trump Administration's proposed elimination of the Corporation for National and Community Service, an agency that currently supplies the majority of pro-bono representation for unaccompanied minors, how will HHS ensure protection of these vulnerable children during immigration removal proceedings?

Questions for the Record from **Rep. Roybal-Allard** for Inspector Levinson

Fee Forgiveness in Molecular Diagnostic Testing

The field of precision medicine is growing rapidly and molecular diagnostic testing is quickly becoming standard of care in many clinical settings. The practice of fee forgiveness, where testing companies waive patient fees when physicians direct patients to their tests, is known to be happening throughout our healthcare system; however it's accelerating in and becoming of increasing concern in the field of advanced diagnostics.

On the surface, this practice seems like an advantage to patients by eliminating their financial responsibility; however the ongoing use fee forgiveness schemes threaten the ability of labs to innovate and continue to invest in research and development for new diagnostics. I'm concerned that in addition to increasing the overall cost of healthcare, there are other non-financial effects on their care.

The OIG has previously indicated that this practice is illegal and that this corrupts the medical decision-making process for both physicians and patients, and ultimately impacts patient care. Unfortunately, companies continue to do this and the entire healthcare system has to absorb the increased costs.

Questions:

1. How widespread are fee forgiveness schemes throughout the healthcare system and how are they being used within the emerging and expanding diagnostics space?

2. How do these schemes drive up the cost of healthcare, specifically for both private and public payers?

3. What is the impact of these schemes on patients' healthcare and wellbeing and have you found that they are having unnecessary procedures, tests, or other medical services because of them?

4. What has your agency done previously to address fee forgiveness schemes and what resources do you need from Congress to help put an end to these fraudulent and wasteful practices?

Questions for the Record from **Rep. Roybal-Allard** for Inspector Tighe

K-12 Special Education Protections for Students

The Department of Education has a federal obligation to ensure that IDEA programs protect the rights of special education students and are not subject to fraud and corruption. That is why I was pleased to see that your office prioritized monitoring state IDEA grant programs in its Fiscal Year 2017 Work Plan.

During Secretary Betsy DeVos's Senate confirmation hearing, she would not commit to protecting special education students who accept vouchers to private schools or their rights under the I-D-E-A. It is also widely reported that this committee should anticipate a $20 billion school choice program in the President's impending budget request.

Questions:

1. What key challenges have you experienced in monitoring state special education programs as you seek to protect the rights of special needs students?

2. What additional challenges does your office anticipate in the event that IDEA funds are authorized to follow special education students to private schools as part of a $20 billion school choice program?

Questions for the Record
Kathleen S. Tighe, Inspector General, U.S. Department of Education
to the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies
Committee on Appropriations
U.S. House of Representatives
March 9, 2017

Ranking Member Rosa DeLauro Questions for the Record for Inspector General Tighe

Hiring Freeze:

Can you tell the committee how President Trump's January 23, 2017, Memorandum instituting a hiring freeze is impacting the vital mission and work of the OIG? Have you been forced to scale back your oversight work?

MS. TIGHE: The January 23, 2017, memorandum instituting a hiring freeze had a limited impact on the ED OIG, delaying planned hires for 1 to 3 months. However, the ED OIG has had to scale back oversight work due to increased operating costs over the past 4 years. Compared to the average pre-Recovery Act FTE levels (2007 and 2008), the ED OIG currently has 25 fewer auditors and 13 fewer investigators. Over the past 4 years, the ED OIG has had to reduce staffing from 270 actual FTE in FY 2013 to an estimated 237 FTE in FY 2017. The FY 2018 President's budget request includes an additional $2 million for the ED OIG in order to maintain the 237 FTE level.

Charter Schools:

Your FY17 Management Challenges report includes charter school oversight. In addition, this past fall, you released an audit report that looked at the relationship between federally-funded charter schools and charter management organizations (CMOs). That report found dozens of examples of internal control weaknesses, conflicts of interest and lack of accountability over federal funds – all posing significant risk to Department program objectives. While this is not a statistical sample, the report says "through these case studies, we determined that similar systemic internal control issues could occur at other charter schools."

Over the past few years, this subcommittee has increased charter funding by 38% ($242 million in FY13 to $333 million in FY16). This does not include funding schools receive also through Title I and IDEA. I believe in charter schools, but they must be held accountable and operate in a transparent way.

Can you elaborate on the conflicts of interest and lack of accountability over charter school funding that your recent audit report found? Do you have recommendations on what this subcommittee can do to increase oversight?

MS. TIGHE: We noted weaknesses in the operating controls of charter schools that provided opportunities for key charter school personnel, charter school board members, and the Charter

Management Organization (CMO) to have conflicts of interest. We identified relationships between the charter school board members and CMOs, as well as relationships between charter schools and CMO-affiliated vendors, that put Federal, state and local funds at risk of misuse. For example, we found that two charter school boards gave its CMO authority to select charter school board members or control charter school bank accounts, which included the ability to write checks on behalf of the charter school boards without obtaining board approval. One CMO executive wrote checks to himself from the charter school's accounts totaling about $11 million. In addition, one CMO had significant authority over operations of four charter schools in our review. The charter school boards signed CMO contracts that required the charter schools to remit all Federal, State, and local funds to the CMO and gave the CMO responsibility for paying the charter school expenditures.

In another example, we investigated a criminal case where the husband was the charter school's board director, and the couple jointly formed the CMO. However, the board director failed to disclose to the other board members or employees the full extent of his interest in the CMO. The couple diverted over $400,000 in local, State, and Federal funds for personal use, including purchasing a vacation cruise, paying off personal credit card debt, and purchasing sporting event tickets. Over the course of 4 years, the couple repeatedly billed the charter school excessive amounts for services the CMO allegedly rendered.

Current Federal requirements do not describe the role of authorizers in oversight and monitoring of Federal programs. Further, none of the State charter school laws for the six States we reviewed address authorizer's responsibility regarding Federal programs and vary in what is required to be reported to the SEA. We suggest Congress consider legislation that would clearly identify the governance responsibilities of the Department and SEAs with respect to the roles, responsibilities, and expectations of the administration and oversight over grants provided to charter schools, specifically with regard to the risks associated with CMOs. We also suggest that Congress consider legislation that would clearly identify the governance responsibility of authorizing entities with respect to the roles and responsibilities for the approval, renewal, and revocation of charters at a nationwide level.

Hiring Freeze:

Can you describe to the subcommittee what the impact of limited funds and staff has on implementing your recommendations? I would also be interested to hear your perspective on the effect of the Federal hiring freeze currently in effect.

MS. TIGHE: It would be difficult to describe the impact of limited funds and staff on implementing specific recommendations since the Department has discretion on how to allocate their resources. The recommendations in the audit reports are based on the circumstances present at the time of the audit. In cases where more oversight is recommended, limiting resources could make it difficult for the Department to implement the recommendations.

The hiring freeze hiring freeze had a limited impact on the ED OIG, delaying planned hires for 1 to 3 months. However, the increasing operating costs in all areas and budgets that do not keep pace have caused the ED OIG to reduce our oversight activities. The breadth of activities we

oversee is enormous, yet our staffing and resources are not. The Department disburses about $125 billion in student aid annually and manages an outstanding loan portfolio of nearly $1.3 trillion. In addition, the Department administers more than 100 programs that serve 55 State and territorial educational agencies, nearly 18,200 public school districts with 50 million students who attend more than 132,000 schools, more than 6,000 institutions of higher education, and numerous other grantees and subgrantees. It is our statutory responsibility and mission to identify and prevent fraud, waste, abuse, and criminal activity involving these funds and programs, as well as to address systemic weaknesses, and recommend improvements to Department programs and operations. With our flat-lined budget, we have been trying to make the most of our resources in order to meet our mission. Our budget will result in fewer ED OIG employees and a consequent decrease in audits and investigations, as well as reduced travel and training.
Our investigative operations are impacted significantly by our limited budget and our investigators must be much more selective about the types and locations of cases we can commit to investigating; we will have to significantly increase our financial loss threshold for commencing an investigation; prosecutions and recoveries may be reduced due to the reduction in investigative staff and the number of cases that they can handle; and planned proactive work may have to be put on hold.

Our limited budget also significantly impacts our auditing capabilities.

- Through normal attrition we continue to lose audit staff. When we cannot backfill positions, we are limited in our ability to complete audits in a timely manner, as we have fewer audit staff working on audit assignments. Further, when critical audit management and technical positions are vacated, not being able to backfill those positions reduces our ability to undertake more complex audits.
- Fewer staff means that we have to reduce the number of audits we can perform on an annual basis, as we must first complete the statutory audit assignments we are required to conduct each year. As you know, the number of statutorily required audits has increased over the years, including this year's statutory requirement involving the DATA Act. We then have to prioritize our remaining audit work. This limits our ability to audit programs and operations and to proactively identify waste, fraud, or abuse.
- It is much more difficult to find staff or other resources to conduct unplanned, non-priority work that is often requested by our stakeholders, including members of Congress.

Further, our limited budget has reduced the number of audit staff we have been able to hire. Similar to our investigative operations mentioned above, if the budget is reduced further, we would have to be much more selective about the types of audits and locations of entities we can commit to auditing. In addition, we may need to cancel contractor support for some of our information security reviews, which would lead us to downsize the scope and coverage of those reviews and potentially limit critically important testing of Department and contractor information systems.

Questions for the Record from Rep. Roybal-Allard for Inspect General Tighe

K-12 Special Education Protections for Students:

Question 1: What key challenges have you experienced in monitoring state special education programs as you seek to protect the rights of special needs students?

MS. TIGHE: We have identified monitoring of grants as a management challenge area for the Department, and have identified specific monitoring issues in past reviews of the Office of Special Education and Rehabilitative Services (OSERS), which oversees the Department's special education programs. Specifically, in 2015 we reported that OSERS took over two years to resolve 11 of 14 external OIG audits we reviewed. In 2013, we recommended that OSERS take actions to address noncompliance issues with IDEA maintenance of effort requirements we identified in 3 states. In addition, the OIG has recently begun an audit of the Office of Special Education Programs' implementation of its Results Driven Accountability initiative where we will assess whether its new monitoring process adequately addresses both the performance of students with disabilities and States' and districts' compliance with requirements under IDEA, Part B.

Question 2: What additional challenges does your office anticipate in the event that IDEA funds are authorized to follow special education students to private schools as part of a $20 billion school choice program?

MS. TIGHE: We have not done any audit work looking at oversight of Federal funds that follow students to private schools, so we cannot identify any challenges we anticipate at this time until we see specific programmatic language. In general, we have developed audit and investigative findings where Federal program funds flow through state or local education agencies to private 3rd parties. For example, we have identified issues in oversight of Federal funds by charter schools run by charter management organizations, as well as oversight of funds provided for supplemental education services.

THURSDAY, MARCH 16, 2017.

INVESTING IN THE FUTURE: EARLY CHILDHOOD EDUCATION PROGRAMS AT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

WITNESSES

JENNIFER GARNER, TRUSTEE, SAVE THE CHILDREN, FAIRFIELD, CT

DON MILLICAN, SPOKESMAN, GEORGE KAISER FAMILY FOUNDATION, TULSA, OK

JEANNE BROOKS-GUNN, PROFESSOR, CHILD DEVELOPMENT AND EDUCATION, COLUMBIA UNIVERSITY, NEW YORK, NY

STEVEN DOW, EXECUTIVE DIRECTOR, CAP TULSA, TULSA, OK

Mr. COLE [presiding]. Good morning. It is a pleasure to welcome our witnesses today to the Subcommittee on Labor, Health and Human Services, and Education to discuss early childhood education programs in the Department of Health and Human Services. I am looking forward to hearing from all of you later this morning.

And just in full disclosure, I will have to depart at some point here because I have a Budget Committee hearing, and my good friend, Chairman Simpson, will take over the gavel. He said he was here for me, but, Jennifer, he is really here for you, so. [Laughter.]

Ms. GARNER. Thank you.

Mr. COLE. You bet. Abraham Lincoln said, "Teach the children so it will not be necessary to teach the adults." Children with strong foundations have the best chance of becoming successful adults. Unfortunately, for some families and some communities, pressures in the home or environment can hinder a child's ability to reach their full potential.

Federal investments in early childhood help alleviate these pressures, ensuring children in underserved communities have the same opportunity to succeed as children from more advantaged backgrounds. Our Nation's future workforce depends on investments we choose to make in these children today.

Early childhood education programs not only help children socially and cognitively. Research has also linked high-quality early childhood programs savings to K through 12 education from lower grade retention; lower rates of special education youth; higher high school graduation rates; increased lifetime earnings, and, consequently, increased Federal, State, and local tax revenue; reduced costs to the criminal justice system from reductions in crime; reduced child abuse and neglect; improved health and health behaviors, such as lower rates of smoking and substance use; and reduced depression.

High-quality early childhood programs are the starting point to closing the achievement gap. These critical programs, combined with high-performing K through 12 schools and college preparation

programs, like TRIO and GEAR UP, can provide the foundation for students to become successful leaders of the next generation.

The availability of early childhood programs has grown significantly in the past decade with States leading the efforts. Currently, 45 States and the District of Columbia have at least one publicly-funded preschool program. In the last school year, State funding for preschool programs totaled nearly $7,000,000,000.

Yet despite the large increases by States, publicly-funded preschool programs enrolled just 6 out of 10 children. Significantly fewer children are enrolled in high-quality programs, which have the strongest evidence of resulting in positive, long-lasting outcomes. Federal investments continue to help support the work being done in the States.

The Head Start Program enrolls nearly a million children from low-income families. The newly authorized Preschool Development Grants Program will soon begin its second grant cycle, awarding competitive grants to States for establishing or expanding preschool programs for children from low- and moderate-income families.

Knowing high-quality programs yield the greatest return on investments, we must look closely at the results of our Federal investments so that we can make wise choices moving forward about how to maximize the effectiveness of limited taxpayer resources.

Today we look forward to hearing from our witnesses about what works in early childhood education and what barriers exist in providing quality programs for children. We hope to learn more about how we can improve and better target our Federal investments in this area to help children who can most benefit from these services.

Today I am pleased to welcome the following witnesses. Jennifer Garner is an award-winning actress who has enjoyed a successful career at the top of her field in both film and television, and for the past 7 years, she has held the position as artist ambassador for Save the Children. As artist ambassador, Ms. Garner has advocated on behalf of her organization's work in the United States, traveling to California's Central Valley, Kentucky, Mississippi, West Virginia, and Washington to see the effects of poverty firsthand.

I also want to thank Ms. Garner for generously sharing with our associate staff her experiences as artist ambassador. And also, just a shout out. Mark Shriver, who is president of Save the Children, is here, and nobody has done more in advocating for America's neediest than my friend, Mark. So, good to have you here.

Don Millican serves as chief financial officer for the Kaiser-Francis Oil Company, also a friend—good to have you—from Oklahoma, as well as other interests of George B. Kaiser. Mr. Millican serves on the board of Tulsa Educare, the Oklahoma Policy Institute, and the Tulsa Neighborhood Networks. He also serves as chairman of the board of trustees of Oklahoma Christian University. Don understands firsthand the value and business sense of building public/private partnerships to improve the lives of children born in poverty.

Dr. Jeanne Brooks-Gunn is a leader in policy-oriented research focusing on family and community influences upon the development of children and youth. She also designs and evaluates inter-

ventions aimed at enhancing the lives of children and youth, including home visiting programs for pregnant women and new mothers, early childhood programs for toddlers and preschoolers, Two-Generation programs for young adults and their parents, and after school programs for older children, the author of over 600 publications, 7 books, and 16 edited volumes.

Steven Dow, another good friend from Tulsa, Oklahoma—I sort of packed the panel a little bit, you know. [Laughter.]

Ms. DELAURO. It seems that way.

Mr. COLE. But I knew you would like these people. Steven is the executive director of Community Action Project of Tulsa. In the 20 years he has been leading the Agency, it has grown from a small agency with a staff of 2 and a budget of $165,000 to one with an annual operating budget of $53,000,000 and a staff of nearly 600. He also serves as one of the 9 commissioners overseeing the Oklahoma Department of Human Services.

As a reminder to the subcommittee members and our witnesses, we will abide by the 5-minute rule so that everyone will have a chance to present their testimony and ask questions. I look forward to hearing from each of our witnesses.

But I now want to turn to my good friend, the ranking member, the gentlelady from Connecticut.

Ms. DELAURO. Thank you very much, Mr. Chairman. Let me first say thank you to our witnesses for being here today. The work that you do for all of our kids is awesome because it is what you do with making an investment in the lives of our children, and it is an investment in the future of this country. So, we are very, very grateful for what you do with your professional lives in terms of helping our children.

Steven Dow, we thank you for sharing your experience about Federal funding has helped expand high-quality early learning opportunities in Tulsa. Dr. Brooks-Gunn, I look forward to hearing about your research at Columbia and at the National Center for Children and Families, Teachers College on high-quality interventions for young, low-income children.

Jennifer Garner, we are honored to have you here to discuss the very impactful work of Save the Children also that you have taken on this issue. With your high profile, you may know, but you may not know, what focus you bring to these issues, which is so critically important to all of us to get the attention of people.

And I just might add that Save the Children is headquartered in the State of Connecticut, Mr. Chairman. [Laughter.]

Headquarters in the State of Connecticut.

Mr. COLE. Gee, I had missed that. [Laughter.]

Ms. DELAURO. Yes. I thought you did. Last but not least, Don Millican. I am interested to hear from you about the role of public/private partnerships to expand early learning. The work of the Kaiser Family Foundation in this area is second to none, so I laud your efforts. I must say, though, I only wish there was the opportunity in every one of our communities across this country. Mr. Chairman, I am excited for Tulsa. I am excited for Oklahoma City, but I want to be excited for every community in this country with regard to early childhood education.

We are here to talk about the importance of early childhood development, the role that government can play in delivering high-quality programs to young children and their families. We will consider the investment made through 4 crucial Federal programs. The Childcare and Development Block Grant helps working parents balance jobs with family life. Preschool Development Grants help States make strides to our universal pre-K. Head Start, Early Head Start bring together all of the services that matter most to young children and their families: education, health, emotional well-being, nutrition, and social services.

There is a growing mountain of evidence that early childhood interventions like these work. They reduce inequality, and they narrow the achievement gaps. Overall, these programs have fared relatively well in recent years. Since 2010, we have grown Head Start's budget by $1,900,000,000, or 27 percent, although unfortunately inflation has eroded 40 percent of that increase.

Similarly, we have increased the Childcare and Development Block Grant by $634,000,000, which is about $497,000,000 in real terms. And, of course, we have created and funded Preschool Development Grants, but we have work to do.

We voted overwhelmingly to improve quality standards for CCBDG grants, but we neglected to provide the necessary funding for implementation, causing many States to lose slots as a result. In addition, only 41 percent of eligible children are served through Head Start. Just 4 percent of those eligible are served by Early Head Start. And with 42 percent of 3-year-olds and 68 percent of 4-year-olds in early childhood or primary education in 2014, the United States has one of the lowest enrollment rates among Organization for Economic Cooperation and Development countries, the OECD countries, far below the OECD average of 71 percent of 3-year-olds and 86 percent for 4-year-olds.

The latest research from Nobel winning economist, James Heckman, has found that high-quality education delivers a 13 percent return on investment through better outcomes in education, health, employment, and social behavior. This reduces taxpayer costs in the decades that follow.

Heckman writes, and I quote, "Investing in the continuum of learning from birth to age 5 not only impacts each child. It also strengthens our country's workforce today, prepares future generations to be competitive in the global economy tomorrow." That is why these programs have long enjoyed support from both sides of the aisle, as I know as the co-chair of the bipartisan Congressional Baby Caucus. We connect practitioners to members of Congress, keep them updated on the very latest research on early interventions, children's health, and education. We need to do more as a Congress.

The previous administration's 2017 request for Head Start and Early Head Start was an increase of $434,000,000. The House only gave a $142,000,000 increase, and the Senate only a $35,000,000 increase. And while the 2017 request included an increase of $100,000,000 for preschool development grants, the House and the Senate appropriated no new funding. The pattern repeats itself with CCDBG. The President asked for $200,000,000 more, but the House and the Senate appropriated only $40,000,000 and

$25,000,000, respectively. I do not believe that this is serious. I believe these numbers can be categorized as budget dust. I apologize if I offend anyone with that term.

But the Trump budget released today is even worse than we expected. The President proposes a cut of $25 to $30,000,000,000 for the Labor, Health and Human Services, and Education Committees. It is surreal. The Administration, this Administration, will decimate and eliminate some of our Nation's most critical programs that serve hardworking American families.

I believe that the President, and, again, I am sorry if this is offensive, continues to work for millionaires and billionaires, not everyday Americans, and his cuts for programs that serve America's middle and working class are an assault on our values. With this proposal, the early education programs we are here to discuss today could be ravaged. It makes you wonder what we are talking about here today.

I listened to the OMB director this morning on MSNBC, Mr. Mulvaney, who said, and he did not specify a program, so it was not directed to early childhood. But he said many of the programs cut do not work. I want to say to the panelists, tell us about how your programs work and what their benefits are. Early childhood programs have overwhelming bipartisan support. This is a critical moment for us to break through the gridlock to fund our priorities. I understand that the President wants to increase defense spending, but if we do not invest in our children, we will have no future to defend.

To our panelists, I have read your testimony, and I know you are calling for greater Federal investment, and I agree wholeheartedly. If we were serious about Federal investment in early childhood programs, we would fund them so that every single eligible child had access. We choose to only deal with a fraction of the problem when it comes to these programs. Some choose to hold steadfast to self-imposed budget restraints where we do not make the same choice when it comes to other areas of the budget.

I thank you very, very much for being here, and I look forward to your testimony. Thank you, Mr. Chairman.

Mr. COLE. Thank you very much. Always good to hear from my friend.

Before I leave, if Mr. Millican seems a little nervous, you should know he is testifying in front of his most critical audience. His two grandchildren, George and Isaac are back here, so.

Ms. DELAURO. Oh my.

Mr. COLE. They have come a long way to, you know, cheer their grandfather on.

And with that, I am going to turn the chair over, if I may, to my good friend, Mr. Simpson, and give you the honor of calling on our first witness. And I am off to the Budget Committee where I am going to fight the appropriators' wars, so. [Laughter.]

Ms. DELAURO. Thank you.

Mr. SIMPSON [presiding]. I thank the chairman for that. I was sentenced to the Budget Committee for 8 years, and have——

Mr. COLE. This is year 7 for me.

Mr. SIMPSON. Yes, so he has only got 1 more year. Anyway, it is good to have all of you here today, and we are ready for your testimony. Ms. Garner, you are first.

Ms. GARNER. Thank you so much. Thank you to Chairman Cole, Ranking Member DeLauro, members of the subcommittee, for inviting me to testify on the importance of early childhood education.

Poverty is silent. I mean that quite literally. If you had come along with me to a family I visited in the Central Valley of California a while back, you would know. Their home had all the classic signifiers of poverty: trash in the yard, concrete walls, plastic sheets for windows. The right time of year, it might have had an open door open, an oven door for heat or fly paper covered in flies.

But that is not what I notice first in homes like this, not anymore. Listen for the sound of adult conversation. There is none. Listen for the sound of children babbling, laughing, or crying. It does not exist. Poverty is silent.

In this particular home, there was an 11-month-old boy. He was sitting on the floor staring dully at a television as it droned on. When I walked through the door with the Save the Children coordinator, the boy did not even look up. But we had brought with us, among other things, a ball, and this boy had never seen a ball. He was nearly a year old, and he had never seen a ball.

The coordinator told his mother to sit on the ground and roll the ball to him. She did, and the boy looked at the ball, this new thing, not quite sure what to do with it at first. And then he imitated, he rolled it back, and his mom rolled it to him again, and this time the boy made a noise. "He is talking to you," our coordinator told the mother. "No," said the mom, "my baby does not talk." "He is talking to you," said the coordinator. "Say something back to him," and the mother made babbling sounds back to her boy, baby noise, and all of a sudden, there was a conversation in the air. Mother and the baby, there was a connection, and a light went on in the little boy's eyes.

That story is the whole game right there. It contains the problem plain and simple. A brain in poverty is up against it, I am telling you. A child who is not touched, who is not spoken to, who is not read to or sung to in the first 5 years of his or her life will not fully recover. Neglect can be every bit as harmful as abuse.

When many of these children enter kindergarten, they do not know their letters and numbers. They do not know how to sit in a circle or listen to a story. They do not know how to hold a book. They may have never even seen a book. That is shocking, isn't it, that 1 in 5 children in this country live in the kind of poverty that they could enter kindergarten never having seen a book.

It is easy to escape responsibility for a disgrace like that by blaming the parents. Who does not talk to a child? Who does not sing to their child? I will tell you who: parents who have lived their whole lives with the stresses that comes with food scarcity, with lack of adequate shelter, with drug addiction and abuse, parents who were left on the floor when they were children, ignored by their parents who had to choose, as 1 out of 3 mothers in this country, between providing food or a clean diaper for their children.

Poverty dulls the senses. It saps hope. It destroys the will. So, I never look at these people and ask how could you, how could you not. I say there but for the grace of God go I.

Here is the good news. That story of the little boy also contains the seeds of a solution. It takes so little—a ball, a book, a parent who is given the encouragement to read, or talk, or sing to their child. That mother from the Central Valley of California said to me no one ever read me a book in my whole life, but she is reading to her little boy now.

With a significant investment in high-quality early childhood education, proven, effective programs like Early Head Start, Head Start, Child Care and Development Block Grants, Preschool Development Grants, and home visitation models, such as Save the Children's Early Steps to School Success, we can intervene in these children's lives in time to make a difference.

Give those children one responsive, responsible adult, and you can actually protect them from the stressors of poverty. That is how resilient a child's brain is. It takes so little, and it does so much. As Frederick Douglass said, "It's easier to build strong children than to repair broken men." Cheaper, too.

So, why do we not take care of our poorest children more willingly? Well, poverty is silent, and I mean that entirely metaphorically. These children do not vote. They do not make political contributions, neither do their parents. Somebody has to tell their story above all the noise. Poverty is silent, but I can't be.

I grew up, as I have often told people, one generation and one holler removed from poverty. I knew children in my own school in West Virginia who had to cut holes in the toes of their shoes because they could not afford to buy new ones, children who did not move from 1st grade to 2nd when I did, children who eventually disappeared altogether. I could not stand up for them back them, but I can stand up for their families now. With Save the Children, I have been for 9 years.

Every day, 2,723 babies are born into poverty in this country. That is almost 994,000 each year, 25 percent of all births. Those children can't wait for the next Congress or the Congress after that for us to intervene. We have just a few years, and then it is all but too late.

I was thinking about that great quote from the late Stephen J. Gould, the evolutionary biologist, who said, "I am somehow less interested in the weight and convolutions of Einstein's brain than in the near certainty that people of equal talent have lived and died in cotton fields and sweatshops." In an age when we wonder how we might best compete with the rest of the world, how many Einsteins, F. Scott Fitzgeralds, how many Amelia Earharts, Katherine Johnsons, Bill Gateses, how many people could have changed this country if only they had the opportunity we are talking about this morning for want of a book?

I am asking you to support early childhood education, please. Thank you.

[The information follows:]

Written Testimony of Jennifer Garner
Trustee
Save the Children
For the House Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies Hearing
"Investing in the Future- Early Childhood Education Programs at the Department of Health and Human Services"
March 16, 2017

Thank you, Chairman Cole, Ranking Member DeLauro, and Members of the Subcommittee for inviting me to testify today on the importance of early childhood education. I am thrilled to be here to talk about an issue that is very important to me.

When I started with Save the Children nine years ago, the thought of early childhood education being part of a national conversation was very far off in the distance. My mom grew up dirt poor, with ten siblings, no electricity or running water in dustbowl depression Oklahoma. She managed to get herself educated – the only member of her family to go to college. Eventually my mom and dad ended up with my sisters and me in Charleston, West Virginia where we grew up middle-class, surrounded by generational poverty. The kind of poverty where kids' shoes are cut along the front to let their toes grow out because they can't afford new shoes. The kind of poverty where my friends from first grade didn't make it to second grade when I did; didn't make it to third grade when I did and somehow disappeared off the face of the earth in my reality. I grew up one generation and one holler removed from poverty.

Awareness and gratitude are pretty powerful motivators and they have driven me to think about big things, like how did my mom get out and how do we help the kids like the ones I grew up with? So I sought out the organization that I believe has done the most to help kids get out of generational poverty, Save the Children.

The experiences I have had with Save the Children—entering trailer park communities that are surrounded by trash, plastic sheets instead of windows, oven doors open for heat, that are

infested with pests, that does not have sound or joy—I am privileged to be allowed into these homes and to be accepted where families could just feel shame for the conditions they live in. When we walk into these homes, the silence is suffocating. The children are not babbling, they are not crying, they are not making any sort of sound; their senses are dulled. Their mothers and fathers are so overwhelmed by the stressors of living in poverty – food scarcity, lack of adequate shelter, abuse, drug addiction, etcetera. They do not have the capacity to look outside themselves and provide their babies with the support they need like singing, reading, or loving. These parents have also not had the modeling of appropriate behaviors to teach their children. They sit their child in front of a television and the child silently has their mind go to sleep.

With the brain growth that takes place between birth and five, we are doing these children a great disservice because they have absolutely lost the chance to ever make it ahead in life. If you are growing up in poverty, many times, you are a year and a half behind your peers developmentally.

The answer is starting earlier. I applaud the efforts around the nation to expand access to kindergarten and pre-school, but challenge all of you to do more for the newborns and the children in the space of zero to three years old.

In the past few years, I have visited many states, including Representative Fleischmann's Tennessee and parts of California that I know would be familiar to Representatives Lucille Roybal-Allard and Barbara Lee.

One of my favorite stories comes from California, where I visited a family living in a concrete home in the heat of the Central Valley. When I walked into the house, there was a little boy who was eleven months old. He did not react to me at all. He was sitting in front of the

television watching Oprah. The mother looked overwhelmed, depressed and exhausted, and I could understand why. This little boy was stagnant.

The Save the Children coordinator brought things for the family, including a backpack full of books, a log for the mother to track her progress on reading, and a ball. The boy had never seen a ball before. Imagine your child's look when they saw their first ball! The boy looked at the ball and then looked at his mom. The coordinator told the mom to roll the ball to her son. The mom did and he looked at the ball and made a noise! The coordinator told the mom, "He is talking to you." The mother disagreed, but the coordinator said, "This is speech! This is a connection and you need to repeat back his noise." The mother did and all of a sudden, there was a babbling conversation between the mother and her son. I saw the light switch go on for that little boy that day. Because we visited that mother, a connection was made and every day got a little bit brighter for that boy, and we built on that connection week after week. With that connection, that little boy had a chance to go to kindergarten ready to learn.

And that is why we are here today, to talk about the need for the federal government to provide the funding and opportunity for all children to enter kindergarten ready to learn. As Congress considers ways to help families break the cycle of poverty, I would call for a significant investment in high-quality early childhood education. Not only do early childhood programs provide our next generation with a strong foundation for future success, they also allow parents to enter the workforce knowing that their children have safe and nurturing opportunities.

Unfortunately, the statistics right now are not great. Early Head Start, which offers care, support, and opportunity through center-based programming, as well as home visiting, only serves 5% of eligible children. And Head Start, which offers a wide-range of services including

health and dental care, family engagement, and work support for parents, serves less than 45% of eligible children. I would ask the Subcommittee to continue to strongly support both Early Head Start and Head Start, with the goal of increasing Early Head Start access to 10% of eligible children over the next four years. That is just a drop in the bucket but it is important progress.

In addition to these programs, Save the Children strongly supports Child Care and Development Block Grants (CCDBG). These grants help parents afford child care while looking or training for work. But this program also needs significant investment; an increase of almost $1.2 billion above current funding levels to ensure providers can implement the new requirements included in the bipartisan reauthorization of CCDBG, while not reducing the number of children they serve.

Finally, Preschool Development Grants have helped states improve the quality of or access to preschool for more than 150,000 children. I ask the subcommittee to continue to fund this program so that the 32 states that did not receive grants the first time through may expand and improve their pre-k programs as well.

I understand that Congress faces many difficult choices, especially when it comes to funding decisions. There are many competing priorities and many worthy causes. But many Members of Congress often suggest that we need to cut spending in order to protect our future generations from an increasing deficit. I would argue that we need to *invest* in future generations to ensure that all children have an opportunity to succeed and that the United States can continue to be a land of opportunity, not just for those born in the right zip code, but for all children, including those who still live in West Virginia where I grew up.

Thank you again for this opportunity to testify and I look forward to answering your questions.

Mr. SIMPSON. Thank you. Mr. Millican.

Mr. MILLICAN. Mr. Chairman, Ms. DeLauro, ranking member, members of the committee, I am Don Millican, and I have the privilege of representing the George Kaiser Family Foundation in Tulsa, Oklahoma. And I want to acknowledge, first of all, Emily Kaiser behind me, who is a member of the board of the foundation.

The Book of Isaiah, chapter 58, tells me that all of my religious practices are worthless if I do not break the yoke of oppression. In my opinion, there is no greater yoke of oppression than that which is laid upon a child born into intergenerational poverty, a child that did not choose the circumstances of his or her birth.

The problem of intergenerational poverty is high and complex, and over the past decades, if nothing else, we have discovered that there is no silver bullet or a solution. But we do know that education is foundational to a child's ability to break the chains of poverty.

I have two of my grandsons here today from Edmond, Oklahoma. I hope they are behaving themselves behind me.

VOICE. They are doing great.

Mr. MILLICAN. Great, thank you. They were born into affluence and have had every benefit afforded to them to give them a path to a successful life. Those benefits began the day they were born. From their first days of life, they have had twice as many words spoken to them as compared to a child raised in poverty. And the resulting additional brain stimulation that they have received from reading, singing, and talking, particularly in the first 3 years of life, has created a brain development gap between them and a child raised in poverty, which is extremely difficult to ever bridge.

For the child in poverty, that gap will lead, as many will speak about and have already, to lower achievement, lower earnings, higher incarceration rates, a greater likelihood of teen pregnancy, all at a great cost to our society.

The best course to reducing the societal cost is to address the brain development gap before it is ever created, by investing in high-quality very early childhood education, together with parental training, particularly in teaching parents, as Jennifer said, the value of talking, reading, and singing to their infants and toddlers. Such is the mission of the George Kaiser Family Foundation. And not to speak for Mr. Dow, but I will anyway, and Community Action Project also in Tulsa, which Mr. Dow has so faithfully dedicated himself.

However, we also believe strongly in the value of public/private partnerships in addressing the issue. In Tulsa, we have combined Federal childcare, Head Start, Early Head Start grants, State of Oklahoma grants, and private philanthropy to develop a robust and growing system of high-quality early childhood centers. The State of Oklahoma grants were structured as matching grants with the State matching philanthropy dollars contributed. We believe this committee should consider a similar structure for Federal grants.

The value of public/private partnerships is somewhat obvious as government dollars are stretched further through private philanthropy. But further, we believe that these partnerships add an element of local accountability as donors expect a return on their philanthropic investment and the reporting to prove it. But as a busi-

nessman, I also understand there are times we must do more with less, and I believe there are decisions and reforms that can be made within Head Start and Early Head Start which can increase impact without outlays of additional funding.

First, I believe we should encourage the Department of Health and Human Services to strengthen its re-compete process. It is always hard reallocating funding, but being good stewards of these resources requires poor agencies to lose funds and strong agencies to gain added funds, and these reallocations should take place even across State borders. We owe that to the children and to the taxpayers to reward excellence and remove poor performers.

Second, given the fact that about 50 percent of eligible children are served in Head Start, but only about 5 percent of eligible children are served in Early Head Start, and considering that brain research tells us the most crucial time for brain development is birth to 3 years of age, we must encourage incremental available dollars, whether through appropriations or re-competition, to be awarded to the youngest children; that is, to Early Head Start. To give children born into poverty a fighting chance to succeed, we simply must address the brain development gap before the age of 4.

In closing, I return to Isaiah 58. We are told that if do away with the yoke of oppression and satisfy the needs of the oppressed, our light will rise in the darkness and our night will become like the noon day. May we be lights shining in the darkness.

Thank you.

[The information follows:]

Don Millican
Board Member and Volunteer

The George Kaiser Family Foundation and Tulsa Educare, Inc.

Testimony Before the House Subcommittee on

Labor, Health and Human Services, Education and Related Agencies

March 16, 2017

Mr. Chairman. Members of the Committee:

The book of Isaiah, Chapter 58 tells me that all of my religious practices are worthless if I am not about the task of breaking the yoke of oppression. And in my mind, there is no greater yoke of oppression than that which is laid upon a child born into intergenerational poverty.

The problem of intergenerational poverty is highly complex and over the past decades, if nothing else, we have proven that there is no silver bullet solution to the problem. But we do know that education is foundational to a child's ability to break the chains of poverty.

I have two of my grandsons here with me today from Edmond, Oklahoma. They were born into affluence and have had every benefit afforded to them to give them a path to a successful life. Those benefits began the day they were born. From their first days of life, they have had twice as many words spoken to them as compared to a child raised in poverty and the resulting extra brain stimulation they have received from reading, singing and talking, particularly in the first

three years of life, has created a brain development gap between them and a child in poverty which is extremely difficult to bridge.

For the child in poverty, that gap will lead to lower achievement, lower earnings, higher incarceration rates and a greater likelihood of teen pregnancy – all at great cost to our society. The best course to reducing this societal cost is to address the brain development gap before it is ever created, by investing in high quality very early childhood education together with parental training – particularly in teaching parents the value of talking, reading and singing to their infants and toddlers.

Such is the mission to which the George Kaiser Family Foundation, Tulsa Educare and (not to speak for Mr. Dow) Community Action Project are dedicated.

However, we also believe strongly in the value of public-private partnerships in addressing the issue. In Tulsa, we have combined Federal Child Care, Head Start and Early Head Start grants, State of Oklahoma grants and private philanthropy to develop a robust and growing system of high quality early childhood centers. The Oklahoma grants were structured as matching grants, with the State matching philanthropy dollars contributed. We believe this committee should consider a similar structure for Federal grants.

The value of public-private partnerships is somewhat obvious as government dollars are stretched further through private philanthropy. But further we believe these partnerships add an element of local accountability as donors expect a return on their philanthropic investment with reporting of outcomes to prove it.

As a businessman, I also understand there are times when we must do more with less. While I strongly believe that there are few if any areas of the federal government more worthy of expanded funding, especially in view of the long term savings to society generated by early childhood education investment, I also believe that there are decisions and reforms that can made within Head Start and Early Head Start which can increase impact without additional outlays of funding,

First, I believe that all of us should encourage the Department of Health and Human Services to strengthen its re-compete processes. It is always hard to reallocate funding, but being good stewards of these resources requires poor agencies to lose funds (or slots) and strong agencies to gain added funds (or slots), regardless of the politics. In my view, these re-allocations should take place even across state borders. Reward excellence and remove poor performers. We owe that to children and to the taxpayers.

Second, given the fact that about 50 percent of eligible children are served in Head Start but only about 5 percent of eligible children are served in Early Head Start and considering that brain research tells us the most crucial time for child brain development is birth to three years

of age, I believe that we must encourage incremental available dollars, whether through appropriations or the re-competition process, to be awarded to the youngest children, that is, to *Early* Head Start. To give children born into poverty a fighting chance to succeed, we simply must address the brain development gap before the age of four.

In closing, I return to Isaiah 58. We are told that if we do away with the yoke of oppression and satisfy the needs of the oppressed, our light will rise in the darkness and our night will become like the noonday. May we be lights shining in the darkness.

Addendum to Oral Testimony – Oklahoma Public Private Partnership

In 2006, the State of Oklahoma instituted what is now called the Oklahoma Early Childhood Project. Currently, the state invests roughly $10 million per year that must be matched with $15 million of private money to support high quality Birth-Three education for poor families (185% or less of federal poverty level) around the State. This is the largest public-private partnership in the country for Birth-Three early childhood education, and this program has been recognized as being an innovative model for expanding and enhancing high-quality services for infants and toddlers and their families.

We have seen impressive results on behalf of the 2500 children and families who have benefited from this program. The results of an independent evaluation conducted by the University of Oklahoma Early Childhood Education Institute found the program has been successful in expanding access to and enhancing the quality of infant/toddler services statewide – more young children are receiving high-quality infant/toddler care and education as a result of the program

A study of child outcomes in 2008-2010 found that:

- Although the children enrolled in OECP started the program year off with significantly lower language and cognitive scores, they ended the year on par with their non-disadvantaged classroom peers. This is good news because family income was more than 2 times greater for the non-disadvantaged peers. This suggests the high-quality OECP classrooms "boosted" the achievement of the low-income children who at the beginning of the year were lagging behind their non-disadvantaged peers.
- Social-emotional development was significantly better for children in the OECP classrooms. This is good news because these "soft skills" have been found to be predictors of important characteristics such as persistence and positive behavior that are associated with long-term job and life success.
- OECP classrooms had better language and literacy environments and better teacher-child interactions – no doubt the driver of the good language, cognitive, and social-emotional child outcomes.

By serving children living in families with incomes up to 185% of the federal poverty level, OECP is able to serve an expanded group of children who often do not receive high-quality care. Also, the inclusion of for-profit, Tribal and not-for-profit programs in both urban and rural areas of the state increased the diversity of children and families served and benefiting more Oklahoma families.

OECP includes flexibility in funding and draws on several funding streams demonstrating a successful public-private partnership model. As noted above, this model has received attention and is considered an innovative model for our country.

Mr. SIMPSON. Thank you. Professor Brooks-Gunn.

Ms. BROOKS-GUNN. It is an honor to be here today testifying to your committee.

I am Jeanne Brooks-Gunn. I am a developmental psychologist at Columbia University, and I have spent my career focusing on ensuring that all children have high-quality childcare, and, at the same time, making sure that working parents have the supports they need to go back to work. And I think it is very important not to separate out the two. I will give you one example why that is important.

Often when people talk about poor families, as we have heard, we are talking or thinking about mothers who are not working. That is not the case. In our longitudinal study of 5,000 families and in 20 different cities in the United States, and this is an urban sample, so they are primarily poor and what people may have used to call working class. But in a way that does not really fit. I call them "near poor." 70 percent of these mothers were working when their babies were under a year of life. That is 70 percent. The number climbed to 85 percent in the second and third year.

What this is telling us is that poor and near poor families, again, what you guys might call working poor, mothers need the support of childcare. Not only do we want early childhood education to develop the children, and the brain research that's been discussed is very important, but we need to provide supports to the parents. So, I would like you guys to think about it that way.

In terms of this testimony, what is important or what I am going to talk about are Early Head Start, Head Start, and the Development Block Grants because they do slightly different things. I quickly will talk about Early Head Start. It has been mentioned already that less than 5 percent of our birth to three children who are eligible, eligibility for Head Start, for those who do not know, you have to be poor under the poverty threshold. We are serving 5 percent. In my view, that is, I don't know if I want to say "travesty." I will say "travesty."

Five percent is not enough. Early Head Start, I was part of the national evaluation team that did the original evaluation, now 15 years ago. We found sustained effects in all areas of development when the babies were 3. By 5, we continued to see sustained effects in things that are related to learning in school.

In addition, which is very important, those children in our 17 sites that went from Early Head Start to Head Start, not all of them did, but those that did continued, so we had a continuity of care. Those children showed higher achievement at age 5 than did those children who after Early Head Start did not go onto Head Start.

So, I would like to make a plea when we think about designing programs and allocating funds that we do more for this continuity of care for the Early Head Start children. I am happy to answer other questions about Early Head Start later if you want to ask me.

Second, Head Start. Since I do not have a lot of time, what I would like to say about Head Start is that we have long-term follow-ups that show the kind of effects that have been talked about, that Jim Heckman talks about, in terms of doing better, in terms

of employment and educational attainment. So, that is very important for Head Start.

My concern right now is that we fund more slots for 3-year-olds. Again, think about my continuity issue, and think about the fact that you want more than 1 year of programming to help children overcome a lifetime of poverty. So, that is all I'm going to say on that.

For childcare development block grants, what I would like to say is that these block grants, the grants can serve mothers who are up to 200 percent of the poverty threshold. That would include my near-poor group, poor, first 20 percent, near poor second 20 percent.

Of the mothers who are eligible for these subsidies, and you have to be working to get them, fully 38 percent are not receiving any public subsidies at all. We really have to do something to change the fact that we have many mothers who are eligible who are not receiving the subsidies.

Part of the problem is that the States who have flexibility in funding Federal money have chosen not to fund the subsidies at what is called market rate. So, in other words, if you are a mother in a certain State, you may get 40 percent of what the market rate is for childcare. So, I think that is a real disincentive for mothers to sign up for the childcare subsidy.

We do find in the research that our group has done that mothers who have the subsidy and put their kids in care are in higher quality care, their children, than the mothers whose kids were eligible, but did not get the subsidy. So, we have evidence now suggesting that the subsidies do enhance quality care, in large part because the kids are going to center-based care. So, I really think that if we want to get kids into center-based care, and we are using the subsidies as the way to do it, we have to have the subsidies closer to the market rate.

Please remember that childcare costs per year, and these are estimates, $4,000 in Mississippi, actually maybe less than $4,000, and over $12,000 a year in other States. Think about being a poor family where you have maybe for a family of 4, $2,000; $12,000 for care for one child. We need to be subsidizing this care for our poor and near poor mothers. They cannot do it. And if we believe that we want to have the effects that we have seen that Jim Heckman talks about, we need to be subsidizing care for these families.

I would like to make just one comment here as a note of caution. And my note of caution, I had mentioned before, 1 year of programming is not going to make a difference. We have to think about serving our birth to 5's for more than 1 year. I testified 15 years ago to this committee actually, and I entitled my testimony "Do You Believe in Magic," for all of you that are old enough to remember that song by the Loving Spoonful.

And why did I do this? Because at that point we were pushing just to fund childcare for 4-year-olds. And I tried to argue expecting 9 months or 11 months, 6 hours a day of Head Start, no matter how good that Head Start is, is not going to overcome a life of poverty.

So, I want to end with my "Do You Believe in Magic" point. Think about funding for our children more than 1 year. Thank you.

[The information follows:]

March 2017

Testimony before the House Labor HHS Education Subcommittee

Jeanne Brooks-Gunn

Virginia and Leonard Marx Professor of Child Development

Teachers College and the College of Physicians & Surgeons

Columbia University

Thank you for the opportunity to speak in this Congressional Hearing for the House Labor HHS Education Subcommittee. I am a developmental psychologist at Columbia University who designs and evaluates programs for children and their families as well as follows children and families in large-scale longitudinal studies (usually for a decade or more). My goal is to understand what policies, practices, and experiences enhance children's wellbeing. Relevant to this hearing is my work on effects of early childhood education, parenting programs, supports for working mothers, and low family income on children from Birth to Age Six. I am interested in how we can ensure that all our nation's children enter school ready to learn (physically, emotionally, and cognitively) and that working parents are able to find safe, nurturing, and educational child care for their young children (www.policyforchildren.org).

Early Childhood Education for Children and Child Care for Parents who Work

These two goals (children receiving high quality education and working parents having care for their children) are both addressed by programs funded by HHS. These include Early Head Start, Head Start, and CCDBG. These programs provide early education services or child care subsidies for families whose incomes are low, specifically families who are poor (income below the federal poverty threshold) and families who are near poor (income above the federal poverty threshold but below 200% of the threshold). Together about 40% of all families with children in the U.S. are poor or near poor. Families in both groups have difficulty making ends meet on a monthly basis (in large part because of the high cost of housing and child care). The vast majority of families with young children in these two groups have parents who are working. In our Fragile Families and Child Wellbeing Study (over 4,000 families in 20 cities being followed from birth through adolescence) in which most families are poor or near poor, over 70% of mothers were working when their child was one year of age. The percentage climbs to over 80% in the toddler and preschool years.

Child care, especially center-based child care, is expensive. Costs range from about 4,000 to 12,000 dollars a year depending on the state. Child care is more expensive the younger the child (given child-

teacher ratios differ by age of the child, with fewer children per teacher or caregiver for infants and toddlers than for preschoolers). And not all child care is high quality. Consequently, poor and near-poor families are put into a situation where they have to rely on kith and kin care, on low quality family or center-based care, on a patchwork of arrangements, on reduced work hours, and/or on irregular work hours. All impact parental and child wellbeing.

Effects of Early Childhood Education on Children

What do we know about high quality preschool education? A policy brief published by the Society of Research in Child Development and the Foundation of Child Development in 2013 (Yoshikawa, Weiland, Brooks-Gunn et al.) as well as the volume of the Future of Children in 2016 (Starting Early: Brooks-Gunn, Markman-Pithers, & Rouse) provide evidence on what makes a difference for children in early childhood education. The focus is more on the fourth and fifth year of life (commonly referred to as preschoolers), since less is known about infants (first year of life) and toddlers (the second and third year of life), although in general, the same principles for high quality are relevant across the first five years. Some of the points summarized in these publications include:

- Large-scale public preschool programs can have substantial impacts on children's early learning.
- Quality preschool education is a profitable investment.
- The most important aspects of quality in preschool education are stimulating and supportive interactions between teachers and children and effective use of curricula.
- Supporting teachers in their implementation of instructional approaches through coaching or mentoring can yield important benefits for children.
- A second year of preschool can show additional benefits.
- There are important benefits of comprehensive services when these added services are carefully chosen and targeted.
- Long-term benefits occur despite convergence of test scores in elementary school.

Early Head Start and Head Start

Early Head Start and Head Start are not entitlement programs; they serve families who are poor (with a set aside of about ten percent of slots for children with disabilities). Near-poor families are not eligible. About two-fifths of children eligible for Head Start receive services (fourth and fifth year of life) and less than five percent of eligible children under age three receive Early Head Start services. Most communities offer few other programs for young children from birth to age four, so the need for early education far outstrips what is available. The lack of programs is especially severe in poor and near-poor communities. Pre-K programs, often funded by state and local governments, provide education for some but not all of the poor 4-year-olds not enrolled in Head Start.

How effective are Early Head Start and Head Start programs? A very brief summary of the findings is presented in this testimony. Much more could be said about the impacts of these programs than is possible in a few pages.

Early Head Start was evaluated about a decade ago by HHS. Children and their families were assigned to Early Head Start or a control group in 17 sites. I was part of the national evaluation team. We found significant effects on parenting and on children's cognitive and emotional behavior at the end of the program, when children were aged three. Two years after the program ended, effects on behavior

problems (lower) and engagement in learning (higher) were maintained as well as some positive effects on parents. We believe that such impacts lay the foundations for enhanced learning in elementary school. I recommend that Early Head Start be expanded to serve more than a tiny number of eligible families; at the least the program reach should be doubled. Even then only ten percent of all eligible families would be served.

In non-experimental analyses, we found that the Early Head Start children who went on to Head Start did better than those Early Head Start children who received no services (parental and kin care) or other services (programs other than Head Start) after Early Head Start ended (Love, Raikes, Chazan-Cohen & Brooks-Gunn, 2013). These results suggest that continuity between Early Head Start and Head Start be encouraged. Also, more sustained services are likely to result in larger impacts on children's emotional and cognitive functioning.

We do not know if Early Head Start, which has matured since its inception (and the evaluation) would show even more positive impacts today. More Early Head Start programs offer center-based care than did so when the program was initiated. Early Head Start Performance Standards have been refined. It is likely that more programs are meeting Standards today than earlier. I would recommend that a second national evaluation of Early Head Start be conducted by HHS to look at implementation and impacts in young children today.

In contrast, much more is known about the impact of Head Start on children, given the program's almost 50-year history. Long-term follow-ups of children who attended Head Start demonstrate effects on educational attainment as well as other adult outcomes. Additionally, short-term impacts in physical health, in behavior, and in academic achievement are found in most evaluations of Head Start (although only one evaluation in the history of Head Start has assigned children to either Head Start or a control group based on random assignment). However, the achievement test score effects of Head Start dissipate and sometimes disappear in elementary school. Sustained effects are found for certain subgroups—children who, if they had not gone to Head Start, would have been in parental or kin care in their preschool years, children who were particularly disadvantaged, and possibly, children who attended more high quality elementary schools. In addition, a few Head Start programs, which are of very high quality and are more integrated with early elementary school, do show sustained achievement through middle school (see the program in Tulsa, OK as an example).

I wish to emphasize several points.

First, poor families who are not receiving any early education need to be identified and be offered Head Start. The need is particularly urgent for three-year-olds. Therefore, I recommend that more slots be funded for 3-year-olds in Head Start.

Second, if elementary school education is not of high quality, then the likelihood of sustained effects from Head Start is diminished. While improving K to Sixth Grade education is beyond the purview of HHS, programs that coordinate curricula and teacher training between preschool and early elementary school are needed.

Third, high quality preschool programs besides Head Start can be effective; however, poor families are unlikely to have access to such programs and even if they do, they cannot afford them. Therefore, Head Start needs to consider funding more slots.

Fourth, one intriguing study reported that Head Start programs were most effective when their funds were spent primarily on education and health (rather than other services). Attention needs to be paid to what services are supported in Head Start programs.

Fifth, when it comes to offering services to parents, more attention could be paid to parental education and employment; the two-generational program in Tulsa, OK, discussed today by Steven Dow, is a successful example of the provision of educational services to both mothers and children.

Child Care Development Block Grant

The Child Care Developmental Block Grant (CCDBG) provides federal funding to the states in large part to subsidize child care (for children aged 13 or younger) for poor and near-poor mothers who are employed. These subsidies may be used for a number of providers (not just center-based child care providers), highlighting family choice. The goal is to help families afford child care, given the expense of child care and the particular burden in families whose earnings are low. Unlike the Head Start programs, subsidies are available to parents who are poor and near poor; states have different income cut-offs for the receipt of subsidies, as states have quite a bit of flexibility in setting their income cut-offs. These thresholds are below 200 percent of the poverty threshold, and in many cases, way below that threshold.

In addition, the amount of the subsidy varies by state. States specify what percentage of the market child-care rate will be provided to recipients. Few states even reach the 65th percentile of their market child-care rate.

Finally, not all parents eligible for CCDBG subsidies obtain them (because of administrative burden, intermittent employment, re-certification requirements, and knowledge about the subsidies). Families who do receive subsidies (of those who are eligible) tend to be English speaking, to live in urban areas, and to have higher income-to-needs ratios. Mothers are less likely to say that having a provider who would care for their children if they were ill was important, and less likely to say that cost was very important (Johnson, Martin & Brooks-Gunn, 2011, page 1077). The differences as a function of income and concerns about cost might be related to the fact that child care subsidies do not reimburse families anywhere near the market rate for their communities. It is concerning that the most disadvantaged families are not receiving subsidized care. Estimates vary as to how many eligible families received CCDBG subsidies, with more families with younger children receiving them than families with older children. And, in our 2011 study where 28% percent of subsidy-eligible families received a subsidy, another 22% were in Head Start and 12% in public pre-K programs. Therefore, about 38% of the eligible families with children with preschoolers were not receiving any publically funded services (Johnson et al., 2011).

The quality of subsidized child care is not regulated, given family choice. One analysis examined whether children whose mothers had received subsidies were in higher quality care than eligible mothers who were not receiving subsidies (Johnson, Ryan, & Brooks-Gunn, 2012). The former were in higher quality care than the latter (in part because the former were more likely to be in center-based care). At the same time, those children who were in Head Start or Pre-K public programs were receiving higher quality care than either of these two groups.

Such findings suggest the following.

First, the size of the subsidy needs to be increased; most states reimburse at fairly low percentages of the market rate for child care, which provides a disincentive for families to use center-based care (which on average is of higher quality than other types of care). Ideally, the rate would be raised to the 75th percentile of the market rate (Bassok, Magnuson & Weiland, 2016) or at the very least to the 65th percentile of the market rate.

Second, many families who are near poor do not quality for CCDBG subsidies. Ideally, all families below the 200% of the poverty threshold would be eligible; the average across states is 160% of the poverty threshold (Bassok et al., 2016).

Third, procedures for re-certification should be streamlined so that children are less likely to change child care arrangements if their mothers are moving between jobs or lower their hours of employment.

Conclusion

The federal government provides support in terms of programs for early education and subsidies for child care to poor and near-poor families. These programs help parents of young children enter the work force as well as, if of high quality, prepare children to enter school ready to learn. These programs do not serve all eligible families and could be expanded to meet the needs of more families who are poor and near poor and their young children. Investments in parents encourage employment and investments in children encourage success in school and beyond.

I would like to conclude by offering a note of caution. Without offering supports for poor and near-poor families of young children for longer than one year we are unlikely to see large impacts on children. It is unrealistic to think otherwise. I entitled a Congressional testimony "Do You Believe in Magic" over 15 years ago, in order to highlight the pitfalls of overblown expectations from a relatively short-term preschool intervention. This is why I emphasize the importance of increased funding for Early Head Start (which is a three year program), of increased funding for Head Start at age three (instead of waiting until age four to enroll children), and providing continuity between Early Head Start and Head Start services. In addition, I recommend increasing CCDBG funding so that parents can afford higher quality care and can insure continuity of care over the early years.

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Mr. SIMPSON. Thank you, Professor. Mr. Dow.

Mr. DOW. Thank you for having this hearing on early childhood education, for giving me the opportunity to appear in front of you, and for your strong support of investing Federal funds in our Nation's youngest and most vulnerable children.

Dishon Lairmore is a high school sophomore with a 3.7 grade point average, takes AP classes, is class president, starts on his varsity basketball team, is active in his church and the Boys and Girls Club, and helps his mother, Jessica, who has returned to school to earn her associate's degree, with her math homework. Jessica plans to teach young children, hoping to repay forward to others what she believes propelled her and her son onto a different life trajectory as a result of her having enrolled Dishon in CAP Tulsa's Head Start Program in 2004.

For the last 25 years, I have served as the executive director of CAP Tulsa, a community action agency focused on interrupting the cycle of poverty by providing high-quality early education services to young children and a range of family supports aimed at improving the economic condition of their parents.

I have the good fortune of doing my work in Oklahoma, a fiscally and socially conservative State which has been at the forefront of States acting to expand and improve education during the birth to age 5 years, the most critical period of children's development. With strong bipartisan support, we have enacted State-funded universal pre-K for 4-year-olds, incentivized improvements in the quality of childcare, and created a public/private partnership to expand the supply of high-quality infant and toddler care.

We have had the unique opportunity to design, operate, evaluate, and continuously improve a scaled system of exceptionally high-quality early education for Tulsa's youngest, most vulnerable children starting at birth and continuing through preschool.

So, what are our lessons learned? Perhaps most crucially, our experience validates that that benefits of early childhood education are twofold. They both prepare at-risk children to enter the public school system ready for kindergarten, and they support their parents in the low-wage labor market.

Numerous studies by Georgetown University researchers have documented the substantial gains that children make during our Tulsa Head Start Program. Their most recent published research found that children participating in the Head Start Program for only 1 year had positive results persisting through middle school. They scored higher on State math tests, and were significantly less likely to repeat a grade or be chronically absent from school than similar students who did not attend Head Start.

A Northwestern University led research team evaluating our Career Advance Program, which prepares the parents of children enrolled in our Head Start Program for employment in the healthcare sector, has found strong evidence that pairing high-quality Head Start services with job training for parents produces positive outcomes for parents and children beyond the benefits of providing either Head Start or job training alone.

Beyond that, five lessons from our experience can help inform this committee's work. First, to produce strong outcomes, providers must be able to hire and retain skilled teachers and staff. Yet due

to inadequate Federal funding, the prevailing wages in the field are far too low to attract and retain quality teachers.

In Tulsa, we compensate Head Start and Early Head Start teachers with salaries commensurate with those of public school teachers. To mirror the Tulsa success, significant Federal investment in building the early childhood workforce is essential and urgently needed.

Second, early childhood operators, like CAP, are improving results and access for children by combining existing State and local funding streams to leverage Federal resources. By working closely with State and local policymakers, we increase the impact of Federal funds and influence State and local policies to support children and families.

When the base of Federal funds is strong, and increases with rising needs, and includes quality standards, like those in Head Start and Early Head Start, it supports our local efforts. By contrast, when Federal funding streams are limited or declining, it hinders and undermines them.

Third, existing levels of Federal funding provided by Head Start, Early Head Start, the Child Care Development Block Grant, and Home Visiting Programs are crucial, yet not sufficient on their own to cover the costs of high-quality services, nor to reach the long waiting lists of unserved children and parents who need them.

Tulsa is an anomaly with the exceptional generosity of the George Kaiser Foundation. But the fate of low-income children and families across the country ought not depend on the largesse of private philanthropy. Additional Federal funds are desperately needed to provide adequately for the full needs of existing children and parents already enrolled in the programs, and to reach long waiting lists of unserved children and parents.

Fourth, despite these successes, it is important to highlight that early childhood education alone is not a silver bullet. To achieve its full potential, it must be followed by high-quality early elementary school. In addition, investments in such areas as post-secondary education and workforce training, along with help for parents to meet their basic needs, such as health, housing, and nutrition, are key to children's long-term success.

Fifth and finally, early care and education is a commonsense, fiscally conservative, high-leverage and high return investment embraced across party lines and among people with diverse perspectives. It is hard to find any other area of public policy in which such widespread agreement exists about the value and importance of Federal government funding, leadership, and support.

With more Federal funding, we can help stimulate additional State, local, and private investment to help millions of children and families across our country reach their full potential, just as we have done for Jessica and Dishon in Tulsa.

Thank you.

[The information follows:]

Steven Dow
Executive Director, CAP Tulsa
Testimony Before the House Subcommittee on Labor, Health and Human Services, Education and Related Agencies
March 16, 2016

Chairman Cole, Ranking Member DeLauro, and Members of the Subcommittee,

Thank you for having this hearing on early childhood, for giving me the opportunity to appear in front of you, and for your strong support of investing federal funds in our nation's youngest and most at-risk children.

For the last 25 years, I have served as the Executive Director of CAP Tulsa, a community action agency focused on interrupting the cycle of poverty by providing high-quality early education services to young children and a range of family supports aimed at improving the economic condition of their parents.

I have the good fortune of doing my work in one of country's most well-resourced environments for early education, a fiscally and socially conservative place in which there is strong bipartisan support for investing state tax dollars and private philanthropy alongside federal funds to prepare our youngest, most vulnerable children for life success.

Nearly twenty years ago, cognizant of the unfortunate fact that the achievement gap that is manifest at the time of kindergarten school entry only widens as children get older – despite decades of K-12 common education reform efforts – we in Oklahoma set out to develop a different kind of educational reform strategy – one that focused on narrowing, if not trying to eliminate entirely, the achievement gap BEFORE the time children entered kindergarten by enacting state-funded universal pre-k for 4 year olds and incentivizing improvements in the quality of child care by creating a tiered reimbursement system in which providers offering higher-quality care were paid higher rates.

As state leaders became increasingly aware of the critical birth-three period and the grossly inadequate levels of federal Early Head Start funding and acute shortage of childcare availability for the youngest children, the state created a public-private partnership to raise the quality and expand the supply of high-quality infant and toddler care.

As a result of the combined federal, state, local, and unprecedented level of private philanthropy from the George Kaiser Family Foundation, we have had the unique opportunity to design, operate, evaluate, and continuously improve a scaled system of exceptionally high quality early education for Tulsa's youngest, most vulnerable children, including both home visiting and center based care.

So, what are the lessons learned from and how can the Tulsa experience teach the country and

inform efforts at the federal level? Perhaps most crucially, our experience validates that high-quality early childhood education for economically-disadvantaged children starting at birth and continuing through pre-school is a twofer -- preparing children to enter the public school system prepared for kindergarten, school, and lifelong success and supporting their parents in the low-wage labor market working towards economic self-sufficiency.

Numerous studies by Georgetown University researchers have documented the substantial gains that children make during our Head Start program, and their most recently published research found that children participating in the Head Start program for only one year had positive results through middle school – they scored higher on state math tests and were significantly less likely to repeat a grade or be chronically absent from school than similar students who did not attend Head Start.

Another group of researchers looking at our Career Advance program that prepares the parents of children in our program for employment in the health care sector have reported early findings which provide strong evidence that pairing high-quality Head Start services with job training for parents produces positive outcomes for parents and children beyond the benefits of Head Start alone.

Beyond that, five lessons from our experience can help inform this committee's work:

First, to produce the strong outcomes, providers must be able to hire and retain skilled teachers and staff. Both for us and for programs across the country, teacher salaries account for most of program operating budgets and yet, due to inadequate federal funding, the prevailing wages in the field are too low to attract and retain quality teachers. As the National Academy of Sciences noted in 2015 in its seminal report calling for a transformation of the early childhood workforce: "Persisting with the status quo for the professionals who do this important, complex work will perpetuate today's fragmented approach to the care and education of young children, resulting in inadequate learning and development, especially among America's most vulnerable families and communities." In Tulsa, we evidence our commitment to early learning by compensating all Head Start and Early Head Start teachers with salaries commensurate with what they could earn as public school teachers. To mirror the Tulsa success, significant federal investment in building the early childhood workforce is essential and is urgently needed.

Second, early childhood operators like CAP are improving results and access for children by coordinating with local schools and combining existing state and local funding streams to leverage federal resources. By working closely with state and local policymakers, we increase the impact of federal funds and influence state and local policies to support children and families. It supports our efforts when federal funding is strong, includes quality standards like those in Head Start and Early Head Start, and increases with rising needs. It hinders our efforts when federal funding streams are limited or declining and do not meet needs.

Third, existing levels of federal funding provided by Head Start, Early Head Start, Child Care

Development Block Grant, and Home Visiting Program are crucial, yet not sufficient on their own to cover the costs of high-quality services nor to reach the long waiting lists of children and parents who need them. Tulsa is an anomaly with the George Kaiser Family Foundation committing millions of private dollars annually to our local efforts and leveraging federal support; but the fate of low-income children and families across the country ought not depend on the presence and benevolence of private philanthropy. Additional federal funds are desperately needed to provide adequately for the full needs of existing children and parents enrolled in the programs, lengthen the number of hours and days that child attend, and to reach the long waiting lists of children and parents who qualify for the programs.

Fourth, despite all the successes we are so proud of, it is important to highlight that early childhood education alone--even starting at birth and continuing throughout the preschool years--is not a silver bullet. It must be followed by high-quality early elementary school education in order to maintain and build upon the foundation established and gains achieved in early education. In addition, it is crucial to meet parents' needs since children do better when families have stable income and parents are able to make ends meet with less stress. Child care while parents work is a crucial part of meeting parents' needs as well as children's, so it is important for Congress to reverse the trend of fewer and fewer families getting help paying for child care as a result of declining funding from core federal programs -- in 2015,373,000 fewer children received child care assistance than in 2006. In addition, investments in such areas as post-secondary education and workforce training, along with help for parents to meet basic needs such as health ,housing and nutrition are key to long-term success.

Fifth and finally, early care and education is a common sense, fiscally conservative, high leverage and high return investment embraced across party lines and among people with diverse perspectives. Legislators, policy makers, philanthropists, businesses, religious leaders, law enforcement, parents, educators, advocates, child development experts, scientists, and labor market economists, among many others have come together to lead progress for children. It is hard to find any other area of public policy in which such widespread agreement about the value and importance of federal government funding, leadership and support exists.

Let me conclude by quoting the words of a CAP mom, a victim of domestic violence with two young sons who is training to be a dental assistant in our CareerAdvance program: "I was a broken shell of a person, my identity stripped from me, I felt like a failure, but I knew I needed to start looking for work. Thanks to CAP I was able to find a wonderful therapist for my oldest son, who suffers from PTSD. The family support specialist helped me get a bed when my children and I were able to get an apartment, so I had a place to sleep. Then my youngest, who has a sensory processing disorder, has such amazing teachers who work with him and help him overcome obstacles when a average child his age would have no problems. I am no longer that single mom, who was broken, insecure and unsure of who I was as a person. I stand before you today as a proud mom, a proud student, a future dental assistant, and I hold my head high. I am no longer a victim of my past, but a victor of my future."

Mr. SIMPSON. I thank all of you for your testimony and for being here today to talk about this important subject. Obviously, it is of importance to our chairman, Mr. Cole, who had to leave, because he is the one that called this hearing. And it is important, I think to the members of this committee.

About 22 years ago, 24 years ago, something like that, when I was speaker of the house in Idaho, I became interested in early childhood education. And we had conversations among members about developing a pre-K program and so forth, but at the time we were just trying to get daycare licensed. And that took us a while to do.

But let me give you some statistics. Since we kind of loaded up with Oklahoma here, I will talk a little bit about Idaho. [Laughter.]

And these are not things that I am proud of, but this is the reality. Idaho has 111,707 children between the ages of 0 to 4 years old. Idaho is only 1 of 6, and now I understand reading this article, 1 of only 4 States that does not invest State dollars in pre-K.

Fifty-seven percent of all children in Idaho under the age of 6 have both parents in the workforce. Only one-third of Idaho's 3- to 4-year-olds are enrolled in preschool. Because Idaho does not have the State funded preschool, these programs include private preschool, special education preschool, Head Start, or childcare. Childcare and early learning teachers earn on average $18,280.

There are a couple of Idaho legislators—Christy Perry, a conservative Republican in the Boise area, and Hy Kloc, a Democrat—that are working together to try to get early preschool, pre-K education in Idaho. They could not get a bill introduced this year, but they had a hearing yesterday just to talk about preschool and the benefits of preschool.

The arguments against it that I hear from some of my colleagues in Idaho are, one, we are trying to improve K through 12, and that is where our dollars are going, and we do not have money left over to do preschool. The other one is that parents should take care of children until they are ready to go to kindergarten.

What would you, and I will ask this to any of you that would like to answer. What would you say to the Idaho legislature that is considering investing State dollars in preschool programs about the importance and what it can do for improving not only these children's lives, but what they are going to be spending later years on K through 12 and other programs in the State? What would you say to them if you were testifying before the Idaho legislature? Who would like to go first?

Ms. BROOKS-GUNN. Well, first, well, I would say 3 things in terms of pre-K. First, I would say that 80 to 85 percent of the public across the United States is in favor of pre-K. Consequently, the argument that parents feel that pre-K is encroaching on their rights as parents does not seem to be true given the overwhelming support for pre-K in this country. I am assuming Idaho would show the same 80 to 85 percent. That is the first thing I would say.

The second thing I would say is our mothers are poor, and those poor mothers are all working. They have to have childcare. If 80 percent are working, we have to have some sort of system to help these mothers when they go to work. If we are going to do that,

which we have to do, we ought to do high-quality care for the children.

So, those would be the first 2 things I would say, but let us see what Don would say.

Mr. SIMPSON. Don.

Mr. MILLICAN. Well, we had these conversations in Oklahoma with the legislature when the Oklahoma Early Childhood Program was developed and the Matching Program was developed where the State puts out $10 million, and we match it with $15. And the comments you said were the very comments that we encountered, and I said to them very much the same.

These children are in daycare somewhere already. Their mothers are working or you want them to be working because they are by and large going to be single parents. And so, do you want them in high-quality early childhood or do you want them maybe basically just being babysat without any kind of intellectual stimulation going on in a substandard daycare center?

And that resonated with the conservative legislators and brought about their support.

Mr. SIMPSON. Steve.

Mr. DOW. Our State in 1998 enacted universal pre-K, and we did that not because we had not invested enough in K–12 education, but because of the fact that decades of research has demonstrated that the gap that exists at the time of school entry is not narrowed. It only widens as kids go through the K–12 system.

And so, our strategy in Oklahoma was to attempt to narrow, if not eliminate, that gap before the time kids entered school. And I think much of our historical underinvestment in early childhood has been predicated on the fact that we did not fully understand how much learning goes on during those crucial early years, and how important it is to invest public dollars in the education of young children during the most formative time of their development.

And the evidence now is so strong on the science, and we also now have evidence and examples of what results we can get when high-quality programs deliver the extended services that children and families need in order to make sure that they enter school systems ready.

Mr. SIMPSON. Ms. Garner.

Ms. GARNER. Thank you so much. The families that we serve in rural America with Save the Children, often there is a mother at home. There is a grandmother at home. Somebody is at home with the children. And so, I would like to speak to the idea that the child should be with the mother until they start kindergarten.

Now, my mom grew up 1 of 10 kids in Dust Bowl Depression Locust Grove, Oklahoma, and she is the only one in her family to have gone on to college. And my mom always talks about she had such a lively house that was absolutely the perfect environment for early childhood brain growth. They played jacks. They sang songs. They recited Bible verses. They all could recite poetry at the drop of a hat. So, her brain had exploded. She knew how to work in a group. She had seen books. She knew how to color and sit still and listen to a story.

That is kindergarten readiness. She was ready when she went to kindergarten, and she thrived and identified herself as a smart girl, and went on. And thank goodness she did because it really changed my sister's and my chances in the world.

But these moms that we are serving, they do not have that environment for their children. The stressors are so overwhelming to them. The isolation is so overwhelming that it takes us going to their house week after week, brick by brick, and building a community for that mother, being the community for that young mom, and showing her you can do it, you can do it, you can do it with encouragement, with bringing books, with bringing toys, and bringing that life in that family and that house to life. Thank you.

Mr. SIMPSON. Thank you, and I appreciate those answers. With the help of this committee, frankly, in the past back when we did those nasty things called earmarks, we actually earmarked some funds for a program in Boise called the Lee Pesky Center for early childhood development and early childhood learning. It is the Early Child Ready to Read Program, and they have done some fantastic work, and that is great for Boise.

But Boise is, like, half the population of Idaho, and what do you do when you get to Salmon, Idaho and there are no programs for that type of thing? But your story about the child and rolling the ball, I do not think a lot of people understand the importance in those first development years of 0 to 3 of the brain development, and how you treat a child, interact with a child, you know, all of that kind of stuff, how important that is in the development of that child. So, thank you for being here today.

Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman. Just a couple of points before I ask my questions. Mr. Millican, you talked about evaluating programs. That is laudable, and I concur, except that you should know that the evaluation funding in 2016 for Head Start is $20,000,000. For preschool development grants, it is $1,800,000.

I will make reference to the comment I made in my opening remarks. This is budget dust. If you really want to evaluate programs, then we shut down those that are bad, and move forward with good ones, and put more efforts in there.

I also wanted to call attention to, a recent Health and Human Services study finds that tripling the Child Care and Development Block Grant funding could result in the employment of more than 652,000 low-income mothers. This investment promotes social mobility within and across generations so that the link between childcare and employment is critical.

But, Mr. Millican, Oklahoma has been the leader, and really it is very exciting. Mr. Dow pointed out Georgetown Center for Research on Children has found tremendous gains in school readiness, particularly for kids from low-income families, limited English proficiency. Impressive finding, proof that Federal dollars being used effectively.

Part of the success comes from the partnership with Educare learning. I know the history of Educare Chicago, the Beethoven Program, the amount of funding that went into making this really a first-rate education effort: emotional skill development, services

are provided, access to social workers, speech pathologists, nurses. The list goes on. Oklahoma has gotten it right, they really have. You have combined Federal, State, philanthropic resources with outstanding results.

A State investing $10,000,000 per year matched by $50,000,000 in private money. This is the largest public/private partnership in the country for birth to 3 childhood education. Oklahoma is so fortunate to have a foundation that is committed to providing necessary resources that support high-quality early learning opportunities for its youngest children and their families.

My question to you, Mr. Millican, is what about those communities that do not have generous philanthropies supporting this endeavor? We agree early childhood is one of the best investments. So, what I would like to know is how do we replicate your State's success in the places where private dollars may not be available?

Mr. MILLICAN. Well, I think you have to divide it into 2 categories. There are communities in which there is great wealth, but that great wealth is not being pulled into the process, and that is where I believe matching programs do very well. If you are able to say to the wealth in a community if the government gives this much, we will match you to the extent you give this much, that pulls in private philanthropy.

Obviously, there are communities that do not have that kind of wealth, and you have to deal with them differently. You cannot put——

Ms. DELAURO. How?

Mr. MILLICAN. Well, your grants have to be sufficient from the government to be able to fund it.

Ms. DELAURO. So, you need a substantial Federal investment——

Mr. MILLICAN. Of course.

Ms. DELAURO [continuing]. In those efforts. And you need a substantial Federal investment pretty much in any community that we are talking about, but if you had the adjunct of a philanthropic private dollar effort. But talk from a business perspective about the Federal investment and what that needs to be.

Mr. MILLICAN. Well, I mean, it is critical obviously. What we are doing even through the George Kaiser Family Foundation could not be done without the Federal dollars that are coming in. As a foundation, we are involved in Educare. We are also heavily involved in Mr. Dow's organization, Community Action Project. And a substantial portion of the revenues coming to both of those organizations is coming from Federal dollars. It is also coming from State dollars. It is also coming from philanthropy. Each of those three are critical to the process.

Ms. DELAURO. And let me just see if we are on the same wavelength here. Whether it is Federal, private, in a public/private partnership effort, that, first of all, if you want to do early childhood development, early childhood education well, the whole childcare piece, it is not on the cheap.

Mr. MILLICAN. No.

Ms. DELAURO. Is that right?

Mr. MILLICAN. That is correct.

Ms. DELAURO. It is not on the cheap. It is an expensive proposition.

Mr. MILLICAN. Yes, absolutely.

Ms. DELAURO. And that the commitment, both of the Federal dollars and private philanthropies, is critically important. But we sit here from the Federal perspective. This is our bailiwick. So, will you concur that we cannot do this on the cheap?

Mr. MILLICAN. I agree. It is an expensive program that we could each speak to. If you take the public out of it, it is only private. I mean, it is a public/private partnership.

Ms. DELAURO. If we do it on the cheap, what are the consequences?

Mr. DOW. Well, I think the short answer to the consequences are that we do not get the results that we do when we do it robustly and well.

Ms. DELAURO. But in terms of our children, what does that mean?

Mr. DOW. Well, it is devastating for the children, and then it undermines public confidence that early education works because we say, oh, we did it and it did not work, when, in fact, we had not done enough to really meet the needs of the children in a way that clearly evidence-based programs have demonstrated can work.

Ms. DELAURO. Ms. Brooks-Gunn.

Ms. BROOKS-GUNN. Yes. If our goal is to narrow the achievement gap at age 5 and 6, I would say the same thing that Steven said. You cannot do it on the cheap. And, in fact, if you try to do it on the cheap and you do not narrow that gap, then you basically have taken a whole group of kids who have not had what they need to succeed, and they are not going to do as well in school.

So, we know enough in terms of what to do. Yes, it is expensive, and it needs to be done for more than 1 year. That is particularly important.

Ms. DELAURO. We have heard from Mr. Millican. I do not know if Ms. Garner wants to say something about this. I do not know, the question being doing this on the cheap and what are the consequences.

Ms. GARNER. I think I concur with them.

Ms. DELAURO. Fine, yeah. Thank you. I would love to share with you the Young Child Tax Credit legislation, which would provide $3,600 to low-income families, and just get your sense if this is a way in which helping to deal with families being able to——

Mr. DOW. Make sure if it is a tax credit for low-income families that it is refundable.

Ms. DELAURO. It is refundable, my friend, and it starts at the zero dollars. I will get it to you so you can see it. Thank you.

Mr. SIMPSON. Mr. Fleischmann.

Mr. FLEISCHMANN. Thank you, Mr. Chairman, and welcome to all of the witnesses. I want to thank each and every one of you for being here today and for your advocacy. Ms. Garner, I want to particularly thank you. You have visited my district, the 3rd District of Tennessee, and I really appreciate your advocacy on behalf of children.

I wanted to address you today and for our guests and talk a little bit about some major issues, especially involving computer science

literacy, and to impart some of my experiences in that regard. But to lay out my district, it is an East Tennessee district. My largest city is the greatest mid-sized city in America, Chattanooga. There is Oak Ridge, another large city, but there is a tremendous rural area as well. It runs from the Georgia border in the south to the Kentucky border in the north, so it is large geographically.

Recently, I had the opportunity to go to a school. I went to a 2nd grade class. And for the benefit of my colleagues, going to a 2nd grade class is truly incredible. 2nd graders were teaching me how to code with computer literacy. It was outstanding. The optimism, the idealism, and the potential in that classroom was truly incredible. We had members of the Fourth Estate with us there that day, and we had other civic leaders. It was just such a positive, positive experience.

So, I want to thank you for all you are doing because if you get out into the schools and you actually get out and reach the children, you will actually see the tremendous potential that we have got. So, I know we have some very different ideas somehow to get there, but it is important that we get there. So, I really appreciate that.

In Chattanooga in particular, I want to call attention to the Enterprise Center. The gentleman, Mr. Millican, referred to some of the important public/private partnerships, and Chattanooga is a particularly philanthropic community. And what we do, we not only leverage public dollars, but we leverage private dollars, and we make sure that we get results.

What the Enterprise Center is actually doing, which is incredible, is offering free computer literacy classes to children and to parents. It is truly outstanding. And this is just one small component of workforce development, which is critically important to this very large subcommittee. But this experience enhances the lives of the children and the parents in many different ways, but it is working. It is working, but there are some challenges in the rural areas. We realize that, but we are all working in the right direction.

So, I am very proud of our work, not only on this subcommittee and on the full committee. So that you know, we handle all of the discretionary spending in Congress, so it is critically important. You are talking to the right policymakers. But my question would be, as an advocate for computer science literacy, do any of you emphasize the use of technology and computer science literacy? If so, how, and has it been successful? And I will open that up to all the witnesses.

Ms. GARNER. Thank you so much. I would say that if you are talking about birth to 5, and I am interested to hear if you guys agree with me, the learning really takes place with eye-to-eye contact, and it is all about the serve and return relationship.

And so, I met a young mother once in West Virginia who told me that she had been taught to swaddle her baby, and she was so proud of it. And she said that she put her baby right in front of the TV so that it could hear words and learn how to talk. But that baby did not babble, he did not make a noise, because what he needed was to be held in his mother's arms and to hear the babbling from her.

So, for us, while I am sure that science and technology can play a role, we are trying to get kids ready to enter that 2d grade classroom. By 2d grade, you are too late. We are trying to get kids so that they can sit still long enough to sit through a lesson, and sit through a frustration, and sit through groups learning something that might be tricky for them.

And I do not mean to speak for all of you, but that is how I see things with Save the Children.

Mr. MILLICAN. Social-emotional skills are really key in that age that need to be developed so that they really can function in the future. Obviously, you are right, technology skills are crucial for any person to do well in life these days. There are a lot of public/private partnerships that do that. The KIPP Program, for example, is one that we have in Tulsa that is very much into that as well as a very concentrated educational effort.

But when it comes to birth to 3, birth to 5, it is really going to be the social-emotional skills that you are really trying to focus upon.

Mr. FLEISCHMANN. Thank you.

Ms. BROOKS-GUNN. I would like to put a plea in for our programs for our 3- and 4-year-olds. A lot has been done on trying to introduce more math and science. A little different than your computers, but it is getting more into the STEM work.

And some very interesting intervention curricula have been developed for our 3- and 4-year-olds that are very effective. And when you go into a classroom of 3- and 4-year-olds, teachers are not doing much with math and science, so they really need the curriculum to get them to do more math and science.

So, I think by the time kids are at 3, we can really think about it, and we have some good work being done, so I am happy to share what is done. I have a chapter in Our Future of Children on STEM and what is being done with the 3- and 4-year-olds, though I agree with these guys, Don and Jennifer. When we are talking about mothers interacting with kids, we are talking about talking, not putting them in front of TVs.

There are some really amazingly clever studies where they have tried to have kids learn from little Sesame Street vignettes without the mother interacting. The kids do not learn unless—if you are doing a Sesame Street or whatever—unless the mother is interacting with the child looking at Sesame Street. So, that is the piece when the kids are little where you have to have the mother involved.

You can do something with media, but the mother has to be involved, not just plopping the child in front of the TV.

Mr. FLEISCHMANN. Thank you.

Ms. BROOKS-GUNN. If you want more on STEM, some really neat stuff is being done and rolled out in preschool classrooms across our country.

Mr. FLEISCHMANN. Thank you.

Mr. DOW. In addition to the early math work that we have done, building on Professor Brooks-Gunn's comments, which we have done, implemented in evidence-based building blocks math curriculum, again, long-term academic studies have shown that children's entering math skills are highly predictive of their later

school achievement. And historically, early education programs have not emphasized and taught enough math skills, so that is really a foundational building block to, I think, the kinds of uses of technology that you are using.

I will also note that when we do direct child assessments, increasingly for our older children in our centers, they need to become proficient with being able to use the technology, which often does not exist in their homes, because many of the most cutting-edge, online, direct child assessments are done on tablets and on computers. So, we are actually having the preschool-age kids begin to learn those skills.

Mr. FLEISCHMANN. Thank you. Mr. Chairman, I yield back.

Mr. SIMPSON. Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman. Appreciate it. So, what I would like to do, and thank you to all of our guests today, is talk a little bit about Wisconsin. Since we had Oklahoma and had the Idaho experience, let me share a little bit about my district.

So, I have been to a number of the programs from cities like Madison—230, 240,000—to Monroe—13,000—to Beloit, which is about 36,000. It is probably one of the more economically depressed parts of my district. And, you know, when you talk about the silence of poverty, I have done the home visits, too, so I know what you are saying. I think you made it very illustrative of what I have experienced. I am glad you said it the way you did.

What is interesting about Beloit is not only do you have that poverty and the waiting lists they have to get into that program, but the day after I visited the Beloit Program, a stray bullet went through the window at that school because of the very tough neighborhood that it is in. So, this is the reality for a lot of the kids who are in Head Start.

But I want to go back to that waiting list that they had at that Beloit school of well over a hundred kids who would like to get into that program but cannot. We saw the cuts through the sequester and the effects that they had, I think, on all the different Head Start programs across the country. And, now, you know, we have got a budget that, while it was just showing the skinny budget, I guess, from the President this morning, and while they show if you spend $54,000,000,000 more on defense, you are going to see the cuts of the 10, and 20, and 30 percent in a lot of other things that, quite honestly, are under the jurisdiction of this committee.

And even the education cut is misleading because there are some additional dollars being put in on private vouchers, something that I could ad nauseam about because we have that terrible experience in Wisconsin. The cuts are actually even deeper then. So, what I am worried about is what that means to Head Start and Early Head Start because we have had the same success results in Wisconsin like you have talked about.

So, I guess you all approach Head Start from different capacities. I was just wondering if you could all discuss a little bit about the impact of the cuts we already saw with the sequester and what would happen if there were even deeper cuts to this budget, what that would mean to the program and to the Head Start students across the country. If you could each just address that very briefly.

Mr. DOW. Well, as a director operator, a colleague of ours, Solar Learning, operates programs, I think, in your home State in Wisconsin, and they do an excellent job.

I think all of us that are trying to operate high-quality programs that would be facing those kind of cuts, would be having to make very difficult choices. Already we have very long wait lists. We have got 1,300 infants and toddlers who are on our wait list waiting for Early Head Start services. To imagine not being able to serve kids that are currently enrolled and increasing the wait list is just devastating knowing what the long-term costs to society are by neglecting to invest in children during their earliest years.

I think that is the part that is often missing is the avoidance costs, the costs that we pay later for society by not investing in children when they are young.

Ms. BROOKS-GUNN. What you are going to see, I am not pretending I am running a Head Start agency. I am not like Steven, but let us pretend I am. I mean, what is going to happen is I think slots for 3-year-olds will go away if we do cuts. We may go back to more part-time programs, half-day programs for Head Start. That is a real problem for parents who are working. So, to go half-day programs is not going to be very useful. Also, half-day programs seem to have less effect because the kids are getting less education.

So, you are going to see Steven and people making very difficult decisions. But what is going to happen is probably the 3's, and we will go back to more half-day programs. We really have gone away from that in the last 15 years, and most programs are full day, which is something we advocate from our research.

Ms. GARNER. As I visit our programs across the country, which I make a point to try to get out and do as many site visits as possible. And so, lately I have been to Mississippi, Tennessee, West Virginia, Kentucky, South Carolina, and that is in the last year or so. And every single place that I go where Save the Children has been asked by the Federal government to take over some Head Start programs to increase the quality, we have had great results.

But mothers come up to me and say, can you help get my child into these programs? Can you just nudge us up on the wait list? Is there anything you can do? The thought that I would have to go back to these mothers and say, well, no, there is nothing that I can do. I am sorry. As a matter of fact, your neighbors will no longer have the programs that they have relied on and gotten so much from.

These mothers know, and families, not just mothers, but I often see the mothers. But these families know what it is to have this intervention, and they know what they are losing when it is gone. And I will have to answer to it, so that is what matters to me selfishly, sir.

Mr. POCAN. Thank you.

Mr. MILLICAN. From a, I guess, just business perspective, going back, Ms. DeLauro, to your comment, the worst answer would be to do a half job with the same number of kids. The right answer would be to do a great job with fewer kids. And so, rationally that is the right answer, which means you just have fewer kids served.

Mr. POCAN. Thank you, Mr. Chairman.

Mr. SIMPSON. Mr. Moolenaar.

Mr. MOOLENAAR. Thank you, Mr. Chairman. And I also want to thank our guests for being here today and for your advocacy on behalf of our children.

One of the things you have talked a lot about is the need for funding, and you have talked about public/private partnerships. And one of the barriers that I see when it comes to expanding the Federal role or even government's role is this whole idea of sort of religious liberty. And I want to ask you, especially Ms. Garner and Mr. Millican.

Ms. Garner, one of the things you mentioned was your mother grew up singing songs, learning Bible verses, kind of the values. And then, when you consider that the more you get the government involved, the less you are able to do some of those kinds of things in terms of instilling values kind of in the next generation.

And I think a lot of people who would support the idea of having children in a quality environment, you know, young people being with people who care about them, being read to, you know, kind of fear the idea that if it is a government-driven thing, then you lose sort of the religious liberty aspect of the training of children. And I am kind of wondering, and, Mr. Millican, you quoted Isaiah and talked about the oppressor. Some people would say that the government could be the oppressor and kind of crowd out the opportunities for religious liberty.

And so, what I am wondering is if you have encountered that as you have, you know, worked in Oklahoma, and how you have done it. Because I think there is a space where you can have the government involved providing leadership, but still have the freedom for parents who may want their child in a faith-based kind of program. But as you get the government funding involved, that creates somewhat of a difficulty. [Laughter.]

Ms. GARNER. Thank you so much. My children have gone to a wonderful preschool in Santa Monica in California, and they go to a wonderful Sunday School at the Methodist church that my family attends nearby. And for us, those are separate issues. But without the social-emotional component of preschool that you get from being part of a group and from having a teacher there who is attending to your social-emotional needs and growth, then Sunday School cannot have the same efficacy for you and cannot have the same kind of meaning.

So, while, yes, perhaps they do need to be two separate things, certainly one can benefit from the other.

Mr. MILLICAN. You have to remember, Oklahoma, we have no blue counties at all. I think we are the only State in the Union that had no blue counties.

So, we are a very conservative State. We are a religiously-focused State, and yet this kind of emphasis is being done in Oklahoma. Part of that is because there is a recognition that these children who in poverty are not going to really have a lot of options. I mean, they really do not have religious kind of preschool options that are going to give them the kind of training they need to be able to develop the social-emotional language skills that they require to have a chance in life.

And so, this kind of focus is not for the broad population of everyone in Oklahoma. It is for kids who have these specific needs, and they need this kind of upbringing within that educational system. So, and you look at the communities even that are involved, particularly the African-American communities, and the robustness of their churches. I mean, they have a strong faith community that they are a part of in every sense.

So, this is just really focusing on the specific needs that these children who are in poverty must have. And although I recognize the view that the government can and sometimes is the oppressor, in this case it is poverty that is the oppressor.

Mr. MOOLENAAR. Thank you, Mr. Chairman. I yield back.

Mr. SIMPSON. Thank you. Ms. Clark.

Ms. CLARK. Thank you, Mr. Chairman, Ranking Member DeLauro, and thank you to this panel. You are the perfect antidote, as we see what I refer to as a starvation budget coming forth from this Administration.

And I remember a few years ago in a Head Start Program in my district, I worked in early education on the policy side for many, many years, and it was very easy to schedule a visit with them, which I thought was unusual. It is usually very complicated. And that is because when I got there, because of funding cuts from the Federal government, there were no children. So, they were ready to go, but they had to close 2 weeks early and start 2 weeks late in the academic year in order to meet the budget that had happened.

And that is not only catastrophic for the children in the program, but for the parents who are trying to put together their work schedules and need that reliability. And as you have all highlighted, if we have a brain development gap, then we have an achievement gap, and then we have a jobs gap, immediately for the parents and further on for those children as they grow up and enter the workforce. So, I commend you for the work you are doing, and thank you for your critical testimony today.

One of the questions I had first for the panel, anyone who wanted to take it on, was the citing that you had about 38 percent of eligible children do not receive the services they need. Yet we also have this conundrum in early education where I remember the day I realized that my entire salary was going to childcare, and that was a discussion my husband and I had to have. But it is one of the highest costs for working families, and yet we have very low wages for the childcare providers and early educators.

Is there a way to address this 38 percent and this conundrum we have without increased funding from the government?

Ms. BROOKS-GUNN. No. [Laughter.]

Ms. CLARK. It could be that simple.

Ms. BROOKS-GUNN. Sorry. I had to think. I am thinking about the 38 percent of the mothers who are eligible for the childcare subsidies, right? We need to get those because they are eligible now. We need to get those mothers in so they are getting some childcare subsidies. So, I do not see how you address that without bringing them into the program since they are eligible.

Again, I think there are many reasons they are not coming in, one of which is the subsidy is not enough in most States to pay for

center-based care. It is enough to pay for kith and kin care, ok, so if you have your family helping your child. But it is not enough to get kids into more formal educationally-oriented care.

And actually, I had a—oops. He is gone. Steven and I were talking. We think the Child Care Development Block Grants can be used—somebody tell me if this is wrong—for preschools and programs that are run by religious institutions.

Ms. CLARK. They can.

Ms. DELAURO. Yes.

Ms. BROOKS-GUNN. Yes, right. I am right. Yes. So, I had meant to say something, but, in fact, you can use those funds that way.

Ms. CLARK. That is right, and we do see that. But I have also never seen outside of a program that was specifically a religious program that parents could choose to match their faith, any religious content or curriculum in any early education environment that was not specific and upfront about that.

Mr. Dow, I had a question for you. One of my interests is trauma-informed care, and I know that you have done some good work. And I am hoping you can share with us some of the challenges and some of how you have been able to address that in your program, because we know it affects suspensions, discipline for small children. We have seen over in Massachusetts in 2015, I believe, over 650 suspensions and expulsions of preschoolers.

And we know that a lot of this behavior exhibited is trauma, and it is also how do we address the trauma within the providers and within our professionals who are early educators.

Mr. DOW. Thank you for the opportunity to respond to that question. I think that those are the kids that we worry about the most because those are kids that have undergone the enormous, what Professor Jack Shonkoff at Harvard's Center for the Developing Child, has called toxic stress, are ones who are facing the most difficult circumstances.

And often, the kinds of behaviors where they are developmentally really require an additional set of supports beyond which are needed by the kids who "merely" are coming from low-income households. And so, we wrap those children with a lot of additional supports, including mental health services, to really help get at what the underlying issues are that are causing the children's behavior and developmental difficulties.

And so, those additional services cost more money, and that gets exactly to the kind of quandary that we face where in order to serve the most at-risk children, the most at-risk children require more services, and, thus, costs more per child. And so, I think the concern about not having adequate funding is that in the tough choices we would need to make, that those are the children who would not get the kinds of services that they need, and that we know if provided at the early stages, really help avoid later problems that they have.

Ms. CLARK. Thank you. My time has expired. Thank you, Mr. Chairman.

Ms. DELAURO. If I can ask the chairman for a second. I do not know. I will get this to my colleagues. There is a wonderful document, and I am going to presume that the panel has this, "Opportunities to Change the Outcomes of Traumatized Children," which

was distributed in 2015, the childhood adversity narratives, put together by Frank Putnam, Alicia Lieberman, William Harris, people who are experts in the field, like all of you.

And if you do not have it, I will get it out to the full committee because it really addresses the issue of how policymakers, teachers, law enforcement people understand what these childhood adversity narratives are, and to help understand how you can address them and provide a better outcome for kids.

Thank you, Mr. Chairman.

Mr. SIMPSON. Ms. Roby.

Ms. ROBY. Good morning. Thank you all for being here. I really appreciate your time. I told my husband this morning on the way to school, Ms. Garner, that you were coming before our committee. And I have to tell you that our 11-year-old daughter was flipping out because in her Bible class today they are watching Miracles from Heaven, so she thought that was super cool. So, thanks for giving me some street cred in what I do. [Laughter.]

Ms. GARNER. Thank you.

Ms. ROBY. But I do appreciate all that you do. And before I served in Congress, I served on the city council in my hometown, and served as an advisory member to the HIPPY Board, and got to see firsthand what home instruction for parents of preschool youngsters does, and that interaction that you were discussing of teaching parents the skills about how to interact directly with their youngsters getting ready for preschool and, of course, kindergarten readiness.

So, I have seen that firsthand, and then, of course, just being a mom myself and having two children that were exposed to a wonderful preschool program that did provide them the opportunity to be ready when they went to kindergarten.

When we talk about Alabama and winning, you often think football. In this case, we are actually talking about winning in our first-class pre-K program. Alabama for the past decade has exceeded the measures required, either met or exceeded the measures required by the National Institute for Early Education Research. And so, their voluntary first-class pre-K program is something that we are really excited about in my home State, and something that we are getting right. And I hope that we will continue to see those types of priorities at the State level of our leaders that we elect locally on that.

But, Ms. Garner, I wanted to give you an opportunity to talk about, because so much of my district is rural. And even though we are excelling, there are still challenges. There are barriers and difficulties in accessing, some of these families, in our rural communities. And so, I wanted to give you an opportunity to just talk about some of those barriers and difficulties, and then what can we here in this subcommittee help do to overcome those.

Ms. GARNER. Thank you so much. I really appreciate the chance to talk about this. I met with your governor, Governor Bentley, just a couple of weeks ago.

Ms. ROBY. He tweeted about it.

Ms. GARNER. Did he? Oh, good. I love to be in the tweets.

Ms. ROBY. He was very proud, too. [Laughter.]

Ms. GARNER. He is the only, I think, physician governor right now, and he was so smart about early childhood, and spoke about going in and seeing a child as a physician when they were 6 months old, and how responsive they would be and excited to see him, and giggly, and appropriate. And then seeing that child again a couple of years later, the same child, and that they had been dulled, that they almost just did not even look up or respond at all.

A couple of things that Governor Bentley said about early ed, he said early education money is the only money well spent in education. And he said if government is about improving the lives of our people, you have to recognize children cannot look after themselves, and you have to put something in that little brain when it is ready to receive it. So, I am a big fan of his and of everything that your State is doing. Thank you.

Rural poverty is an almost intractable problem. The families that I visit, I visited a family who lived on a cow farm in a trailer, and they were 20 miles from the nearest town. And the father of this child worked at the cow farm at night, and so, slept in the trailer during the day, and the mother was stuck with her little toddler in this trailer. Her surrounding area was not very pleasant. It did not smell good. There were a lot of flies. It was not particularly safe. And so, she was stuck trying to keep this child quiet in a very small area. And I naively asked, "Why do you not go and see other moms," and she said, "We cannot afford the gas. We go to town once a month."

So, that is quite a problem, but, man, did that little one know when it was Tuesday because on Tuesday the home visitor showed up. And the home visitor brought bubbles, and the home visitor brought books, and the home visitor brought Hot Wheels, and helped the mom make out of just old cardboard and paper lying around a little garage where they wrote the numbers 1, 2, 3. And the little boy got to stack the cars, and learn to count with them, learned his colors on them, right there in front of me.

And the mother had a blast with that little boy. That was not a day where she had a problem keeping him occupied and quiet. And she said that they played with that week after week after week. They built on it. It gave them a seed to grow from.

So, certainly the home visitation model is expensive. It is brick by brick. It is child by child and family by family, and retaining really good home visitors is a huge part of the problem. We train them like crazy, and then they have this new training, and lucky for them they go on and get other jobs, but consistency is key. But it is so incredibly effective. And when there is no center-based education possible, and when the mother is just stuck somewhere with the child, which I see over and over all over this country, there is nothing like just going to them.

Ms. ROBY. Well, thank you, and my time has expired. Thank you all for your contributions today to this conversation, and I will make sure and tell Margaret that I got to tell you she said hello. So, thank you all very much.

Ms. GARNER. Thank you so much.

Ms. ROBY. I yield back.

Mr. SIMPSON. Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. OK. Thank you, Mr. Chairman. First of all, I want to associate myself with the comments made by my colleague, Ms. Clark, about of the value of the work you do, and to thank you for that.

And I have to say that sitting here and listening to you talk about the value of early education, about home visiting programs, and knowing that we just got a budget that has recommended an 18 percent cut to HHS, which is really going to devastate the very programs that we are here talking about and the important value to our children, is truly heartbreaking. And I am hoping that through the work of this committee, somehow we can find some way to at least provide some level funding for some of these programs that we are talking about.

You were just talking about the home visiting programs. And, you know, as has been stated, they are among the most effective social programs at reducing poverty, of strengthening parenting practices, and improving school readiness among children. And just for the record, I just want to state that as a Californian, I am particularly concerned about the impact that this budget may have on these home visiting programs because California, for example, depends on home visiting funding from programs like Early Head Start, Medicaid, and the Maternal, Infant, and Early Childhood Home Visiting Program, which is also known as MIECHV. And Speaker Ryan's draft bill for the ACA replacement reduces Medicaid health coverage, and does not extend the funding for MIECHV past fiscal year 2017.

You have already talked a little bit about the values of the visiting home programs and how important they are to the development of children. At a minimum, I am hoping that this committee will be able to at least level fund the Early Head Start Programs in spite of this disturbing budget that we just received.

And I just want to know if any of the panel wants to add more with regards to the value of these Home Visiting Programs as a way for us to have more ammunition to fight for the level funding.

Ms. BROOKS-GUNN. For ammunition, I can certainly send you some of the work, if that would be helpful, from the Early Head Start national evaluation, as well some work we have done looking across home visiting programs to look at the efficacy. And that is the kind of thing you might want, and I would be happy to send that to you because we have done research. We evaluated HIPPY years ago.

But we can send you what we have, which you could use because that is what I think——

Ms. ROYBAL-ALLARD. I would appreciate it. I do not know if there is anything that you want to say to this committee that has not already been said about them.

Ms. BROOKS-GUNN. It works. I think the points that you guys brought up is that Early Head Start is sometimes the Home Visiting Program and sometimes center-based care. And I think it is very important that we are focusing on the different needs of families in rural and urban settings, and that for Early Head Start, Home Visiting Programs in the rural setting are usually what is initiated for all the reasons that people have talked about, and it is very important.

Also, realize that you guys funded a huge national evaluation of four different home visiting programs, and that report will be coming out in March of 2018. I think it goes to HHS before that. I am part of the group that is doing that. So, that will be more evidence coming from this very big HHS evaluation.

Ms. ROYBAL-ALLARD. Thank you. I would appreciate it if you would send that information.

Ms. BROOKS-GUNN. And it might not be coming fast enough for you guys. I am sorry. But it will be done, and in a year from now you guys will have it.

Ms. ROYBAL-ALLARD. OK. Thank you very much, and I see my time is up.

Mr. SIMPSON. Ms. Herrera Beutler.

Ms. HERRERA BEUTLER. Thank you, and I think I can give this to the group. Multiple longitudinal studies and ROI research show that investing early can reduce risk factors on social, psychological, emotional, cognitive development for kiddos, and improve school readiness.

What I am interested in understanding is, it does not matter if we had a money tree in the backyard, money is always going to be limited, so we have to be efficient. We have to fund what works. And I want to understand how you think we can make sure that the funding is directed to programs that support those high-quality interventions birth through 5.

Specifically, with Early Head Start, childcare partnerships, and for kids with disabilities, because I have seen this visiting program, maybe not as much in like rural poverty areas, but for kids who have cognitive challenge or even physical challenges. And so, you know, they are targeted more at helping those kids get ready in a different way.

So, I guess I want to hear how you think we can target what we have got. We are fighting to make it as much as we can, but we do not have a money tree, so we need to make it as effective as possible. So, that is to the group.

Mr. DOW. I will just say from a provider standpoint, the most excruciating decision that we make is which children to admit into the program. How do we compare the various risk factors of a child who is developmentally delayed against the needs of a child who is a victim of household of domestic violence or is experiencing substance abuse, or is in a household of a working mom who is trying to work two or three jobs to put bread on the table?

And those are the kinds of choices that because the Federal government's commitment is so miniscule compared to the level of need that is required, that is left to program operators like ours to have to make.

Ms. HERRERA BEUTLER. And can I ask, too, what you feel like in terms of the State commitments or State shares should be or could be? You know, I was a State lawmaker, too, and this was a big part of our focus. How does that play in?

Mr. DOW. Well, I can describe what it is like to be in a State that has a boom and bust cycle that, notwithstanding the fact that we committed to fully fund universal pre-K back in 1998, the per pupil expenditures in Oklahoma since 2008 have declined the most of every State in the country. We have the lowest teacher salary,

among the lowest teacher salary levels in the country. And it is extraordinarily hard for public school systems to find, much less retain, teachers who often themselves experience the high cost of early education because they have young children of their own.

Ms. HERRERA BEUTLER. Oh, yeah. So, I think it is terrific to imagine that the Federal Government can help stimulate additional State and local investment, but I think it is dangerous to imagine that State and local governments are going to take the place of significant Federal investment.

Let me switch gears a little bit. I am southwest Washington State. Washington State is my district, and we have over a thousand Head Start students and 270 Early Head Start students. And last September the Department of Ed had a ruling that required all Head Start programs to offer full-day and full schoolyear services by 2021. In an 8-hour day, the programs that we had were offering 2 tranches, 4 hours for each kid, and they were doing it well. Now, they are coming to me saying, you know, we are going to kick kids off by having to go to a 6-hour day, and we are hard pressed for funding and space.

Do you see, I guess, the flexibility for some of these programs? Like you said, you are having to make decisions about who gets in and who does not get in. It seems like the flexibility to say, well, we are going to be able to serve more quality, or maybe we can do 6 hours.

Mr. DOW. So, the biggest criticism that Head Start has received is that its impacts are not strong enough.

So, in response to those impacts, I think the new performance standards suggested that children needed more hours of the day and more days of the year.

Ms. HERRERA BEUTLER. That is interesting.

Mr. DOW. And that costs more money. And so, I think then for Congress not to invest the additional money in order for programs to be able——

Ms. HERRERA BEUTLER. So, I apologize. I have to reclaim my time on that. One of the things we have learned to, and actually I probably should let it go, is that it is not always the quantity of time. It is the quality of time. And, again, that comes back to how do we make these hard decisions and get it right versus just, oh, let us increase hours. We can throw a lot of money at it, but we need to make sure, like you said, somebody said it, the trained teachers, and we need to retain them and build those programs.

So, with that, thank you. Thank you all.

Mr. SIMPSON. Thank you. I will go to Rosa, second round.

Ms. DELAURO. Thank you very, very much. Just a couple, three things here.

Dr. Brooks-Gunn, if you could send the work that you have done in terms of the maternal employment and child development piece. I think that that is very critical and critical to this committee.

Ms. DELAURO. I will make one comment about the HIPPY Program. I made this to the chairman. My daughter, Kathryn Greenberg, came home to us. She said she was going to work for the HIPPY Program, and my husband and I looked at each other and said, what is she doing. [Laughter.]

Home Improvement Program for Preschool Youngsters, I would also add founded by Hillary Clinton as the First Lady of the State of Arkansas. It is a tremendous program.

I want to just say, Steven, I want to just say thank you to you because the topic here this morning is about the Federal role in early childhood education. There is a strong Federal role to be played. You commented about that, and that we need to increase that Federal role. Otherwise, we do it at our peril is what I can understand.

And I mentioned my State of Connecticut early on. We had to throw kids off because there was not Federal money to deal with the new requirements that the Department of Education had made in terms of quality, in terms of the time there. So, I am appreciative of that.

Ms. Garner, if I can just get from you your Early Steps to Success. This is a program that, you know, you are engaged and involved with, which is very critically important.

Ms. DELAURO. Let me get to, if I can quickly, Ms. Brooks-Gunn, I wanted to just mention non-cognitive skills. And that gets to some of the things, Ms. Garner, that you are talking about, how comprehensive services are offered by Early Head Start, support babies, toddlers who are vulnerable to experience trauma in the home, abuse, neglect, poverty, homelessness, mental health difficulties.

What impact does participation have on children exposed to trauma and their families? What additional research needs to be done? What makes a program successful in fostering emotional development in at-risk kids in helping to develop non-cognitive skills? Go ahead, yeah. Start, and then anybody else who wants to.

Ms. BROOKS-GUNN. Well, there are two things. One really has to do with what we would call the nurturing that some kids are not getting at home. And so, what you need are caregivers or home visitors that are incredibly nurturing. So, that is one piece. You might call that attachment, but let us just call it nurturing for now.

The second has to do with new programs that have been developed. In fact, Future of Children is doing a whole issue on social-emotional programs that seem to be useful in terms of helping kids with social-emotional functioning, particularly what is called executive function. And I am happy to send you guys——

Ms. DELAURO. Please.

Ms. BROOKS-GUNN [continuing]. Some work on that.

I think my testimony is too long, so I cannot add any of that in it. But these new programs that have been developed that get incorporated into ongoing home visiting or early childhood education programs are showing effectiveness. So, that is the good news.

We have got more on our plate that we can offer today than we could a decade ago. People were not focusing as much on non-cognitive skills at that time. So, we have made huge progress, and some of these programs are terrific, you know. You imbed them within an existing, again, home visiting or early childhood program.

So, I can send you stuff on that.

Ms. DELAURO. Please. Please do. Jennifer.

Ms. GARNER. In West Virginia, my home State, we had historic floodings this year.

Ms. DELAURO. Yes.

Ms. GARNER. I am sure you heard about it. There was a year's worth of rain in one day, and Save the Children raised money. We raised about $1,500,000 to address the needs of children in the State, and, of course, there were a lot of very immediate needs.

But the bulk of our disaster relief funds really ended up going to trauma care, and to the social-emotional well-being, and training the teachers and parents to recognize children who had been traumatized by being displaced from their homes, by the fear of rain, by losing a family member, watching their sister wash away. I mean, horrible, horrible things happened to a lot of children in the State.

And we found that the money was best spent for the future of these kids to go backwards and to, like you are talking about, to imbed social-emotional learning, and trauma care, and nurturing, and talking about feelings into the programs that we already existed.

And I will mention also that Jack Shonkoff, who is a mentor of mine, talks about that there is evidence that one mentor, parent, special teacher, someone in a child's life can inoculate the child from the stressors in their home. And so, I mean, if you think about kids who come from really horrible backgrounds, they always say, oh, I had this one teacher, I had this one incredible teacher that made such a difference in my life.

So, it is about celebrating those teachers as well, and helping the parents become that protector of childhood for the kids in their homes. Thank you.

Ms. DELAURO. We did not get to talk about full-day, full-year funding of Head Start. If any of you have thoughts on that and can get that to us. That is important in terms of the equation of Federal dollars and the usefulness there.

If I can, Mr. Chairman, let me say this because my time is up, and I know you want to close. There are a couple of things here. Ms. Garner, you talked about poverty being silent. I think it was you, Mr. Millican, who talked about poverty is the oppressor. And I think that we really have not, and I say "we, and I am talking about at the Federal level, some have not come to the realization of the level of poverty.

And there are those who would say that the poverty has continued, you know, for decades upon decades, and refuse to believe that any of the programming that has been done probably since the 60s, that have lifted people out of poverty through a social safety net. Whether we deal with early childhood efforts or whether we deal with food stamps, any of those programs that, in fact, child tax credits, refundable child tax credits, have lifted people out of poverty to a great extent.

The job is not complete because poverty is oppressive. It is silent. And you are focusing and putting a light on it and putting sunshine on it is enormously helpful for those of us who have to make policy decisions. And the fact is, and I think to a person, you have said that really it is our responsibility in terms of reviewing that Federal role in early childhood education and what role we can

play, because it is development, childhood development, and what we can do in delivering high-quality programs for young children and for families.

That our responsibility is a moral responsibility to increase the level of Federal funding that we provide to these families and to our kids in order for us to allow them to be able to succeed in the way that all of us have had a chance to succeed. We cannot deny their chance to succeed or having a selfish choice of which children will get an education and which children will not have an education, and ration our education dollars to the children of this country.

Thank you enormously for what you are doing. Thank you.

Mr. SIMPSON. Ms. Clark.

Ms. CLARK. I do not know if I should really go back to questions after that, but I do want to go back briefly. Mr. Dow, you had mentioned in your testimony a job training program for parents. And part of this is how do we look at kids and their healthy development as part of a family, and obviously economic success for parents is a huge part of this. How did you partner with community leaders to figure out which skills were needed, and how did you structure your classes?

Mr. DOW. I appreciate the opportunity to discuss the program. The program actually derived from research that Professor Brooks-Gunn and her colleague, Lindsay Chase-Lansdale at Northwestern University, started in talking to mothers at Educare.

And separately, we had been looking at the impact of additional household income on long-term children's outcomes that really come out of some of the longitudinal research of the welfare-to-work demonstration programs and some of the analysis that showed that a number of the children whose parents participated in the welfare-to-work and Earning Supplement Demonstration, the New Hope Demonstration, and others like it had longer-term academic achievement outcomes as a result of what their parents were doing when the children were very young.

And so, there has been an increasing amount of academic research really, in many ways pioneered by Professor Greg Duncan, that looks at the impact of additional household income during the time that children are in their preschool years. And so, coupling the body of research around what moms were looking for with the research around the impact of additional household income for very low-income families, we worked with workforce development efforts to do a sector-based workforce development effort, which starts with looking at what the available jobs are in the community that have both entry-level opportunities and advancement opportunities.

And the only sector in Tulsa that emerged from that was the healthcare sector. And so, fortunately we got pilot funding from the George Kaiser Family Foundation and established a pilot program built on the concept that families going through things together as a cohort could help support one another as their kids were in a high-quality early learning program, so that they did not have to make that kind of difficult choice themselves between trying to go back to school and get a better job and having their children in a good place.

Unfortunately, the very act of going back to school means that they had to themselves stop working as much, so they actually had to experience a decrease in their family household income in order to go back and invest in their own future. Fortunately, with private funding support and subsequently a significant funding from the Health Professional Opportunities Grant, also administered by the Office of Family Assistance at HHS, we were able to do a scaled effort over what has now been 6 years of operating. And we are in the stage of a random control trial in which those parents who are engaged in the sector-based training effort trying to build their skills for careers in the healthcare sector and also have their kids enrolled in our program, their outcomes both in terms of their employment and their education gained outcomes will be compared to those parents who are not undergoing that program.

And the researchers will also be comparing the short-term outcomes of the children, and we hope with potentially other funding, longer term to be able to watch those children longer term.

Ms. CLARK. It reminds me of one of the earlier questions from one of my colleagues talking about the need for full-day, being pushed to full-day and sort of the Hobson's choice of we know we need full-day because parents need to be at school and at work. And then you add transportation, which can be very difficult in not only our rural, but even in some of our suburban areas. There just is not transportation to get there. Again, it is going to put you in a very difficult——

Mr. DOW. Yeah, and on top of that, in many instances, the clinicals that the parents have to go through——

Ms. CLARK. Right.

Mr. DOW [continuing]. In order to be able to get credentials to work in the healthcare sector do not operate during the hours that our Head Start and Early Head Start Program operates. So, they are in need of off-hour childcare——

Ms. CLARK. Right.

Mr. DOW [continuing]. And round-the-clock childcare that is over and above what we as a Head Start and Early Head Start provider offer. And that dearth of supply in the community often undermines their ability to be successful in improving their own well-being as they want to get better jobs.

Ms. CLARK. And I have filed legislation and working also to get community colleges to get their funding back for the childcare that was on site. Recently out at Mass Bay Community College, kids are in the library while their parents are trying to get an education, you know. We have to do better if we really want to give equal economic opportunity.

Sorry, Mr. Chairman.

Mr. SIMPSON. That is ok. Thank you. And let me bring the hearing to a close by thanking you all for being here, and thank you for the work you do.

This may actually be the most important hearing this committee and maybe even Congress has because the impacts of what you are working on are something that, while unfortunately are not felt tomorrow like building a new road, or paving a road, the impacts are seen down the road by lower poverty rates, by lower crime rates. It goes on and on, remedial education, and those types of things

that we will do less of in the future, and we have a better citizenry by doing them.

Let me just comment for just a second on a couple of other things that were said. I was a dentist in the real world before I got into the circus. [Laughter.]

And I can still remember what you mentioned, Jennifer. I had more than one patient, Medicare mother brings in her girl that is like 4 years old. She is in my chair to get some dental work. I can still remember looking in her eyes, and I can tell you that there was no hope there. And I could tell you that 16, 17, 18 years from now, she was going to be bringing her children in, and sure enough that is what happened. We have got to change that in this country.

I was also interested in the debate about technology and so forth. Sometimes I think we use technology a little too much, try to depend on it too much even as adults where we do not interact humanly enough. Not to make a comparison, but I just got a new puppy, and, you know, every time that puppy comes to sit on my lap, you know where it lays? On my heart because it needs to feel the heartbeat. That is the same with children. That is why the interaction of the parent and that child is so much more important than sitting them down in front of a TV.

So, this is important work. Several people have mentioned the budget that has been proposed. I would remind everybody that it is a recommendation. It is Congress that puts together the budget. And I can remember I, too, heard the comments by our budget director that we are trying to get rid of programs that do not work, are ineffective, and that kind of stuff.

And I can still remember several years ago, a previous Administration, previous to the previous Administration, tried to eliminate the TRIO Program. And we questioned the Secretary of Education here, and she said, well, we have got studies that just show it is not effective. I said send those studies over. I am still waiting. And we reinvested in the TRIO Program, and it is more robust today than it was then, and it is doing a great job.

The same with these types of programs. We are the ones that decide through our hearings and so forth and testimony of whether programs are actually being successful or not. And so, I will be interested when we have those individuals come before us that say they want to get rid of this or that program because it is ineffective, I will be interested in where they get their results from and why they are saying that.

But, again it is Congress that puts the budget together. We have the Article I responsibility for funding the Federal government, and the President's budget is a recommendation only.

So, I do appreciate all of you being here. As I said, this is a very important hearing and a very important subject, and thank you for the work that you do on it.

The hearing has come to a close.

TUESDAY, MARCH 28, 2017.

CORPORATION FOR PUBLIC BROADCASTING

WITNESS

PATRICIA DE STACY HARRISON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, CORPORATION FOR PUBLIC BROADCASTING

ANNE BRACHMAN, SENIOR VICE PRESIDENT, GOVERNMENT AFFAIRS, CORPORATION FOR PUBLIC BROADCASTING

INTRODUCTION OF WITNESS

Mr. COLE. Good morning. It is my pleasure to welcome Ms. Patricia Harrison, or my dear friend Pat Harrison—I will reveal our sordid past to everybody in a moment—the CEO of the Corporation for Public Broadcasting, to the Subcommittee on Labor, HHS, and Education to discuss the agency's budget.

I am looking forward to hearing your testimony, especially since it has been quite a while since the subcommittee has held a hearing on the Corporation's budget. In fact, my staff tell me it has literally been 10 years since we last had you here. So welcome back. We will try to make it more than a once-a-decade appearance.

I also want to thank you for accommodating some schedule changes due to the timing of the budget submission this year. We have had a few schedule modifications, and I really appreciate very personally—and I know the entire committee does—your flexibility and your willingness to work with us. And we are really happy that you are here.

CHAIRMAN OPENING STATEMENT

Congress created the Corporation to give a stronger voice to commercial-free educational radio and television programs. In addition to providing education, public broadcasters are often the only source of content in remote areas of the Nation. The high-quality content available through public broadcasting continues to receive recognition, just last year receiving more than 80 Emmy nominations. Millions of Americans every day tune in to public radio stations or television stations for news, weather, and entertainment. Thousands of children and teachers use the educational programming in classrooms across America.

The Corporation represents a unique public-private partnership with most radio and TV stations leveraging $5 non-Federal for each $1 made through Federal investment. We look forward to hearing about the Corporation's accomplishments over the past years and plans for the upcoming fiscal year.

As a reminder to the subcommittee and our witnesses, we will abide by the 5-minute rule so that everybody will have a chance to get their questions asked and answered.

And before I yield, I want to make a couple of personal points, if I may, to the ranking member. First of all, just in full disclosure, Pat Harrison was co-chairman of the Republican National Committee when I was the chief of the staff of the Republican National Committee. So we can blackmail one another ad infinitum. She has been my dear, dear friend for 16, 17 years now.

And I have watched with admiration the job you have done over at the Corporation for Public Broadcasting and appreciate very much that job.

Second, I am going to have to excuse myself. Mr. Womack is headed to the same meeting. We have a Defense Subcommittee members' meeting, but I will be coming back to join you. And, again, thank you for accommodating us. It is a delight to have you here, and I am looking forward to—I have read your testimony. So I can excuse myself for that part. But I am looking forward to the panel's—which I know will be a very full and robust participation here because this is an agency we all admire.

So, with that, I want to yield to my good friend, the ranking member, for her opening statement and excuse myself, if I may.

Ms. DELAURO. Just one second, Mr. Chairman. I was—you know, you have talked about a sordid past. So now that you have defined your relationship, indeed, a sordid past.

Mr. COLE. Well, I wanted to be honest with you. I always try to be open and honest with my ranking member.

Ms. DELAURO. Wonderful. Thank you.

Mr. COLE. By the way, in my absence, Mr. Fleischmann has agreed to occupy the chair for us.

So I thank you very much for that.

Mr. FLEISCHMANN. My pleasure.

RANKING MEMBER OPENING STATEMENT

Ms. DELAURO. Thank you very, very much.

I am delighted to have this hearing today. It is a long time in coming, and I want to just welcome you, Pat Harrison, the president and CEO of the Corporation for Public Broadcasting. We look forward to your testimony. But I first want to say congratulations to you and to everyone at the Corporation on the 50th anniversary of the Public Broadcasting Act, 1967, signed into law by Lyndon B. Johnson. So there we are.

But it is also interesting to note, when I was reading through materials, that President Eisenhower believed that—because the origins come out of the space race, come out of the Cold War—that at the time, President Eisenhower and Congress saw the educational programming as a way for the United States to compete in science, in technology, and in mathematics as part of our national defense. So you stand on solid ground, my friend.

And as we reflect on the last 50 years of evidence-based early learning programs, local journalism, public safety partnerships, it is a particularly opportune time for our committee to discuss the importance of public broadcasting in our local communities. And as the Trump administration proposes to eliminate Federal support for public television and public radio, we need—we need—to consider the profound impact that this organization has had in our communities.

As you noted in your testimony, our appropriation for CPB supports approximately 1,500 locally owned and operated public television and radio stations. You serve nearly 99 percent of American people in rural and urban communities in all 50 States, the District of Columbia, and 4 commonwealths and territories. The vast majority of Federal funds are allocated to local stations.

As Ms. Harrison mentions in her testimony, 95 percent of all funding—that is $432,000,000—goes to support programs and services. The dollars don't stay in Washington, DC. They are directly infused into local communities across this country. And, quite frankly, I do have—and I won't go through it—a list, and particularly members of this subcommittee, of the stations in our areas that are beneficiaries of the grants that you distribute. 248 of the 575 station grantees currently receiving CPB support are considered rural. The stations provide trusted local journalism, high-quality educational programming, and they play a crucial role in public safety.

An example: PBS-affiliated WCTE TV in Cookeville, Tennessee, is a perfect example. The station is the only one that the majority of residents in upper Cumberland County can receive with an over the air antenna. To quote the station manager, Becky Magura, quote: "I know it is hard for people who are sitting in Washington and urban areas to comprehend that people still need an antenna to be able to receive only one station, but it is a fact."

Ms. Magura also said, and I quote: "I really wish I could talk to President Trump. I really wish he would let me show him where we live. I wish he could see the difference this station makes in the lives of the people that we serve. Maybe he would see that funding differently."

If we cut Federal funding, we are killing stations like WCTE. Studies have shown that alternative sources of funding are unrealistic. In 2012, Booz & Company, at the request of this subcommittee, did an exhaustive study that debunked many common myths about financing of public broadcasting. Their report found, and I quote: "There is simply no substitute for the Federal investment to accomplish the public service mission that Congress has assigned to public broadcasters and that the American people overwhelming support," end quote.

They also found that the hardest hit stations would be the rural ones where Federal funding accounts for 40 to 50 percent of their budget. They write, and I quote: "In the absence of the Federal appropriation, a domino effect will result in the loss of those stations most at risk first, then a cascading debilitating effect on remaining stations at bottom. The loss of Federal support for public broadcasting risks the collapse of the system itself." We cannot afford to let this happen.

The Trump administration's proposal to eliminate funding for CPB means evidence-based early learning program is on the line. According to CPB, PBS is the number-one source of media content for a preschool teacher. Public broadcasting is responsible for high-quality content that aligns with literacy, math, and science, early learning goals, and State standards. Evidence-based programs, these programs, are critical when it comes to bridging the achievement gap. They educate children at home and in school. The con-

tent is freely available, and parents who use these resources developed with public broadcasting funds report that they see increased awareness in their child's math learning. A body of more than 100 research and evaluation studies completed since 2005 show that public media's literacy and math content engages children, enhances their early learning skills. CPB, in partnership with PBS, is a Ready To Learn grantee. Ready To Learn was established in 1992, reauthorized with bipartisan support in the Every Student Succeeds Act of 2015. And it makes grants to support development of educational television, digital content targeted at preschool kids and their families.

This is what CPB represents: free, accessible goal-aligned early learning resources that benefit every family. That is what is at stake. And, meanwhile, CPB is requesting flat funding—it is flat funding—for the seventh and eighth years in a row. The reality: 8 years of flat funding is equivalent to a cut of 13 percent after you adjust for inflation. The Trump administration is proposing to cut $54,000,000,000 in nondefense discretionary spending. That cut includes the complete elimination of Federal funding for the Corporation for Public Broadcasting. As I have outlined, that would be a travesty. If we are serious about supporting high-quality educational programs, we should be talking about an increase of 13 percent for the Corporation for Public Broadcasting, not a seventh and eighth straight year of flat funding or certainly not a cut nor elimination.

The border wall is projected to cost $21,600,000,000. I suggest that we save that money that we spend on the wall and that we use those funds to support public broadcasting for the next 50 years.

We have to support essential programs. You cannot do more with less. You can only do less with less.

So I thank you for everything that you have done, and we look forward to hearing your testimony today.

Ms. HARRISON. Thank you.

Mr. FLEISCHMANN [presiding]. Thank you, Ranking Member DeLauro.

And at this time, I would like to recognize the full committee ranking member, Mrs. Lowey, for her opening remarks.

Mrs. LOWEY. Thank you very much.

And welcome, Pat Harrison.

Ms. HARRISON. Thank you.

RANKING MEMBER OPENING STATEMENT

Mrs. LOWEY. I do want to thank Chairman Cole, Ranking Member DeLauro, for holding this hearing, and I do welcome you before this subcommittee.

Pat Harrison and Anne Brachman, you come before us at a critical time following the recent Trump administration budget proposal to defund CPB. In Washington, it seems bad ideas never die. And in 1995, I brought Bert and Ernie to this subcommittee, if you recall, to protest proposed budget cuts by then-Speaker Newt Gingrich. I thought I would let them rest in the office today and just speak for them.

The American people and Congress objected to these cuts, and here we are, decades later, with the Corporation for Public Broadcasting providing even more critical programming, and yet another effort to ax it and give Bert and Ernie a pink slip. The Trump administration's proposal to eliminate funding for CPB would devastate local broadcast stations, which are supported by more than 90 percent of CPB funding. Many would be forced to make up as much as half of their annual budgets, putting at risk the sustainability of local television and radio broadcasts in communities throughout the country.

Sadly, I fear many stations would not survive, particularly in rural and underserved areas. In years past, this subcommittee, led by Chairman Cole, has not bought into this misguided pursuit. It is my sincere hope that this subcommittee's commitment to CPB will continue.

We know why you have fans on this subcommittee and throughout the Congress. Every day, you bring world events, the arts, high-quality educational programming for all ages into households throughout our country.

The Public Broadcasting Service, which is brought to households nationwide by CPB, was rated number one for 13 consecutive years for public trust among nationally known institutions. Eight out of 10 people say it is taxpayer money well spent. Eight of 10 Americans trust PBS. At a time when the Trump administration delegitimizes any reporting it doesn't like as fake news, it is hard not to suspect that its effort to undermine public broadcasting is a transparent attempt to keep Americans in the dark about their failures and ethical improprieties.

I am particularly inspired by CPB's legacy of early childhood programming. From the new PBS KIDS service providing 24/7 programming to classics such as "Sesame Street," "Curious George," "Thomas & Friends," CPB has a long history of making quality early childhood education available for children nationwide, particularly for disadvantaged children.

Studies show these investments produce impressive results, including an increase in school readiness. "Sesame Street," in particular, has been shown to help children stay at the appropriate grade level and decrease by as much as 14 percent the likelihood of being behind in school.

And that is why these proposed budget cuts are so foolish. No matter where you live or your income level, public broadcasting must be available for every American, and I look forward to your testimony. Thank you for being here.

Thank you, Mr. Chairman.

Mr. FLEISCHMANN. Thank you, Ranking Member Lowey.

Ms. Harrison, good morning.

Ms. HARRISON. Good morning.

Mr. FLEISCHMANN. I am Chuck Fleischmann. I represent the people of the great Third District of Tennessee. My local public broadcasting station is WTCI in Chattanooga. I want to thank you for being here today, and I would like to recognize you now for your opening statement.

WITNESS OPENING STATEMENT

Ms. HARRISON. Thank you, Chairman Fleischmann, Ranking Member DeLauro, and distinguished members of this subcommittee. I greatly appreciate the time allotted to me today to talk about the Corporation for Public Broadcasting's stewardship of the Federal appropriation and really what it means to the American people.

We are keenly aware of the budget constraints facing our Nation, and in that regard, we have not asked for an increase in our base funding for 8 years.

Today, CPB is requesting level funding in the amount of $445,000,000 for fiscal year 2020; $55,000,000 for an interconnection system for public broadcasting, television, and radio; and $30,000,000 for the Department of Education's Ready To Learn program.

Although CPB was created 50 years ago, our mission truly is more relevant than ever to serve every American with high-quality, trusted content that really does educate, inform, inspire, and entertain free of charge and commercial-free. And in order to achieve this mission, we carefully manage these taxpayer moneys, 71 percent of which goes directly to nearly 1,500 local public television and radio stations.

We support station collaboration and innovation, enabling public media to extend its reach and impact, delivering our national and local content on all platforms to current and new diverse audiences on air, online, and in the community.

Our mission directs us to help our Nation's children to prepare to succeed in school, especially those from low-income families living in urban and rural communities, and we do.

We also serve as a reliable trusted source of indepth journalism. And through our award-winning documentaries and series, we connect Americans to their history in ways that truly matter to our democracy. Through initiatives, such as American Graduate, addressing the high school dropout rate, and Veterans Coming Home, connecting those who served with the resources and the support they deserve, we are telling America's story, and we are inspiring civic responsibility.

But the Federal investment is just the beginning of the American public media funding story because, unlike any other public media service in the world, American public media is a public-private partnership with stations building on this vital and essential support and raising non-Federal funds.

Federal funding represents, on average, 10 to 15 percent of a station's budget. But for stations serving rural, minority, and other underserved communities, Federal funding can be as much as 40 to 80 percent of their budget. Through the appropriation, we ensure that these stations, in some cases the only local source of vital news, weather, emergency alert notifications, in addition to, of course, educational content, continue to serve their communities.

Over the course of 50 years, public media has become an important part of the knowledge infrastructure of American life, trusted, valued, depended upon by the American people, ranging from the youngest to the oldest, living in red and blue States, cities, and

towns throughout our Nation. And while we are so very proud of what we have achieved together, the building and strengthening of a civil society is never complete. It relies on successive generations equipped with new knowledge and information as well as a sense of history to contribute to and shape a great civil society.

The bottom line is our country needs us to keep working for that more civil, more informed society, a country in which all citizens can learn and thrive.

Mr. Chairman, only through Congress' financial support can public media remain true to its mission and continue to deliver value to the American people wherever they live, whatever their economic circumstance, free of charge and commercial-free.

Thank you.

[The information follows:]

Statement of Patricia de Stacy Harrison
President and CEO, Corporation for Public Broadcasting
Before the Subcommittee on Labor, Health and Human Services, Education and Related Agencies, House Committee on Appropriations
March 28, 2017

Chairman Cole, Ranking Member DeLauro, and distinguished members of the subcommittee, thank you for allowing me to submit this testimony on behalf of America's public media service—public television and public radio—on-air, online and in the community. The Corporation for Public Broadcasting (CPB) requests level funding of $445 million for Fiscal Year (FY) 2020, $55 million in FY 2018 for the replacement of the public broadcasting interconnection system, and $30 million for Ready To Learn at the Department of Education.

As we mark the 50th anniversary of the passage of the Public Broadcasting Act, this uniquely American public-private partnership continues to keep its promise—to provide high-quality, trusted content that educates, inspires, informs and enriches in ways that benefit our civil society. Through the nearly 1,500 locally owned and operated public radio and television stations across the country, public media reaches 99 percent of the American people from big cities to small towns and rural communities. At approximately $1.35 per citizen per year it is one of America's best infrastructure investments—paying huge dividends in education, public safety and civic leadership for millions of Americans and their families.

The federal investment in public media is indispensable to sustaining the essential public service mission of America's public media stations defined by community-based accountability and universal service. CPB serves as the steward of the federal appropriation, ensuring that 95 cents of every dollar we receive goes to support local

stations and the programs and services they offer to their communities; no more than five cents of every dollar goes to the administration of funding programs and overhead. The appropriation is vital seed money—especially for stations serving small towns and rural America, as well as those serving underserved populations where the appropriation can represent as much as 80 or even 100 percent of their budget.

Education is the heart of our mission. Public media reaches 68 percent of all children age two to eight, providing educational content and services that are proven to prepare them for school, especially those low-income and underserved children who do not attend or cannot afford pre-school. An excellent example of how public media brings together high-quality educational content with on-the-ground work in local communities is CPB's work with the Department of Education's Ready To Learn program. More than 25 years ago, Congress recognized the reach and potential of public media to help disadvantaged children become better prepared to enter school. In 2015, Congress reaffirmed its support of Ready To Learn, furthering public media stations' and producers' work in coordinating and connecting STEM and literacy learning experiences for children across multiple platforms and outlets.

Our work does not end with early education. Through CPB's "American Graduate" initiative, public media focuses on addressing the crisis of one million young people failing to graduate from high school every year. Since 2011, more than 120 public media stations in 49 states have worked with 1,700 partners to raise awareness, attract mentors for young people, and create local solutions for long-term success. I am pleased to report that in 2015, the high school graduation rate rose to 83 percent for the first time in our nation's history. As these new graduates continue their education through career,

technical, or university instruction, public media will provide them with high quality content and resources to support their efforts.

CPB's investments are guided by our commitment to innovation, diversity and engagement. As good stewards, we are always investing in innovation so that stations can deliver public media programming over multiple media platforms—free of charge and commercial free—available to our audience where and when and how they choose to access our content. Our commitment to diversity includes geographic, socio-economic, political, ethnic, and cultural—at all levels of public media. Our stations, locally owned and operated, also act as conveners, providing a multiplier effect in terms of content connected to engagement on issues of importance both locally and nationally.

Our fifty-year old but evergreen mission directs us to tell America's constantly evolving story utilizing diverse voices and talents, to fund high quality educational, informational and inspirational content, to fund lifelong learning for our youngest and oldest citizens, and to invest in trusted journalism, locally, nationally and internationally. CPB fulfills its diversity mission, in part, by providing funding for the Independent Television Service, the five Minority Consortia entities in television, several public radio consortia, and numerous minority public radio stations. Moreover, CPB makes direct investments in the development of diverse primetime and children's broadcast programs as well as innovative digital content.

In this disruptive and fragmented media environment, public media's commitment to serving as a trusted source of information—providing in-depth factual coverage, when it comes to news and fact-based information, as well as a civil place for the exchange of ideas locally and nationally—is more important and relevant to people's lives than ever.

Public broadcasters have retained the trust of the American people for accurate, balanced, objective, fair, transparent, and thoughtful coverage of news and public affairs—the essential resources for an informed citizenry, the foundation upon which a well-functioning democracy depends.

Public media's mission is to deliver value to the American people in the form of content that gives them the information they need to understand our changing world, to raise their families, teach their children, improve their communities, spark intellectual curiosity and enhance daily life. Over the past three years CPB, working with public television and radio stations, launched Veteran's Coming Home an initiative designed to support veterans' re-entry into civilian life. Public media recognizes the contribution and sacrifices of the men and women serving in our Armed Forces through content such as "Military Medicine: Beyond the Battlefield," which tells the personal stories of physicians, military personnel, wounded warriors and their families in terms of how medical advances are changing lives; as well as StoryCorps' Military Voices initiative and the annual Memorial Day and Fourth of July concerts broadcast and streamed by PBS to millions.

When it comes to public safety, locally owned and operated public media stations are essential partners with public safety officials, schools, businesses and community leaders, providing real-time support in times of crisis. Public media stations broadcast crucial warnings about severe weather, send out AMBER alerts, and through data-casting capabilities, they work with first responders to deploy public media's infrastructure in a variety of life-saving ways.

Spectrum Auction: The vast majority of public television stations did not participate in the spectrum auction and will not receive auction proceeds, neither will CPB nor will PBS. By law, all spectrum auction proceeds will go to the nonprofit entity or state or local governmental body that holds the license for that station. License-holders can use the revenue in any manner it chooses—even for purposes outside of public broadcasting. For those stations that participated, this one time only influx of monies may allow the recipients to strengthen their financial foundation, enhance their local educational mission, and increase their service to their communities. But for all other stations and public media writ large, the continued federal investment is essential to sustaining this valued service for all Americans.

Public television as well as some public radio stations will also bear the costs of the spectrum repacking process, and it is not certain that the $1.75 billion that Congress has set aside to cover the costs of the repack will be sufficient. Further, the spectrum auction process does not provide any financial assistance to public television stations for translators needed to change channels in the repack. This places an undue financial burden on those stations since they will assume the extra expense as they seek to ensure universal access.

Interconnection Infrastructure: Interconnection is the backbone of the public media system. It delivers content from public media producers to public television and radio stations in communities throughout the country. Without it, there is no nationwide public media service. Congress, recognizing the need, has always funded public media's interconnection system; providing a separate appropriation for interconnection since FY 1991. As we near the expiration of public television's and radio's interconnection

systems, CPB has helped PBS and NPR to develop a plan for the most cost effective and efficient delivery system possible.

Conclusion: CPB's FY 2020 request of $445 million and FY 2018 requests of $55 million and $30 million for interconnection and Ready To Learn, respectively, balance the fiscal reality facing our nation with our statutory mandate to provide a valuable and trusted service to all Americans. With your support, CPB will continue to serve as a trusted steward of the federal appropriation; by investing these precious taxpayer dollars in ways that strengthen the health of our democratic system and our civil society—helping to educate our youth, making Americans more aware of our nation's challenges and opportunities, connecting to our history, and engaging our citizens in their communities. Mr. Chairman and members of the subcommittee, thank you for allowing me to submit this testimony, and I appreciate your consideration of our funding request.

Patricia de Stacy Harrison
President and Chief Executive Officer
Corporation for Public Broadcasting

The Honorable Patricia de Stacy Harrison is the president and chief executive officer of the Corporation for Public Broadcasting (CPB), the leading funder of public radio and public television programming for the American people. Under her leadership, Ms. Harrison has strengthened public media through the strategic focus of CPB in three important areas: investments in innovation and technology; investments in and commitment to diversity of content, talent and service; and investments in local community engagement, partnerships and service.

Under Ms. Harrison's leadership in 2011, CPB launched American Graduate: Let's Make It Happen, a nationwide public media initiative to help communities across the country identify and implement solutions to the high school dropout crisis. To date, over 120 stations in 49 states and one territory are working with more than 1,700 local partners and schools to encourage students to stay on track to graduation. For her work and commitment to helping young people stay on the path to a high school diploma through American Graduate, Ms. Harrison was honored in 2016 with a Promise of America Award from the America's Promise Alliance.

Prior to joining CPB in 2005, Ms. Harrison served as Assistant Secretary of State for Educational and Cultural Affairs and Acting Under Secretary for Public Diplomacy and Public Affairs. A former successful entrepreneur and Co-Chair of the Republican National Committee, Ms. Harrison is a frequent speaker and writer on the subjects of leadership, communication strategy and constituency building.

Ms. Harrison is the chairman of the Leadership Council of Women and Girls Lead, a public media anti trafficking initiative focused on education for women and girls worldwide. She also sits on the boards of the National Italian American Foundation, the American University of Rome and most recently, the National Parkinson Foundation. In addition, she is a member of the Board of Advisors at the Georgetown Institute for Women, Peace and Security.

She is the recipient of many awards and honors, including the 2008 Leadership Award from the White House Initiative on Historically Black Colleges and Universities and the U.S. Secretary of State's Distinguished Service Award. In 2012, she was included on the Forbes list of "Women Changing the World in Media" for establishing Women and Girls Lead and her continued leadership on the project.

Ms. Harrison received her B.A. from American University, Washington D.C., and an honorary doctorate from the American University of Rome in 2002. She is a former Thomas Colloquium on Free Enterprise guest lecturer at Youngstown State University in Ohio and was a visiting fellow at the Institute for Public Service of the Annenberg Public Policy Center, University of Pennsylvania, in 2000, and at the John F. Kennedy School of Government, Harvard University, in 1992.

She is the author of two books, *A Seat At The Table: An Insider's Guide for America's New Women Leaders* and *America's New Women Entrepreneurs.*

ALTERNATIVE FINANCING OPTIONS

Mr. FLEISCHMANN. Ms. Harrison, thank you so much for that opening statement.

And I have a few questions. So I am going to recognize myself for 5 minutes.

In the past, we have had some criticism regarding the role of Federal Government in public broadcasting. Several stations, through a variety of financing mechanisms, support their operating costs, such as private donations and merchandise licensing. As a matter of fact, when I was—part of my tenure here in Congress, WTCI used to actually have an auction. It was wonderful. It was a communitywide auction; we would participate and raise funds. It was a really a great thing to do, and I enjoyed that immensely.

Could you please discuss some of the alternative financing options stations are now using? And are alternative financing options a viable means to support public broadcasting in the absence of Federal support?

Ms. HARRISON. I will be happy to. Thank you, Mr. Fleischmann.

And we have, over many, many years, done our due diligence—and in many cases, responding to Congress—to look at alternative sources of funding for public media. And I think, as was mentioned earlier, in 2007, the General Accounting Office did a study, an extensive study, and at that time, they basically said there wasn't any alternative viable source of funding. And I will link that to our 2012 study where we hired Booz & Company. And the bottom line from both of these studies, which I thought was interesting because they were both very independent: it would mean the collapse of public media.

PUBLIC PRIVATE PARTNERSHIP

And what they mean by this is: Congress in its wisdom 50 years ago created such an amazing construct. It is public, and it is private. And everyone has a responsibility. So that initial investment by the Federal Government—10 to 15 percent and, as I said, for rural stations, much, much more—is then matched by the station. And you referred to your station doing auctions; they do pledges. What they do, they go into the community, and the community—almost in a way, it is a report card—they, through their support, say: We really are benefiting from the content and services that you are providing. And these communities try to meet much more than the Federal investment; in some cases, it is six times that amount. The problem is, with rural stations, they don't have this indepth donor base. They just don't have what some of the other stations, the bigger stations, have, and they really depend upon the Federal investment.

So what would happen if the Federal investment, if the appropriation would go away, is there would be this domino effect, and it would start first with rural stations.

I have to say—I don't know how much time I am supposed to use here, but I grew up in Brooklyn, New York. And I am embarrassed to say I didn't know where the States were pretty much for a very long time. In my high school, we didn't take a school trip because we were already there. We didn't leave. We didn't go anywhere. We

went to the Wonder Bread Factory. And it was only when I got older and started traveling—Chairman Cole had mentioned I co-chaired the RNC. I visited every single State. And at that point, I had an opportunity to go to a lot of public media stations. When I was at the State Department, we had international visitors who came in, and they wanted to visit these stations. And in my job for the last 11 years, I have come up with a statement: If you don't go, you don't know.

And I have to say: We have mentioned Cookeville, Tennessee, and I just wish Becky Magura were here, because I have met the people in Cookeville. Frannie and Patricia, who depend on over-the-air, that antenna content that is coming through, and they said: "This has been our whole life. This is our passport to the world. It is our education for our children."

So what the stations do raising money is part of that public-private partnership.

Mr. FLEISCHMANN. Well, thank you. And I appreciate the talk about Brooklyn. I love Nathan's.

Ms. DELAURO. Amen.

Mr. FLEISCHMANN. My mother grew up in the Bronx, and my father grew up in Queens.

Ms. HARRISON. Oh, my goodness. All right.

PUBLIC BROADCASTING INTERCONNECTION

Mr. FLEISCHMANN. I have one followup question, if I may. I know you touched on the interconnection system upgrade in your testimony. Can you provide us with some additional information about why the upgrade is needed and how it will contribute to a distribution of programming? What will be the total cost? And what benefits will this upgrade bring, please?

Ms. HARRISON. Thank you, Mr. Chairman. And this is a story I am so proud to tell, because in 2014, OMB—well, first of all, the interconnection system is basically the infrastructure for the entire system that allows content to go to stations and then to be shared by stations each with one another.

In 2014, OMB provided us with $197,000,000 for interconnection. And then Congress appropriated $40,000,000, which provided interconnection services for us to look at public television and radio. And so we are going back 2014, then 2016. We have been focused on doing our due diligence for the interconnection system for several years. We hired Cognizant Technology Solutions. We worked with engineers from PBS, from NPR, and I was very, very proud to report earlier we brought that $197,000,000 down to $150,000,000. And we are—how can I say? We are the stewards. We oversee this process with PBS and with NPR. And it has been an intensive, extensive process. And we were told our responsibility is to, at the end of the day, be able to report that, for these moneys, we are going to have the most cost-effective, most advanced technology system for public television and for public radio. And now we are looking at public radio as well.

Mr. FLEISCHMANN. Thank you, Ms. Harrison.

And I appreciate your testimony.

At this time, I would like to recognize the ranking member, Ms. DeLauro, for 5 minutes to ask questions. Thank you.

Ms. DELAURO. Thank you very much, Mr. Chairman.

And thank you so much for your testimony.

As you mentioned interconnection, I was, again, reading, at the outset, we were just hand delivering content to——

Ms. HARRISON. Bicycles.

Ms. DELAURO [continuing]. By bicycles, which was really pretty extraordinary, but how times have changed, and we need to keep up with the times. Hear, hear.

LOSS OF FUNDING IMPACT ON RURAL COMMUNITIES

Let me just—a couple of pieces that have to do with eliminating funding on underserved and rural communities. I understand that the smaller stations, though serving rural, minority, and underserved communities, don't have a donor base with as much money. Federal funds can be up to about 40 percent more of their budget.

In 2012, reports submitted to this subcommittee found that CPB funding was—if it was eliminated, 54 public television stations, 19 States, 76 radio stations in 38 States would be at risk, no longer operating; 31 television stations, 47 radio stations serve predominantly rural areas. That is 12,000,000 Americans losing access to public television and nearly 3,500,000 Americans no longer having access to public radio.

Let me—from your perspective, because you have been there, and you mention the personnel in these places—what does this mean, this elimination, for those Americans in these underserved and rural communities that rely on public television and radio?

PUBLIC SAFETY AND EMERGENCY ALERTING

I am going to add an adjunct to that, because you make the case—I won't deal with the quotes—on the FEMA Director about disasters and public safety and all those issues. But talk to us about the examples of lifesaving services that your stations offer and what that impact would be if these dollars and the Corporation was eliminated.

Ms. HARRISON. Well, thank you, really, for that question, because maybe we haven't done a great job in talking about this essential part, this essential service that public media provides, because we connect to 99 percent of all Americans, in terms of public safety and emergency.

To make it a little more personal, let's just look at West Virginia, for example. It is not just an idea, public safety and service. Because of what they do and also because of what our interconnection system, their emergency alert in terms of floods, it is lifesaving. They have documented, without public media in West Virginia, the losses are on so many different levels: public emergency, safety, letting people know, and what is happening in terms of really dire emergencies.

But even more importantly, the difference with public media stations is once the emergency is over, that station, because it is still part of the community, they are part—and CPB works with them, to help rebuild the community, whether it is helping schools, as we did in Louisiana; using them as shelters in Boston after Sandy; and in California, we worked with six radio stations—it is called the Great California ShakeOut—to really help people, as we utilize

technology, work with Homeland Security and FEMA, making sure that they get this vital information in time. PBS Vegas, for example, unfortunately, there are a lot of crises connected with schools, and they are able to, in an encrypted way with FEMA and Homeland Security, provide blueprints of the schools so people know exactly where they are going and what they need to do. And sometimes those schools are to shelter as well. So it is a domino effect.

EDUCATIONAL SERVICES

If the funding were to go away, this vital service for rural communities, in addition to emergency alert and public safety—I could just talk all day about education in terms of what we do with early learning.

And I know there's been a lot of talk about coal miners and coal miners' kids, and we serve those people. There was—this is an anomaly, I realize, but in West Virginia public television, there was a story that this man, he had lung cancer. He needed a lung transplant. He was a coal miner. And no one really knew. He didn't—he didn't have any means to get the help he needed. And so the station told his story. This is local content that matters to local people. It is local culture, pride, connection. And the upshot is he did get that transplant. He is now on PBS talking about the value of what happened to him. I realize that is an extreme case.

On a day-to-day case, it is preschool. We reach more underserved kids, minority kids. And sometimes we forget, you know, Appalachia, opioids—as the general manager of a West Virginia station said to me: "This is an epidemic. And public media was there with "Frontline," but we tell the local story, because we know these people. But we also don't want to just be known for that." So sometimes we miss the power of what stations do on a local level. And I have seen this.

People have a great deal of pride. They may be poor, but they have pride of their culture. They are proud of where they are. And when they can connect to local history, local music—I hate to keep bringing up Cookeville. It really made such an impression on me. They have this underground cave, and they do concerts in the cave, bluegrass. And it is just amazing. So it started as local content, and now it is national content.

And telling these stories in a profound way that start locally, it is what connects us to one another as Americans. I mean, I think there is going to have to be a point, if we are talking about a civil society, we have got to stop identifying ourselves as red State or blue State and think of what it means to be an American as part of the United States.

That was a very longwinded——

Ms. DELAURO. No, you are eloquent, and we are much appreciative of what you have done at the Corporation. Thank you.

Sorry, Mr. Chairman. I went over my time, but it is ok.

Mr. FLEISCHMANN. Thank you, Ms. DeLauro.

At this time, I would like to recognize my friend and colleague from Michigan, Mr. Moolenaar, for 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

And thank you for your testimony today.

And I appreciate you being here with us to help us understand better the work you are doing.

You know, I wanted to just get your thoughts on how the Corporation for Public Broadcasting, PBS, has transitioned over 50 years?

Ms. HARRISON. Yes. I feel like I have been there for 50.

MISSION DRIVEN PUBLIC MEDIA

Ms. MOOLENAAR. Well, I don't—because it strikes me that, early on, there were really three stations on television. Now there are 500. People are getting information in all sorts of different ways. So that strikes me that that is a big change.

I also wanted you to speak—you are doing some innovative things with HBO and others. Earlier, it was mentioned Bert and Ernie getting a pink slip, but it seems like they have become private contractors in some ways, because HBO now, there is a contract for five seasons of "Sesame Street," I understand, and later episodes would be delayed and on PBS.

But can you talk about some of the ways you have adapted forming partnerships with the private sector and especially this whole area of "Sesame Street"? And I also kind of wonder about areas, you know, "Downton Abbey" would be an area that seems like there would be a commercial success there, and how that relates to your overall, kind of, adapting to a new environment.

Ms. HARRISON. Yes. Thank you so much for your question.

I really believe the reason that public media is so vital and vibrant today is because we have evolved. We haven't embraced the status quo in any way. We have looked for ways to be relevant in people's lives. And especially with the democratization of technology, we want our content to be everywhere Americans are and any way that they want to access it. So I think that is one of the reasons we have remained vital.

RELEVANCE IN 500+ CHANNEL UNIVERSE

But we all get this question a lot. You know, in an environment of 500-plus—and who knows, maybe there will be 2,000 channels, and we just don't know what the future holds—why do we still need public media? And there are many, many reasons. And this is what I truly believe—and I consume tons of commercial media. I have a subscription to Amazon across whatever; I have a subscription to Netflix. Everything I have is behind a paywall. And my feeling is that there are people who can't afford to get on a plane and go to Broadway and get that—what is it now? I don't know—$1,000 ticket to Hamilton, go to the opera. And there seems to be this feeling that, because maybe you live in a rural area, you are not interested in those things. In a way, it may not scan completely, but it reminds me of what President Bush said, the soft bigotry of low expectations. So people of this country yearn for content they can trust.

And what—where are we now, right now? We are living in this environment of fake news. I have kids, have grandchildren. We are very proud of our commitment through CPB, the appropriation, to funding fact-based journalism. We have a priority for editorial in-

tegrity. Sometimes we mess up, but our priority—and I know that is the same for NPR as well.

So, in terms of a plethora of channels, our mission is very different from commercial media. Our mission is to serve the people with education that matters to—that really matters in their lives. And how do we know? Because we measure and evaluate—with things that up lift you, with local content. It is the whole menu. It is not one—it is not just "Downton Abbey." It is local content. It is bluegrass. It is a story, if you can believe, of corn and farming. And it is what we do with our kids.

And so in terms—to get back to what you said about "Sesame Street," I am not going to minimize our challenge, because we are asking for a base funding. And we will be grateful and appreciative to get it, but we are competing with filmmakers and content producers.

Netflix has just announced they are going to be paying 10 times more than HBO for content. So we are competing for the best of the best. And we are so grateful for people like Ken Burns and Dr. Henry Louis Gates and Hector Galan, who have chosen public media.

In terms of "Sesame Street," what we have is "Sesame" moving some of their content to HBO, but we didn't lose Sesame. Sesame content is still on a very dynamic, innovative PBS 24/7 KIDS channel, and so we still have it. But we are existing in a very commercial world. And the most recent thing that happened—I don't know if any of you were—are a fan of "Mercy Street," and it was original content focused on the Civil War, and there were two seasons. It was so well done, high production values. They are not doing a third season. PBS can't raise the money.

And we are very fortunate that we are able to get content like "Victoria" and even "Downton Abbey," which led to a lot of educational modules about World War I and——

Mr. COLE [presiding]. I am going to have to ask my good friend—the gentleman's time has expired, so——

Ms. HARRISON. Oh, I am sorry.

Mr. COLE. No, that is all right.

Ms. HARRISON. I expired or you expired?

Mr. MOOLENAAR. You are doing a great job, but I think I am over my limit.

Ms. HARRISON. Oh, I am sorry. OK.

Mr. COLE. No. Believe me, I let you go on a little longer than I normally do because I love all that stuff. And I am really disappointed about "Mercy Street," by the way.

Ms. DELAURO. Love "Victoria," though.

Mr. COLE. Absolutely. Fabulous.

Ms. HARRISON. Never graduated from high school.

Mr. COLE. Yes.

With that, let me go to my good friend, gentlelady from California—oh, wait. I am sorry. I thought you had testified. I misread the thing. So——

Mrs. LOWEY. No problem.

Mr. COLE [continuing]. The ranking member of the full committee.

Mrs. LOWEY. No problem. And I want to, once again, express my appreciation to you. I particularly appreciated your reference to an environment of fake news. And even though I kind of flick around to hear what everyone's saying, I still watch the "NewsHour" because I know I am getting the real news, and I really, really appreciate it.

PUBLIC SAFETY AND EMERGENCY ALERTING

I also wanted to thank you for the grant that you provided to WNYC and WNET for Superstorm Sandy. Those stations were really a lifeline to the community. You provided emergency updates, information about food, shelter, health care, transportation, and other emergency alerts. And I would hate to think what would happen if there were budget cuts.

But one other area I want to mention before my time is expired or I expire, something like that——

Ms. HARRISON. I hope not.

EDUCATIONAL SERVICES

Mrs. LOWEY [continuing]. I just really appreciate the work that you are doing on professional development. It is so crucial in supporting and retaining teachers, allowing them to refresh skills through the classroom. The Corporation for Public Broadcasting has several initiatives to enhance professional development and provide teachers with tools and training to integrate ever-changing educational media into classroom instruction.

Can you provide some examples of the services that are provided through local stations across the country and the impact they have on student achievement? Because this is an area I don't think many of us are really aware of. Thank you.

Ms. HARRISON. Thank you. Thank you so much.

PBS LearningMedia, it is an aggregation of content, best of the best. There is children's content. There is "NOVA," "Nature," "American Experience," "American Masters." And it is available to teachers, to homeschoolers, to parents. It, right now, is being utilized by 1,830,000 people, and a third of all American teachers are using this. And every State has this available. They work with schools. It supplements what teachers do. Teachers are under such pressure in this new digital age. And whether it is through PBS LearningMedia or even through Ready To Learn, we have training programs that enable teachers to become more familiar with how to use digital objects and how they use technology in the classroom. And State by State, each State has tailored it to their State. It is one of the things we should talk much more about.

In fact, we have affidavits from so many teachers saying they are inundated with this thing and that thing, and it is all commercial. It is all selling to them. This is free. It is available. I don't know—what do we—it is over 1,000,000 people, almost—I want to say 2—but it is really 1,830,000 people using it, and we want to increase it because it has been tested. It needs to be expanded.

Mrs. LOWEY. Thank you.

And thank you, Mr. Chairman.

ADVANCE APPROPRIATION

Mr. COLE. I thank the gentlelady.

I am going to indulge myself, if I may, and take my questions now, and then, next, we will go to the gentlelady from California.

I want to begin, and I want to assure you that this is asked in a friendly way, but I think it is an important thing: You have a very unusual funding stream in that you are forward funded by a couple of years, which is very unusual in the budget. But—and then so I am often asked about why this particular agency gets this particular treatment. So I would like you, if you would, just to address that question, kind of help inform the committee about that.

Ms. HARRISON. Yes. And we are very, very appreciative of our forward funding. There were two reasons. The reasoning behind our forward funding was—the first one, I think, was extreme—both of them. The first one, really important, and it was to provide a firewall of independence for our content providers that, no matter who was in leadership, no matter what political party, that our content would be removed from that pressure. And that has worked over 50 years.

And the other reason is, in order for us to get to "go" with a program or do the research, whether it is educational, the children's content, or it is documentaries—that is much longer time—we enter into contracts. We have to be able to make these contracts. And then stations, with the confidence that we are going to go ahead, they go out and they are able to raise the money. And those are the two primary reasons.

Mr. COLE. I think it is very important for people to understand, because that—I think that—that, frankly, wall of independence is really critical to your mission and retaining the confidence that you need to retain, frankly, across the political spectrum. So I just wanted to get that on the record.

ADDRESSING HIGH SCHOOL DROPOUT CRISIS

We all know, obviously, that public broadcasting has done a great job with early childhood education and what a tremendous part—role you have played in that. But you have also focused on the high school dropout crisis in the country with an initiative called American Graduate. Can you tell us what you are doing to address high school dropout rates and the impact that the program is having?

Ms. HARRISON. Thank you. I am so proud of the work we have done with American Graduate. Many of the people responsible for it are here. And, again, it gets back to our local caring about a community. So these general managers, many of them are in communities that had what you call dropout factories or kids at risk.

And after many years of watching a statistic of 1,000,000 American boys and girls fail to graduate from high school every single year, I mean, that is a shameful statistic for us as Americans.

And I remember we met with this small hub of general managers, and I said: Why don't we see what we can do? And it looked like taking on world peace or world poverty or something. And we break it down. And we had the research to show that—it is not astounding research—but many of these kids didn't even have one

significant mentor, adult, caring adult, in their lives. Many of them were working two jobs or taking care of younger kids. So what we wanted to do on a local and a national level was, first of all, who are these dropouts? Are they worthless? Are they completely stupid? Can we move beyond the stereotype of who they are? And once you started hearing these stories on radio, on television—PBS "NewsHour," "Frontline" covered it—you came away thinking: My goodness, my children would not be able to make it if they had to deal with what these kids are dealing with.

And then we told the story of the teachers, average Americans who just step up to the plate—some of these kids were homeless—and what happened? It is a story of our civil society that inspires civic responsibility.

And, now, WNET in New York does American Graduate Day, a day-long broadcast, where people decide they are going to be mentors. Thousands of people respond. The dropout rate was—I can't really take credit for this entirely—it was 73 percent 6 years ago. It is the highest now at 83 than it has ever been, and we have played a part in that story. Stations work with 1,700 business, faith-based, any kind of civil organization you can think of——

Mr. COLE. I am sure you meant the completion rate, right? The graduation rate?

Ms. HARRISON. Yes.

Mr. COLE. You said the dropout rate.

Ms. HARRISON. Oh, I am sorry. That would have been a bad story. No. The high school graduation rate.

But nothing can remain as a victory because, while we have these kids graduating, now what happens? So our next iteration—this is what I hope that we can do—is look at high school to career, high school to jobs, job training because there are a lot of jobs that aren't getting filled because kids aren't prepared, when they graduate, to fill them.

So American Graduate—we have worked with America's Promise Alliance, all these good organizations, and what they said about their partnership with public media, we gave them the megaphone.

And Alabama, for example, worked with the Birmingham Y. They took it beyond the concept, and it is just such a strong community program.

Mr. COLE. Thank you.

With that, I will go to my good friend from California, Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman.

And welcome, Ms. Harrison.

Ms. HARRISON. Thank you.

IMPORTANCE OF EARLY CHILDHOOD EDUCATION

Ms. ROYBAL-ALLARD. First of all, I want to begin by associating myself with the comments of the chairman and the other members of the committee about the tremendous value of the Corporation for Public Broadcasting.

As you know, the achievement gap between low-income and minority children and their wealthier counterparts is already pronounced by the time they enter kindergarten, and that is really not surprising given that a recent survey by the Casey Foundation

found that 54 percent of America's 3- and 4-year-olds do not even have the opportunity to attend preschool. And for many communities, including my own, the Corporation for Public Broadcasting through PBS is a critical resource that helps keep this disparity from worsening.

Nielsen ratings confirm that PBS stations reach more children ages 2 through 8 and more children in low-income households than any other children's television network.

My question is, first of all, could you elaborate just a little bit more on the impact of eliminating the Federal commitment, and how would complete privatization compromise program quality?

Ms. HARRISON. Thank you. Thank you for that question.

Children's content is very, very expensive. And if your goal is to treat the child as a consumer, then you can pay for that content that is surrounded by commercials.

If your goal is to build a young citizen, to provide a safe place where a child can learn and you are not focused on a commercial return on investment but a return on investment for that child's entire life, we couldn't do it without the Federal appropriation. Ready To Learn would go away. A commercialized Ready To Learn would not work. These parents can't afford to pay for the money that goes into the research, the evaluation, the boots on the ground. And it is another—it is another example of understanding at a profound level that no matter where these kids come from, how poor their families are, every child starts school not saying, "Gee, I hope I am going to drop out 5, 10 years from now." They are excited about school. We want them to be able to compete with their more affluent peers. And this program, it is evaluated; it is measured. And that is what it does. It gets these young children ready to get to school and not feel almost intellectually intimidated, not feel that they are second class citizens—that they are in there; they know the work; they have a future. And we have to continue it.

I mean, the loss of the appropriation, to me, on so many different levels as an American, but just to be specific in terms of early childhood, it would be disastrous.

I forgot your other question. Is there another——

Ms. ROYBAL-ALLARD. About private—the content, the——

Ms. HARRISON. No. I have a real-life example. I don't know how much time we have, but I have a 9-year-old grandson, and he has a laptop. And we have loaded it with all the Ready To Learn stuff. But, you know, when your grandson visits the grandparents, they are like sort of not the same thing. And he came over, and he had something that looked like "Grand Theft Auto" on his laptop. And it turned out it was racing cars, but in order to go to the next level, he needed our credit card. That is the content. We immediately took it down and put back "Sid the Science Kid."

Ms. DELAURO. I hope he is coming back again. That is what happens to grandparents.

Ms. HARRISON. But these kids are bombarded in commercial television. And, oh, do I have time for one more example or no?

Mr. COLE. Yes.

Ms. DELAURO. Yes.

MISSION DRIVEN PUBLIC MEDIA

Ms. HARRISON. All right. Cleveland, Ideastream, such an incredible station. And what they realized, because they have business partnerships, the whole community—they are a very, very poor area, old Polish town—and they go to the clinic. And these kids are sitting there waiting sometimes for hours to see the doctors with their families. And what is on television? The same commercial stuff, selling, selling, selling. And these parents have nothing. And so what Ideastream is, they came in. They gave the clinic laptops. They loaded it up with all of the PBS content. They have a continuous loop, and now they have a relationship with those parents and those kids. And there are so many stories like this that get lost when you talk about "defund public broadcasting." It is about people, their lives, and their families.

Mr. COLE. With that, based on order of arrival, we will go to my good friend from Wisconsin, Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman.

And thank you for being here. I really appreciate it. First of all, let me just say as a quick thank you for the newest Muppet, Julia, the Muppet with autism. Someone with two nephews who are autistic and obviously a growing population, that is part of, again, why we so appreciate what you all do and looking forward to Julia, more presence and seeing her more often.

Just real quickly, on private content, it is not just the credit card. There may be 500 channels, but that means the "Kardashians" and "Honey Boo Boo" and Ozzy Osbourne and a whole lot of other shows that I don't know if I would quite put in the same category as PBS, but it is just interesting.

SUPPORT FOR RURAL COMMUNITIES

I want to follow up on a question that Ms. DeLauro asked about the rural population. My district is very, very rural. Wisconsin is very rural. Twenty percent of the people who watch PBS don't have cable or satellite. So they are actually getting it over the air. If you could just talk a little bit more about that and just that impact to the rural communities because they don't have other options, and I think, really, PBS is filling in such a great amount of content.

Ms. HARRISON. They are. And I think more and more, we need to talk about that. I don't think—and it is easy if you don't live in a rural area—to even imagine that you don't have every single thing at your fingertips and all the wherewithal to get what you need.

And so, as I said before, $129,000,000 of our appropriation goes directly to rural stations, but we also want those rural stations to succeed. So we are not just giving them a grant—which is very, very important—we give them an incentive grant. We work with them to see how they can collaborate with other stations. So, for example, Cookeville is collaborating with WGBH in terms of sharing their expertise or back-office expenses.

Ironically, in this environment of so many channels and so much at our fingertips through technology, we forget that America is a very, very big place, and there are people who don't have everything 24 hours a day, and they are our kids too.

I mean, I would like to say when we did—when we are doing American Graduate, these are our kids. They are all our kids. And, now, especially, with a focus but finally on the opioid crisis and the impact on rural communities, and there is a lot of pride in rural communities. Recent studiesshow that it is one of the most entrepreneurial areas because they really have to think about their wherewithal. Maybe it comes out of that whole farming ethic. But the appropriation is so critical to so many of these stations across the country. And I try to visit as many as possible so I can bring back something more beyond the brochure, real-life examples.

Mr. POCAN. I might just mention too, we also don't have real broadband in a lot of those areas.

Ms. HARRISON. No cable, broadband.

Mr. POCAN. You don't have that for access. And there was just a study in Wisconsin by a University of Wisconsin professor, and, also, they think that government doesn't connect to rural areas across the board from their State and Federal Government. So it is really—this is one of those things that to try to get across the air.

VETERANS CONTENT AND SERVICES

The other thing is, in Wisconsin, we did this Veterans Coming Home project. You want to talk a little bit about that, how we are serving veterans through PBS?

Ms. HARRISON. I just have to thank Wisconsin, really. What happened is, 8 years ago, Wisconsin public television, they had a lot of veterans who were living in the area from the Vietnam war. And they decided that and acknowledged that these veterans never ever were welcomed home. They were more than not welcomed home; they were vilified. And so, decades later, they just took on an amazing initiative. They contacted all of the Vietnam veterans they could and their families. They had this event at Lambeau Field. They called it LZ, Landing Zone, Lambeau Field, 75,000 people, but it didn't stop there. So they told the stories. They researched the stories. They worked with the Wisconsin historical society and veterans organizations.

And I met some of these people. In fact, in my office along the hall, we have big blown-up photos of these veterans from decades ago, and now, of course, they are quite old.

So they didn't want it to be just the one-off: We told the story; we welcomed them home. We started looking at the veterans that are coming back, these young men and women, from Iraq and Afghanistan. And we wanted to take what Wisconsin did and start with Wisconsin and do a digital first initiative, and we called it Veterans Coming Home. And that has now expanded.

PBS has their veterans initiative, and it is national content. We do documentaries. We work with Bob Woodward on something called "Military Medicine," which was so fascinating because it shows that the gains made on the battlefield and what the medics do then translates to civilian life. And we are learning so much about these veterans.

But I am missing the point here. The point of Veterans Coming Home, for these newer veterans, are to connect them to jobs and to not tell—sometimes we tell stories, and we characterize our vet-

erans as these people who are really not capable, mentally capable, or able to add anything in a job or in life, and nothing could be further from the truth. Many of them, some of them, do need the help that they need.

So many of them—and even those who need the help, they are ready. They are trained. They are an asset. This isn't some favor that we are doing for them. Any company would benefit from hiring a veteran, and this is what is happening with Veterans Coming Home, and Wisconsin started it. So thank you.

Mr. POCAN. Sure. Thank you.

Mr. COLE. Thank you.

We will go next to my friend, the gentlelady from Massachusetts, Ms. Clark.

Ms. CLARK. Thank you, Chairman Cole and Ranking Member DeLauro.

And thank you for being here today and for your testimony.

Ms. HARRISON. Thank you.

DEVELOPMENT OF CHILDREN'S EDUCATIONAL CONTENT

Ms. CLARK. I want to talk a little bit about the Ready To Learn grants and at WGBH, home of the classic "Arthur." You know, they are using those grants to continue to create and develop new programming, including "Ruff Ruffman show," really a STEM-based program for youngest kids 4 to 8. Also, "Molly of Denali" is—sounds awesome—based in Alaska, also aimed at children 4 to 8 and really focusing on science and social studies.

And they are also using these grants for parent engagement activities. One of them has been the Tech Goes Home, which is really bringing technology, developmental apps, speaking of your grandchild's iPad, to some of our most vulnerable families. And I wonder if you can talk about—as you develop your programming across the country, what is the science behind it——

Ms. HARRISON. Yes.

Ms. CLARK [continuing]. And what sort of evidence-based research goes into developing these programs?

Ms. HARRISON. Thank you for your question. And, also, we are very appreciative of the work that WGBH does and the stations in serving New England.

WGBH has been a pioneer in education and as a producing station and also in terms of PBS LearningMedia. So it is a real focus for them. And as I said before in terms of the appropriation and forward funding, because this children's content requires that it meet the highest standard and especially now as we are looking at how children learn in a digital age, everything has changed. So we want to be where the child is. And in terms of STEM subjects, when—as kids go through high school, that is where America overall is very, very weak.

So this is a priority. Our content—you mentioned Ruff Ruffman, what we—what we do with a content is—I am sorry—connect with something that is—first of all, it has got to be engaging and entertaining in order for the child to even learn. So, through the PBS KIDS 24/7 network, we have all of this content that is based on years of evaluation. But what we are also doing is supplementing the content that you can get on television, online, with interactive

games because we have the studies that show, whether it is the STEM subjects, whether it is literacy, kids want to interact and participate with media. And CPB is going to be funding that next iteration.

We just launched the—with PBS, the 24/7 KIDS channel, but now we are adding the next level of interactive play. And that is where this is going. It is research-based, but that is part of our grant with Ready To Learn. And we have to show, how do you know? And we can prove that these children, when they start and after they are evaluated, that the content makes a difference.

It is so rewarding because it tells you: if you make an investment early on, you are not doing triage at age 16 or 17. And Boston is one of the leaders in this. Jon Abbott is devoted, working with chief State school officers, and we work very closely with GBH.

The other thing that GBH does is they collaborate with rural stations, and they share their knowledge. And that is why this system really makes sense. It is big stations, small stations, public, private. It works. It is one of the things that actually are working.

MISSION DRIVEN PUBLIC MEDIA

Ms. CLARK. Do you think it is a safe assumption—I have heard some say that the private market would fill this gap if CPB did not exist, was not funded?

Ms. HARRISON. The focus of business—and I ran a company—is to make a profit. If you do good along the way, that is fine, but the focus is to make a profit. And if you are not mission-focused, then—and you are focused on profit, you will find ways to cut corners. Research is expensive. We go over this over and over again. It is required. The content takes a long time to develop. They are studying children. They are investing in the long term because look at what we did with "Mister Rogers' Neighborhood." So incredible, absolutely, if you watch it now, it still has great value. But it doesn't speak to today's child and the things that today's children are facing. So, based on research, evaluation, measurement, we now have "Daniel Tiger's Neighborhood," which takes Mr. Rogers into this child's modern environment.

The private sector hasn't done this. In fact, YouTube said to—and this is all in the open, and it is perfectly legitimate, because that is their mission, to return money to their shareholders, whoever—that the focus with our children's content is to bring the parents in, to sell to the parents and then keep the kids on a trajectory. And that is great. That is great. But what is even greater is public media, so——

Ms. CLARK. Thank you.

Mr. COLE. When my friend talks about business, her Republican genes start showing here.

Now I want to go to my good friend from California, Ms. Lee.

Ms. LEE. Thank you very much.

Good to see you. And let me thank you for your testimony and also for your passion in doing your job. It is clear that it is not just a job for you, but this really is about public service. So thank you very much.

Ms. HARRISON. Thank you.

DIVERSITY IN PUBLIC MEDIA

Ms. LEE. I can't help but remember our beloved Gwen Ifill today, who was the face of "NewsHour" on PBS, and she brought the news in a very professional, factual, and unbiased fashion. And as an African-American woman, I just have to say, she was a role model and she really demonstrated PBS' commitment to diversity and to excellence. And so, as we talk about—and what we are talking about today is, unfortunately, privatizing a public broadcasting company or corporation. You know, I can't help but think of Gwen and all the other phenomenal individuals who work for PBS, who have broken through and really could relate to the entire country, and so this is something that I am shocked by.

But I guess I shouldn't be because, you know, fundamental to our democracy is a free media, and this is another move by the Trump administration to shut down the free media. That is my personal opinion. OK? And I have to just preface this by—well, end this by saying, you know, I can't help but think of Steve Bannon's comments about deconstructing the administrative state. Well, here is a good example of what that means. And so I am just, quite frankly, very shocked but not surprised.

UNIVERSAL ACCESS TO PUBLIC MEDIA

The fact that PBS is free and accessible to 95 percent of the United States population is quite remarkable. If it were privatized, that would not be the case.

And I want to just ask you what would happen—and I want to cite KQED in my own district. And I am very proud of what KQED is doing. And let me just quote you a couple of statistics: serves more than 775,000 individuals on their website, 4,000,000 views a day. The station receives about $4,000,000 annually from the Federal Government but leverages those dollars, mind you—now, this is private sector money, foundation funds, leverages those dollars to invest in programs like the San Francisco Homeless Project, California Counts Collaborative, and our innovation lab. All these programs are vital to my constituents, to the entire bay area, and to people who work at the station.

So, if the Federal Government were not involved in public broadcasting, and if it were strictly privatized, what impact would it have on these programs that are extremely necessary, especially with the huge budget cuts now that are taking place across the board?

Ms. HARRISON. Well, you are absolutely right. And thank you for that question. There is no way—all of our studies show, as dedicated as supporters of KQED are—and they are, and this speaks to the connection that public media stations have with their community as they serve their community—they could not make up the Federal appropriation, and you would then see really the deconstruction of the quality of content. The mission would be watered down. I would be particularly concerned about early childhood education but also about journalism.

And it reminds me, talking about Gwen, who was a very, very good friend—and she and Judy were such incredible partners—and Judy Woodruff calls PBS "NewsHour" news without the noise. And

they are actually enjoying an increase in viewers, and as is NPR in terms of listeners.

And what we do in terms of looking at an informed America more and more, despite or because of a myriad of different choices, is a code of editorial integrity to stay focused on our mission; are we meeting our mission? And that is the heart and soul of public media.

And, also, we have to prove to all of you and to Congress and the American people that we are stewarding this money in ways that are of benefit to them.

And I used to say that, you know, this is at a cost of $1.35 per taxpayer, equivalent to a cup of coffee, but then I came to Starbucks. So it is like a cup of coffee at a rural gas station but better—never mind. That metaphor, I have got to work on it a little bit.

But I also want you to know that we have had a commitment to diversity and innovation and telling America's story, a wonderful story, through the voices of very diverse filmmakers and perspectives, and that is who we are. Thank you.

Ms. LEE. Thank you.

SERVICE TO RURAL COMMUNITIES

Mr. COLE. I thank the gentlelady.

I want to pick up on one of her points, actually, because I think she makes it very well, but—and you have made this, Ms. Harrison, a number of times as well. Honestly, the more rural and the poorer your community is, the more important role this mechanism plays. It is important in every place, but I think there is, sometimes, an attitude that it is just sort of upscale, you know, how many people watch this or that particular? But if you really look—in my State, OETA, Oklahoma Educational Television, has like 2,000,000 viewers in a week, you know, a State of about 3,500,000 people. And there are parts that, you know, literally nobody else reaches.

HIGH QUALITY JOURNALISM

And if you wanted to look at the best quality for—we talk a lot about national journalism, and to be fair, there are lots of shows on national, you know, public affairs, no shortage of them. But if you get in any particular State, usually, the best broadcasting on what is happening at your State capital, your local—is almost always on public television. It is usually the most informed; it is usually the most in depth. And it is certainly the case in my State.

I say that with no—I mean, you know, how many fires do you need to watch, I mean, but you really do need to know what is happening with the State budget.

MULTIPLATFORM INNOVATION

Anyway, let me get back to another area. Because, again, we think of this as traditional media, but you have touched on this, again, several points, but I want you to focus on it. Give the committee some idea, with the explosion of different sorts of platforms

and technologies, what you are doing at PBS to sort of broaden your traditional reach and get into new markets, if you will.

Ms. HARRISON. Well, we don't—one of the things we don't want to do is just chase new, shiny objects. So we want a combination. People are accessing media in so many different ways now. So we want our content on mobile. We want it online. We want it on platforms. But we also realize that broadcast is essential. So it is not either/or.

But what we are doing—and especially to connect, I think, to a younger generation if we are starting with preschool, and they are already on platforms, different kind of platforms with their iPads—is ensuring that our content is available in different forms.

And my first—my best example is "Frontline." So they are broadcast. So what they have done is take their same high-quality, editorial standards for digital. So it is sort of a tease in a way.

If you really don't have a lot of time, but you are interested in what "Frontline" is looking at, you can get this on your iPhone; you can look at it, but you can also then go back and get the longer form. And so we are looking at all kinds of ways to get our content. It is not really so much about the technology because that is going to continue to change. It is ensuring that we have high-quality content, whether it is on a cell phone, whether it is on an iPad, wherever it is. And PBS is looking at this especially in their children's area and for a lot of—the long-form documentaries are still something you want to watch, for the most part. You want it accessible. A lot of people are streamed to "Downton," but you want that screen. So we are trying to serve the American people, as I said earlier, in ways that they want to access and also participate with media. And along with this goes transparency. So, now, because of our content and technology, you can find out, well, where did that idea come—that fact, where did that information come from? And I just think that what we are doing in a very responsible way is helping to strengthen our civil society and, I hope, spark curiosity.

PUBLIC PRIVATE PARTNERSHIP

Mr. COLE. Let me ask you—I only have only about a minute left. And you have touched on this as well, but I want to go back and hit it again. I was not here. Talk a little bit about the leveraging effect of the public investment versus private contribution.

Ms. HARRISON. In terms of what stations do with the Federal appropriation?

Mr. COLE. Well, how they multiply it, frankly, with viewer support, corporate support, you name it.

Ms. HARRISON. They get a base grant from CPB, and then they get another grant that is tied to the non-Federal funding that they raise. And when they do that, that ensures—they are already in the community, but when you go into the community, and you are raising money, you are listening to people. And people tell you, "well, we like this," or "we need this," or "we need something else." They leverage this money. Our average is six times the original investment of the Federal appropriations. That is a lot. And for rural stations, as I said before, they don't—they get a much larger percentage, and we work with them and minority stations.

And you might say, well, how do you then know, if they are not raising an enormous amount of non-Federal funds from the community, what are they leveraging? Well, they are leveraging volunteer time. And I like to think that we are still a little bit the people that de Tocqueville looked at and said, you know, that the American people, volunteerism is our DNA. And that is a critical part of this leveraging. It is volunteer time. It is people who care. It is very important financial resources. But in the cases where they just don't have that donor base, they have the support of the community.

LOCAL CONTENT PRODUCTION

Mr. COLE. Well, and I have seen this—and if my ranking member would indulge me, because I will move immediately to her, for just 1 second——

Ms. DELAURO. That is fine. Take your time.

Mr. COLE [continuing]. Just to make a point. You know, this also turns into content as well. Because, you know, as you mention with Wisconsin, for instance, but, you know, in Oklahoma, we had an incredible nine-part series on Oklahomans in space. We have had more astronauts than any other State and a lot of people that played critical roles at NASA and things like that, which is unusual given how small the State is. It is a way outside. Well, nobody nationally is going to focus on that, but I guarantee you that it sparks a lot of interest and lights a lot of ambitions. And that is replicated time and time and time again. No commercial——

Ms. HARRISON. No.

Mr. COLE [continuing]. You know, operation would ever come do that. And, frankly, no national one would focus in on that small an area. So you sort of replicate some of the great seed work that you guys do. You see these amazing local productions.

I remember watching on Nebraska television a special on the trial of Standing Bear, which is a very important figure in Native-American history, first person to be declared a human being that was Native-American by a court. Now, that was produced in Nebraska about a really important figure in Ponca history. So, again, probably wouldn't have been covered by anybody else.

Anyway, my good friend has indulged me. I want to move immediately to her for a second round—or a third round.

Ms. DELAURO. Well, I am happy to indulge you, Mr. Chairman, because, in fact, I think you hit on something that—you know, what the impact in terms of Native-American communities this would have. And no one knows better than the chairman about this, is that, really, the digital divide is very profound in these communities. And, you know, the tribal radio is often the only source of information. It is also a place where one can immerse themselves in their culture and their traditions and so forth.

CIVIL SOCIETY

I think something that you said earlier—I don't think you were here, Mr. Chairman. I think—it was a quote from President Bush. And it was, "the soft bigotry of low expectations." That is a profound statement.

Ms. HARRISON. Yes.

Ms. DELAURO. I think that is so pervasive today, and it is happening through our institutions, our government, and what is the result of that is an angry Nation and a Nation that is feeling that there is no respect for who they are and that their dignity and their worth is being challenged in our society today, which leads to all kinds of disruption in terms of what your goal is in enriching civil society or helping us to create a more civil society, which is what I believe that the Corporation is all about.

IMPACT OF INCREASED FUNDING

I have a kind of a strange question, given the atmosphere, and then I do want to make a comment, if I can, about your American Graduate program and jobs in a digital economy. I want to make that.

But we have all heard today the value of lifesaving public services, early childhood education, and—but you have requested, again, here, seventh and eighth consecutive years at a level that is flat funding, flat funding. In adjusting for inflation, the Corporation's budget has actually been reduced by 10 percent since 2010. So I would like to know what the Corporation and public media would do if, even in this austere budget environment, what would you do if the appropriation were doubled?

Ms. HARRISON. Thank you. Thank you for that question. What would I do? OK. One of the things I would start doing immediately is I would expand American Graduate and ensure that we could really increase the number of kids who are just struggling and really give them the training they need to get a good job.

The other thing I would do—and I am just going to sort of do bullet points here—I would have a 24/7 history channel. Not the History Channel we have now, which is referred to as the Hitler Channel, because that is all they talk about, but a place where you could get local history, and it would be accessible just the way we have our PBS KIDS channel, whenever you wanted to access it. And it would also be online as well.

We have got to start telling the story of our history so that these kids coming up understand what they are connected to and why it matters, because I think it was Robert Dallek, who said this democracy is so fragile, and we have to know how we got here and the struggles it took to get here and what does it take to keep it strong and vibrant.

I would increase Ready To Learn. We know it works. This works. We don't have to prove it anymore. So we would—we need to reach more kids. We are reaching millions and millions of kids now, but there are even more.

I think we have to continue our veterans initiative. Unfortunately, as we have more young men and women coming back, and they paid their dues to our society, and we need to make sure that they are not just waiting for what they deserve. They are not looking for a handout.

I actually had a list, but I don't know—in this multi-thing here—and then we would also continue what we are doing with minority and diverse filmmakers. We want more voices. We know the success of "StoryCorps." And why is "StoryCorps" successful? We did "StoryCorps Griot," and it was stories from men and women who

were in the civil rights movement but also in World War II. And for the first time they are talking to a friend or they are talking to a relative, and that it then goes into the Library of Congress. And as people listen to these stories, there is that connected humanity. So the stories are very different, but at the end of the day, they are all the same. I would do more of that.

I would invest more into covering international journalism. Right now, NPR has 17, bureaus, more than any other commercial media organization. And last year, unfortunately, David Gilkey, a very talented video journalist and his fellow journalist Afghani Zabihullah Tamanna were killed while covering a story. So we—CPB has now provided a scholarship to encourage new journalists. But we need to know about our world. We need more journalists, not fewer journalists.

And it would be children. It would be history, more history. We are working with Candice Millard, and she wrote these amazing biographies of Garfield and the young Winston Churchill, right after the Boer war—don't let me digress, or this will be 2 hours—and also Teddy Roosevelt. And she talked about what public media means to you, a person to her, at different stages of your life and how these stories of these great men and women—it is not the events. It is what they—their character, and what can we learn?

I would like to have a leadership channel so our young people can just understand, what does courage mean? What does commitment mean? What does perseverance mean? What is grit? We see it with some of these potential dropouts, grit, and they have nothing, and then they go on. And we see others just fall by the wayside. So I will be happy to put this in an organized plea and come back——

Ms. DELAURO. Please.

Ms. HARRISON [continuing]. And make a real presentation.

Mr. COLE. Now we will go to my good friend from Maryland, Mr. Harris.

MISSION DRIVEN PUBLIC MEDIA

Mr. HARRIS. Thank you very much. And I apologize for getting here a little late. This is a very busy time in Washington. A little controversial, as you might imagine—certainly controversial.

Anyway, I will be very, very brief. You know, I—in a time of shrinking resources, you know, the question—and the question, really, should be raised in every part of the government, is, you know, is what this organization that we fund, any organization that we fund, I don't care whether it is the Department of Defense, whether it is Department of Navy, where I was, you know, is it fulfilling a role that needs to be fulfilled? Has the role changed over the years? Can it be supplanted by outside resources so that, you know, I am—you know, I do question—and I think you have to develop a rationale, and I think that is what you are trying to say today—is you know, the average U.S. consumer gets 189 channels now.

Now, when CPB was formed in 1967, I was 10 years old. We had a black-and-white TV. We had ABC, NBC, CBS. We had channel 9 and channel 11 in New York. I grew up in New York. We had five channels. Now you have 189 channels. So the marketplace is

very different. So, at the outset, you know, that has to be addressed. I know there is content that needs to be delivered. The question is, you know, who can deliver it? Can it be delivered by one of those other 189 channels, or is it something that, you know, should—should—where public funding should continue at the level in which it has?

EDITORIAL INDEPENDENCE

But most particularly, what I am concerned about—I understand that, as journalists, you want to—you know, you have to have some independence, whatever. But when you produce shows like "Kumu Hina," almost a third of a million-dollar investment; "Baby Mama High," $50,000—but, you know, $50,000 pays for the health care for 10 individuals on the Affordable Care Act—it begs the question that, is there sensitivity, that we have to—I have to respond to people in my district who say, you know, given what "Kumu Hina" is about, my district doesn't care whether CPB produces that. And, in fact, they would resent if I was publicly funding that.

Similarly, with "Baby Mama High." You know, apparently, I read the summary here. I haven't seen it. I should probably see it. But, then again, I am not sure I want to watch something that says that, you know, someone shouldn't get married; it is actually better to just stay a single mother with two children instead of getting married. It begs the question of there are a lot of wonderful things you can do, but when you wander into—and I understand, you know, the First Amendment rights everybody has, whatever, but when it is public funding, I just question whether somebody is wondering what the effect of that is going to be, and when is the breaking point going to be when—you know, when people like me from my district say, you know what, just can't fund it anymore. I can't explain to my—the people in my district why CPB invested $302,000 in "Kumu Hina."

So you give me the explanation how I go to my—if you could—how I go to my constituents and say that was a good investment of their tax dollars. I am in a highly Republican conservative district.

Ms. HARRISON. Right. I am—Maryland Public Television is, really, an entity that focuses on the environment, a lot of their local content on the Chesapeake Bay, on education. And earlier we talked about the proliferation of all of these channels, and there will probably be even more channels, and so much of this is behind a paywall. I have subscriptions to Amazon and to Netflix, and I have a very high cable bill. So I am aware of what is out there.

In terms of public media and the documentaries we do, the work of Ken Burns or Dr. Henry Gates, I would say, in the aggregate, it brings people together.

We were just talking about the historian Candice Millard, and we have done two of her books now, one on President Garfield and the other one on Teddy Roosevelt. I think if you look at the wealth of the content, that it is by far so impactful.

Now, somebody might watch, for example, "Half the Sky," which was done by Independent Lens, and object to certain things in there. But what was the bottom line with that series? It really was instrumental in raising people's awareness about the scourge of

trafficking in persons, and it really had an impact in this country. Always think of something that is international, and it is right here in the United States.

So I would say maybe we don't get it right 100 percent of the time, but I am willing to bet we get it right 90 percent, whether we are talking about children's education, documentaries, news, and information.

EDITORIAL INTEGRITY

And in terms of journalism, we have a high editorial code focused on transparency and integrity. Do we miss it sometimes? Of course. We are not perfect. Nothing man does is perfect, but the reason that I think and I know that we deserve the appropriation—and Winston Churchill said, "deserve victory"—is because we can prove we make a difference in the lives of Americans, not just the 1 percent, but a majority of Americans who can't afford to have that cable bill, who can't afford the so-called market solutions.

So I don't know if I can convince you, but we are mission-focused, and my goal is to stick to that mission. And for $1.35—and I realize it is a lot of money when you are looking at an entire budget. And you guys all have a very tough job, and especially now; what are the needs of our country? But at some point, we have to say that we are going to lose if we know the cost of everything and the value of nothing.

Mr. COLE. We will go now to my good friend from California, Ms. Roybal-Allard.

DIVERSITY IN PUBLIC MEDIA

Ms. ROYBAL-ALLARD. Ms. Harrison, I couldn't agree more that telling the story of our history, how we are all connected to each other, and the value of each segment of our society and what they have contributed is critical in bringing us together as a country and as Americans. So I want to thank you for your commitment as president of CPB to the National Minority Consortia.

Ensuring that public media reflects diversity and inclusivity in this content and outreach to audiences is really important to meeting that goal. For example, Latino Public Broadcasting, under the National Minority Consortia, produces media that portrays the richness of the Hispanic experience. That is also true for other minority groups—that is produced by the National Black Programming Consortium; Vision Media Maker, which highlights Native Americans; the Center for Asian American Media and Pacific Islanders. How is the CPB uniquely equipped through the National Minority Consortium to represent the perspectives and constituencies in a way that might otherwise be neglected by the commercial media?

Ms. HARRISON. Well, I think media right now—I mean, we know that media, commercial media, really has to focus on the bottom line, and that is—that is—I was in business, and that is what they have to do. They have to have a return on investment.

Our mission is a return on investment that accrues to people in terms of education, in terms of knowledge. We just had—if I can veer off a little bit here. I met with four-star retired General Stanley McChrystal, and he was talking to us about why he supports

public media. And he said: "A country can't be strong unless we are smart." And we want a strong defense and a strong defense militarily. I have a grandson who is right now going through Special Forces. But we also want to make sure that we have that civic—civil society knowledge infrastructure, that our citizens are aware and strong.

And we need to tell the stories of all Americans. Americans need to see themselves as part of the solution to the challenges we have. We have a new generation coming up. We want them to be connected to these solutions.

And that is why I think, over a period of 50 years, we haven't embraced the status quo in any way, or we wouldn't be here today. We are valuable and viable and depended upon by a majority of Americans. When I say that, Americans of all backgrounds: economic, race. And we are very proud. We have our Diversity and Innovation Fund, and we interpret diversity writ large. It is diversity of point of view, diversity of backgrounds, geographic. There are so many things that can divide us today. And by becoming America's storyteller, we unite people. But that is our goal. It is not something that happens immediately.

And especially right now, I think we have a very divided America economically, politically. It is not good for the country. And that is not a political statement, by the way.

Ms. ROYBAL-ALLARD. It is an accurate statement. Thank you.

DIVERSITY OF CONTENT

Mr. COLE. Next go to my good friend, also from California, Ms. Lee.

Ms. LEE. Thank you very much.

Let me, first, to my colleague Dr. Harris just mention a couple of things. First of all, with regard to "Baby Mama High" and "Kumu Hina," well, my constituents may like that, and your—my constituents may not like a lot of the programming that your constituents like. The point is, in America, I thought we had a free press, and I thought the First Amendment ruled, and I thought that it is ok to disagree or agree. And, yes, we have a duty as taxpayers to participate in our First Amendment rights. We don't all have to agree or disagree on everything.

And I think that is the beauty of PBS and NPR, that, you know, my constituents may like some of the programming. They may not like some of the programming. And Dr. Harris' constituents may like some of his—their programming and may not like mine.

So this is a democracy, and in a democracy, we have to commit our resources to continue this democracy. And we are certainly at a very defining moment, and it is very fragile right now.

And so this zeroing out of PBS and NPR, once again, goes—and flies in the face of our democratic principles. Hart Research poll: 73 percent of the voters across the political spectrum oppose eliminating funding for public television, and that is 70 percent of voters who voted for President Trump.

IMPORTANCE OF FEDERAL FUNDING

Now, if PBS were to be privatized, no Federal funding, what would happen to PBS? Because I know how the private sector

works. I am a former businessperson myself. You have to be able to leverage resources. If you can't come to the table with public funding, then the corporate sector and the private sector walks away. They say: You can't leverage what we are going to invest.

So what in the world is going on, and how in the world would you survive with no public funding, or would you?

Ms. HARRISON. We wouldn't. And it wouldn't be public media. It wouldn't be America's public, mission-focused media. There wouldn't be these checks and balances, the stewardship.

PBS—I will go back, again, to what I said earlier. When this construct was created 50 years ago, in its own way, it was brilliant with all of the checks and balances. We don't just give out grants. The stations then have to respond and report. We have an Office of Inspector General who does audits of the stations. We have to report back to Congress. It is—I like to think of it as a virtuous circle because, at every step along the way, we have to prove that we are still of benefit to the American people in specific ways.

And it runs the gamut from preschool to lifelong learning. It is just—maybe I have to come up with a better way of really defining the benefits received and the benefits that are also leveraged in the community.

Ms. LEE. But if it were privatized, where would the accountability be? How would the free press operate?

Ms. HARRISON. It wouldn't. Privatizing public media is almost an oxymoron. If we want to have a vibrant public media service—let me give you an example. I guess I haven't been using this. I apologize. Oh, that is much better. OK.

STRENGTHENING DEMOCRACY

So about 6 months ago—we frequently have international visitors—we had a delegation from Ukraine. And these are the most incredible people, and they said: "We want what you have. We want an independent, public media service for the Ukrainian people."

They are inundated by Russia today. Total propaganda.

Well, how can we help you?

"Well, what we want is content, like 'Eyes on the Prize.' We want Ken Burns. We want to be able to show our people, to translate it, into how—what a democracy looks like. How do you fight for it? We want the civil rights history."

And so some of the people who went to Ukraine are here today. I think Michael Levy and Steve Bass, from Oregon Public Broadcasting, and Steven Altman and sat down and spent 2 days helping them figure out how they were going to put this together under great, let's say, political challenges. And, in fact, we wound up giving them some content.

But we are viewed by the rest of the world who pays—their citizens pay far more. I think Norway is the highest, with $135 a person. This partnership we have, it isn't a handout. It is a partnership. And this is what we say. It is the entrepreneurial spirit of America. It is what makes capitalism great. And it is working, and it is admired.

And are there glitches along the way? Of course, there are. And we have ombudsmen. NPR has one. PBS has one. And believe me,

we hear from people. When they don't like something, the stations hear it immediately, and they don't get ignored.

I just think that the idea that the marketplace is going to take care of public media really means—we may as well be honest, it is the elimination of——

Ms. LEE. Yes, so public media would be no more.

Ms. HARRISON. It would be no more.

Ms. LEE. It would be private, corporate media, deconstructing the public sector and the administrative sector. That is really too bad.

Mr. COLE. The chair just wants to make the point that the First Amendment is clearly not dead on this committee. So we have fair, full, and vigorous debate.

I really don't have any more questions, but we still have a little bit of time. I know my ranking member wants to make a point. I will probably make a closing point myself, but I also want to make sure if anybody has something in particular, they want to make that point. But I want to go first to the ranking member.

Ms. DELAURO. Thank you very much, Mr. Chairman.

And many thanks. This has been one of the most enlightening hearings that we have had. And it is not just this year, because we haven't had a lot of hearings, but overall. And it is too bad it has taken 10 years for you to be back here. As the chairman said, we are not going to go down that road again.

Ms. HARRISON. That is ok. Every 10 years is ok.

WORKFORCE DEVELOPMENT

Ms. DELAURO. OK with you? OK. All right. But I want to pursue with you a bit the American Graduate program——

Ms. HARRISON. Yes.

Ms. DELAURO [continuing]. That you have mentioned, because I have been sitting here taken with that. And I understood that—what you were doing in terms of the dropout rate. But let me—and I don't know if you have had the opportunity to see what the Markle Foundation, the report that they just issued not that many months ago. It is about jobs in the digital age. And they found, in terms of their research, that 70 percent—and this goes to value and equal dignity for all Americans—including the 70 percent without a college degree—without a college degree—in the United States, who are eager to demonstrate the skills they have and to learn new skills. And they have—there is a program that's been developed in Colorado called Skillful.

In any case, I make the point that we are a Nation today that has a population nationwide that does not—and shows that their economic success is attached to that, the economic success, quite frankly, in my view, of the Nation.

Further, the Center for Budget and Policy Priorities says poverty-reduction programs help adults lacking college degrees the most. Nearly 9 in 10 working-aged adults lifted above the poverty line lacked a college degree. I am focused on the college degree or courses or opportunities for individuals who make up this segment of our country.

And we can talk about this offline or so forth, but I believe—and I don't know if you think there is a role for public broadcasting to do what you were doing with dealing with high school dropouts,

connecting them, and looking at how we either can provide connections with regard to employment, training, et cetera, through your medium.

Ms. HARRISON. Yes. And thank you for that question. I had a very long conversation with Congresswoman Roby about how—how do I say this? We almost have decided that you must go from high school to college, that anything else is a complete failure or not worthy. And that is doing a disservice to a lot of young people who should have the opportunity to go to college but, just as importantly, have the opportunity to understand how they are going to make a living, how they are going to work, how to get trained. How do you—just basic stuff even—show up in the workforce; what is appropriate? And so we are doing this. That is the next iteration if we can find the wherewithal.

American Graduate has inspired a lot of foundations to give directly to local stations, because they believe in this; they know this is essential, helping these young people, who are bright, but they really need this kind of real training. And I know job training has had a very bad reputation in the past, but this involves digital knowledge, a lot of different things.

So, yes, I should say, my short answer on that is, yes, that is where we see it going. Because I think it would be a disservice to say, we are very proud. We worked with 1,700 organizations. We helped the high school graduation go up, and let's declare victory. That is only the beginning of the story. So is there life after high school?

Ms. DELAURO. Well, that is really my point, is that we have so traditionally been bound by getting a 4-year liberal college education, and it is probably my view that we have enough history majors and English majors, you know, for a very, very long time.

Ms. HARRISON. Uh-oh, the chairman is looking at you.

Ms. DELAURO. He and I are both history majors. So, in any case, what I am saying is that the opportunity to connect with the kinds of skills that allow people to develop their own—to realize their own dreams and their aspirations whether—you know, I think is so critical. And I just see—if I can, I would love to—and you can do on your own, but I am going to speak to Zoe Baird at the Markle Foundation——

Ms. HARRISON. I appreciate that.

Ms. DELAURO [continuing]. Because I would love for the two of you to sit down and think about the scope of your medium and its ability to change—to help to change people's lives. And the way you have done, in early childhood education and these other areas, what you are doing with veterans and so forth, I think that there is an enormous role for CPB to engage in this and this effort in a very highly professional, competent way that can do nothing but assist the people.

I am going to—we can talk further.

Ms. HARRISON. No, thank you. This is very timely, because tonight a group of general managers from various parts of the country who have been involved in American Graduate and who have—are doing in their State—Virginia is one of them—they are coming in to look at this next iteration and what we can do in a measurable way——

Ms. DELAURO. Measurable.

Ms. HARRISON [continuing]. And not take up too much——

Ms. DELAURO. Absolutely measurable. And thank you——

I am sorry, Mr. Chairman—but I can't thank you enough for your testimony today.

Ms. HARRISON. Thank you.

Mr. COLE. Having abused the time myself, I am going to be lenient.

Ms. DELAURO. Thank you.

Mr. COLE. I am going to go to Mr. Harris for the last question.

Mr. HARRIS. Thank you. I didn't abuse my 5 minutes before.

Mr. COLE. You certainly didn't. I was placing the blame on myself.

DIVERSITY OF CONTENT

Mr. HARRIS. Let me follow up—and I'm sorry, you know, my dear colleague from California isn't here—when she talks about the free press. But we are not talking about a free press here; we are talking about a government-funded press.

Now, I am not—I am making no comparisons that you can compare to Norway, but, look, no comparison. You can go look at Russian TV and Pravda. They get government funds too. I am not going to make a comparison. "Pravda," by the way, means "the truth" in Russian. Yeah, right. So let's separate free—what we are talking about today is government funding. And I applaud the gentlelady from Connecticut talking about the need to advance education. But, Ms. Harrison, agenda is not education. What do I mean by "agenda"? I gave you a couple of examples.

Let me read from the description of an MPT program. It must be MPT, because it was called "The New Black." It says, quote—and this is from their website, and I am going to get to the agenda issue—it says: "This film documents the political race for marriage equality in Maryland from the perspectives of LGBTQ African Americans, their supporters, and those who are against marriage equality."

I know a lot of people who don't like the term "marriage equality" because they don't believe anything is equal to marriage. But this public broadcasting station chose a politically charged term and then compared those who are for it with someone who is against marriage equality. Words have meanings. You are a journalist. This is biased. I don't have to see it to know it is biased. I just read the description. This is not education. This is agenda.

EDITORIAL FIREWALL

I beg you, if you come for government funding, you must remove as many vestiges of political agenda as you can, because I don't want an ad running against me that says I—that says I voted for funding a film that inspires a tomboyish young girl to claim her place as leader of an all-male hula troupe. I can see the ad. That is from "Kumu Hina." That is from the description on the station. I beg you, please, remove the agenda from education.

And I don't care. It could be agenda on either end of the spectrum. This has to be neutral content so that when somebody uses the term "marriage equality"—and believe me, I am particularly

sensitive—and you know, in Maryland, that was a very close issue. That fight was within 1 percent on the ballot, and people who claim to be free press with no ax to grind who use the words of one side or the other take a side. That is all I can say.

You know, if you come for public funding——

Ms. HARRISON. Yes.

Mr. HARRIS [continuing]. And claim free press, it is government-funded press, and my citizens will resent some of the agenda that has been there for—and look, 98—you are absolutely right: 98, 99 percent of the time, you get it right. The 1 percent poisons the well. And I will yield to you, you know, for response and then yield back my time.

Mr. COLE. Surely.

Ms. HARRISON. Well, first of all, I would like to say I take your point. We are tasked with two things: to provide a firewall of independence for content providers and also to ensure balance and objectivity. And these are sometimes two clashing objectives.

Now, I think overall we have done pretty well. But what I would like to do is come and sit down with you, if you will allow me, after—not today, please—and talk about your very good point. And in terms of how we serve all the people and—but also, for us—when I came here, I tell you: it wasn't easy. I had been co-chair of the National Republican Committee, and I had a very hard time. I was asked at my hearing, how could you possibly run the Corporation for Public Broadcasting if you ran the Republican Party? I said well, I hope I am an American first. And that is what I have tried to do for 11 years, right down the middle.

And for the most part, with this great team here, we have done that. We care about the mission. We care about our vulnerability, and we care about all of you too, and we care about our stewardship. It means everything to me.

I have our CFO here, who has made sure we have clean audits for the last—not 50, but 11 years. So I appreciate your question, and I just don't want to give you a shallow response. So let's talk.

Mr. HARRIS. Thank you.

CHAIRMAN CLOSING STATEMENT

Mr. COLE. Well, that is a good note to end on, I think, in many ways.

But at one point in your testimony, when you weren't sure about the mike and you pulled it closer, my chief clerk leaned over and said, "I can hear her ok." I said, "Yeah, she is from New York; you can always hear her ok."

But I want to thank my friend for her testimony. I appreciate it greatly. I think you have been forthright and certainly have been helpful to this committee. And we do have tough decisions ahead of us. We don't know yet what our top line in this subcommittee is going to be. And, you know, to govern is to choose, and we will have some tough choices, I have no doubt, to make. But I think you make your case very well.

Ms. HARRISON. Thank you.

Mr. COLE. And I think you do your job very well. And having known you before you were in that job, I was absolutely confident that you would tame all the lions left and right that you would face

in what is a high-profile and, frankly, very demanding position. I think more than most you are under scrutiny and the organization you lead is under scrutiny because, as my good friend from Maryland says, these are public dollars, and that scrutiny is very, very appropriate and questions from all sides are very, very appropriate.

And I appreciate, particularly, you making the case about the importance of a firewall and the funding issue in terms of maintaining that independence. You know, it was actually President Ford who recommended a 5-year advanced funding just because there has always been fears about this, in fact that, while there are certainly legitimate concerns expressed from the left or the right about this or that, I think if you look over a 50-year history, it is a pretty impressive, you know, record of enriching the content of public dialogue, opening doors to communities that don't often have these kind of opportunities, and living within what is by any measure at the Federal level a comparatively modest budget, which you managed to leverage and multiply many times over, which says something about the work that you do there. Because if Americans are willing to support you with their checks, large and small, and corporations who are notoriously shy of any sort of being pulled into politics, left or right, are willing to do that, it suggests to me that you have done your mission, a mission that Congress asked you to do over many decades very, very well.

So, again, it was a great personal pleasure to have you here. I thank the members of the committee, and we stand adjourned.

Ms. HARRISON. Thank you very, very much. I am glad you moved it from the Ides of March.

WEDNESDAY, MARCH 29, 2017.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

WITNESS

DR. THOMAS PRICE, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. COLE. Good morning, Mr. Secretary. It is genuinely my pleasure to welcome you to the Subcommittee on Labor, Health and Human Services, and Education. We are looking forward to hearing your testimony.

Mr. Secretary, your responsibilities are many. Your department is responsible for ensuring proper payments of Medicare and Medicaid dollars, for overseeing biomedical research that can save millions of lives, for helping families break the cycle of poverty, and protecting our Nation against bioterror and pandemic events.

The cuts proposed in the budget blueprint this month are extensive and span the reach of your agency. I believe there is always fat that can be trimmed and priorities that can be reordered. And I will ask you some questions this morning about whether this budget leaves America sufficiently prepared to respond to a pandemic, a new disease like Zika or a bioterrorism event. I will ask questions about how you will fulfill your mission of enhancing the health and well-being of Americans at these levels of funding. And I will ask how you will work to solve some of the challenges in your agency, including those related to the Indian Health Service.

And ultimately, this subcommittee needs to know in detail what cuts you propose and what missions you are either downgrading or eliminating. I know some of these details will be forthcoming in the weeks ahead, but we look forward to hearing what you are able to share with us today, and we recognize there are limitations in that regard.

As a reminder, the subcommittee and our witness will abide by the 5-minute rule so that everybody will have a chance to get their questions asked and answered.

And now I am going to go off script for a minute. I want to begin, also just welcome you here as our former colleague of 12 years, and not only have the privilege of serving with you obviously in Congress, but in the same conference and on your committee which you chaired.

And I couldn't have been more pleased with your selection by the President. I think you are not only a very good person and extraordinarily well-qualified for this job, I have no doubt you are going to do a brilliant job for the American people during your tenure at Health and Human Services.

And having worked with you on the Budget Committee, I know you know how to balance a budget and bring it into budget and

make the tough decisions that have to be made for the country going forward. And, you know, we achieved that balance in the budgets that you crafted, in some cases I think with appropriate balance between entitlement spending and discretionary spending. And I think that is probably one of this committee's chief concerns.

I think the President is absolutely correct that we need to spend more on defense. I don't have any doubt about it at all. And I think he is absolutely correct as well that it needs to be done in a fiscally responsible way, with offsetting reductions elsewhere in the budget.

Where we would disagree—and I cut the administration considerable latitude, because it has had very little time to craft a budget. We are operating off a skinny budget. We may see something different in May, and we may see something different in the years ahead. But, in my personal view, these are focused too tightly on nondefense discretionary offsets and particularly with respect to your agency.

I take considerable pride in the fact—and I know my colleagues on both sides of the aisle do—that in the late 1990s and early part of the 21st century, Congress, a Republican Congress, frankly, but with Democratic support, was able to double the budget at NIH. And our predecessor, Speaker Gingrich, deserves considerable credit, and Mr. Porter, as my good friend, the ranking member of both the full committee and the subcommittee, often point out. They did a tremendous job, I think, for the American people.

We then had about a dozen years of flat funding. And I take considerable pride that it was a Republican House and Senate again in 2016 that restarted the cycle of increasing funding at the NIH. And when I say flat funding, I know my colleagues would be the first to point out flat funding means reduced funding, because you obviously lose on account of inflation. I can give you the numbers in terms of the number of grants for research we were funding in 2003 versus what we were funding in 2015. We went down from one in three to one in six, and that was a lot of good science, I think, left on the table.

So I am pleased that we were able to restart that, what I call a virtuous cycle in 2016. I take considerable pride, honestly, that it was again a Republican Senate and Republican House that did that, but, again, with the support of our friends on the other side of the aisle. And we did that again in the 2017 budget, which I am very hopeful you will get to operate without a continuing resolution before the end of next month.

And you will see there will be another very substantial increase for the National Institute of Health, and also for the Centers for Disease Control. And you have heard me say this before, but I really believe it, these two institutions in particular, and there are lots of good things in your budget, but these two in particular are every bit as important for the national defense and national security of the American people as the Pentagon is, because, frankly, you are much more likely to die in a pandemic than you are a terrorist attack. So maintaining the ability to respond to terrorist attacks, to respond to unexpected things like Ebola and Zika are extraordinarily important for the country, and I know you see it that way as well.

Again, you are in a tough position. You have to make tough decisions, and I respect that. But this committee and certainly me personally will be very hesitant about looking at cuts of the nature that we are talking about and, frankly, pretty insistent on finding a way in the total budget to not only maintain the offsets that the President wants to, but spread them more broadly across the full budget, but do it in ways that we can continue this investment in what I think is really cutting-edge and important biomedical research, and certainly at the Centers for Disease Control what is literally the front line of defense. I would much rather fight Ebola in West Africa than west Dallas. And I think we need to recognize the extraordinary contributions that were made by that agency and the NIH, working together, in that particular fight.

So I say that out there just up front, because we will have some differences, but I want to make it clear they are not differences in the basic thrust of what the President is trying to do. It is just doing what Congress is supposed to do and trying to think maybe more broadly across the entire budget, as I know you have done before—I have seen you do it—and try to make sure that we prioritize what is genuinely important. And defense is genuinely important. These things are part of the defense of the country and its development too.

So I really look forward to our discussion. I know it will be thoughtful. I know you will make good decisions on behalf of the American people going forward, because I know who you are and I have had the opportunity to serve with you. And this committee looks forward to working with you fully and openly and transparently. We had an excellent relationship with your predecessor, and Secretary Burwell is someone I think very highly of, but I know we will have an excellent relationship with you. And, again, I know how well you will serve the American people.

So this committee, Republican and Democrat alike, looks forward to working with you to achieve that common goal, and I know that is the President's goal as well. And this is the beginning of a process, and I hope we will get to an end of a process where all of us can take a great deal of satisfaction that we have achieved the objectives that I know we all share and, frankly, discharge the duties that we are all obligated to discharge.

And with that, I want to turn to my good friend, the ranking member from Connecticut, for any opening remarks she cares to make.

Ms. DELAURO. Thank you very much, Mr. Chairman.

And welcome, Mr. Secretary. Welcome to the subcommittee and your first appropriations hearing. Certainly not welcome to the Congress, which is a place that you know well.

We meet during perilous times for the future of health care in our country. With the threat of rising premiums, rising deductibles, and the uninsured, Americans were protected last week when Speaker Ryan pulled a bill from the floor that would have repealed the Affordable Care Act. The fate of their health care really now lies in your administration's hands.

I have been deeply disturbed by President Trump's recent threats to sabotage health insurance for the millions of Americans that rely on the Affordable Care Act every day. And last week,

from the Oval Office, he said, and I quote: "The best thing we can do, politically speaking, is let ObamaCare explode," end quote. On February 27, he told the National Governors Association, again I quote: "Let it be a disaster, because we can blame the Democrats. Politically, it would be a great solution."

I find this speech to be insulting to the millions of workers, children, and older Americans whose futures are on the line. The health care of the American people is not a political bargaining chip. The idea that the President of the United States would intentionally undermine the health and the financial security of millions of Americans for personal political gain, in my view, is malicious.

Mr. Secretary, I hope that you will assure us today that you intend to use your position to strengthen the individual marketplace that is used by millions of Americans instead of sabotaging it for any political gain. I hope you will tell us today that you concur with Speaker Ryan when he says that the Affordable Care Act is the law of the land and that there will be no further attempts to repeal it, but, rather, take a look at the ways in which we can improve and strengthen the Affordable Care Act.

Moving from the failed repeal of the Affordable Care Act to the budget proposal. I think you know what my response is on the budget proposal. Unfortunately, I do not have anything complimentary to say about your budget request. In fact, I think it is a disaster that will have literal life-and-death consequences for American families.

$15,000,000,000 in cuts to HHS is untenable. Much like Speaker Ryan's healthcare bill that failed last week, the Trump administration's budget request for the Department of Health and Human Services would eliminate critical resources and programs for low-income and working families. It would also decimate the National Institutes of Health, the world's foremost biomedical research institution, severe negative consequences for public health departments across our country.

To be clear, President Trump is proposing to cut NIH funding by $6,000,000,000. This is really an understatement, since we just saw that the administration wants to cut an additional $1.200,000,000 from NIH in 2017 as well. And I hope you will tell us whether or not you agree or disagree with that additional cut. Cutting billions from NIH would be devastating. Cancer research, Alzheimer's research, HIV/AIDS research, as well as research to prevent any cure of any other disease that is causing misery for millions of Americans and their families. Make no mistake, this cut will turn back the clock on lifesaving biomedical research that you know and I know and the chairman knows and everyone on this committee knows has the power to save lives.

Mr. Secretary, we need to know today do you agree that we should cut $6,000,000,000 from the NIH? And I just might add that it is $6,000,000,000 below what you voted for in the Omnibus last December. We are choosing to hamper our progress as a Nation. We are choosing to ravage our medical community.

President Trump is also proposing to eliminate the Low Income Home Energy Assistance Program, LIHEAP, which allocates $3.400,000,000 each year to help pay heating and cooling bills for nearly 7 million low-income households. Earlier this week, I heard

from constituents who depend on LIHEAP. Let me just quote this to you.

This was in Derby, Connecticut. This is a news report. "Tears flowed, anguish creased faces and pleas for help filled the room. They came from people like Amanda Diaz, who works 40 hours a week while taking care of two young children and a sick mother; Crisann Keeney, a former nurse left disabled; Ebony Gattison, who recently graduated from a Griffin Hospital training program." "These programs are vital," Amanda Diaz said. She said: "People like me don't just stay home. I work. I have a 5-year-old daughter who has asthma and my mom has lupus." Diaz said the minimal heating assistance she received probably kept her daughter and mother from getting sick last winter. Ms. Keeney said, and I quote, "How does this government think we can just cast people aside?" A disabled former nurse, she wiped tears from her eyes and she said, "They are putting numbers down, but we are talking about humans." These are the words of folks. They rely on this program to keep their kids healthy, to keep their families safe.

And President Trump is also proposing to eliminate the Community Service Block Grant Program, CSBG, a critical program that connects people with job training, nutrition programs, LIHEAP, and more. He would propose slashing funding for the Centers for Disease Control, which gives to State public health departments, drastically reduces surveillance, epidemiology, laboratory testing, as well as immunizations and emergency preparedness activities in the States. And I was pleased to read in your testimony about your commitment to emergency preparedness and how we need to foster that effort.

In each of these cases, President Trump is proposing to eliminate programs that help low-income working class families, often the same families that put their faith in him during last year's campaign, or he is proposing to cut programs like the NIH, the CDC, that benefit all Americans. And at the same time, he is preparing to introduce a massive tax cut for corporations and millionaires, just as he did in the failed healthcare bill last week.

For decades, Republicans have advocated massive cuts to health and education funding, such as with H.R. 1, the very first thing that Republicans did when they took the majority, which proposed cutting the NIH by $1.600,000,000 and the CDC by 10 percent. Unfortunately, President Trump's budget is finally showing the destructive impact that those cuts would have on our communities: Cuts to medical research, cuts to public health departments, cuts to home heating and cooling for low-income families, cuts to Meals on Wheels for older Americans, cuts to nurses' training, cuts to family caregivers, cuts to family planning service, and the list goes on.

My sincere hope is that President Trump's budget is dead on arrival. This budget is cynical, it is vindictive, and it will cause real harm to millions of American families.

Mr. Secretary, I look forward to finding out whether you support these reckless cuts. I sincerely and truly hope not. Additionally, I have read your testimony and I know that you do not have all the numbers yet.

And I would ask the chairman if we could have the Secretary return in May to testify when we know the full extent of this budget when it comes around to May.

I thank you, and I look forward to your testimony and to our discussion.

Mr. COLE. I thank the gentlelady.

We have the privilege this morning of having my good friend, the ranking member of the full committee, here as well. And just for the record, I want to say I was very privileged last night to be with her when she received a lifetime award from Alzheimer's Association for the distinguished work she has done over the course of her career. We have some of those folks associated with that effort here, and we thank you for your good work as advocates and we certainly thank you for honoring our colleague and our dear friend.

And, with that, the gentlelady is recognized for whatever remarks she cares to make.

Mrs. LOWEY. Now, you are being so very gracious, but I think we should tell the group that I was honored to be honored with you, my friend. And I also want to say——

Mr. COLE. I was kind of hoping you would bring it up.

Mrs. LOWEY. And I do want to say, because I was glad you referenced it in your opening remarks, I was part of this committee when a Republican, John Porter, doubled the money for the NIH. And I know of Chairman Cole's commitment to Alzheimer's, to the whole range of diseases on which we focus our efforts and find cures and prevent the terrible pain that these illnesses cause.

So I also remember, Mr. Chairman, when we used to say there are Democrats, Republicans, and appropriators. And we have to get our work done. So I am very optimistic that at the end of this process, we will make major changes to the budget, the skinny budgets that have been submitted to us.

So, with that, my friend, I want to join you in welcoming our guest today, Secretary Price.

This really is a strange hearing. You come before us with a, quote, a skinny budget that doesn't contain many numbers, and the few clear details would have catastrophic results for Americans.

Here is what we know about President Trump's budget: The NIH would be cut by as much as $5,800,000,000, resulting in 3,000 to 5,000 fewer annual research grants; nursing training programs would be eliminated; without LIHEAP, 6.8 million elderly and vulnerable Americans would be left without heating assistance in the winter, including assistance in the scorching summer heat; and the Department of Health and Human Services would be cut by 18 percent, putting critical priorities at risk.

The 18 percent cut to HHS could endanger biosecurity, medical research, mental health counseling, substance abuse, early childhood development, combatting disease and epidemics, vaccine development—I don't think I have enough time to list all the cuts, but you know how serious they are. There are no two ways about it, it is just not possible to make an 18 percent cut without decimating investments that Americans rely on.

So we should be honest with the American people. President Trump's budget plans are nothing more than a broken promise, while special interest loopholes remain intact. If you are working

hard every day and still can't make ends meet, you are out of luck in Trump's America.

You also come before us days after TrumpCare crashed and burned, with policy proposals constantly changing in an effort to appear he is the right wing in its final days. I am not certain that any person in this room, perhaps including you, Mr. Secretary, could articulate the Trump administration policy on health care other than repealing the Affordable Care Act and taking health care away from 24 million people.

I certainly hope, Mr. Secretary, that last week's failure of TrumpCare has made clear that the American people want the ACA to be strengthened. And I think, working together, Democrats and Republicans, if we look at it with open eyes, we can strengthen our healthcare system, especially in light of the news overnight that Republicans are back at trying to repeal the bill. I don't understand that. Instead of working together to improve, to strengthen the Affordable Care Act, without a plan in place, there is talk of repealing it again.

And I want to make it very clear that we will call out any attempt by your department to undermine Americans' health coverage. So I hope you are not inclined to seek a, quote, death-by-a-thousand-cuts approach to decimate the ACA.

So I really do look forward to hearing from you about the administration's plans for the department which you lead. I also hope this will not be your only visit, and that you will return to testify on the full budget when it is released in May. So, again, I thank you for appearing before us.

I thank the chairman for having this hearing. And I do hope we can work together as we move forward, Democrats and Republicans, for the people of this country. For those who are here talking to us about the impact of Alzheimer's, for all those who have really suffered, we can make the bill better. And rather than tear up the ACA, let's work together to strengthen it, to improve it.

Thank you very much.

Mr. COLE. I thank the gentlelady.

And now I am pleased to recognize my good friend, our distinguished Secretary of Health and Human Services. Again, Secretary, thank you for coming here before us, and we look forward to hearing whatever testimony you care to give.

Secretary PRICE. Thank you so much, Mr. Chairman, Chairman Cole and Ranking Member DeLauro, Ranking Member Lowey, thank you so much for the opportunity to be with you and discuss the President's budget blueprint for the Department of Health and Human Services for fiscal year 2018.

Since I was sworn in last month as Secretary, I have had the opportunity to meet many of the incredible employees working at the Department's headquarters right across the street and at many of our agencies literally around the country. I have been continually impressed with the myriad ways that HHS supports local communities in times of emergency, often in ways that the American people never know about.

When California's Oroville Dam risked breaching in February, HHS was ready with its expertise and assistance in preparedness to meet the health needs of that community. And when a natural

disaster strikes, local authorities rely on HHS data to know which households in their community were energy-dependent and in need of assistance. This kind of Federal support rarely makes headlines, but for the farmer who lives miles from any first responder and downstream of a distressed dam or for the snowed-in senior citizen who requires supplemental oxygen, HHS can be a lifesaver.

Two weeks ago, the President released his America First budget blueprint for 2018 discretionary spending. The administration requests $69,000,000,000 for discretionary spending at HHS, prioritizing critical programs and proposing the elimination of programs that are duplicative or ineffective. The blueprint makes strategic investments that will let us respond more efficiently to public health emergencies, empower Americans to make the best decisions for their healthcare needs, and prevent waste, fraud, and abuse across the Department, particularly within Medicare and Medicaid.

The vision for HHS has only been laid out in broad strokes, since specific decisions on programs and account levels are still under consideration. Those details, as well as proposals on mandatory spending, will be included in the President's full 2018 budget proposal, which is expected in mid-May.

There are three priorities that I would like to highlight today: Our Nation's mental health and substance abuse crisis, resources for emergency preparedness and response, and the fight to end childhood obesity.

Drug overdoses have risen steadily over the past couple of decades, largely thanks to the misuse of opioids, and they are now at epidemic levels. A staggering 52,000 Americans died of overdose in 2015, and drugs are now the leading cause of death from injury in America. I know this issue has hit home in many of your districts and your communities. As a physician and as an American, it breaks my heart to see a deadly epidemic rage across our land. And as Secretary of Health and Human Services, it is my responsibility to ensure we are tackling it with all resources available.

The budget blueprint reflects this commitment, and HHS is investing efforts to combat opioid misuse, increase availability of treatment, and reduce deaths from overdoses. Those investments include continuing the $500,000,000 in funding provided by the 21st Century Cures Act.

Many Americans are struggling also with substance abuse. They also suffer from mental illness. The administration plans on continued investment in high priority mental health issues, including suicide prevention, serious mental illness, and children's mental health.

Another critical function of the Department is emergency preparedness. HHS Office of the Assistant Secretary for Preparedness and Response coordinates the prevention of, preparation for, and response to public health emergencies and disasters, which can range from outbreak of infectious disease to chemical and biological threats. The President's fiscal year 2018 budget proposes to reform key emergency programs and create a new Federal emergency response fund, which will allow HHS to rapidly respond to public health threats.

With support from this subcommittee, HHS has played a key role in fighting the Zika virus, promoting vaccine development, advanc-

ing diagnostics, and providing resources for pregnant women. The Department continues to closely monitor the Zika situation, especially as we enter another mosquito season in the southern United States. At the same time, HHS is monitoring and preparing for a range of threats, including viruses abroad, like the H7N9 avian flu virus in China.

The final priority I would like to raise is the problem of childhood obesity. Nearly 20 percent of America's schoolchildren are obese, leaving them at higher risk for having chronic health conditions and diseases. And we owe it to them and their families to do better. And I look forward to working with you to augment the Department's worthy efforts in this area.

I want to thank again the chairman and ranking member and the members of this committee for the opportunity to testify today and for your continued support of the Department. It is an incredible privilege for me to serve the American people as the Secretary of Health and Human Services, and I appreciate the opportunity to be here today, and I look forward to our conversation.

[The information follows:]

Statement by
Dr. Thomas Price
Secretary
U.S. Department of Health and Human Services
on
The President's Fiscal Year 2018 Budget Blueprint
before
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

U.S. House of Representatives
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Chairman Cole, Ranking Member DeLauro, and Members of the Committee, thank you for the opportunity to discuss the President's Budget Blueprint for the Department of Health and Human Services (HHS) in Fiscal Year (FY) 2018. It is a pleasure to appear before you today. Last year, the Congress made critical investments in programs to improve the health and welfare of American citizens, such as directing funding to combat the opioid crisis and support the Department's Zika response and other emergency preparedness activities. Thank you for your support on these important issues. I look forward to working with you.

Last month, I had the honor of being sworn in as the Secretary of Health and Human Services. Since then I have had the opportunity to meet many of the incredible employees working at the Department's headquarters across the street and at many of our agencies across the country. These meetings have included a briefing from the Office of the Assistant Secretary for Preparedness and Response on the programs and resources the Department has to protect the public's health and safety, as well as briefings by the staff at the Centers for Medicare & Medicaid Services and a tour of the Food and Drug Administration's facilities. They also have included visits with individuals directly impacted by HHS, such as physicians and patients at

National Children's Hospital. These conversations have reinforced my appreciation of the HHS mission and allowed me to see our work in action.

In particular, the myriad ways – large and small – that we support local communities has been continually impressive. Every single day, the team at HHS helps States, cities, and towns across our country care for individuals in distress. Much of that work is done quietly and without public notice, but our work has a lasting impact on the individuals we serve. One example: When California's Oroville Dam risked breaching in February, HHS was ready with its expertise and assistance in preparedness resources to meet the needs of that community. There is also the better known work that HHS does to protect Americans against public health threats, such as deadly viruses, that can arise here or abroad. America is able to respond to such threats because of the hard work that I see HHS agencies doing every day to prepare for, prevent, and if necessary, respond to a crisis.

There is no question that our Department is made up of talented, hardworking individuals who are committed to the HHS mission of improving the health and well-being of the American people. The HHS team is working tirelessly on behalf of every American and I will use my time as steward of the Department to keep American families at the forefront of these efforts.

Two weeks ago, the President released his "America First" Budget Blueprint for FY 2018 discretionary spending. Through the Blueprint, the Administration requests $69 billion for discretionary spending at the Department of Health and Human Services and asserts a new policy direction for HHS, prioritizing certain critical programs and proposing the elimination of

programs that are duplicative or have limited or unproven impact on public health and well-being. The Blueprint also establishes a government-wide management and regulatory agenda that supports these goals. Key components of this agenda include ensuring that the total incremental costs of new regulations is no greater than zero in 2017 and eliminating inefficient, wasteful, or unnecessary regulations. The full Budget will be released in mid-May and will include more details, including mandatory spending. At that point, you will be able to see how the Blueprint fits into an overall fiscally responsible Budget request.

The Budget Blueprint supports the Department's mission by making strategic investments that will: enable us to respond more efficiently to national and global health challenges; ensure that Americans are empowered to make the best decisions for their health care needs; and prevent waste, fraud, and abuse across the Department, particularly within the Medicare and Medicaid programs. Achieving these goals under the top line provided by the President's FY 2018 Blueprint will require that we make targeted, strategic investments and carry out our mission in the most efficient manner possible. If I have learned one thing during my time with the HHS team, it is that we are up to the challenge.

The President, OMB Director Mulvaney, and I are committed to improving our nation's fiscal stability, but the mechanics of doing so are never easy. In developing the "America First" Blueprint, tough choices had to be made to identify and reduce spending within the Department. While the Blueprint represents in broad policy strokes a new direction for HHS, specific decisions on programs and account levels are still under consideration. Those details will be included in the President's full FY 2018 Budget proposal, which is expected in mid-May. Upon

review of the President's Budget later this spring, I am confident that the Congress will see that this Budget makes good on the President's promise to put American families first while improving the efficiency and effectiveness of the Federal Government.

Protecting the Health and Well-being of Americans

Although the President's Budget Blueprint makes reductions to discretionary spending at HHS, we continue to make investments that will support the Department's mission to improve the health and well-being of the American people. There are three areas I would like to highlight today: (1) addressing the nation's mental health and substance abuse crisis; (2) targeting resources to emergency preparedness and response; and (3) supporting the fight to end childhood obesity. These are top priorities in addition to the ongoing health care reform effort underway.

Mental Health and Substance Abuse

Deaths from drug overdose have risen steadily over the past two decades and have become the leading cause of death from injury in the United States. In his joint address to Congress in February, the President pledged his support to provide "healing and hope" to families and communities torn apart by America's opioid crisis.

As a physician, I am worried about the impact of this epidemic on the health of our communities. As Secretary of HHS, it is my responsibility to ensure we direct resources toward preventing and treating substance abuse. The Budget Blueprint reflects this commitment, and HHS is providing significant funding to combat opioid abuse and reduce death from overdose. This includes the

continuation of $500 million in funding provided in the 21st Century Cures Act to increase access to substance abuse treatment, reduce unmet treatment need, and reduce opioid-related deaths in the United States.

Many Americans struggling with substance abuse also suffer from serious mental illness. Although the Department has made significant strides in helping individuals battling with mental illness and substance abuse, less than half of American children and adults with diagnosable mental health issues receive the treatment they need. To continue the Department's efforts in these areas, the Administration requests continued investment in high-priority mental health programs that address suicide prevention, serious mental illness, and children's mental health. Details of these proposals will be included in the President's Budget later this spring.

Emergency Preparedness and Response

Another critical function of the Department is emergency preparedness and response. HHS is the Federal Government's lead agency in responding to public health emergencies and providing the health and human services response to other emergencies. Within HHS, the Office of the Assistant Secretary for Preparedness and Response coordinates the prevention of, preparation for, and response to public health emergencies and disasters and supports a comprehensive portfolio of activities to enhance Federal, State, and local capacity to respond to public health disasters from outbreak of infectious disease to chemical, biological, radiological, nuclear, and cyber threats.

The Department is heavily involved in preparing for and responding to natural disasters and other emergencies, but only occasionally does the public become aware of the Department's efforts – when there is a high profile disease outbreak or natural disaster. Few Americans realize how much work the Department does behind the scenes to assist our local responders prepare for and respond to natural disaster and other crises. For example, when a natural disaster cuts off a community from power sources, State and local officials rely on the Department to let them know which households in their community are energy-dependent and in need of rescue or additional assistance. These requests for Federal support are routine and rarely make headlines, but for, say, the snowed-in senior citizen who requires supplemental oxygen, the work HHS does could be a lifesaver.

To ensure that HHS is equipped to handle emergencies, the President's FY 2018 Budget proposes to reform key prevention, public health, and emergency preparedness programs to reduce overlap and administrative costs. The FY 2018 Budget also creates a new Federal Emergency Response Fund that will allow HHS to respond rapidly to emerging public health outbreaks.

The recent outbreak of the Zika virus is one example of the type of public health emergency faced by the United States. Since last spring, there have been approximately 5,000 Zika virus cases reported in the continental United States, with local mosquito-borne transmission of the virus confirmed in Florida and Texas. With support from this subcommittee, the Department worked aggressively to combat the spread of Zika virus. To date, HHS has obligated $497 million in vaccine development, diagnostics, and vector control to prevent Zika virus

infections in the United States and our territories. We also have dedicated critical resources to help pregnant women affected by Zika virus. The Department continues to closely monitor the Zika situation, especially as we enter another mosquito season in the southern United States. Through ASPR, CDC, NIH, and FDA, we are also actively monitoring the progression of the H7N9 influenza virus in China and considering options to ensure the safety of the American people.

Childhood Obesity

The high prevalence of childhood obesity is a significant problem for the health of the United States. Nearly twenty percent of school-aged children are obese. Children with obesity are at higher risk for having other chronic health conditions and diseases that impact physical health, such as asthma, sleep apnea, bone and joint problems, Type 2 diabetes, and risk factors for heart disease. By failing to address this childhood health crisis head-on, we are sentencing our children to a lifetime of health problems.

We owe it to America's children and their families to aggressively take on this epidemic. Implementing effective childhood obesity prevention and intervention strategies will pay significant dividends for the health and well-being of our nation.

Conclusion

Members of the Committee, thank you for the opportunity to testify today and for your continued support of the Department. It is an incredible privilege to serve the American people as the

Secretary of Health and Human Services and I am honored to be a part of supporting the Department's mission to protect the health and well-being of all Americans. Thank you again.

Mr. COLE. Mr. Secretary, whoever helped you with your opening remarks, keep them, because they were with 13 seconds and, man, it was really good.

Let me begin, Mr. Secretary. As you know, the National Institutes of Health is the primary funder of basic biomedical research in the country. This research is the foundation upon which all treatments and cures are based. The NIH also supports transnational and clinical research on campuses at over 2,500 research institutions across the country. Discoveries by NIH-funded researchers since its inception have resulted in new treatments and cures for diseases and have greatly extended the life expectancy and quality of life for Americans.

Congress has provided significant and steady increases in funding for the NIH to help bring researchers closer to finding cures for diseases like cancer and Alzheimer's. I am extremely concerned about the potential impact of the 18-percent cut the administration has proposed at the NIH.

Would you please describe how your proposed budget would enable the United States to maintain the biomedical research enterprise and continue progress in developing new treatments and cures within this funding level?

Secretary PRICE. I appreciate the chairman's perspective, and I share your commendation for NIH. I have had the privilege of visiting many of the staff divisions and operating divisions within the Department. And I had a visit with NIH and was incredibly impressed, with the work that they do.

NIH, as you know, is part of a large department. It comprises over a third of the discretionary budget at the Department of Health and Human Services. The funding level that is proposed of $25,000,000,000 remains over a third of the entire proposed budget for the Department.

I was struck by the need for efficiencies and decreasing duplication and the like within our entire department, but I was struck by one thing at NIH, and that is that about 30 percent of the grant money that goes out is used for indirect expenses, which, as you know, means that that money goes for something other than the research that is being done. And I think what the budget is trying to do, being the first step in this process, is trying to bring focus to the kinds of things that we ought to be able to do to get a greater, bigger bang for our buck, if you will.

The research that is done at NIH, as you know, is incredibly important, and I support that and want to make certain that young scientists and scientists who have been there for a long time know how much we value the work that they do and want them to be able to continue. So our goal is to fashion a budget that focuses on the things that work, that tries to decrease the areas where there are either duplications or redundancies or waste, and whether or not we can, indeed, get a larger return for the investment of the American taxpayer in this area, which is so vitally important.

Mr. COLE. We look forward to working with you to find ways to stretch those dollars further as well. So we will be interested in your input as we go along and you learn more on that.

Recent experiences with Zika and Ebola and other diseases highlight the importance of our investment in public health prepared-

ness to protect Americans from biological threats, both naturally occurring and man-made. New threats can emerge at any time. For example, the number of H7N9 influenza virus infections have skyrocketed in China. And if the virus becomes more easily transmittable, we could see an outbreak of a particularly deadly flu strain in our own country.

Congress recognizes the importance of public health and preparedness. In fiscal year 2016, we provided additional funding for the CDC preparedness activities, Project BioShield and BARDA. We intend to continue these investments in fiscal year 2017. The fiscal year 2018 budget blueprint request does not include much detail on the administration's plan to support public health and preparedness against biological threats.

Please describe how you intend to maintain and enhance our preparedness with the top-line funding you are proposing right now for your total agency.

Secretary PRICE. Thank you, Mr. Chairman. And in my opening remarks, I mentioned emergency preparedness and response is one of the absolute priorities. This is an area where, as you know, the American people simply expect us to do our job and do it well so that they can rest assured at night that they are safe.

I have been incredibly impressed with the people at the Department who are in the preparedness and response area. I get a briefing almost daily on the work that they are doing, an update on the H7N9 situation in China. And thankfully, we haven't seen a transmission from an avian source to humans at this point. So our goal is to make certain that the resources are available so that we can accomplish the mission, that is, to keep the American people safe.

Mr. COLE. I appreciate that. And just before I yield to my good friend, the ranking member, as you present the fuller budget later, please take into account—CDC plays an incredibly important role. We always focus on NIH. This ability to respond and protect, you know, is, again, every bit as important as our ability to protect our fellow citizens against terrorists. So it is very important that that agency remain robustly funded, because, sadly, on your watch, we can almost guarantee there will be a pandemic, there will be something. That is just going to happen. So this is a place not to be penny wise and pound foolish.

So, with that admonition, I want to yield to my good friend, the gentlelady from Connecticut.

Ms. DELAURO. Thank you very much, Mr. Chairman.

Mr. Secretary, I am just going to ask a bunch of questions. And because I just have 5 minutes, what I would like to do is to be able to get a yes or no answer on these questions.

Will the administration commit to defending and continuing the cost-sharing efforts for low-income consumers? The administration has done that so far, despite the House lawsuit against doing so. Will you commit to defending and continuing these payments, yes or no?

Secretary PRICE. Ranking Member, as you know, the day that I was sworn, it changed from House v. Burwell to House v. Price. So I am a party to that lawsuit, and I am not able to comment.

Ms. DELAURO. The clock is running out for insurers to make decisions for 2018. Will the administration make a decision before the next court deadline of May 21, if not sooner?

Secretary PRICE. I am not able to comment.

Ms. DELAURO. Do you agree that should the administration reject many cost-sharing payments, as it has done for the past 3 years and a half, insurers will drop out of the market and raise premiums because of your decision?

Secretary PRICE. As I said, I am not—I am a party to that suit.

Ms. DELAURO. Well, but you are not a party to whether or not whether it will—if the cost sharing stops—that is a judgment question—will premiums go up and will insurers drop out of the market?

Secretary PRICE. This side of the question is incredibly important, because premiums have risen. And it is the commitment of this administration to make certain that we are able to bring down costs for the American consumer so that they are able to afford the kind of coverage——

Ms. DELAURO. The question is about the cost-sharing opportunities, and will that drive up the costs?

Secretary PRICE. That is what I am not able to comment on.

Ms. DELAURO. OK. Let me then move to, will you uphold the laws of the land even though you oppose?

Secretary PRICE. That is my sworn oath, yes.

Ms. DELAURO. Does that include enforcing the individual mandate, yes or no? Yes or no?

Secretary PRICE. So long as the law is on the books, we at the Department are obliged to uphold the law.

Ms. DELAURO. Are you aware the cost of not enforcing the individual mandate, CBO estimated in December that without the mandate premiums would jump by 20 percent. Will you work to avoid such premium hikes by enforcing the current law?

Secretary PRICE. I think CBO puts a whole lot of stock in the individual mandate, and we would suggest that the proof isn't there to suggest that the individual mandate actually——

Ms. DELAURO. Will you work to avoid such premium hikes by enforcing the current law?

Secretary PRICE. Beg your pardon?

Ms. DELAURO. Will you work to avoid premium hikes, as has been projected by CBO, by enforcing the current law? Yes or no?

Secretary PRICE. Ranking Member, I would suggest to you that current law is increasing premiums. And what we are trying to do, what the commitment of the administration is is to make certain that every single American has access to affordable coverage.

Ms. DELAURO. The Office of the Inspector General is investigating HHS's halting of advertising during open enrollment in January. Do you intend to halt advertising again this year, yes or no?

Secretary PRICE. I haven't had any discussions about that. That was done prior to my arrival.

Ms. DELAURO. Will you maintain or expand the level of funding and activity provided during the 2017 open enrollment?

Secretary PRICE. What we are committed to is making certain that the American people have access to affordable coverage.

Ms. DELAURO. Will you maintain or expand the funding for the Marketplace Call Center, Data Services Hub, and Navigators? Yes or no?

Secretary PRICE. Those questions actually depend on the outcome of this process, where this is the first step in the appropriations process. So we will see what resources——

Ms. DELAURO. No. There is a judgment call about whether or not this is—where the decision was made to cut off the advertising during the open enrollment period in January but that cut off people's information about whether or not they should enroll or not. So will you continue that effort to disallow advertising to let people know about enrollment?

Secretary PRICE. That happened before my arrival.

Ms. DELAURO. But what will you do?

Secretary PRICE. As I said, we are committed to making certain that every American has access to affordable coverage.

Ms. DELAURO. So you will continue to do the advertising? You will do advertising?

Secretary PRICE. We are committed to making certain that the American people have access to coverage.

Ms. DELAURO. You will do advertising?

Secretary PRICE. I wouldn't commit to any specific entity because——

Ms. DELAURO. OK.

Secretary PRICE [continuing]. Many of these things are allegedly increasing——

Ms. DELAURO. That is what we are concerned about. That is what we are concerned about, Mr. Secretary.

Let me talk about, the past 4 years, every eligible person, every corner of the Nation has at least one insurance company offering a number of health plans. That was because the Secretary of HHS worked with insurance companies, Governors, State Insurance Commissioners, to ensure access. Have you engaged with these key partners to date?

Secretary PRICE. Absolutely. We have met with many insurers across this country. And what they tell us is that they are extremely concerned about the exchange market and the individual marketplace, telling us that they aren't certain, given the current construct of the law, how they are going to be able to continue to provide coverage for folks. And that is what we are concerned about. That is why we believe that it is imperative that we move in a direction that allows individuals the greatest opportunity to have choices in the coverage that they receive.

Ms. DELAURO. Right. Does that include a public option, Mr. Chairman?

Secretary PRICE. I think that what we need to do is to make certain that, again, every single American has access to the kind of coverage that they want and that it is affordable. The sad point is that the current law is making it so that it is unaffordable for so many Americans.

Ms. DELAURO. I would assume by your conversation that there will continue to be an attempt, unlike what Mr. Ryan has said, or Speaker Ryan said, about looking at repealing the Affordable Care Act rather than looking at strengthening and improving it.

Mr. COLE. You can answer.

Secretary PRICE. Is that a question?

Ms. DELAURO. Yeah. Repeal or strengthen and improve?

Secretary PRICE. As I say, the Department, the administration is committed to making certain that the American people have access to affordable coverage.

Ms. DELAURO. But does that include repeal?

Mr. COLE. The gentlelady's time has expired.

Ms. DELAURO. I understand, Mr. Chairman.

Secretary PRICE. We believe that the current law has harmed many individuals.

Ms. DELAURO. So you will continue to move at repeal, is what I gain from that conversation.

Thank you very much, Mr. Chairman.

Mr. COLE. Thank you.

I know the demands on the ranking member's time are always great, so I want to move obviously to her for whatever questions she cares to put.

Mrs. LOWEY. Thank you very much, Mr. Chairman.

I do have some additional yes-or-no questions for you. Does the Trump administration believe women should pay more for health insurance than men?

Secretary PRICE. What we believe is that individuals ought to be able to have access to the kind of coverage that they select for themselves and for their families, not that the government forces them to buy.

Mrs. LOWEY. Would you say yes or no when you are comparing men and women?

Secretary PRICE. I don't believe that is a yes-or-no question. Again, what we believe is that you as a woman, and my wife as a woman, ought to be able to select the kind of coverage that they want, not that the government forces them to buy.

Mrs. LOWEY. OK. I will get to the next question.

Does the Trump administration believe maternity care should be a covered benefit under Federal law?

Secretary PRICE. Again, individuals ought to be able to select the kind of coverage that they want, not that the government forces them to buy.

Mrs. LOWEY. How about preexisting conditions, does the administration believe Federal law should prohibit price changes or allow people to be denied coverage based on a preexisting condition?

Secretary PRICE. The President has been really clear about this, as have I, and that is that nobody ought to be priced out of the market because of a preexisting illness or injury. And it is absolutely imperative that we have a system that works for patients. A system that doesn't work for patients is not a system that works at all.

Mrs. LOWEY. I will move on, because I am not sure that I understand that. Maybe we can have further discussions.

I would like to talk to you about Title X family planning. As you know, Title X-funded healthcare providers serve more than 4 million low-income women and men every year, offering contraceptive counseling and services, screening for STDs, HIV/AIDS, screening for cervical and breast cancer, health education, primary

healthcare services. Two-thirds of Title X patients have incomes below the Federal poverty level. Sixty percent of women who receive healthcare services from a Title X-funded clinic consider it their primary provider. In my home State of New York, more than 300,000 women and men are served each year by Title X providers. In your State of Georgia, almost 100,000 women and men are served each year by Title X providers.

Mr. Secretary, does your fiscal year 2018 budget maintain funding for the Title X family planning program?

Secretary PRICE. These areas are really important because oftentimes, as you mention, it is an individual's only line of opportunity to gain access to the kind of care that they need. And one of the priorities of this administration and of this budget is to make certain that direct services, healthcare services, are a priority.

Mrs. LOWEY. So is funding for Title X providers included in your budget?

Secretary PRICE. Well, we're having ongoing conversations, and I appreciate your input and look forward to having those conversations. The large specific budget will come out, as I mentioned in my opening remarks.

Mrs. LOWEY. I do look forward to that. And I hope that we can agree on the funding of this program, because I am not sure I got an answer to this question. Are you eliminating funding for Title X family planning services? Are you hesitant to tell this committee whether you want to cut funding for Title X family planning? Or can we have a real discussion, understanding that New York, Georgia, many other places, men and women depend on this for their healthcare services?

Secretary PRICE. Well, I hope we have a real discussion and conversation. And, as I mentioned, the specifics of the budget for fiscal year 2018 will come out in I believe it is mid-May.

Mrs. LOWEY. OK. I have a minute left.

As you very well know, health insurance companies are required to cover contraceptive services without a copay. Will you commit to ensuring that policy continues while you are Secretary of HHS? Are women going to have to return to paying out of pocket for contraceptives?

Secretary PRICE. This is, again, one of those areas where we believe that individuals ought to have access to the kind of coverage that they want, not that the government forces them to buy. And so we look forward to continuing the conversations, but to making certain that the American people have choices in the kind of coverage that they receive.

Mrs. LOWEY. But if they choose to have these services covered, will you support it?

Secretary PRICE. If they choose to have those services covered, absolutely. That is the kind of program that we envision, and it is one where individuals are able to select the kind of coverage that they want, not one that Washington thinks is best for them. That is one of the problems that we believe has occurred with the current system.

Mrs. LOWEY. It is clear that we have a lot of discussions ahead of us, because I think maybe, maybe it would be good for you to

visit the Title X services that are being provided in the clinics in Georgia. And you can come to New York. We can have a tour too.

Secretary PRICE. I look forward to that visit. And I would just say to the gentlelady that I visited many Title X facilities in my capacity, not just as a physician, but as a Member of Congress, and know the importance. As I have said, of those entities oftentimes being the only avenue, the only venue for care for many individuals across our land.

Mrs. LOWEY. I really appreciate that.

And as I close, I do hope you can have that discussion with both Democrats and Republicans, and that we understand how important these services are for people who couldn't afford to go other places to get those services. Thank you.

Secretary PRICE. Thank you.

Mrs. LOWEY. Thank you, Mr. Chairman.

Mr. COLE. Thank you.

I want to go next to my good friend, the distinguished chairman of the Subcommittee on Energy and Water of the Appropriations Committee, Mr. Simpson from Idaho.

Mr. SIMPSON. Thank you, Chairman.

Thank you for being here today, Secretary Price. I want to congratulate the President on selecting you as chairman of HHS. Oftentimes Secretaries, you have sometimes Secretaries appointed to various positions, and we have all seen it, where they are experts on policy and don't know politics, and others that know politics but don't know policy. You are one who knows both of those. And so I look forward to working with you, and I know that you will do a tremendous job at HHS.

I get confused easily and by a lot of the questions that get answered and opening statements and those kind of things. I have got a few yes-or-no questions for you also.

Do you want or believe that all Americans ought to have access, access to affordable health care, regardless if they choose to purchase it or not?

Secretary PRICE. Yes.

Mr. SIMPSON. Do you believe that healthcare consumers ought to have choices in healthcare coverage options?

Secretary PRICE. Absolutely.

Mr. SIMPSON. Do you believe that Americans are smart enough to determine what is in their own best interests, if given choices, without the Federal Government mandating what is in their best interests?

Secretary PRICE. I do.

Mr. SIMPSON. Thank you. I think we are on the same page.

Now to something really important, a little parochial question. The CDC, NIH, and Indian Health Services all have dental divisions headed by dental directors. Unfortunately, HRSA has not followed suit, and the last administration downgraded the chief dental officer to senior dental adviser. There is bipartisan support on this committee and we have put in report language the last two appropriations, I believe, to restore the HRSA chief dental officer position.

Will you work with me and other members of this committee to restore this physician so we can appropriately prioritize oral health?

Secretary PRICE. Yes. I know your passion for this, and it comes from your history as a practicing dentist. And I have asked folks to look into that and see. I don't see any reason why we ought not—I am happy to work with you, but I don't see any reason why we ought not be able to accomplish that.

Mr. SIMPSON. I appreciate that. Thank you.

It has been mentioned several times here, and as you know, having been a Member of Congress, NIH is very important to this committee and it is very important to Congress and stuff. And we will look at the funding levels that come up. They do vitally important work. In fact, it is not only the work that they do, but they, with their biomedical research advances, they positively contribute to the economy. Last year's $2,000,000,000 increase saw an increase of 27,122 jobs and more than $4,000,000,000 in economic activity. So we all know the importance of NIH.

In the skinny budget—and this is kind of the difficult part, that we can only talk really about the skinny budget and not the full budget that comes out, so it is kind of a strange time—the budget mentions a reorganization of NIH. Is that a reorganization in structure of NIH or a reorganization, as you mentioned earlier, of priorities and funding priorities and how we fund things? And if what you are looking at is trying to get more money into the actual research, I think that is important and that is something that this committee would support.

Secretary PRICE. Yes. I think it is both. Obviously, we haven't made a presupposition about what the end point is in all of this, understanding and appreciating that NIH is a massive organization that does incredible work. But as I mentioned previously I think to the chairman, is that, again, I was struck by the indirect—the amount of money. Thirty percent of the money that goes out for grants is on indirect costs, which, as you said, isn't for the specific research itself.

We ought to be looking at that. That is an amount that actually would cover much more than the reduction that is being proposed. So if, in fact, there are greater efficiencies that can be had and to save money so that you can actually provide more grants for individuals to be able to study all sorts of array of diseases and challenges that we have. They do incredible work and we need to support it.

Mr. SIMPSON. And I appreciate that. One of the things I have complained about over several years, I have told people that NIH is probably the best kept secret in Washington, DC. The good news is they do great work; the bad news is it is kind of a secret once you get outside of Washington, DC and outside of the medical community. And a lot of the research they do is in extramural grants out to universities and hospitals and those types of things. And when they discover something, it is, you know, Johns Hopkins University did this and stuff. What the taxpayers don't know, it is their tax dollars that went through a grant to Johns Hopkins to discover that.

And somehow, we have got to get the message out of the work that NIH does to the average taxpayer. Because when the average taxpayer sees what is being done with their tax dollars, I think they will be very supportive of what is going on at NIH.

Secretary PRICE. I appreciate you saying that, because that has been one of my charges to folks at the Department is, we have got to be trumpeting what it is we do, because the American people need to know that their tax dollars are being spent wisely. And so whether it is in preparedness and response or whether it is in discoveries, we need to make certain that the American people know of the incredible work that is being done on their behalf.

Mr. SIMPSON. Thank you.

Secretary PRICE. Thank you.

Mr. COLE. With that, we will move to my good friend, the gentlelady from California, Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. Welcome, Mr. Secretary.

Secretary PRICE. Thank you.

Ms. ROYBAL-ALLARD. Mr. Secretary, as was mentioned, your Labor HHS budget summary recommends a reorganization of the National Institutes of Health. This includes a proposal to consolidate the agency for healthcare research and quality into IRH. At the same time, the President proposes nearly 20 percent reduction in NIH's budget, making it nearly impossible for NIH to fulfill its own core mission, let alone the mission of another agency.

I strongly believe that AHRQ's research portfolio is an essential part of the health research continuum, because it is the only Federal agency whose entire mission is to generate evidence on how to improve healthcare quality, facilitate access to care, and control healthcare costs.

Given its important mission, how will your Department operationalize moving AHRQ into NIH, and do you plan to make it an institute or a center within NIH, or is this simply a way to eliminate AHRQ?

Secretary PRICE. I appreciate the question, because, as you know, this is the first step in this process and I would love to have your feedback on this. But we envision the opportunity for the NIH to assume the duties, the important duties of AHRQ, and then to decrease or reduce or eliminate the duplication and redundancies.

Clearly, some of the kinds of things that are being done at NIH are also being done at AHRQ. And so we look forward to the opportunity to fold AHRQ into NIH and gain those efficiencies, but also make certain that we are continuing to fulfill the mission.

Ms. ROYBAL-ALLARD. Well, I am very concerned that AHRQ's important health services research portfolio would take a back seat to basic science and clinical research within NIH, especially when funding decisions are being made within a shrinking NIH budget.

But my other big concern about subsuming AHRQ into NIH is the long tradition of Congress being hands-off when it comes to directing research within NIH. Because in the case of AHRQ, Congress absolutely should be directing health services research, since the Federal Government is paying for such a large percentage of health care in this country. So I really hope that you take a look at it, because—and I repeat—it is the only agency that has the sole

mission of looking at health research, what are the safest and more accessible and affordable ways to provide that.

Secretary PRICE. Yes. And I appreciate that. And in my visit to NIH—and I suspect that many of the members of the committee have been there—I was really struck by the fact—and I knew this, but to walk the halls, you gain a different appreciation. That down one hall is where the research, the scientific research is being done and the scientists, the clinical scientists are working, and then on an adjacent hall is where patients are being seen, inpatients are being seen and cared for.

So that is where we believe that there are some significant redundancies within the system itself. And obviously, what we want is to make certain that the clinical perspective is gained as well, and much of that is occurring currently at NIH.

Ms. ROYBAL-ALLARD. Will there be a specific institute or center within NIH? Will it have its own——

Secretary PRICE. We haven't answered that question yet, and that is part of the reorganization. But I look forward to your perspective and input.

Ms. ROYBAL-ALLARD. I am extremely concerned about your proposal to eliminate $403,000,000, approximately one-half of the Title VII and Title VIII health professions and nursing training programs' current operating budget. In today's increasingly diverse population, HRSA Title VII health professions training programs have been invaluable as a tool in creating the pipeline of minority primary care professionals who overwhelmingly return to practice in diverse and underserved areas.

Additionally, over five decades of the Title VIII workforce programs have played a critical roll in both bolstering nursing education as well as building the supply and distribution of qualified nurses for all healthcare settings, particularly in rural and underserved areas.

Your budget favors scholarships and loan programs for addressing shortages. While these are successful programs, do you have any compelling evidence that scholarship and loan repayment programs also build minority student pipelines, support retention, and enhance the diversity of the health workforce with the same success that Title VII programs have shown?

Secretary PRICE. The workforce issues are really pivotal. As you know, we have the wrong trend in terms of workforce, not just for nurses but other healthcare providers across the country.

Ms. ROYBAL-ALLARD. I was hoping for either a yes or no answer here.

Secretary PRICE. One of the things that we believe are important is to focus on those areas where there is a service component to the payment back of the loan or the moneys being provided for education, and that is where we have tried to put the focus and the resources.

Ms. ROYBAL-ALLARD. But do you have evidence that they have the same success——

Mr. COLE. The gentlelady's time has expired.

Ms. ROYBAL-ALLARD [continuing]. As Title VII?

Secretary PRICE. We believe that there is significant success in that area, yes, ma'am.

Ms. ROYBAL-ALLARD. OK. I would like to see that.

Secretary PRICE. Thank you.

Mr. COLE. I now move to my good friend, the distinguished vice chairman of the subcommittee, the gentleman from Arkansas, Mr. Womack.

Mr. WOMACK. Thank you, Mr. Chairman.

And I thank our witness this morning. And I join the chorus of people, particularly those with strong opinions on this side of the dais, as we celebrate the appointment of Dr. Price as Secretary of Health and Human Services. We are very, very proud of you and look forward to your service.

Now, Mr. Secretary, I was pleased in your opening statement when you dedicated a portion of it to a problem that continues to challenge our country, and that is this opioid epidemic, a priority for this committee and specifically this subcommittee, and I know it is an issue that you and I have talked a lot about in your service in the House. And I am pleased, again, that, in your opening statement, that you are committed to doing whatever is necessary within the constraints of our budget and these sorts of things that we are going to do something about this.

As you mentioned in your statement, Cures, the Cures Act put $500,000,000 to combat the opioid epidemic as part of that endeavor. Can you give us an update, kind of do a little deeper dive on how we are utilizing those funds, and what the plans are of the agency to direct these funds so that we get specific outcomes, where we can actually move the needle on something that seems to be moving away from us?

Secretary PRICE. And I thank you for the question because, as I mentioned, there were 52,000 overdose deaths last year and 33,000 opioid-related deaths. Just a scourge that knows no bounds or no limits. Every one of us know a family that has been just harmed significantly, or communities that have been harmed by this crisis.

I hope that the committee members know that the President today, this morning, I believe, is signing and having a ceremony to put in place or to identify a task force, a commission for opioid abuse and drug addiction, and I am pleased to be able to have the opportunity to serve on that.

The 21st Century Cures was, I think, a remarkable commitment, evidence of a commitment by this Congress to identify the challenges that we face and put resources, put hard resources behind it. The grants that will be going out in April.

And we will work over the next number of months and make certain what we are trying to do is identify those States and areas that are having success in their treatment. How can we put the greatest amount of resources in an area that will demonstrate and will have the greatest amount of success in return?

That is the process that we are on. They haven't gone out yet, but it is a work in progress.

Mr. WOMACK. As you know, the knee-jerk reaction of the Congress is throw money at the problem. And sometimes we throw money at the problem without any real specific idea as to how it is going to be utilized.

And there are many examples across the Federal Government spectrum where money is just not—money is important, money

drives a lot of things. But at the end of the day, because of constrained budgets, we need to make sure we are targeting the money to the things that actually will work.

And so I am pleased to hear you say that you are looking at State programs, those that have had some beneficial results, as a potential model for how a lot of this money is going to be utilized. That is good.

We doubled down our efforts when we passed the Comprehensive Addiction and Recovery Act. Section 303 of that act requires that practitioners and office-based opioid addiction treatment settings have the capacity to provide all FDA-approved opioid medications, either directing or by referral. How will HHS implement this requirement to ensure patients are provided with the range of options?

Secretary PRICE. This is an another important area. And as you mentioned, we have got to make certain that where the resources are going they can actually be utilized in a way that will benefit the end user, the patient.

I have shared with the Department one of my perspectives, and that is we need to be thinking about people and patients in partnerships. And the partnership that is so important in this is to identify those areas in States, and local communities. Who are actually able to accomplish the goal and the mission of mitigating the problem, getting people who have been hooked in this devastating challenge, provide treatment that increases the likelihood of them being able to conquer this challenge.

Mr. WOMACK. Mr. Chairman, as you know, I am on the Defense Subcommittee, and I have a European Command brief that I need to get to, so I won't be here for a second round of questioning. But I do thank you for the time. And I appreciate the service of Dr. Price, wish him the very best, as I do the Atlanta Braves.

Secretary PRICE. Yes, sir. Thank you.

Mr. COLE. We do miss the "Go Braves" after every Pledge of Allegiance that we get at Republican Conferences we used to hear, but your fellow Georgians are much more muted than you were, Mr. Secretary.

With that, I want to go to my good friend, the gentlelady from California, Ms. Lee, to recognize her.

Ms. LEE. Thank you very much. Good morning.

Secretary PRICE. Good morning.

Ms. LEE. Thank you for being here. And of course I want to congratulate you and just say a couple of things before I ask you a couple questions.

As I look at your budget and the deep cuts which disproportionately impact the poor, low income, middle income, people of color, really impact everyone except the very wealthy in our country, I see once again, and I just have to say this, Mr. Secretary, I see what Steve Bannon meant when he talked about deconstructing the administrative state.

As Secretary of an agency that millions of people rely on, it boggles my mind to know that you and your agency support this kind of a budget. It appears that you want, and your agency wants to actually deconstruct the department that you are leading.

The Affordable Care Act is the law of the land. The President, however, cynically said that it was going to explode on its own. And I am concerned that your agency, through this budget and its policies, really are trying to make it explode by some of these cuts.

So a couple of questions. First, and again, you can answer these yes or no because they are pretty straightforward, are you planning to narrow the essential benefits that insurers are required to cover under the Affordable Care Act, given it is the law of the land?

Secretary PRICE. Look, as I mentioned before, what our goal is and mission is, is to make certain that every American has access to affordable coverage. And whatever we can do to make that happen, we think is vital.

Ms. LEE. That is an essential benefit under the law of the land. Do you believe that insurers are required to cover pregnancy, maternity, and newborn care?

Secretary PRICE. As I mentioned before, what we believe is that it is important for every single American to be able to choose the kind of coverage that they want as opposed to have the government force them to buy what the government believes is best for them.

Ms. LEE. But this is the law of the land, Mr. Secretary. Do you believe that——

Secretary PRICE. I also said, we will enforce the law of the land.

Ms. LEE. OK. Then you are going to make sure that these——

Secretary PRICE. Carry out the law of the land.

Ms. LEE [continuing]. Essential benefits are covered.

Insurers should be required to cover mental health services?

Secretary PRICE. If it is aspirational. We believe, again, that every American ought to be able to purchase the kind of coverage——

Ms. LEE. It is not. It is the law of the land, Mr. Secretary. It is not aspirational.

Secretary PRICE. It depends on what your question is. If your question is what is the law, then we are committed to carrying out the law of the land.

Ms. LEE. The law of the land. OK.

And also insurers in terms of being required to cover prescription drugs. That is the law of the land. Do you believe that insurers should cover prescription drugs?

Secretary PRICE. We are committed to fulfilling the oath—I am committed to fulfilling the oath that I took, which is to carry out the law of the land.

Ms. LEE. Thank you, Mr. Secretary.

Now let me ask you about the cuts as it relates to HIV and AIDS, the overall budget. As you know, we have got a huge problem in America and throughout the world, and we are making some progress in a bipartisan way through PEPFAR, through Ryan White, through the Minority AIDS Initiative. Yet your budget cuts about $350 million from that.

So I guess I just have to ask you, do you really believe that we need to continue in a bipartisan way to address the HIV/AIDS crises, both here and abroad, as we have done in the past?

Secretary PRICE. Yeah, this is one of those, as you well know, one of the great success stories, Ryan White, which started I think in 1990, and we have seen incredible progress in the detection and

treatment of HIV/AIDS. It is why we believe and will continue to make as a priority the direct services, direct care services in the Ryan White area.

Ms. LEE. Mr. Secretary, though, do you agree with the proposed cuts in your budget to HIV and AIDS?

Secretary PRICE. As I said, what we endeavor to do and what we will make as a priority is those direct services, whether it is through community health centers, whether it is through the Ryan White program, or other.

Ms. LEE. So you agree to the cuts to the Minority AIDS Initiative, Ryan White, and all the other programs based on the $350 million cuts that you proposed.

Secretary PRICE. As I said, what we believe—and I am not sure where that number is coming from. The final numbers will be out in May. The specific priority that we have, as I say, is for direct services through community health centers and through the Ryan White program.

Ms. LEE. One of the issues we addressed in the Affordable Care Act were the issues as it relates to health equity as it relates to communities of color. Now, in your budget you propose an $11 million budget for the Office of Minority Health, which is focused on improving health outcomes for minority communities, low-income families, and minority health training, minority health institutions. And with this $11 million cut—again, it is included as part of the Affordable Care Act, health equity—so how does this justify upholding the Affordable Care Act, the law of the land with this cut?

Secretary PRICE. We are absolutely committed to looking at health disparities and the challenge that exists there. I have been incredibly struck by, even in metropolitan areas, I used to represent a district outside of Atlanta, and in Atlanta there is a ZIP Code that has——

Ms. LEE. Mr. Secretary, with an $11 million cut how can you say that?

Secretary PRICE. As I say, what we are trying to do is to make as a priority the community health centers, the kinds of direct services available to individuals, and find efficiencies in the system, it is a tough budgetary time. But our goal is to make certain that we concentrate on those individuals and have as a focus higher health outcomes for them.

Ms. LEE. You can't do that with an $11 million cut, Mr. Secretary. And again going back to the Affordable Care Act, this is the law of the land, the Office of Minority Health and expanding the initiatives under health equity.

Secretary PRICE. I think what I would say in response to that is that, as I think Mr. Womack said, we tend in this town measure oftentimes the wrong things. And I would suggest that the amount of resources going into a problem, without measuring the outcomes. You mentioned yourself that the outcomes, the health disparities dictate that the outcomes aren't as we believe they ought to be. Yet we continue to believe that simply throwing money at the problem is the solution.

We believe that it is important to look at that, identify what the metrics are, what we are actually measuring, what is the data, and then move forward——

Ms. LEE. The data shows it is beginning to work.

Mr. COLE. The gentlelady's time has expired.

Ms. LEE. Thank you, Mr. Chairman.

Mr. COLE. You are welcome.

The chair reminds all of us, himself included, that we are trying to enforce the 5-minute rule here so that everybody can ask their questions and the Secretary has ample opportunity to provide a response.

So with that, on the basis of order of arrival, Mr. Moolenaar is recognized.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

And, Mr. Secretary, welcome, and also congratulations. And I just reflect that your lifetime of service as a physician, as a public servant, and now in this role, I really believe you are at an important place to make a contribution to moving our country forward. So thank you for serving, and it is great to see you again.

Secretary PRICE. Thanks.

Mr. MOOLENAAR. I had a few questions. First, I wanted to talk with you a little bit about some of the Medicaid managed care issues. And perhaps you may be aware that in some States outstanding payments to Medicaid managed care organizations exceed $3 billion.

In fact, there is one example of an individual managed care organization carrying unpaid receivables approaching, even exceeding $500 million by States, and they have received little of their allocated Federal match dollars. And I am becoming worried that the instability this creates puts managed care organizations, Medicaid providers, and most importantly, millions of Medicaid beneficiaries relying on these benefits at risk.

I just wondered if you could comment if the Department has any plans or any tools in the toolbox to address this issue.

Secretary PRICE. I appreciate the question, because this is really important. As a formerly practicing physician, if I didn't know whether or not that income stream was going to be continuing, it wasn't clear to me whether I could continue to care for patients. And that is the challenge that you identified, whether it is hospitals or physicians or other providers.

So having been there a short time, but we are going to put significant focus on how these payment streams can be much more predictable, much more certain. You can't ask these folks to lay out there, stand out there for years at a time and not have some resolution. So we are committed to working through that process.

Mr. MOOLENAAR. Thank you. Just as a quick follow-up on that, one of the issues that has been raised is the Social Security Act has an anti-factoring provision that prohibits Medicaid payments to anyone other than a provider. And what this does is prohibits MCOs from assigning their Medicaid receivables to lenders who are not considered providers.

I didn't know if there is anything that can be done to clarify some of the anti-factoring provisions so that some of these providers can access capital when States are having difficulty making payments.

Secretary PRICE. I am not familiar with that specific item, but we are happy to work with you and see if there is a solution there.

Mr. MOOLENAAR. OK. Thank you.

And then I appreciated your comments on the emergency response fund. I wondered if you could offer some more information. Would you as the Secretary manage that fund?

Secretary PRICE. To what fund do you——

Mr. MOOLENAAR. The Federal emergency response fund.

Secretary PRICE. That is the new task force?

Mr. MOOLENAAR. Yes.

Secretary PRICE. Yes, we would be controlling over that and determine exactly what level and what kind of resources would be appropriate for that fund. But that is a work in progress as well and we would love to have your feedback.

Mr. MOOLENAAR. OK. And then I also wondered your thoughts on BARDA and the development of medical countermeasures at HHS. Do you believe BARDA is going to have the resources it needs to continue its mission moving forward?

Secretary PRICE. This is really important because this has to do with whether or not we are prepared in the event of a potential bioterror attack. And the focus that we believe is important is to make certain that it is a priority and that we have the resources available to accomplish the mission to keep the American people safe in the event.

Mr. MOOLENAAR. OK. Thank you.

Then one last question on poison control. I know in Michigan we have a poison control center. People can call the center. And Michigan received over 70,000 calls from citizens, hospitals, healthcare providers, pharmacists, nurses, EMS providers, the opioid situation, where people need to understand quickly how to respond. In the past, my understanding is they were funded at $18.8 million. Will you continue or do you envision continuing this kind of a structure or this kind of funding for poison control centers?

Secretary PRICE. We are working through the funding for all levels, especially in the area of opioid abuse and overdose. The numbers are staggering, as you well know. And as I mentioned before, we have all seen remarkable challenges in our communities far and wide.

So whether the greatest resource or the greatest venue for making certain that individuals are able to be resuscitated from a potential overdose, whether that is poison center control or elsewhere, we want to make sure we are doing the kinds of things that will affect the patient.

Mr. MOOLENAAR. Well, again, thank you, Mr. Secretary, and I look forward to working with you moving forward.

Secretary PRICE. Thank you so much.

Mr. COLE. We next go to a new member of the committee, good friend, the gentleman from Wisconsin, Mr. Pocan.

Mr. POCAN. Thank you, Mr. Chairman. I appreciate it.

And welcome, Secretary Price. It was great to work with you on the Budget Committee.

Let me just try to follow up from a question Ms. DeLauro asked at the end and the time kind of ran out. So last week President Trump said that if the repeal failed that the Affordable Care Act was the law of the land and he was going to move on. This week it looks like there are more attempts to repeal the Affordable Care

Act. What is the position of the administration at this point? Is it to repeal the Affordable Care Act?

Secretary PRICE. The position is that we find ourselves right now in a position where the current system is not working.

Mr. POCAN. OK, I got that answer before from you. I guess the question specifically, Mr. Secretary, is he said he was going to move on last week. This week it looks like they are still trying to do a repeal. Is it just that—are they not moving on like the answer was last week or is it that you are trying to still repeal the law?

Secretary PRICE. We have to fix the problem. There is a huge challenge out there for folks. We have one third of the counties that only have one insurer, five States with only one insurer.

Mr. POCAN. So the administration is still trying to repeal.

So let me ask you this. Maybe this is a better way of asking it.

Secretary PRICE. What we are trying to do is to make sure that individuals have access to coverage and care.

Mr. POCAN. Sure. So in your opinion, last week the failure of TrumpCare, was it due to the Democrats not voting for it, which we were never consulted, which was one tweet? Was it due to the Tea Party, which was another tweet? Or was it due to 18 percent of the public supporting it? What was the reason? Why did it fail last week, in your assessment?

Secretary PRICE. Well, I will let others make their conclusions about that. What our Department is focused on is to make certain that American people have access to care and coverage so that they have the highest quality——

Mr. POCAN. So you don't know necessarily why it failed last week? I understand if you don't. I got you. I was just curious if you had an insight perhaps, being on the inside of it.

NIH, I think you are going to hear it from many of us, very, very important in my State of Wisconsin. There was a document yesterday that got some press, it looks like it came from OMB, suggesting in the 2017 budget to cut NIH, I think, $1.2 billion. Was your office consulted on this document?

Secretary PRICE. There were conversations at a staff level about that document coming forward. I don't know if there were conversations about the specific reduction in there.

Mr. POCAN. OK. Are you supportive of the $1.2 billion cut in NIH in the 2017 budget?

Secretary PRICE. As I mentioned before, I think what we need to do is to identify savings so that we can provide the greatest amount of bang for the buck for the American people, and I support the priorities of the budget.

Mr. POCAN. So you support this document?

Secretary PRICE. I support the priorities of the budget.

Mr. POCAN. In this specific document for 2017?

Secretary PRICE. That is a work in progress as well, as you know.

Mr. POCAN. Although, I think we have got until the 28th of April, which I believe also turns out to be, ironically, the 100th day of the Trump administration. So hopefully we don't have a shutdown on that date.

On NIH, another question, you voted for the 21st Century Cures Act where we finally put some additional money in NIH, So I know you were supportive of that, correct, when you were in Congress.

Now there looks like a $5.8 billion cut for 2018, I guess, maybe on top of the $1.2 billion in 2017 that you are supporting.

Our problem is you just mentioned the overhead and indirect costs, I guess, indirect costs. What are some of those costs that are the indirect costs, the 30 percent that you are trying to address?

Secretary PRICE. When a grant is awarded—30 percent of those moneys go for the facility, they may go for administration, they may go for all sorts of things at the either university or study center, research center, that don't have to deal with the specific research being done.

Mr. POCAN. If I could, I would love to offer an invitation as well to come to Wisconsin. You might want to wait another month or so until the weather gets better. But I am sure Senator Johnson and Senator Baldwin would welcome this invite as well.

We are studying right now with a lot of NIH money everything from flu viruses to Zika, diabetes, heart disease, colon and lung cancer, skin replacement, Ebola, opioid abuse, everything. We are doing a lot of work because we have a world class research university.

Also you mentioned the need for new researchers. I think, when I have talked to folks around some of these costs, they are afraid no matter what they are going to see less money going for the very cures that we just voted for, you and I, in the 21st Century Cures Act. So I would just like to extend that invitation, if you get a chance, because we have got some amazing stuff happening in Wisconsin, and I would love for you to see that firsthand.

Secretary PRICE. Good cheese as well.

Mr. POCAN. Amazing cheese as well.

Drug importation. I talked to you a little on the phone yesterday about this. So, again, the President said that he was going to remove barriers for entries into the country, and talked about other concerns he had around the high cost of prescription drugs.

I guess if you look at the prices of drugs in other countries, and Ireland in particular is one that I looked at very closely, in Canada, for example, you can pay $257 for an arthritis drug that in America costs $1,126 and it is 28 times cheaper in Ireland for the same drug. Do you think that is fair for the American people?

Secretary PRICE. Well, I think you have to get to the root causes of why the costs are up. And the President is committed to this, as you well know. He said on multiple occasions that he looks forward to working with Democrats and Republicans.

Mr. POCAN. And I guess, specifically, what is your Department doing, from negotiating drug prices or other issues, what is your Department doing to try to address those concerns the President brought up?

Secretary PRICE. We are in the process, with the White House, of formulating a strategy to address that. As I said, the President has on multiple occasions voiced his commitment to making certain that we do as a Nation have a strategy to bring those prices down.

Mr. POCAN. I would volunteer to be one Democrat to try to help on this side if you are looking for some advice and suggestions along the way.

Secretary PRICE. There are a lot of folks on both sides of the aisle who have concerns about this, as you well know.

Mr. POCAN. Thank you very much.

Secretary PRICE. Thank you.

Mr. COLE. Just so the gentleman knows, the 28th of April is also the chairman's birthday. And I am certain that my colleagues on both sides of the aisle and the President will not allow that to happen on my birthday.

Ms. DELAURO. Maybe they want you to take a holiday for that day, Mr. Chairman.

Mr. COLE. Absolutely.

I now go to my good friend, the gentleman from Maryland, who has considerable expertise in these areas because of his professional background. The gentleman is recognized.

Mr. HARRIS. Thank you very much, Mr. Chairman.

And, Doctor, it is good to see you.

Secretary PRICE. Good to see you, Doctor.

Mr. HARRIS. It is good to be calling the Secretary of HHS doctor. We finally have someone who truly understands health policy in a way that is difficult to do if you haven't delivered care to patients.

Let me just dispense very quickly with something about the American Health Care Act, the CBO scoring. A lot of it is unintelligible, but they assumed all regulations stay in place. I mean, they assumed only the statutory change. Is that correct?

Secretary PRICE. They just were scoring the first—that first piece of legislation.

Mr. HARRIS. Right. And in fact the Secretary—and we know because there are thousands of times in the ACA that it said the Secretary shall, the Secretary will, whatever—that you have—you do have—and this could be a very short yes or no—you do have the ability to make regulatory changes that would dramatically lower the costs of insurance for Americans.

Secretary PRICE. Fourteen hundred and forty-two times the ACA said the Secretary shall or the Secretary may.

Mr. HARRIS. And the CBO took no account of that at all in their scoring.

Secretary PRICE. I don't know their methodology, but I don't believe so.

Mr. HARRIS. Right. That is what I thought.

OK. Let me get over to the NIH. Obviously, we are all very interested in the NIH. But you bring up the issue of indirect costs, which is interesting. I have had NIH grants. I know how it is done. Are you aware that when the American Lung Association issues a grant, research grant to a researcher at Hopkins or somewhere else, they pay no indirect costs? They don't allow them? The American Heart Association, maximum 10 percent. Alzheimer's Association, we have people in the room, 10 percent. Bill and Melinda Gates Foundation, 10 percent. That is it. Robert Wood Johnson Foundation, they are really generous, 12 percent.

And yet the NIH, on taxpayer dollars, are allowing grants to go out at much, much higher indirect costs. You don't have to answer. I would just make the comment it is very interesting that the private sector doesn't hold these indirect costs to be so valuable as to pay them, but when the taxpayer dollar's involved somehow we do.

And you are right, the indirect cost total for last year was $6.4 billion. Actually, if we just issued our grants with American Lung

Association rules we could actually fund more research than we do now with the President's skinny budget proposal of a $5.8 billion cut.

Anyway, let me move on, because you are also in charge of the Medicaid program in HHS, and Medicaid is a broken system. Anybody who is in the practice of medicine knows Medicaid is a totally broken system. In fact, you are aware, I assume, of the Oregon experiment paper published in the New England Journal of Medicine 2013, this is the premier medical journal, that showed that actually when you enrolled people in these Medicaid expansions, that one in Oregon, on a lottery basis, randomized is great, you couldn't design a study that well, showed that there was actually no difference in outcome with diabetes, hypertension. It was pretty stunning, actually. It actually testified as to how broken our concept of Medicaid as a solution for the American people is.

Beyond that, if you go to the OMB website, I guess it is called the paymentaccuracy.gov, it shows that the improper payments in the Medicaid program last year on total payments of $346 billion were $36 billion, $36 billion of improper payments in a program that scientifically has shown doesn't even help people very—it really doesn't help their health outcome very much. And Medicare similarly, $41 billion improper payments.

We were promised when the Affordable Care Act was passed, and I always remember this: Oh, part of the payment is we are going to eliminate waste, fraud, and abuse in Medicare. Last year we had $41 billion in Medicare.

As Secretary, do you commit to us that as we commit funds to the Department that the Department is going to take a real hard look at how we—just between those two programs it is $77 billion—I am sorry, it is—if you include Medicare, yeah, it is $77 billion, if you put Medicare Advantage in there it is $90 billion—commit to us that you are going to take a real hard look at those issues?

Secretary PRICE. Absolutely. It is one of our priorities, is to try to find the waste and abuse that exists. And in fact, as you well know, in the Medicare program, for every dollar that is spent on trying to detect fraud and abuse there is a $12 return on every single dollar that is spent. So this is an area where we believe there is some significant savings that can be had.

Mr. HARRIS. It seems like a good idea.

And just finally, I just hope that you over on the FDA side, the menu labeling rule is an issue, it is a constant issue, please take a look at it. Small-business owners come to me every day with issues.

So thank you very much. I yield back, Mr. Chairman.

Mr. COLE. I thank the gentleman. And again just want to remind the gentleman I too am a doctor, I am just not the kind of doctor that can help you.

With that, I want to go to the gentlelady from Massachusetts. Before I do, I want to say she may be the smartest member of this committee, because she was kind enough to send me two extra tickets to the President's inauguration. So probably in higher demand in Oklahoma than Massachusetts, but the gesture was very much appreciated.

Ms. CLARK. We are always pleased to help you. And thank you, Mr. Chairman, thank you, Ranking Member DeLauro, thank you, Mr. Price, for being here with us today. Thank you for your call. I am sorry I was unable to connect with you before this hearing, but I appreciate it.

Secretary, a topic that keeps coming up, and I share your characterization of the scourge of this opiate crisis as heartbreaking. That is what it is. The families in my district, across this country, this is an issue that doesn't care if it is a red State, blue State, what level of education attainment you have, how much money is in your bank account, it is an equal opportunity killer.

But it also ties into the Affordable Care Act and the mandates because, as you know, addiction treatment was one of the 10 essential benefits that were covered by the Affordable Care Act, that mandated that insurance companies cover treatment. And what has that meant? That has meant this provision has helped 2.8 million people with drug use disorders get the treatment that they need.

And if we repeal that provision, that would take out at least $5.5 billion annually from the treatment of low-income people with mental and substance abuse disorders. The number that you used of 52,000 overdoses is even higher than the numbers that I have seen of 32,000 deaths a year from overdoses. This is a staggering impact on our country.

Will you support mandated coverage for addiction treatment?

Secretary PRICE. Just to clarify, the 52,000 is deaths from all overdoses, not just opioids, and then 33,000 or 32,000 from opioids. And the numbers are—I mean, it is an upward spike. This hasn't been flat, it is an awful scourge.

Ms. CLARK. That is right.

Secretary PRICE. This is remarkably important, is to make certain that we have treatment available for folks, and that is why we are going to make it a priority.

I am struck, however, by the 20 million individuals who don't have any coverage at all through the ACA, and I believe that there are reasons for that. They either took the penalty or asked for a waiver.

And I would suggest, respectfully, that we ought to look at why that is. Why is it that 20 million Americans say, "No thanks, I don't want that coverage," even though it is mandated, even though there is a penalty for it?

So I would hope that we could work together and fashion a program that would attract those individuals to get the kind of coverage that they want for themselves and for their families.

Ms. CLARK. And I would be delighted to work with you on that. But I would like to know specifically, do you support a mandate for insurance coverage for treatment?

Secretary PRICE. What I believe and what we believe is that every single American needs access to the kind of coverage that they want for themselves.

Ms. CLARK. But do you support mandating it? That is the law under the ACA. Do you support that mandate?

Secretary PRICE. We support the ability for every single American to have access to the kind of coverage that they want.

Ms. CLARK. Can you answer me specifically, yes or no, do you support a mandate that insurance companies cover addiction treatment?

Secretary PRICE. It is not a yes-or-no question, as I mentioned to one of the——

Ms. CLARK. It actually is.

Secretary PRICE. No, because the answer to is that we believe that it is absolutely vital that every single American have access to the coverage that they want for themselves, not what the government forces them to buy.

Ms. CLARK. So I am going to take that as a no, because you either support a mandate or you don't. And there are certainly ways that we can increase coverage.

But if you don't support a mandate and you are concerned about people who even with mandated coverage have chosen not to avail themselves of treatment, how would you answer the question to the families at home who are ravaged by opiate addiction that at that point in time then they will go out and seek from a menu item of insurance treatment and try and buy themselves coverage? Is that what you envision?

Secretary PRICE. There are certainly other ways to provide coverage and care for folks that don't require the Federal Government to dictate to people what they must purchase.

Ms. CLARK. So do you see the mandate for addiction treatment coverage as dictating to people what they must buy? Do you see those as equivalencies? That is a yes or no. Do you see that as an equivalency?

Secretary PRICE. No, that is not a yes or no. When the Federal Government decides exactly what coverage you must purchase, then it is deciding what coverage you may not purchase.

Ms. CLARK. So you would see that the mandate that we have under the current Affordable Care to insurance companies that they cover addiction treatment, that that is somehow limiting people's options. Is that right?

Secretary PRICE. As I said, what we believe is that every single American needs to have the opportunity and be able to afford the kind of coverage that they seek for themselves and for their families.

Ms. CLARK. So will you protect access and Medicaid funding levels to ensure that those people do not lose their access to substance abuse disorder treatment?

Secretary PRICE. Substance abuse and addiction treatment is absolutely a priority. But as you heard from Dr. Harris, the Medicaid program is woefully broken. When I talk to my former colleagues as a physician, they tell me that it is virtually impossible for them to care for individuals in the Medicaid system.

You have a third of the physicians in this country who ought to be caring for Medicaid patients, but don't. And it is not because they don't want to see them, it is because the system is terribly broken and making it so that they can't.

Ms. CLARK. Well, I don't see how we are going to improve that system.

I do want to ask you one more question.

Mr. COLE. The gentlelady's time has expired.

Ms. CLARK. All right. I will get you on the second round. Thank you.

Mr. COLE. I thank the gentlelady.

Next we go to the gentlelady from the State of Washington, Ms. Herrera Beutler.

Ms. HERRERA BEUTLER. Thank you, Mr. Chairman.

And thank you for being here.

Secretary PRICE. Good to see you.

Ms. HERRERA BEUTLER. Great to see you. And thank you for all your work. I can only imagine, even with your background as a physician and your background in Congress and caring for folks, it has to be a bit a like drinking from a fire hose. We appreciate it very much.

Secretary PRICE. Thank you.

Ms. HERRERA BEUTLER. A couple things. You know, every year about four million women in the U.S. give birth, and more than three million breast-feed their infants. Nearly all of these women take a medication or receive a vaccine while pregnant or breast-feeding, or it is recommended. Pregnant women with chronic conditions such as asthma, epilepsy, diabetes, hypertension, and depression are faced with very difficult decisions, whether to take a medication that they have no information or background on or whether just to fight through whatever their condition is.

I worked with a number of folks to get included in the 21st Century Cures bill language around a task force at NIH, asking them to examine the gaps in knowledge around safe medications for pregnant and nursing women, and the National Institute of Child and Health Development has already begun implementing this task force. Expectant moms and their healthcare providers need more data and information in order to make informed treatment decisions, and they need it yesterday.

I just wanted to bring this to your attention and ask for your help in prioritizing this as we move forward.

Secretary PRICE. Absolutely. This is one of those areas where people assume that the data exists, but in fact it doesn't, and the kinds of studies that are so necessary to make certain that moms and families know that something is either safe or not so that they can make an informed decision.

Ms. HERRERA BEUTLER. Thank you.

On to a different one. Every year thousands of Americans donate a kidney or a portion of their lung or liver or pancreas or intestine to save the lives of a family member, friends, or even total strangers. Organ donation does save lives. And I have introduced the Living Donor Protection Act with Congressman Nadler.

And it was remarkable to me, as I sat and listened through some of these statistics, there are about 118,000 people on the transplant wait list, 99,000 of them need a kidney. And everybody has two kidneys—well, almost everybody has two kidneys. It is one of those things that we could—right now I think it is about 1 in 12—or 12 people die a day waiting for that. Every 10 minutes we add people to that list.

And this is something that we are having—part of the reason we introduced the Living Donor Protection Act was because what we have seen in some instances is insurance companies will discrimi-

nate against someone who has given an organ when they don't realize in order to give an organ you have to be the creme de la creme, the most healthy, tiptop. Everything has to be working well before you would be even allowed to be considered. Yet companies will discriminate against them.

So we are trying to get some of those things fixed and addressed, but I wanted to raise it to you. What I was looking at, some of the numbers I have seen, kidney disease is the ninth leading cause of death, in front of breast cancer and prostate cancer. In fact, 26 million Americans have it. Most of them don't even know.

So this is going to be a real challenge in our future. We want to encourage those folks who can donate to do so. I just wanted to raise that to your level as well.

Secretary PRICE. Thank you.

Ms. HERRERA BEUTLER. One more thing, since I have a few more moments, and I am going to read it fast. Given the unprecedented advances in genetic testing and screens and the rapid and widespread application across medicine, which is both exciting and terrifying, I am concerned that folks we represent will be receiving genetic and genomic tests, like prenatal cell-free DNA screenings, without the appropriate pre- and post-genetic counseling.

Oftentimes these tests can mean different things. Even though they are advertised as one thing, the information that is given out isn't always given out accurately with all the drawbacks.

And I wanted to ask, and I have a bill on this, but I wanted to ask your view on this issue and the importance of making sure there are accurate genetic counselors to ensure that patients and physicians get the benefits of this genetic and genomic testing or screening and they are aware of the pitfalls, because people make decisions based on these tests.

Secretary PRICE. It is really important, and it is important that the individuals conveying the information are knowledgeable, because sometimes there are specific answers that can be provided about the risks or the consequences of the results of the test, sometimes there is not. And you need to be able to treat that with compassion and knowledge as well.

Ms. HERRERA BEUTLER. Absolutely. Well, with that, I will yield back the balance of my time.

Mr. COLE. Wow. You win gold stars. And you always do.

Again, just in order of arrival, to make sure everybody has an opportunity for a round of questioning, my good friend, the gentleman from Tennessee, is recognized for his questions.

Mr. FLEISCHMANN. Thank you, Mr. Chairman.

And, Secretary Price, I know you will appreciate this, having been a great Member of this austere body. I was delayed this morning because I was asked to preside as Speaker pro tem at the last moment. So I apologize for being here a little bit later.

But let me echo the plaudits of the people on this dais when I say congratulations on your appointment as Secretary. Thank you for your service not only in this House, but to the administration and to our country. It is a very difficult time in this Nation and health care is a very complex issue. You have got my full support. And again, profound thanks, sir.

Secretary PRICE. Thank you.

Mr. FLEISCHMANN. If I may begin, I actually have a nonappropriations question to start off with, and it is regarding an issue for Federal drug testing programs, sir.

The Department of Transportation requires trucking companies to follow HHS guidelines when screening truck drivers for drug use. It is my understanding that SAMHSA has been working on developing guidelines for hair testing as a federally accepted method for several years, and Congress strongly endorsed an accelerated development of these guidelines in the FAST Act. It has been over a year, and SAMHSA still has not produced these guidelines.

I wanted to make sure that you were aware of this, sir, as the completion of these guidelines will greatly improve truck safety; and secondly, would like to know if you might have any insight as to when we might expect them to be completed.

Secretary PRICE. I appreciate the question, and I learned of this yesterday. I wasn't aware that that work was going on, and I appreciate the focus on it. We are looking into that, and I will get back to you on the specifics of when you might anticipate an answer.

Mr. FLEISCHMANN. Thank you, sir.

Earlier, you were kind enough to answer a question for my dear friend and colleague Mr. Moolenaar, but I would just like to revisit that, if I may.

Mr. Secretary, as you know, HHS leads Federal preparedness and response activities for public health emergencies, including the development, stockpiling, and distribution of medical countermeasures like vaccines and treatments for national security threats.

For the last decade, the Biomedical Advanced Research and Development Authority, BARDA, and Project BioShield SRF, have successfully partnered with biopharmaceutical manufacturers to develop and stockpile products to protect Americans from the most urgent threats we face, like anthrax, smallpox, Ebola, and now Zika. Funding for BARDA and BioShield has been consistently supported by members on both sides of this committee for more than a decade. I am glad to see that you have been a longtime supporter of BARDA's critical mission.

Unfortunately, the previous administration, I would argue, did not prioritize BARDA and the development of medical countermeasures at HHS. Can you commit to ensuring BARDA has the resources it needs to continue this critical mission moving forward, sir?

Secretary PRICE. This is an absolute priority, to make certain, as I mentioned before, the American people expect us to be prepared and be able to respond in the event of a challenge, especially in bioterror areas. So it is an absolute priority of the Department.

Mr. FLEISCHMANN. Thank you, sir.

My final question, Secretary Price, the National Academy of Sciences reported there is a declining number of research grants awarded to early investigators, a rise in the age of grant recipients, and a suggestion that there may be a research brain drain. Last year, more than twice as many RO1s, the NIH leading grant, are awarded to principal investigators who are over 65 than those who are under 36. This is a total reversal from only 15 years ago.

Currently, the NIH RO1 grant applications work against young scientists because they don't have the preliminary data to support their application. Young researchers cannot get the preliminary data without significant funding, creating a catch-22 for the young investigators.

With these concerns in mind, do you have any input on how we can empower and encourage the next generation of researchers to keep their talents going toward American scientific innovation?

Secretary PRICE. This is really imperative because there has been a flip in terms of the age of the grantee, and we need to get to the bottom of that. I don't have an answer as to why that has occurred, but we are looking at that and will continue to look at that so that we can indeed address it. Because these young scientists, we want them to remain here and be able to use their talents for the benefit of all.

Mr. FLEISCHMANN. Thank you, Mr. Secretary. I believe my time is up. Again, I wish you every success in your endeavors, sir.

Mr. COLE. I thank the gentleman.

The chair has an announcement. The Secretary has a hard stop at noon. He has another meeting that I know he has to attend. So I want to guarantee him.

You are free to get up if we are in the middle of a question, but I won't let that happen. But I know he has to go at noon. So in deference, to try and get in as many people as possible, we are going to move to a 2-minute question, if we may, and I am going to ask folks to adhere to that.

The one exception I will make is we have a member that was here, and if they get back then they will get their 5 minutes in the same way all of us had an opportunity to ask 5 minutes. And I think I am actually next up, right? OK. So my 2 minutes, and I will hold myself to this, Mr. Secretary.

Number one, thank you very much for taking the time yesterday to meet with Chairman Calvert and myself about the Indian Health Service. Not our direct responsibility on this subcommittee, but it is part of your Department. I do sit on the subcommittee at Interior that my friend Mr. Calvert chairs, and that is important here too.

As you are aware, American Indians, Alaska Natives continue to live with health disparities greater than any other racial or ethnic group, with a life expectancy literally 4-1/2 years less than other Americans. In fact, in some States like Montana, American Indian men have a life expectancy of 20 years less than their white counterparts.

I know you haven't had an opportunity to flesh out your budget here, but I want to know how you expect your budget request, hopefully, to help the Indian Health Service and other HHS operating divisions to address health disparities in Indian country.

Secretary PRICE. I thank the chairman, and you have been such a champion on this. This is one of those areas where, as I learn more and more, it is readily apparent to me that the kinds of work that we must do has to increase in the Indian Health Service to make certain that we decrease those disparities, but also are looking at the things that actually mean something, that is the outcomes.

I was struck yesterday during our meeting with the graph that you all shared with the per capita amount of resources, Federal tax resources that are going to the Indian Health Service as compared to Medicare, Medicaid, and other Federal health programs. And it is just very clear to me that this needs to be a focus. It is a focus. It is a priority of the Department to make certain that we move in a positive way to address the real challenges that are in the Indian community.

Mr. COLE. I thank the gentleman, and I look forward to working with him on that issue.

With that, I go to my good friend, the ranking member.

Ms. DELAURO. Thank you, Mr. Chairman.

Mr. Secretary, quick, because I only have 2 minutes. Yes-or-no answers.

Do you support the elimination of LIHEAP, yes or no? Move. I don't have time. Do you support the elimination of LIHEAP?

Secretary PRICE. The responsibility of the Department is to make certain——

Ms. DELAURO. Do you support the elimination of LIHEAP, yes or no?

Secretary PRICE. The responsibility of the Department is to make certain that the needs of the American people are met.

Ms. DELAURO. So you support the elimination of LIHEAP.

Elimination of CSBG, yes or no?

Secretary PRICE. What we are trying to do is to identify those areas——

Ms. DELAURO. Yes or no, elimination of Community Services Block Grant?

Secretary PRICE [continuing]. And that there are other—where there are partnerships that might be available to——

Ms. DELAURO. No. OK.

NIH. The $1.2 billion Mr. Pocan spoke about, do you support that? If your staff was looking at it, you must have been involved in that decision to go an additional $1.2 billion in a cut to the NIH in 2017. In 2018, do you support the $6 billion cut to the NIH?

Secretary PRICE. I think it has been very clear in the remarks that have been had both by me and by others on the panel or by others on the committee——

Ms. DELAURO. It is a $6 billion cut to the NIH. Do you support it or no?

Secretary PRICE. If there are efficiencies to be gained at NIH——

Ms. DELAURO. So you support a $6 billion cut in the NIH.

Let me just ask you three or four other questions here. Have you divested yourself of all health care-related investments, yes or no?

Secretary PRICE. As I said to the confirmation committee as we moved through that process.

Ms. DELAURO. Yes or no?

Secretary PRICE. And the answer is yes.

Ms. DELAURO. Thank you.

Have you fulfilled the terms of the ethics agreement worked out with the Office of Government Ethics?

Secretary PRICE. Yes.

Ms. DELAURO. OK. Will you send the subcommittee a letter attesting to fulfilling all the elements of your ethics agreement?

Secretary PRICE. All of that is publicly available.

Ms. DELAURO. OK. Can we get a copy of that?

Secretary PRICE. All publicly available.

Ms. DELAURO. So we will get it on our own.

Just in my last 17 seconds, it would appear, Mr. Secretary, that one fact, for all those who want to talk about the opioid crisis, that in fact if you voted to repeal the Affordable Care Act you would have voted to make the opioid crisis worse in this Nation.

You don't believe in insurers covering maternity care, pregnancy, newborn care, mental health services, and substance abuse treatment, all of which come out of your Department. Mr. Secretary, I think you are at the top of doing what Ms. Lee has talked about, deconstructing an agency and dismantling health care in this country.

Secretary PRICE. I would respectfully dispute that characterization.

Ms. DELAURO. I am sure you would.

Mr. COLE. I want to now go to the gentlelady from Alabama. She has a full 5 minutes because this is her first opportunity to ask questions to the Secretary.

The gentlelady is recognized.

Mrs. ROBY. Thank you, Mr. Chairman.

Hi. So glad to have you here.

Secretary PRICE. Good to see you.

Mrs. ROBY. Proud to call you Mr. Secretary.

Secretary PRICE. Thank you.

Mrs. ROBY. We are real glad to have you in front of us today.

I want to talk to you about wage index. Hospitals in Alabama are facing some acute financial pressure because of this healthcare disparity created by this specific Medicare regulation and it is adversely impacting Alabama.

The wage index doesn't get a lot of attention, although it should. It is a serious problem for a large number of States, and it needs to be addressed. It was created to account for geographic differences in wages, and many, including myself, believe that it is broken. Hospitals in my home State have been punished for operating efficiently, receiving one of the lowest Medicare reimbursements in the country because of the flawed wage index system.

So it creates this disparity that effectively punishes efficient hospitals in most rural States. In many of these States, these hospitals have seen the area wage index levels rapidly decreasing over the years, reducing the Medicare reimbursements in order to subsidize increases to hospitals in a handful of States.

So, Secretary Price, I really just want to hear from you about whether or not you would be willing to work with us to repeal this wage index and replace it with a more accurate and fair system that would help us relieve some of these financial pressures that are placed on so many hospitals, including the ones in the great State of Alabama.

Secretary PRICE. Yeah, this is really important. As I mentioned to another questioner that there are folks who are providing care that aren't able to provide care for folks not just in the Medicaid program, but in the Medicare program as well. And oftentimes it is because of programs, policies, formulas that have outlived their

usefulness. It is a demonstration of the lack of ability of the Federal Government to be nimble and flexible, and respond to changes in the market so that the patients can be cared for in a better way.

So we are absolutely committed to working with you and others to try to identify the most flexible, the most effective way to provide treatment for the patients of not just Alabama, but the entire Nation.

Mrs. ROBY. Well, and I appreciate the work of the hospital association at the national level, but certainly in our State as well, the work that they have done to try to draw some more attention to this issue. So I am grateful for any opportunity to work with you.

I understand that this is not going to be necessarily a partisan issue as much as it is an issue amongst the States because there are winners and losers. And I believe in fairness, and I think that there are people that are—States, particularly rural States, that are being unnecessarily on the losing end of this.

Just real quickly, I have spoken about in this committee many times the achievements of pre-K in my State. So I just want to touch on it really quickly. I guess I can skip through some of this because my time is running out.

But can you describe for us in as much detail as you can how the President's fiscal year 2018 budget proposal can ensure that a new competition will take place under the Preschool Development Grants program and your plan for that competition? How will the Department support improved collaboration and coordination amongst early childhood programs at the State and local level through the Preschool Development Grants program to better serve low-income kids and families?

Secretary PRICE. This is really important as well, and this is a work in progress. We look forward to working with you on making certain that the resources are there and available.

There are programs that are effective, there are some that aren't effective, and we need to make certain that we are providing the resources for those that are indeed effective, and that is a commitment that we have.

Mrs. ROBY. Great. Thank you so much.

Thank you, Mr. Chairman. Good to see you. I yield back.

Mr. COLE. Thank you for yielding back the extra time.

The gentlelady from California, Ms. Roybal-Allard, is recognized for 2 minutes.

Ms. ROYBAL-ALLARD. Thank you. Given the 2-minute timeline, I have redrafted my question so that you can answer it yes or no. And this has to do with lead poisoning and the Prevention and Public Health Fund.

The ongoing Flint water crisis and the Exide contamination in my own district underscore the severity of public health crises posed by lead poisoning in many communities across the country. According to the best estimates available, lead poisoning impacts approximately half a million U.S. children age 1 to 5.

CDC's National Center for Environmental Health currently receives $50 million for lead poisoning made possible by the Prevention and Public Health Fund. CDC uses this relatively small amount to fund 29 States, D.C., and 5 U.S. cities to conduct lead poisoning prevention activities. However, if efforts to eliminate the

Prevention Fund through ACA repeal are successful, CDC would lose 12 percent of their annual budget, including all of the lead poisoning prevention funds.

Given the serious impact of lead poisoning on our children, will you protect the Prevention and Public Health Fund and expand the CDC's Lead Poisoning Prevention Program to all 50 States, D.C., and the territories?

Secretary PRICE. We need to make sure that we address the issue without a doubt. As Flint demonstrated, we need to make sure that water is safe to be consumed by the American people, and the role that CDC has is significant in that area.

Ms. ROYBAL-ALLARD. But will you protect the Prevention Fund? Just a simple yes or no. And I have one more question, and I have 28—or now 26 seconds to ask it.

Secretary PRICE. I suggest that whatever way we are able to accomplish the goal and the mission to keep the American people safe in this area, we will do that.

Ms. ROYBAL-ALLARD. OK. Will you ensure that the CDC has sufficient resources to maintain its critical surveillance and prevention activities across the country and around the globe?

Secretary PRICE. That is an absolute commitment that we have and a goal.

Ms. ROYBAL-ALLARD. Is that a yes?

Secretary PRICE. It is our commitment to make certain that the CDC can accomplish its core mission.

Ms. ROYBAL-ALLARD. OK. I am afraid it is not a satisfactory answer.

Mr. COLE. With that, we will go to my good friend, the gentleman from Maryland. He is recognized for 2 minutes.

Mr. HARRIS. Thank you very much.

And again, a pleasure having you here in front of the committee, Dr. Price.

I am going to go back to the Medicaid issue because it is a huge issue. It is the most rapidly growing portion of the mandatory side of our budget, as you know. And, you know, again that Oregon study published in the New England Journal, researchers from Harvard and MIT, those are the two researchers that did the study, showed that there was just no outcome difference whether someone is on Medicaid.

In fact, I will read you the letter, because sometimes, you know, they publish these and the New England Journal publishes letters to the authors. The letter published in the New England Journal said—there were four letters. This is from a professor at the University of Southern California L.A. Remember these assignments were based on lottery, whether or not they got into the program or not.

His conclusion was awarding lottery winners the equivalence of cash price prizes worth $6,600 per year—because that is what you got, you got $6,600 worth of Medicaid—rather than Medicaid might have improved their health outcomes and well-being even more.

And if you go into the data in the study, there are only four things that they showed a significant difference, is with less than 30 percent improvement, cholesterol screening, just having a

screening, pap smear, mammogram if you are over 50, and a PSA test. Added together, that is $200 worth of value. We paid $6,600.

I mean, the fact of the matter is, are you going to—is one thing we should put on the table is actually looking at whether or not we should allow the people who we put on the Medicaid system access to perhaps considering private insurance as an alternative?

Secretary PRICE. It is an important policy question because the Medicaid program, we believe, is broken. There are individuals in our society who absolutely need to have coverage and care. But if we are not accomplishing, if we are not measuring the right things, if all we are looking at is the Medicaid program and saying this is how much money we are putting into it but not measuring the kind of care that is being provided and whether or not folks are actually improving their health status within that program, then we are not doing a service to the folks that are providing the resources. And we are certainly not doing a service to those that are receiving the care.

Mr. HARRIS. Thank you very much. I yield back.

Mr. COLE. The gentlelady from California is recognized for probably the last 2 minutes.

Ms. LEE. Thank you, Mr. Chairman. I am going to be very quick so my colleagues can——

Mr. COLE. If we can, then I will.

Ms. LEE. Thank you, Mr. Chairman.

As you move, Mr. Secretary, to deconstruct your agency, do you support an increase of more than $54 billion for the Pentagon by paying for it through cuts at your agency, Health and Human Services?

Secretary PRICE. I think that it is important to address the premise of the question.

Ms. LEE. No, no, no. Mr. Secretary, just yes or no.

Secretary PRICE. No, I am Secretary of Health and Human Services and I am charged with a Department of incredibly committed people.

Ms. LEE. So your answer is no, You don't support——

Secretary PRICE. What I have the opportunity to work with are 76,000 individuals who are as dedicated as they are to their mission.

Ms. LEE. No, Mr. Secretary, do you support increasing the military budget by over $54 billion by cuts at your agency?

Secretary PRICE. Deconstructing the Department is not a goal.

Ms. LEE. So you don't support it by paying for the increase in the Pentagon budget. You don't support the cuts in your agency to pay for the $54 billion.

Secretary PRICE. I am Secretary of Health and Human Services. And if you would like to ask a question about Health and Human Services, I would be pleased to answer.

Ms. LEE. OK. Mr. Secretary, also as you move to deconstruct your agency, do you really believe—or do you believe that low-income people deserve the same access to quality health care as upper-income individuals? The same quality health care?

Secretary PRICE. That has been an absolute priority of mine since the day I entered public—no, since the day I went to medical school, is that every single American needs to have access to the

highest quality of care. And I must take issue with you again. It is not the goal of this Secretary to deconstruct the Department.

Ms. LEE. Mr. Secretary, your budget is deconstructing your agency by the billions——

Secretary PRICE. This Department affects every single American, and it is my responsibility to make certain that we provide the services in the most effective manner.

Ms. LEE. But, Mr. Secretary, your budget does not say that. It is a road map to deconstructing the entire agency which you head.

Thank you, and I yield my time.

Mr. COLE. The gentlelady is recognized for what really will be the last question.

Ms. CLARK. Thank you very much, Mr. Chairman.

I want to go back to the budget in the opioid line item. It says in your budget there is an increase of $500 million from fiscal year 2016. So I want to be clear, that is level funding that you are proposing for fiscal year 2018 because we already have $500 million in there.

Secretary PRICE. I think the $500 million is the $500 million from the Cures Act. Yes, ma'am.

Ms. CLARK. That is right. So there is no increase, it is just level funding. That is correct.

I want to follow up on the question about the defense funding and NIH. As we look at the Alzheimer's folks who are here, and we know the scourge that Alzheimer's is, and that it is taking one out of five Medicare dollars, why with whatever inefficiencies may be at NIH, and we can have a long discussion about how we fund our universities and the research partners they are and what indirect costs really go to, why would you decrease the budget overall?

Secretary PRICE. Well, as I mentioned before I believe to others, this is a tough budget year. There is no doubt about it. And this is an opportunity to——

Ms. CLARK. It returns $60 billion into our economy, never mind the good that it can do as far as a win for patients, a win for science, and a win for our bottom line.

Secretary PRICE. It is an opportunity to focus on those kinds of things that will allow us to accomplish the core mission and to actually get greater dollars, more dollars to the research that must be done in order for us to remain at the forefront of——

Ms. CLARK. My final question is Mr. Severino is now the head of the Office for Civil Rights for HHS. He opposes the implementation of section 1557 of the ACA, which prohibits discrimination based on race, color, national origin, age, disability, or sex in federally funded programs. Do you support those prohibitions on discrimination in health care?

Secretary PRICE. As I have said before, we will uphold the law of the land.

Ms. CLARK. Thank you.

Mr. COLE. I thank the panel. I am very appreciative, Mr. Secretary, of your time and, frankly, your accessibility to members of the committee, your outreach to us before your testimony, your willingness to meet. I know a number of my colleagues, certainly including me, have had the opportunity to sit down with you and

your staff. I very much appreciate the accessibility as we work together to try and solve our common problems.

And again, I think I express the sentiment for this committee, certainly for me, you were a tremendous appointment by the President. We know you are going to do a brilliant job for the American people. And we look forward to working with you every step of the way.

Secretary PRICE. Thank you, Mr. Chairman and the committee.

Mr. COLE. Thank you, Mr. Secretary.

The hearing is adjourned.

Questions for the Record
to

Dr. Thomas Price
Secretary
U.S. Department of Health and Human Services
on
The President's Fiscal Year 2018 Budget Blueprint
before
Committee on Appropriations
Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

U.S. House of Representatives
March 29, 2017

Cole 1 - The Teen Pregnancy Prevention Program (TPP)

In 2010, President Barack Obama eliminated 169 Sexual Risk Avoidance programs that were serving one million students across American. Halted midstream in a 5-year grant, the funds were then "repurposed" for a new program, entitled the *Teen Pregnancy Prevention Program (TPP)*. Millions of dollars in *Teen Pregnancy Prevention (TPP)* funds have been awarded to Planned Parenthood, the largest purveyor of sex education in America. One grant, to Planned Parenthood of the Northwest, awarded them $4 million dollars a year for 5 years. Females in the Planned Parenthood program reported becoming pregnant at a higher rate than females receiving an alternative program.

a. Do you support the return of these funds back to SRA programs, from where they came?

b. Will you propose to eliminate this program that gives millions of dollars to organizations like Planned Parenthood?

c. Do you support parity in overall funding for both risk reduction as well as risk avoidance approaches to sex education?

Response:

The Department of Health and Human Services (HHS) is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Cole 2- The Office of Adolescent Health (OAH)
In 2010, President Barack Obama created the Office of Adolescent Health (OAH) within the US Dept. of Health and Human Services to house TPP and to coordinate the President's sex education agenda.

a. Will you abolish this duplicative Office and moving any remaining authority to the Administration for Children & Families at HHS, a long-standing and natural repository for youth health information and sex education programming and as a way to reduce the size of government as mandated by President Trump?

Fifteen days before Pres. Trump was inaugurated, the Obama Administration dramatically expanded the voice, influence, and role of OAH by reorganizing it to become the "Department-wide" leader for everything related to adolescent health.

b. Under this expansion, the *teen sex promotion agenda* of OAH will proliferate throughout HHS. As Secretary, will you reverse the reorganization of OAH?

Eleven days after Pres. Trump was inaugurated, OAH established a new $1.5 million funding announcement to establish up to 5 "Centers" for advocacy, building alliances and developing infrastructure to "solidify the agenda of work and specific activities that will be implemented by the Center" and to "disseminate products strategically and broadly".

c. OAH will be "substantially involved in the administration and management" of each Center. Proposals were submitted in March with an anticipated start date of July 1, 2017. Will you stop awards for these infrastructure-building cooperative agreements?

Response:

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22. It should be noted that the Office of Adolescent Health is a statutorily created office in the Office of the Assistant Secretary for Health, *see Public Health Service Act* 1708, 42 U.S.C. 300u-7. Accordingly, HHS may lack the ability to abolish the Office of Adolescent Health.

Additionally, in accordance with the President's March 13 Executive Order calling for a comprehensive reorganization of the Executive Branch, I am working with leaders from across the Department to reimagine how HHS can better support the health and well-being of all Americans. As we undertake this comprehensive effort, I will consider a range of ideas to restructure the Department or streamline HHS activities to improve our stewardship of taxpayer dollars, avoid duplication, and ensure the entire Department is aligned with the Administration's vision for our nation. Additional details on HHS's plan for reorganization will be available in fiscal year 2018.

Fleischmann 1- FAST Act

Secretary Price – I want to again raise the issue of HHS establishing technical guidelines for federal drug testing programs. As you are aware, the Department of Transportation requires trucking companies to follow HHS guidelines when screening truck drivers for drug use. It is my understanding that SAMHSA has been working on developing guidelines to recognize hair testing as a federally accepted method for several years, an effort that Congress strongly endorsed in directing an accelerated development of these guidelines within one year of the implementation of the FAST Act. However, the previous administration failed to comply with that one year timeframe by December 4, 2016, and, to date, SAMHSA has still not produced these guidelines.

I appreciate your acknowledgement of these outstanding guidelines during the March 29th hearing, and thank you for your willingness to engage on this important issue. Producing the guidelines for hair testing will allow wider adoption of this testing method by the trucking industry, and be a huge boost to highway safety.

a. First, will you commit to expeditiously producing the technical guidelines for the use of hair testing as a federally accepted drug testing method?

b. And second, can you provide insight or a timeline as to when we might expect them to be completed?

Response:

a: Yes, I commit to expeditiously producing the technical guidance for hair testing as an acceptable method for drug testing as per the Department's requirements in the Fixing America's Surface Transportation Act (FAST Act).

b: The Department continues to develop these technical guidance and should be completed in the near future.

Roby 1- Affordable Care Act (ACA) and Medicaid Expansion

a. What type of flexibility with waivers and exemptions does the Secretary have regarding the Affordable Care Act (ACA)?

b. Will HHS work with states, like Alabama, who did not participate in the ACA's Medicaid Expansion to make affordable health care decisions for the federal and state governments?

Response:

The Department of Health and Human Services (HHS) is committed to giving States more flexibility to design programs that meet the spectrum of diverse needs of their specific Medicaid populations. Within the constraints of the law, HHS will empower States to adopt solutions that focus on improving quality, accessibility, and outcomes in the most cost-effective manner.

Roby 2- Breastfeeding and Medicaid

Breastfeeding for individual states particularly in the early postpartum period is important because state payers, such as Medicaid, bear the cost of a large portion of births in the United States. Research, highlighted in recent congressional testimony, indicates that optimal breastfeeding rates would account for total undiscounted direct medical savings to Medicaid of $518.8 million dollars per year.

Will you commit to evaluating the issue of lactation support as a stand-alone item, from an actuarial standpoint, before finalizing any related regulatory action or legislative recommendations?

Response:

HHS will work with the Congress to support nursing mothers care for their children. The CDC's National Center for Chronic Disease Prevention and Health Promotion has been committed to increasing breastfeeding rates throughout the United States, promoting and supporting optimal breastfeeding practices toward the goal of improving the public health. Breastfeeding is one of the most highly effective preventive measures a mother can take to protect the health of her infant. Breastfeeding reduces the risk of infections in infancy; obesity in childhood; and development of Type 2 diabetes in adulthood. Detailed information on these programs and engagement with States will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roby 3- BioShield

In 2013 Congress reauthorized $2.8 billion in funding for Project BioShield's Special Reserve Fund (SRF). For over a decade, the SRF has created a market for biodefense medical countermeasure development and signaled the government's commitment to procure MCMs against national security threats. Each year, SRF funds are used to stockpile millions of doses of drugs and vaccines against threats like anthrax, smallpox, Ebola, and nuclear radiation. Unfortunately, there is a still large gap in appropriations to ensure the SRF is fully funded. We are now on pace to dramatically underfund the federal government's most important biodefense program by over $1 billion.

a. Can you please describe the impact to our medical countermeasure enterprise if the SRF is not fully funded?

b. What medical countermeasures will we lose as a result of this dramatic funding shortfall?

c. How will you pick and choose which MCMs in HHS' 5-year budget to abandon?

d. What will the Trump Administration do to work with Congress to avoid this outcome?

Response:

HHS will continue to support ongoing advanced research and development of medical countermeasures and procurement of candidate products that are sufficiently mature. This includes support for HHS's efforts to combat antibiotic-resistant bacteria, biological agents, radiological or nuclear events, and chemical agents.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Beutler 1- Genetic Testing and the Genetics Services Workforce

Given the unprecedented advances in genetic testing and their rapid and widespread application across all of medicine, I am concerned that my constituents will be receiving genetic and genomic tests - like prenatal cell free DNA screenings - without the appropriate pre- and posttest education and counseling critical to optimal implementation and the avoidance of harm. This is partially due in large measure to workforce shortages of MD Clinical Geneticists and Genetic Counselors.

a. What is your view on this issue and the importance of accurate education and counseling to ensure that patients and physicians achieve the benefits of genetic and genomic medicine?

The best data we have for the US indicates that we have 1 physician-geneticist for every 600,000 people — approximately two-and-a half times less than what is considered optimal. In 15 states, there are only 1-5 physician-geneticists to serve the entire state population, and in Wyoming there is no physician-geneticist. As you may be aware, the National Academy of Medicine recently submitted a study request to HHS to examine how best to improve access to genetic testing and precision medicine. The request includes workforce issues such as to "strengthen related workforce training efforts, including increasing the number of genetic counselors." I believe that many of my constituents will be seeking advice about the implications of their genetic test results from their physicians.

b. Do you, as a physician, see the need for a broader assessment of the genetic services workforce, to include all medical genetics professionals, including physician geneticists?

Response:

HHS is working to ensure that there are enough health care providers to care for the unique health needs of the American people. The FY 2018 Budget prioritizes funding for health workforce activities that provide scholarships and loan repayment in exchange for service in areas of the United States where there is a shortage of health professionals. HHS is dedicated to funding programs which meet important public health needs and support key direct health care service activities that have service requirements.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Beulter 2- Organ donation

Every year, thousands of Americans donate a kidney or even a portion of their liver, lung, pancreas or intestine to save the lives of family members, friends, and even complete strangers facing life-threatening illnesses. I have introduced the Living Donor Protection Act with Congressman Nadler to ensure Americans who make the life-saving choice to become organ donors won't face roadblocks in the form of discrimination obtaining life, disability or long-term care insurance because of their decision. More can also be done by HHS to educate Americans about the incredible gift of organ donation.

What steps are being taken by HHS to promote organ donation and provide support to potential organ donors?

Response:

The Healthcare Systems Bureau (HSB) within HRSA supports organ transplantation activities that extend and enhance the lives of individuals with end-stage organ failure for whom an organ transplant is the most appropriate therapeutic treatment. The Organ Transplantation Program's primary aim is to increase the annual number of deceased donor organs transplanted. Working hand in hand with the transplant community and other federal agencies, HRSA is making every effort to increase the number of available organs. These efforts target increasing donor registrations among the general public, converting potential donors to actual donors at the time of death, and promoting best practices to increase organ procurement and transplantation.

HRSA employs a robust outreach and educational component that works to educate and increase awareness amongst professional in the field and the general public on the continued and increasing need for organ donations as well as to improve organ procurement practices.

The Organ Program also supports a Living Donor Assistance Center (National Living Donor Assistance Center - NLDAC), which works to provide reimbursement of travel and subsistence expenses for living organ donors intended to remove financial barriers to living organ donation. Recent efforts on living donors include activities to capture and track long-term health implications on living organ donors as well as steps to create a living donor registry.

Overall, HRSA has undertaken various initiatives to promote the awareness of the need for donated organs and to encourage the public to enroll in their state donor registries:

- Public Service Announcement (PSA) campaigns for radio, TV stations, and publications nationwide
- Radio Ad Spotlights in designated markets with the highest numbers of Blacks or African Americans, Asians, Hispanics or Latinos, and people 50 years and older during high traffic drive-time hours
- Print ads in widely circulated programs such as program guides of major sporting events
- Matte release articles to newspapers, journals, and other publications as filler materials when publications lack sufficient content
- Downloadable print materials on a variety of topics for multiple audiences
- HRSA's organ donation websites, www.organdonor.gov and donaciondeorganos.gov

- Educational web videos for reposting, download, and social media
- Social media outreach including Facebook
- Grants for effective strategies for model interventions

Beulter 3- Organ Transplant Discrimination

Last October, former Rep. Honda and I led a letter to Ms. Jocelyn Samuels, Director of the Office for Civil Rights (OCR) at HHS, expressing concerns and requesting OCR issue guidance on organ transplant discrimination with regards to persons with disabilities. Several states have already passed laws prohibiting discrimination against a potential recipient of any organ transplant solely on the basis of an individual's disability, as defined in the Americans with Disability Act of 1990. Unfortunately, many transplant centers and surgeons continue to refuse to provide access to transplant registries and transplantation surgery to qualified people with disabilities. I am concerned with the lack of engagement and action from OCR on this important civil rights matter.

Can you provide an update on the status of our request for HHS/OCR to issue guidance on organ transplant discrimination with regards to persons with disabilities? People with an intellectual and/or developmental disability must not be denied life-saving organ transplants for no reason other than their disability.

Response:

We are committed to promoting non-discrimination in all aspects of the health care delivery system. The national transplant waiting list and transplant surgery are a critical part of that system. Federal laws that prohibit discrimination based on disability apply in the transplant context and the HHS Office for Civil Rights (OCR) evaluates what action may be appropriate in response to disability discrimination concerns in the context of transplant decision-making.

As we evaluate areas that are in need of additional guidance on a Department-wide basis, OCR is continuing to engage in active conversations and collaboration with the Health Resources and Services Administration and the Centers for Medicare & Medicaid Services as specific issues arise in the context of transplants. Together, they are also evaluating and discussing the larger systemic issues, including appropriate guidance documents, to clarify the obligations of covered entities participating in the transplant process and to ensure that entities receiving HHS funding provide equal access to their programs to individuals with disabilities.

Beulter 4- Implementation of Safe Medications for Moms and Babies Act

Each year, nearly 4 million women in the US give birth and more than 3 million breastfeed their infants. Nearly all of these women will take a medication or receive a vaccine while pregnant or breastfeeding. The 21st Century Cures bill created a task force at NIH to examine gaps in knowledge around safe medications for pregnant and nursing women. The National Institute of Child Health and Development (NICHD) has already begun implementing this task force. Expectant moms and their health care providers need more data and information in order to make informed treatment decisions, and they need it yesterday.

How will you ensure that this important issue is prioritized?

Response:

Implementation of the Task Force on Research Relevant to Pregnant Women and Lactating Women, mandated by the 21st Century Cures Act (P.L. 114-255), which was signed into law in December 2016, is a priority for the National Institutes of Health (NIH). In January 2017, HHS delegated authority for its establishment to the NIH, but retained authority to approve the slate of nominees. The *Eunice Kennedy Shriver* National Institute of Child Health and Human Development is leading implementation efforts.

Because the Task Force is an advisory body under the Federal Advisory Committee Act, a Charter was filed at HHS on March 13, 2017, formally establishing the Task Force and meeting the 90-day timeframe required by the 21st Century Cures Act. A slate of nominees has been prepared for approval, which includes representatives of the Federal agencies required by the Act, representatives of professional societies that serve pregnant and lactating women, patient advocates, and industry delegates.

The report on the Task Force's findings and recommendations is due to the HHS Secretary and the Congress by September 2018. The first meeting will be held August 21-22, 2017, and a notice has been published in the *Federal Register*. All meetings will be open to the public, and will be videotaped. An analysis of currently supported Federal research in this area also is underway. In addition, a web page was created to ensure that anyone interested can access information about the Task Force's deliberations:
https://www.nichd.nih.gov/about/advisory/PRGLAC/Pages/index.aspx

Beulter 5- Challenges for Small Businesses Working with Medicare

On December 5, 2016 the US District Court for the District of Columbia ordered Medicare to reduce the "current backlog of cases pending at the ALJ level" by the following schedule:

30% by December 31, 2017
60% by December 31, 2018
90% by December 31, 2019
100% by December 31, 2020

Currently, the backlog of cases results in about a 3 year wait for a decision by an ALJ. Waiting in limbo for 3 years presents severe hardships for small businesses, many of whom do not have the financial resources to sustain operations during this period. Key points about the waiting period:

A. CMS *continues recoupment of alleged overpayments* during the ALJ waiting period, forcing many providers into bankruptcy.
B. Timely hearings are essential. *No provider should be forced out of business or forced to downsize merely because the government is not hearing their cases in a timely manner, as required by law*. A fundamental right in this country is to have your "day in court" and HHS is taking that right away.

a. Are you aware of this court order and what are your plans to reduce the waiting period for healthcare companies at the ALJ level of appeal? Small businesses are unfortunately often collateral damage to this slow bureaucratic system.

Current rules prohibit CMS from entering into settlement discussions with providers if the amount in controversy exceeds a certain dollar threshold. Providers are only able to negotiate settlement with DOJ based on "an ability to pay" as opposed to the strength of the claims at issue. This is both a barrier to adherence of the court order to reduce ALJ backlog, as well as a contributing factor in the high rate of ALJ decisions in favor of the appealing provider.

This policy can be harmful to small businesses.

b. Would you be open to reviewing this policy and seeing if other factors could be considered to determine when CMS can enter into settlement discussions with providers?

Response:

The Department is aware of the court order, and has appealed the order to the U.S. Court of Appeals for the District of Columbia Circuit. It is also aware of the impact that the Medicare appeals backlog has on the small business community. HHS takes its responsibility to reduce the backlog of appeals seriously, and is actively reviewing legislative and administrative options to address the backlog and the underlying cause of the backlog. It is considering meeting with various stakeholders to solicit input on such issues. The Department continues to implement its three-prong strategy which includes taking administrative actions and working with Congress to

secure the authorities and funding that are necessary to create an efficient and effective Medicare appeals system. Without Congressional action, HHS will not be able to meet target required by the court and fulfill our statutory obligations to protect the integrity of the Medicare Trust Funds. HHS looks forward to working with the Congress on reforms that will alleviate the backlog of appeals and create a Medicare appeals system that is both timely and responsive to providers.

Beulter 6- Children with rare and complex medical needs

a. With the great strides in modern medicine there now exists a small but significant core of children that have highly complex chronic rare diseases that require lifelong treatment. Historically this has been a small group but through improvements in technology and care it's growing, and is now a wonderful challenge, with a highly significant impact on families. Since their care falls far outside of the norms of regular insurance coverage and local providers, how do we structure our health care programs to handle the significant economic impact on these families and on care providers?

b. On the spectrum of patients we tend to focus on the elderly in conversations about healthcare costs. When we're examining State and National healthcare budgets and programs, how do we structure our system to ensure that our most vulnerable children with complex chronic diseases are not marginalized and underserved?

c. One part of the rationale for high drug prices is the cost of the FDA approval process. Over 45% of the drugs approved by the FDA in the last three years were for rare diseases. Given the small patient numbers and the small market sizes coupled with the critical needs for these treatments, what can we do to reduce the cost and time of the process while balancing the risk/benefit considerations for these often fatal conditions?

Response:

a: HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

b: HHS recognizes the important and unique challenges of serving children with special health care needs. The Department supports this population and their families in a variety of ways, including advanced medical research and programs that support services for nearly one-third of all infants and children, including 4 million children with special healthcare needs, in the country.

c: FDA standards (such as sterility for parenteral drugs) place patient safety paramount and take into account factors such as the size of the patient population. Congress has passed and FDA has implemented incentives for industry to develop drugs to meet a variety of medical needs. Incentives for certain drugs to treat rare diseases ("orphan" drugs) can include seven-year exclusivity, exemptions from user fees, 50 percent tax credits for clinical development costs, and priority review vouchers that offer a shorter review timeframe for a subsequent application. Drug development can be a lengthy and expensive process and is often associated with significant risk of failure. The success of the "orphan" incentive programs and subsequent return on investment in development are reflected in the large percentage of drugs seeking marketing approval in recent years for treating rare diseases. From 2014 through 2016, 43 percent of approvals for new drugs and biologics at CDER were for rare disease treatments. FDA works closely with industry to facilitate development of drugs for rare diseases,

particularly those that receive breakthrough therapy designation to treat serious or fatal conditions. FDA uses a flexible risk-based approach for all facets of development for drugs for rare diseases as described in the Agency's 2015 draft guidance, Rare Diseases: Common Issues in Drug Development Guidance for Industry. Moreover, the Federal Food, Drug, and Cosmetic Act provides significant flexibility for establishing evidence of effectiveness, such as using data from a single trial or using surrogate endpoints. Flexible approaches can facilitate reduced development time and costs for a new drug.

Beulter 7- CHGME and shortage of pediatric subspecialists

The country is facing a serious shortage of pediatric medical subspecialists, including pediatric subspecialists. These shortages lead to long wait times and long distances traveled to access care. For children with kidney disease, these challenges negatively impact the care they receive and ultimately their development and quality of life. The annual appropriation of funds for the Children's Graduate Medical Education (GME) program plays a critical role in training pediatric subspecialists.

a. Are there ways that the agency can strengthen the Children's GME program?

b. Are there other actions HHS can take to support the training of pediatric subspecialists?

Response:

HHS is working to ensure that there are enough pediatric subspecialists to care for the next generation of Americans. The FY 2018 Budget prioritizes funding for health workforce activities that provide scholarships and loan repayment in exchange for service in areas of the United States where there is a shortage of health professionals. HHS is dedicated to funding programs which meet important public health needs and support key direct health care service activities that have service requirements.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Beulter 8- Kidney Disease Research

In December, the Government Accountability Office (GAO) released a report entitled, *Kidney Disease Research and Priority Setting*. This report found that Medicare spends $103 billion on patients with kidney disease, of which $32.8 billion is spent on those patients in kidney failure. The dollars spent annually on those in kidney failure is more than the entire NIH budget. NIH's FY2015 investment in kidney research was $564 million, which is less than 1 percent of the amount Medicare spent on the disease.

a. Are you familiar with the findings in the GAO report?

b. What steps, if any, do you plan to take to address the burden of this disease that impacts approximately 40 million Americans both at NIH and other HHS agencies?

c. Are there plans for further investment in kidney disease to align NIH dollars more with the burden and prevalence of disease?

Response:

a - b: As described in the referenced GAO report, NIH continues to support a multi-faceted program of research to identify causes of kidney disease, understand and halt disease progression, develop and improve treatments, and ultimately prevent kidney diseases and kidney failure in adults and children. One recent National Institute of Diabetes and Digestive and Kidney Diseases (NIDDK)-funded study found that the use of a commonly prescribed class of drugs called proton pump inhibitors increases risk for developing chronic kidney disease (CKD). In another study, researchers reported an increase in 8-year survival for people who received immune desensitization then a kidney transplant from an immune system-incompatible live donor compared with either those remaining on the kidney transplant waiting list or those who received a kidney transplant from an immune system-compatible deceased donor. Because there remains a shortage in the number of compatible living kidney donors, these results suggest that HLA-incompatible kidney transplants from living donors could represent a new option available for people with kidney failure.

In 2016, the NIDDK released three funding opportunity announcements to establish the Kidney Precision Medicine Project (KPMP), which aims to obtain ethically and evaluate human kidney biopsies from participants with acute kidney injury (AKI) or CKD, create a kidney tissue atlas, define disease subgroups, and identify critical cells, pathways, and targets for novel therapies. Additional technology development in support of the KPMP will be supported by small business programs.

In July of 2016, NIDDK convened a workshop to discuss clinical studies of treatments for CKD in children, and to explore potential therapeutic target areas for children with CKD. Based on discussion at the workshop, NIDDK announced a funding opportunity to establish a network of clinical centers to conduct pilot and feasibility studies of therapies to slow or reverse the progression of CKD in children. These pilot studies will seek to optimize critical elements for designing a full-scale randomized control trial – the most promising study question, potential therapeutic agent(s) and dosing, the study population, data collection, and appropriate outcomes

to assess. The ultimate goal of this initiative is to obtain the necessary information to design and implement one or more full-scale randomized controlled clinical trials of therapies to reduce morbidity in children with CKD.

NIDDK and the National Institute on Minority Health and Health Disparities (NIMHD), as well as the National Institute of Allergy and Infectious Diseases (NIAID), have been collaborating to plan a new effort to advance research on the effects of *APOL1* genetic variants on kidney transplant donors and recipients. In November 2016, the three Institutes released a Funding Opportunity Announcement that calls for applications for Clinical Centers to evaluate outcomes in recipients after transplantation of kidneys donated by African Americans and those with high probability of having variant alleles.

Building on past NIDDK-supported research, significant recent progress has been made toward prevention, treatment, and cure of diabetes. For example, in September 2016, the U.S. Food and Drug Administration (FDA) approved the first hybrid artificial pancreas (AP) device, which links glucose sensing and insulin delivery; early NIDDK funding contributed to the development of the approved device. NIDDK continues to support AP research, including phase 3 clinical trials testing novel AP devices, research to develop next-generation components of AP devices, and behavioral research to ensure that people could use and benefit from new devices. At the same time, research is also progressing toward curing diabetes. For example, the Clinical Islet Transplantation Consortium recently published results from a phase 3 clinical trial showing that islet transplantation is an effective treatment for people with Type 1 diabetes who have had severe episodes of dangerously low blood sugar despite receiving expert care. Toward overcoming the shortage of cadaveric islets for transplant, researchers discovered how to generate large quantities of insulin-producing cells in the laboratory. The Human Islet Research Network (HIRN) built on this progress by encapsulating those cells to protect them from immune system attack after transplantation in a mouse model. HIRN research could potentially lead to a cure for type 1 diabetes. The NIDDK's Longitudinal Assessment of Bariatric Surgery-2 study recently showed that Roux-en-Y gastric bypass achieves a higher likelihood of type 2 diabetes remission in obese patients with the disease than does laparoscopic gastric banding, even when controlling for weight loss, providing clues as to the mechanism that may lead to improved treatment or even reverse the disease. Ongoing initiatives are vigorously exploring this possibility.

Although a safe, effective, well-tolerated first line drug for type 2 diabetes, metformin alone often proves insufficient to maintain long-term blood glucose control, and it is thus critical to determine what other available drugs can best help patients improve glucose control. Glycemia Reduction Approaches in Diabetes: An Effectiveness Study is comparing the long-term benefits and risks of four widely used Type 2 diabetes drugs in combination with metformin. The Accelerating Medicines Partnership T2D Project has developed and is expanding a Knowledge Portal to leverage the dramatic NIH-led progress in Type 2 diabetes genetics to identify and validate the most promising biological targets for new diagnostic and drug development.

In March 2016, the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary certified that a lifestyle intervention adapted from one proven effective by the NIDDK-led Diabetes Prevention Program (DPP) resulted in reductions in medical spending in the near

term. The adapted version of the intervention was also developed and tested with NIDDK research support. Based on the expectation of cost saving and other factors, CMS determined that a demonstration project for this the lifestyle intervention will be expanded and provided to eligible Medicare recipients starting in 2018, greatly expanding access to this preventive intervention. The DPP also found that the Type 2 diabetes drug metformin was useful for preventing diabetes, particularly in younger adults and women with a history of gestational diabetes, and that use of this drug was cost-saving. Recent research, however, shows that metformin is much underutilized for Type 2 diabetes prevention, possibly because it is not FDA-approved for this indication. The NIDDK is testing other low-cost approaches for Type 2 diabetes prevention, such as vitamin D.

c: HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Beulter 9- Kidney Disease

Early detection of Chronic Kidney Disease (CKD): Early to moderate CKD can often go undetected until very advanced, even among those at highest risk. Earlier detection of CKD can allow for the introduction of low-cost interventions and patient education which can slow the progression of the disease and avoid costly progression of the disease.

What strategies and incentives in reimbursement policy could incentivize earlier detection and improved treatment of CKD, particularly for Primary Care Providers?

Response:

Through reimbursement policy changes and new model tests, CMS is helping to detect and treat chronic kidney disease earlier. For example, beginning in 2015, Medicare makes a separate payment for chronic care management services delivered to patients with multiple chronic conditions, such as chronic kidney disease, under the Medicare Physician Fee Schedule. These services include developing a plan of care to help manage chronic conditions, managing care transitions, and coordinating services with practitioner and providers. Medicare also pays for specific transitional care management services provided during a beneficiary's transition to the community setting following particular kinds of discharges.

Today, Medicare covers a variety of different chronic kidney disease services, but I recognize that CMS needs to take additional steps to support the coordination of care within and around these services. Currently Medicare covers the following chronic kidney disease services: Kidney disease education: Medicare Part B covers up to six sessions of kidney disease education for beneficiaries with Stage IV CKD to help delay the need for a kidney transplant or dialysis and prevent kidney disease complications.

Medicare Part A covers dialysis for beneficiaries who are inpatients in a Medicare-approved hospital.

Medicare Part B covers a variety of services for beneficiaries receiving routine maintenance dialysis from a Medicare-certified dialysis facility. Medicare Part B also covers a range of services for beneficiaries who are candidates for self-dialysis, including training conducted by a Medicare-certified dialysis facility, self-dialysis support services provided by the dialysis facility, and all kidney dialysis equipment and supplies for as long as dialysis is needed at home. In addition, Part B covers certain drugs (including heparin) for self-dialysis, as well as erythropoiesis-stimulating agents to treat anemia related to renal disease.

While Medicare providers can be paid for individual services and treatments around dialysis, paying for services individually through fee-for-service can have the negative incentive of leading to more services but not necessarily better quality or patient-centered care, both of which are important for preventing and managing diseases like chronic kidney disease.

The CMS Innovation Center is conducting a Comprehensive End-Stage Renal Disease (ESRD) Care Model to identify, test and evaluate new ways to improve care for Medicare beneficiaries with ESRD. In the Comprehensive ESRD Care Model, dialysis clinics, nephrologists and other

providers join together to create an ESRD Seamless Care Organization to coordinate care for matched beneficiaries. These organizations are accountable for clinical quality outcomes and financial outcomes for their beneficiaries. This model encourages dialysis providers to think beyond their traditional roles in care delivery and supports them as they provide patient-centered care that will address beneficiaries' health needs, both in and outside of the dialysis clinic.

Slowing the development of ESRD has important implications for our health care system. Americans with ESRD require life-sustaining dialysis treatments several times per week. In 2013, ESRD beneficiaries comprised a little less than one percent of the Medicare population and accounted for an estimated seven percent of total Medicare spending, totaling over $30.9 billion. These high costs are often the result of underlying disease complications and multiple co-morbidities, which can lead to high rates of hospital admission and readmissions, as well as a mortality rate that is much higher than for the general Medicare population. Slowing the rate of entry into the ESRD program through earlier detection and prevention can help keep beneficiaries healthier and help us spend our health care dollars more wisely.

Beulter 10- Breastfeeding:

A 2016 study of both maternal & pediatric health outcomes showed that if 90% of infants were breastfed according to medical recommendations, 3,340 deaths, $3 billion in medical costs, and $14.2 billion in costs of premature death would be prevented, annually.

Breastfeeding is a cross-cutting public health issue, with impacts that reduce risk across many acute illnesses and chronic diseases for both mothers and children. As we look for ways to improve health outcomes and reduce health care costs, it is my hope you that you will consult with the HHS-led Federal Interagency Work Group on Breastfeeding about which recommendation areas from the Surgeon General's Call to Action to Support Breastfeeding would most benefit from prioritized action by the Department.

a. Can you tell us if you are planning to take action on any recommendations from the Work Group?

b. Also, what role do you see HHS taking to help coordinate efforts between sectors and agencies to better support breastfeeding families?

Breastfeeding for individual states particularly in the early postpartum period is important because state payers, such as Medicaid, bear the cost of a large portion of births in the United States. Research indicates that optimal breastfeeding rates would account for total undiscounted direct medical savings to Medicaid of $518.8 million dollars per year.

c. Do you plan to evaluate the issue of lactation support as a stand-alone item, from an actuarial standpoint, before finalizing any related regulatory action or legislative recommendations?

In the 1960s, only 15% of mothers returned to work within a year of their first child being born. Today, approximately two-thirds of women return to work within a year of their first child being born. Breastfeeding has indisputable benefits including saved lives, reduced short and long-term health complications, and lower costs to the healthcare system. Many young women are busy starting families and careers simultaneously, and many are forced to decide between optimal breastfeeding and returning to work.

d. How will you ensure that the Department of Health and Human Services (Department) and the Department's 2018 budget request optimizes breastfeeding for working mothers?

Breastfeeding saves the U.S. healthcare system and American taxpayers money. In 2014, the cost of suboptimal breastfeeding, which occurs when mothers breastfeed for only a few months, were $3 billion in total medical costs, $1.3 billion in non-medical costs, and $14.2 billion in costs related to premature death. We know that providing access to comprehensive breastfeeding support, supplies, and counseling, including breast pumps, greatly increases the amount of time women breastfeed their babies, thereby reducing these associated costs.

e. How will you ensure that the Department and the Department's 2018 budget request will expand access to breastfeeding support, supplies, and counseling to lower the significant costs of suboptimal breastfeeding to the U.S. healthcare system and American taxpayers?

Response:

a-c: HHS will work with the Congress and other agencies within the federal Government to support nursing mothers care for their children. Within HHS, the CDC's National Center for Chronic Disease Prevention and Health Promotion has been committed to increasing breastfeeding rates throughout the United States, promoting and supporting optimal breastfeeding practices toward the goal of improving the public health. Breastfeeding is one of the most highly effective preventive measures a mother can take to protect the health of her infant. Breastfeeding reduces the risk of infections in infancy; obesity in childhood; and development of Type 2 diabetes in adulthood. Detailed information on these programs and engagement with States will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

d-e: HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Beulter 11- Opioids

The nation's opioid epidemic has been particularly devastating to our nation's infants. Recent data suggests that there has been a five-fold increase since 2000 in infants experiencing drug withdrawal after birth, known as neonatal abstinence syndrome (NAS). Currently, only 19 states offer drug treatment programs that are specifically targeted to pregnant women, and only 12 states give pregnant women priority access to general drug treatment programs.

a. As Secretary, how would you ensure that states receiving federal funding are addressing - and prioritizing - treatment for pregnant and parenting women with substance use disorders?

The Medicaid population is disproportionally impacted (36,000 Medicaid beneficiaries in WA have been diagnosed with opioid use disorders). Coverage and access issues in the Medicaid population are challenges for all states, especially for pain management and addiction specialties.

b. How can the federal government incentivize better access?

c. Higher rates for treatment services?

d. Network adequacy requirements?

"Doctor shoppers" routinely cross state lines in order to obtain opioid prescriptions from physicians and other providers who are "in the dark" about that person's prescription activities in other states.

e. While steps have been taken to address this problem (including a Health Information Exchange (HIE) in which some states and some Prescription Monitoring Programs (PMP) vendors participate to exchange information) how can the federal government facilitate a functioning PMP HIE that would allow all PMP data vendors in all states to share information?

Physicians recognize state PMP programs as highly valuable tools in combating doctor shopping and inappropriate prescribing of opioids. Hesitancy to embrace this technology centers around the virtual inability to build the PMP into existing practice workflows via integration with EHRs. The current arrangement requires busy clinicians to leave the EHR and log into a separate, usually cumbersome system. While individual states are looking at ways to incentivize integration, the federal government is uniquely positioned to help drive system change across the nation.

f. Are there ways that Medicare can further incentivize PMP integration through quality programs, such as MACRA, or perhaps a new payment program intended to incentivize PMP/EHR integration?

Medication Assisted Treatment (MAT) is helpful for opioid use disorder treatment, yet many physicians are not waivered by SAMHSA to provide these services.

g. How can the federal government make the waiver process less administratively burdensome for physicians who want to get waivered to treat this population, while not compromising the health, safety, and quality of care for prospective patients?

Response:

a: The Guttmacher Institute is the source of the statement "...only 12 states give pregnant women priority access to general drug treatment." The information is incorrect. Section 1922(b) of Title XIX, Part B, Subpart II of the Public Health Service Act (42 U.S.C. 300x-22(b) and 45 CFR 96.122 require the Substance Abuse Prevention and Treatment Block Grant (SABG) recipients, i.e., states and jurisdictions, to expand existing or establish new treatment capacity to meet the needs of pregnant women and women with dependent children. Furthermore, such women have priority in admissions to treatment as described in section 1927 of Title XIX, Part B, Subpart II of the Public Health Service Act (42 U.S.C. 300x-27) and 45 CFR 96.131. The National Center for Substance Abuse and Child Welfare, a collaboration between the Substance Abuse and Mental Health Services Administration's Center for Substance Abuse Treatment and the Administration for Children and Families, Administration for Children, Youth and Families, Children's Bureau recently produced "A Collaborative Approach to the Treatment of Pregnant Women with Opioid Use Disorders: Practice, and Policy Considerations for Child Welfare, Collaborating Medical, and Services Providers (SMA-16-4978)." SAMHSA's Knowledge Application Program (KAP) Treatment Improvement Protocol Series (TIPS) includes several publications regarding the treatment of opioid use disorders.

According to the data reported by the states and jurisdictions in their respective FY 2012 through FY 2017 SABG Annual Reports, the number of pregnant women served by the SABG is as follows:

FY 2012 – 24,786
FY 2013 – 20, 866
FY 2014 – 21,658
FY 2015 – 28,127
FY 2016 – 20, 558
FY 2017 – 26,611

b: HHS has prioritized five specific strategies to combat the ongoing opioid crisis: (1) strengthening public health surveillance, (2) advancing the practice of pain management, (3) improving access to treatment and recovery services, (4) targeting availability and distribution of overdose-reversing drugs, and (5) supporting cutting-edge research. HHS will administer $485 million in grants to all 50 States which aim to increase access to treatment to reduce unmet need and reduce overdose related deaths. In recognition of the urgent need to improve access to comprehensive substance abuse treatment, HHS will continue to work with States to improve care for individuals struggling with addiction under their Medicaid State plans and through the Medicaid Innovation Accelerator Program to improve their substance abuse treatment delivery systems.

c: Under the Protecting Access to Medicare Act (PL 113-93), the Section 223 Demonstration Program for Certified Community Behavioral Health Clinics aim to integrate behavioral health with physical health care, increase consistent use of evidence-based practices, and improve access to high-quality care. Using demonstration authority, states may claim enhanced Federal Medical Assistance Percentage for payment for services available under the State Medicaid program, described in an approved demonstration application, and delivered to Medicaid beneficiaries by certified clinics. Consequently, the enhanced match could help states pay providers higher rates for providing opioid treatment services.

d: Section 1932(b)-(c) of the Social Security Act provides for various beneficiary protections, including the network adequacy requirement. By law, each managed care entity must provide assurances about its capacity and ability to provide services and each state must develop a quality assessment and improvement strategy for its managed care program that includes access standards for enrollees.

HHS also supports substance abuse treatment services for the millions of Americans struggling with substance abuse disorders. The opioid epidemic, which took more than 33,000, lives in calendar year 2015, has a devastating effect on America's families and communities. In addition to funding Substance Abuse and Mental Health Services Administration substance abuse treatment activities, the Budget includes a $500 million increase above 2016 enacted levels to expand opioid misuse prevention efforts and to increase access to treatment and recovery services to help Americans who are misusing opioids get the help they need.

e: According to the latest drug utilization review report, 100 percent of states have a documented process to identify potential fraud or abuse of controlled drugs by beneficiaries. States may take several approaches to address this issue, including through a pre-authorization process, a pharmacy lock-in program, or referral to a program integrity unit. According to the report, every state except Florida and South Dakota currently has a lock-in program to reduce the practice of doctor shopping. CMS will continue to encourage states these and similar efforts in the fight against opioid abuse.

The integration of Prescription Drug Monitoring Programs with health IT systems such as health information exchanges is a developing practice. Some states, such Maryland and Washington, have integrated their state programs with their state exchange to enable widespread and streamlined program use by providers. If clinics and hospitals have a connection with the exchange, authorized providers can solicit program information alongside other data in their EHRs without logging in to multiple systems.

Regarding the feasibility of a nationwide exchange to connect all programs, such an exchange would need to account for differences in state regulations and requirements. State programs vary widely with respect to whether, or how, information contained in the database is shared with other states and who has legal access to that data. For example, some states do not even allow for interstate sharing of information, while others have specific practices for sharing data. HHS anticipates that it would require significant effort to move to a nationwide health information exchange for prescription drug monitoring since many states do not currently have a state-wide

health information exchange and it would need to address each states' specific laws related to reporting, accessing, storing and exchanging protected health information.

f: It is a top priority for this Administration to support physicians and clinicians in figuring out the right way to treat pain for the millions of Americans who suffer from it. CMS is focused on advancing the most up-to-date, evidence-based best practices. To do this, CMS is raising awareness of current guidelines for appropriate prescribing, e.g., the CDC Guidelines for Prescribing Opioids, so providers offer each beneficiary the safest and most effective combination of treatments for their pain. CMS is also promoting resources and programs that support providers, such as trainings that are available on medication-assisted treatment, methods for screening and tracking patients at high risk for an overdose, and policies regarding naloxone availability and use.

In 2017, CMS released a comprehensive Opioid Strategy. One of the agency's key goals within that strategy is to provide stakeholders with accurate and timely information and tools to decrease the occurrence of drug diversion. One of the ways CMS does this is by promoting information sharing and data transparency efforts aimed at curbing inappropriate prescribing behavior, such as increasing the use and functionality of Prescription Drug Management Program records. States can use the data to compare each clinician's prescribing behavior to those of peers at the county, state, or specialty level, and the agency supports sharing such information publicly or directly with the individual prescriber or entity, as appropriate based on data specificity. For example, in some states, prescribers have been sent "report cards" with this comparative information. CMS is also promoting improvements to state programs so that they support a seamless interface with clinician EHR systems, are integrated into regional health information system resources, and allow inter-state data sharing.

Leveraging our new authority given by the Medicare Access and Children's Health Insurance Program (CHIP) Reauthorization Act of 2015 (MACRA), CMS is continuing its efforts to link fee-for-service payments to quality and value, and encourage improved prescribing practices. For example, CMS finalized an important activity to encourage prescribers to consult a Prescription Drug Monitoring Program prior to issuing a Schedule II prescription for a course lasting longer than three days.

HHS looks forward to working with the Congress on any additional ideas on how to use the authorities granted us under MACRA or toward developing a new payment program intended to incentivize integration.

g: SAMHSA has streamlined the DATA waiver application process that is accessible via the SAMHSA medication assisted treatment website to decrease the burden on practitioners when applying for a waiver. All of the free training courses are indicated on the SAMHSA medication assisted treatment website. This enables physicians and mid-level practitioners to obtain certification criterion and training information easily. Additionally, the free SAMHSA-sponsored training courses are virtual to offer physicians and mid-level practitioners flexibility.

Beulter 12- Zika

The President's budget blueprint request proposed a new Federal Emergency Response Fund to quickly respond to public health threats like the Zika virus. Can you provide additional details on the fund, how it would operate, the amount of funding proposed and the source of that funding (i.e., would it come from other vital public health programs)?

Response:

The FY 2018 Budget will establish a new Federal Emergency Response Fund to ensure the Department is equipped to adequately respond to public health threats as they arise. Detailed information on this Fund will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22. The Fund would be available to support response to public health outbreaks such as Zika and would be in addition to current authorities of the Secretary.

HHS is closely monitoring the Zika virus. The Department's primary goal is to reduce the risk of Zika virus to pregnant women. HHS is focusing on prevention, detection, and response to accomplish this goal. HHS thanks Congress for providing HHS $933 million in emergency supplemental appropriations to address Zika virus both here at home and abroad.

The Zika Preparedness and Response Act of 2016 provided $1.1 billion across the government to prepare for, and respond to, the Zika virus and related health outcomes. Of this total, HHS was provided $933 million to address the majority of activities planned for fiscal year 2017 to continue and expand on ongoing activities. As of the end of March, HHS has obligated a total of $566 million of the $933 million it received in the Zika Preparedness and Response Act for Zika Response. These obligations have supported a variety of activities to better prepare for and respond to the Zika virus.

Beulter 13- Polio

The polio eradication initiative is one of the largest, most successful public-private health initiatives ever undertaken. Since the launch of the Global Polio Eradication Initiative in 1988, more than two and a half billion children have been immunized, more than 15 million have been spared disability and over 1.5 million deaths from polio have been averted. We entered 2017 with fewer recorded cases of polio than at any previous point in history, however, until the world is polio-free, every child, even those in the United States, is at risk.

It is imperative that polio eradication remain a priority of the U.S. Government in order to ensure that the rest of the world continues to make a commitment to this important endeavor.

Will you continue to maintain a strong investment in polio eradication at the Centers for Disease Control and Prevention?

Response:

Since CDC and partners began to work towards eradication, polio cases have decreased from more than 350,000 per year in 1988 to 74 in 2015 and 37 in 2016. In 2016, CDC played a key role in leading the successful globally synchronized transition from use of trivalent OPV (tOPV) to other types of polio vaccines, including bivalent (bOPV) and inactivated polio vaccine (IPV). This shift was necessary to prevent future cases of vaccine-derived polio which dropped from 32 cases in 2015 to 5 cases in 2016. Near the midpoint of 2017, we have the fewest wild polio cases in history, isolated to a few geographic areas in the three remaining endemic countries, and with decreasing genetic diversity seen. Four out of six WHO Regions of the world are certified polio-free – the most recent being the South East Asia Region in 2014. CDC will continue to support polio eradication efforts to finish the job as expeditiously as possible. This includes working with other countries to ensure continued global support for the initiative until polio is eradicated.

DeLauro 1- Marketplace Plans

Next week would be the start of the application process for 2018 Marketplace plans – had the Trump Administration not delayed it. In many states, deadlines have not been delayed and issuers are unsure of what the rules of the road are.

a. When will you finalize the proposed rule you published in February?

b. Can you promise that the final rule will improve Marketplace stability without decreasing tax credits and increasing premiums and deductibles?

c. Will there be any more "Phase Two" administrative actions beyond those included in the February proposed rule? What are they? When will you tell us?

d. The press last week reported that there is a secret memo from OMB on how to undermine essential health benefits administratively as part of "Phase Two." Have you seen such memo? Will you provide it to us?

e. Will Phase Two regulatory changes go through notice-and-comment rulemaking? If so, isn't it true that such changes cannot be completed in time for 2018 health plans? If not, aren't you in violation of the requirement to go through normal rulemaking as directed by President Trump's day-one executive order on the Affordable Care Act?

Response:

Consistent with the President's address to Congress in February, HHS will ensure a smooth transition for individuals currently covered under the health insurance Exchanges until the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148) is repealed and replaced. Last month, HHS published the Patient Protection and Affordable Care Act; Market Stabilization final rule in the Federal Register on April 18, 2017, which is available here: https://www.federalregister.gov/documents/2017/04/18/2017-07712/patient-protection-and-affordable-care-act-market-stabilization. This rule provides reforms that are critical to stabilize the marketplace, provides more flexibility to states and insurers, and gives patients access to more coverage options. These policies will help protect Americans enrolled in the individual and small group health insurance markets while future reforms are being debated. HHS is making administrative changes, pursuant to the Executive Order signed by the President on his first day in office, which will return the authority for regulating insurance to the states, and will also reduce the need for Federal funding to carry out these duties.

DeLauro 2- Enforcing the Affordable Care Act

In years past, the Republican Congress frequently criticized the Obama Administration for not implementing the Affordable Care Act as drafted – despite support for repealing the law.

a. Will you uphold the laws of the land, even those you oppose? Does that include enforcing the individual mandate?

b. Are there provisions of the Affordable Care Act that you will not enforce?

Response:

A functioning, competitive market for health insurance is a crucial element of providing patients access to quality, affordable care. But with skyrocketing premiums and narrowing choices, the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148) has done damage to this market and created great burdens for many Americans. HHS is committed to doing everything in its power to provide relief immediately. Within what the law allows, HHS is taking action to stabilize the individual and small group insurance markets (the markets most affected by Obamacare) so that they work better for everyone. HHS is reviewing every regulation and guidance related to the Patient Protection and Affordable Care Act of 2010 to determine whether or not they work for patients, and whether or not they are making our health care system better.

DeLauro 3- Maintaining Outreach and Marketing

One way to keep premiums affordable and the Marketplace strong is through outreach and marketing. This is especially true for young adults who may have aged off of their parents' plans, who are in between jobs, or who are starting a business or a family.

a. The Office of the Inspector General is investigating HHS's halting of advertising during open enrollment in January. Can you explain that decision?

b. Do you intend to halt advertising again this year?

c. Will you maintain or expand the level of funding and activity provided during the 2017 open enrollment?

d. Will you maintain or expand the funding for the Marketplace call center, Data Services Hub, and Navigators?

e. Are there areas of Marketplace spending that you plan to reduce and, if so, which are they?

Response:

HHS is committed to its mission for protecting the health and well-being of the American people. We will ensure a smooth transition for individuals currently covered under the health insurance Exchanges until the Obamacare is repealed and replaced. The Budget supports the core mission of HHS to ensure we are delivering critical services to our fellow citizens in the most efficient and effective manner possible. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018.

DeLauro 4- Essential Benefits

a. Are you planning to narrow the essential benefits that insurers are required to cover under the Affordable Care Act?

b. Do you believe that insurance plans should be required to cover pregnancy, maternity, and newborn care?

c. Do you believe that insurance plans should be required to cover mental health services?

d. Do you believe that insurance plans should be required to cover substance use disorder treatment?

e. Do you believe that insurance plans should be required to cover prescription drugs?

Response:

The Patient Protection and Affordable Care Act of 2010 (P.L. 111-148) included ten categories of services that non-grandfathered health insurance plans in the individual and small group markets must cover, including mental health services, maternity coverage, and prescription drug benefits. HHS remains committed to making sure health care is affordable and accessible for all Americans. Additionally, ensuring a functioning, competitive market for health insurance is a crucial element of providing patients access to quality, affordable care. But with skyrocketing premiums and narrowing choices, Obamacare has done damage to this market and created great burdens for many Americans. HHS is committed to doing everything in our power to provide relief immediately. Within what the law allows, HHS is taking action to stabilize the individual and small group insurance markets (the markets most affected by Obamacare) so that they work better for everyone.

HHS is reviewing every regulation and guidance related to the Patient Protection and Affordable Care Act of 2010 to determine whether they work for patients, and to make our health care system better.

DeLauro 5- Contraception Mandate

a. Insurers are currently required to cover contraception without a copay. Will you continue to implement and enforce the requirement that insurers cover contraception without a copay?

b. Do you intend to expand exemptions to the requirement that contraception is covered without a copay?

Response:

Women should have the health care that they need and want. The system we ought to have in place is one that equips women and men to obtain the health care that they need at an affordable price. HHS is reviewing every regulation and guidance related to the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148) to determine whether they work for patients, and to make our health care system better.

DeLauro 6- Age Discrimination

The Republican health care bill – the American Health Care Act – would have allowed insurers to charge older customers five times as much as younger customers. Do you support allowing insurers to charge five times as much to older customers as younger customers?

Response:

The Department shares your concerns regarding age discrimination, and it is the commitment of this Administration to make certain that every American has access to affordable coverage, including seniors. As a physician, I am working to guarantee that all Americans, regardless of age, have access to patient-centered healthcare, where patients and doctors are making medical decisions. The 3 to 1 rating that was included in the Patient Protection and Affordable Care Act of 2010 (P.L. 111-148) led to healthy young people being priced out of the health insurance market. One of the goals of the American Health Care Act is to make health insurance more affordable to a wider group of people. At 5 to 1, we believe health insurance and the risk pool will be spread over a wider group and still be affordable for those paying the most.

DeLauro 7- Sex Discrimination

a. Under the Affordable Care Act, women cannot be charged more than men for health insurance. Do you agree with that policy?

b. As Secretary of HHS, will you recommend changes to allow insurers to return to charging women more for health insurance?

Response:

We believe that individuals should have the freedom to select the type of coverage that is best for themselves and their families.

DeLauro 8- Durable Medical Equipment

Secretary Price, when you were in Congress, you introduced the Patient Access to Durable Medical Equipment Act. A week later, you purchased up to $15,000 worth of shares in Blackstone, which owns the privately held medical company Apria. Apria sells home medical equipment, including walkers, hospital beds, and wound therapy devices. Apria subsequently spent $100,000 lobbying Members of Congress to support your bill.

In addition, the American Association of Homecare, a home medical equipment lobbying and member organization, donated more than $14,000 to your campaigns in 2012 and 2016. The organization filed six lobbying disclosure reports on your durable medical equipment bill, which is more than any other group.

Last month, *USA Today* reported that you purchased $15,000 worth of stock in McKesson, another company that sells medical supplies. After buying the stock, you subsequently sponsored legislation that would benefit the company, its clients, and others involved in the durable medical equipment industry.

Given the history of DME-related companies contributing to your political campaigns, there is concern about actions you have taken to suspend the competitive bidding program on durable medical equipment. Competitive bidding has saved Medicare and Medicaid billions of dollars with no evidence of any problems with quality or access.

Why did you suspend competitive bidding on durable medical equipment?

Response:

The Centers of Medicare and Medicaid Services' (CMS) Durable Medical Equipment Program has not been suspended. There are 130 competitive bidding areas and a national mail-order competitive bidding program for diabetic testing supplies.

CMS decided to temporarily delay moving forward with the next steps of the Round 2019 Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Competitive Bidding Program to allow this Administration further opportunity to review the program.

DeLauro 9- Ethics Agreement

Please include any document(s) for the record that certify whether you have fulfilled the obligations of your ethics agreement with the Office of Government Ethics.

Response:

As I stated during my March 29 hearing, I have fulfilled all of the obligations of my ethics agreement with the Office of Government Ethics, including the required divestiture of assets and resignation of positions. My ethics agreement and my full financial disclosure report are available on the Office of Government Ethics website at: https://extapps2.oge.gov/201/Presiden.nsf/PAS%20IndexA?OpenView&Collapse=1&RestrictToCategory=P.

DeLauro 10- National Institutes of Health (NIH)

NIH's purchasing power has declined by 19 percent since 2003, after adjusting for biomedical inflation. And yet, the Administration is proposing to cut NIH's budget by an additional 18 percent.

a. Do you support cutting the National Cancer Institute's budget by $939 million, a cut of 18 percent?

b. Do you support cutting the National Institute on Aging's budget by $288 million, a cut of 18 percent?

c. Do you support cutting the National Institute of Child Health and Human Development's budget by $241 million, a cut of 18 percent?

In FY 2016, the success rate for NIH research applications was approximately 19 percent, meaning that roughly one-in-five meritorious applications was funded.

d. If the NIH's budget is reduced to $26 billion, how many research grants would be funded in fiscal year 2018? What percentage of meritorious applications would be funded?

Response:

In a significantly reduced fiscal environment, maintaining the NIH total from prior years would not be feasible without substantial consequences on mission critical activities across other HHS agencies. To the extent possible, NIH will preserve funding for current federal grant commitments supporting ongoing research projects. HHS will invest resources in the highest priority research areas based on the latest science to continue the nation's competitive position with research communities around the world.

On average, since FY 1994 to FY 2014, NIH spent approximately 30% of its research resources on indirect costs. NIH will optimize resources by indentifying strategies for maximizing the impact of federal dollars in the research community.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

DeLauro 11- Low Income Home Energy Assistance Program (LIHEAP)

The Low Income Home Energy Assistance Program (LIHEAP) provides assistance with home heating and cooling to approximately 7 million low-income households each year. The typical household receiving this assistance has an income below the Federal Poverty Line.

In my state of Connecticut, it helps more than 100,000 low-income households to pay their heating bill. In your state of Georgia, it helps more than 100,000 low-income households to pay their air conditioning when it's 110 degrees in the summer.

Do you support the Administration's request to eliminate funding for LIHEAP in fiscal year 2018?

Response:

In a constrained budget environment, difficult funding decisions were made to ensure that federal funds are being spent as effectively as possible. LIHEAP is unable to demonstrate strong performance outcomes and the majority of states prohibit utilities fromdiscontinuing a household's energy in periods of severe weather or in certain other circumstances. As HHS looks for ways to improve the effectiveness and efficiency of the Federal government, energy assistance programs are one area where we may ask States and private entities to play a larger role. Utility companies and state and local governments already provide significant heating and cooling assistance to low income households.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are less effective. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

DeLauro 12- The Cost of Prescription Drugs

President Trump has said many times that HHS should negotiate directly with drug companies to reduce the cost of prescription drugs.

According to the Kaiser Family Foundation's Health Tracking Poll, 82% of Americans – about five-out-of-six Americans – support allowing the federal government to negotiate directly with drug companies to get a lower price on medications for individuals on Medicare.

Mr. Secretary, do you agree with the president and the majority of Americans that HHS should negotiate directly with drug companies to reduce the cost of prescription drugs?

Response:

Drug pricing and drug cost is a concern to all Americans, and HHS shares your concern regarding the importance of individuals and families being able to afford the prescription drugs they need. HHS is focused on how to make health care across the spectrum more affordable, including prescription drugs, while at the same time ensuring that our policies and actions continue to encourage the development and approval of innovative drugs (and the speedy approval of generic drugs). Consistent with such principles, the Department is committed to working with the Congress to make certain that Americans have access to the medications that they need.

Roybal-Allard 1- Breastfeeding Counseling and Supplies

As a co-chair of the Congressional Caucus on Maternity Care, I believe that it is imperative to provide continued access to breastfeeding support and supplies. As a physician, I am sure you are aware of the enormous benefits of breastfeeding to babies, mothers, and the U.S. healthcare system. For example, breastfeeding is associated with a 36% reduction in sudden infant death syndrome, and a 64% reduction in the incidence of nonspecific gastrointestinal tract infections in infants.

a. Do you believe that ensuring continued access to breastfeeding support, supplies, and counseling is imperative for the health of babies and women?

b. Will you support breastfeeding supplies and counseling as an essential benefit under the ACA and ensure that your 2018 final budget request will preserve continued access to these services?

Response:

HHS will work with the Congress to support nursing mothers to care for their children. The CDC's National Center for Chronic Disease Prevention and Health Promotion has been committed to increasing breastfeeding rates throughout the United States, promoting and supporting optimal breastfeeding practices toward the goal of improving the public health. Breastfeeding is one of the most highly effective preventive measures a mother can take to protect the health of her infant. Breastfeeding reduces the risk of infections in infancy; obesity in childhood; and development of Type 2 diabetes in adulthood. Detailed information on these programs and engagement with States will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

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Roybal-Allard 2- Head Start

The most recent Head Start data collected in 2014 indicates that the Head Start program has made significant improvements in teaching and learning from 2006 to 2014. However, the FY18 budget proposes devastating cuts that would undoubtedly halt improvements to early childhood education services at a time when communities already suffer from a serious lack of Head Start and Early Heart program capacity.

While the budget request states several times that the Administration has eliminated programs that "lack strong evidence", as you are aware, there is a robust amount of research testifying to early childhood education's strong return on investment.

a. Your budget request does not include details regarding the Administration's recommendations for Head Start and Early Head Start programming. What are the Administration's requests for these critical programs?

b. In 2007, as a Congressman, you advocated in favor of redirecting Head Start funds to states without requiring that funding support high-quality early education programs. Do you plan to adopt this approach to Head Start programs as Secretary?

Response:

The FY 2018 Budget Blueprint notes that HHS funds the highest priorities, which include early care and education. Moreover, the Department is committed to supporting working families. Head Start provides support for many working families as they seek and maintain employment, attend school, and participate in job related training. Currently, more than 880,000 children are served by Head Start and an additional 32,000 children were served in FY 2016 through Early Head Start Expansion and Partnerships.

HHS is committed to its mission for protecting the health and well-being of the American people, including early care and education programs for young children. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roybal-Allard 3- Global Health Protection

The 2015 Supplemental Appropriations for Ebola and Global Health Security has supported CDC's global health protection work. This work has enabled the U.S. government and its partners to contain and end the Ebola epidemic in West Africa. Further, the CDC has successfully detected and controlled thousands of other outbreaks around the world by building preparedness and response capabilities in priority countries and in the U.S. This work is vital to stopping deadly diseases from reaching the U.S. and to protecting the health and safety of Americans and our national interests.

a. What are the administration's plans for funding in FY18 to ensure that CDC is able to continue this critical work and protect Americans from potential epidemics?

b. What are the administration's plans for funding in FY19 and beyond when the emergency appropriation is exhausted?

Response:

By ensuring that countries have the capacity to prevent, detect, and respond to threats within their borders, CDC's Center for Global Health (CGH) helps prevent regional and global health crises that affect health, security, and economic stability abroad and at home. CDC provides a global safety net by monitoring for disease outbreaks 24/7 around the world, using scientific data to track diseases and other health threats and target services to those who need them most across a variety of programs, including global immunization, HIV/AIDS, tuberculosis, parasitic diseases and malaria, and disease detection and response, as well as health systems and laboratories.

As of the end of FY 2016, $574 million in unobligated funding remained from CDC's Ebola emergency appropriations. The vast majority of unobligated resources are attributed to CDC's international preparedness and Global Security/National Public Health Institutes funding. The timing of obligating international funding is supported by a five-year strategy, prioritizing long-term impact and sustainability. This funding is available through FY 2019.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roybal-Allard 4- Public Health Preparedness and Response (PHEP)
Since September 11th, the Public Health Emergency Preparedness (PHEP) program has saved lives by building and maintaining a nationwide public health emergency management system. All 50 states and territories depend on PHEP for the threats they face every day, including infectious disease outbreaks, natural disasters, water emergencies, train derailments, and mass casualty events. The program supports highly trained public health personnel. The funding also supports emergency operations centers' capacity to distribute medical assets form the Strategic National Stockpile, communicate with the public, and coordinate with emergency management, healthcare and the private sector.

The Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) cooperative agreements serve different functions. HPP prepares the healthcare delivery system for disasters and ensures access to care during emergencies, while the PHEP program builds capabilities within public health departments for all-hazards preparedness. We have seen that when there is a cut to PHEP funding, health departments are forced to lay off these experts. Supporting these programs is vital due to much costlier and deadlier responses when disaster strikes without the programs fully funded.

a. What are your views on the role of public health in our nation's health security, and how do you recommend we maintain the best defense against emerging health threats?

b. Is the budget proposing to consolidate or eliminate the Public Health Emergency Preparedness (PHEP) and Hospital Preparedness Program (HPP) cooperative agreements?

c. How do you propose to fill the gaps left by such restructuring?

The FY17 House Labor-HHS bill provided $300 million for a new Infectious Diseases Rapid Response Reserve Fund at CDC. Your 2018 budget request includes a new Federal Emergency Response Fund.

d. How are the two proposals different?

e. Will the Secretary manage the Emergency Response Fund, or will there be another oversight structure?

f. What funding level do you envision and what sorts of activities would be funded?

Response:

HHS supports a broad portfolio of activities to enhance federal, state, and local capacity to address disaster response, infectious disease, and chemical, biological, radiological, nuclear, and cyber threats. As the Federal agency responsible for ESF 8, HHS has a unique role as the lead Federal agency in responding to public health emergencies. The Department remains ready to secure the safety of Americans. The Department maintains nimble, coordinated teams to cover the breadth from preparing for, responding to, and recovering from, natural disasters, pandemic

diseases, and man-made threats. Through ASPR, HHS partners with hospitals to ensure hospitals in communities across the country are prepared to safely treat patients with novel, highly infectious diseases. Additionally, through CDC, the Department partners with public health departments at the state, local, and territory level to ensure communities are equipped to prepare for, and respond to, disasters. Lastly, the Department partners with industry to develop medical countermeasures to protect Americans.

The FY 2018 Budget supports critical biodefense programs and provides ongoing support for domestic emergency preparedness and response activities at the Federal, State, and local levels. The Budget will identify the most efficient use of our resources to facilitate domestic emergency preparedness, response, and recovery, including how to optimize the implementation of these grants. The FY 2018 Budget will establish a new Federal Emergency Response Fund to ensure the Department is equipped to adequately respond to public health threats as they arise. HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roybal-Allard 5- Project BioShield

In 2013 Congress reauthorized $2.8 billion in funding for Project BioShield's Special Reserve Fund (SRF). For over a decade, the SRF has created a market for biodefense medical countermeasure (MCM) development and signaled the government's commitment to procure MCMs against national security threats. Each year, SRF funds are used to stockpile millions of doses of drugs and vaccines against threats like anthrax, smallpox, Ebola, and nuclear radiation. Unfortunately, there is a still large gap in appropriations to ensure the SRF is fully funded. We are now on pace to dramatically underfund the federal government's most important biodefense program by over $1 billion.

a. Can you please describe the impact to our MCM enterprise if the SRF is not fully funded?

b. What medical countermeasures will we lose as a result of this dramatic funding shortfall?

c. How will you pick and choose which MCMs in HHS' 5-year budget to abandon?

Response:

HHS will continue to support ongoing advanced research and development of medical countermeasures and procurement of candidate products that are sufficiently mature. This includes support for the HHS's efforts to combat antibiotic-resistant bacteria, biological agents, radiological or nuclear events, and chemical agents.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roybal-Allard 6- Transgender Rights

Transgender people continue to face significant barriers to healthcare access and report high rates of discrimination and refusal of care from health care providers. A study from Lambda Legal found that 70 percent of transgender and gender non-conforming individuals experienced discrimination by healthcare providers. This discrimination ranged from refusal of care to harsh language. Further, more than one in four transgender people reported being denied necessary healthcare because of their gender identity. Undoubtedly, delay and avoidance of care has led to the significant health disparities experienced by individuals who identify as LGBTQ.

The Department of Health and Human Services has taken many steps to improve the health and well-being of all people and safeguard the rights of those most at risk. In addition, the reauthorization of Violence Against Women Act (VAWA) also provides explicit protection to LGBTQ victims of intimate partner violence. It is imperative that the Department of Health and Human Services continues to provide healthcare access to all Americans.

a. How will you maintain both the nondiscrimination provision of VAWA and your agency's directive in protecting the health of all Americans and providing essential human services for all LGBTQ individuals?

b. As someone who has opposed Employment Nondiscrimination Act, how will you oversee HHS's policies to hire all Americans regardless of their gender identity or sexual orientation?

Response:

a: Failure to serve individuals based on their sexual orientation is a violation of HHS directives, particularly related to the Family Violence Prevention and Services program, because all victims of family violence, domestic violence, and dating violence should have access to FVPSA-funded programs. In November 2016, HHS released a final regulation for the Family Violence Prevention and Services program to better reflect the longstanding position that discrimination and failure to serve survivors based on their sexual orientation or gender identity is prohibited. The revised regulatory text also strengthened nondiscrimination policies related to sexual orientation and clarified how grantees should apply these policies.

b: Title VII of the Civil Rights Act of 1964, prohibits employment discrimination based on race, color, national origin, religion, and sex (including pregnancy, gender identity, and sexual orientation). Title VII applies to private and state/local government employers with 15 or more employees, as well as to Federal agencies in their capacity as employers. Therefore, HHS abides by Federal law and engages in employment practices consistent with all applicable rules and regulations associated with fair employment.

Roybal-Allard 7- Myalgic Encephalopathy /Chronic Fatigue Syndrome (ME/CFS)

ME/CFS is a complex, debilitating, chronic, neuro-immune disease afflicting 836,000-2,500,000 million Americans, where patients are left more functionally impaired than those with diseases like congestive heart failure, multiple sclerosis, and end-stage renal disease. Twenty-five percent of patients are bedbound or housebound at some time in their lives and many are unable to work, and the disease costs individuals, the U.S. health care system, and our economy $17-$24 billion annually, $9.1 billion of which has been attributed to lost productivity.

In response to patient concerns with the lack of progress in finding a cure or treatment for ME/CFS, the CFS Advisory Committee charter has been recently updated to specify that the Assistant Secretary of Health "shall be given the responsibility to coordinate and monitor the implementation of those recommendations adopted by the Secretary."

a. By what mechanism does HHS intend to ensure this oversight? Will this include public reports available to both congressional leaders and interested stakeholders?

b. How would the HHS evaluate agency and program performance in regards to serving patients with ME/CFS? Has such an evaluation been performed? If not, why not?

I applaud the NIHs efforts to draw new researchers into the ME/CFS field by announcing two RFAs in January and plans for training grants and presentations at conferences. However, funding for ME/CFS remains relatively low compared to other diseases of a similar severity, burden, and prevalence

c. Can you estimate how long it will take to get total NIH funding up to a level that is reasonably commensurate with the disease burden? If NIH's total funding falls, what will you do to ensure that this under-funded disease gets a fair share of funding?

d. What is the percentage growth of researchers in the field targeted by NIH each year over the next three years and what additional mechanisms will you be using to attract those researchers? Does the NIH plan to utilize investigator initiated awards, hypothesis generating research, early stage investigator awards, loan forgiveness, or career awards?

e. Does NIH have an overall, cross-institute strategic plan for ME/CFS? If so, could you provide a copy of that plan to us publicly? If not, why not? Have researchers and the patient community been active participants this planning process?

I understand that CDC's 5-year Multi-site study was initiated to address issues with the disease definition, and that a 2015 Institute of Medicine (IOM) report made specific recommendations to disseminate updated and accurate ME/CFS medical information.

f. When does CDC intend to publish its findings from the Multi-Site study so these can be used to address the disease definition to be used in research, required for much needed epidemiological research?

g. In addition to CDC's updating basic diagnostic information on its website, what other steps will CDC and other federal agencies take to disseminate the information and diagnostic recommendations from the IOM report? When will this be done?

Response:

a: The HHS Office on Women's Health manages the Chronic Fatigue Syndrome Advisory Committee (CFSAC) authorized by section 222 of the Public Health Service Act. The purpose of CFSAC is to provide advice and recommendations to me, through the Assistant Secretary for Health on a broad range of topics including research, clinical care, and quality of life for patients with Chronic Fatigue Syndrome. Meetings and proceedings, including recommendations, from CFSAC meetings are available through the Federal Register and on the CFSAC website at https://www.hhs.gov/ash/advisory-committees/cfsac/index. Additionally, the Department asked the Institute of Medicine (IOM) to convene an expert committee to examine the evidence base for ME/CFS. Their report, *In Beyond Myalgic Encephalomyelitis/Chronic Fatigue Syndrome: Redefining an Illness*, released in FY 2015, the expert committee proposed new diagnostic criteria that will facilitate timely diagnosis and care and enhance understanding among health care providers. The report is available on the National Academies website at http://www.nationalacademies.org/hmd/Reports/2015/ME-CFS.aspx.

b: Program evaluation across the Department is an important tool in the stewardship of the taxpayer funds appropriated to HHS. A variety of evaluation approaches are used across HHS to address complex questions about the best program to implement, whether a program, policy, or initiative is operating as planned and achieving its intended goals, and why or why not. The first step in an evaluation is determining the kind of evaluation that can reasonably be done.

c: In setting research funding priorities at NIH, disease burden is one of many important considerations. NIH also monitors the scientific landscape and considers the state of the science of a particular research area or discipline. In the area of ME/CFS, because so little is known about disease mechanisms, NIH felt that a first priority was to build research capacity, develop infrastructure, and attract new scientists to this field. As a first step in accomplishing these goals, NIH issued funding opportunity announcements (FOAs) in January 2017 for the formation of an ME/CFS research consortium and data management center. NIH expects that the consortium will provide a foundation from which rigorous ME/CFS research can grow to make impactful discoveries, validate research findings, and attract new investigators from various disciplines to study ME/CFS.

The level of NIH funding for a particular research area depends on several factors, primarily the number and scientific quality of investigator-initiated applications submitted to NIH, the number judged to be excellent or outstanding by peer-review, and the availability of research funds in general. NIH continues to encourage researchers to submit proposals aimed at understanding and treating ME/CFS through all available grant mechanisms.

d: To specifically encourage ME/CFS research, the Trans-NIH ME/CFS Working Group issued funding opportunity announcements (FOAs) in January 2017 for the formation of an ME/CFS research consortium and data management center. The goal of these FOAs is to establish a network of Centers that will work collaboratively to define the cause(s) of and discover

improved treatments for ME/CFS. A more immediate goal for each Center is to rapidly advance synergistic, interdisciplinary research programs while serving as local resources and national leaders in ME/CFS research. These grants are the first step in developing ME/CFS research infrastructure, which will help broaden the field and improve understanding of this devastating disease. The release of these FOAs has already stimulated a lot of interest in the research community. The research consortium is just one component of building an innovative and vigorous research community in this disease. NIH hopes that this increased interest will result in an increase in applications not only through these FOAs, but through other grant mechanisms as well, including those for fellowships and training programs, culminating in an increase in the number of meritorious grants in this area.

Although NIH cannot predict the number of applications in a given area, or the number of meritorious applications that will result from those applications, we do encourage applicants to utilize any and all existing NIH mechanisms to apply for research awards. In addition, NIH program staff are always available to discuss research ideas with potential applicants, help them decide what mechanisms are most appropriate, and guide them through the application and review process. So little is known about ME/CFS at this time, and it is our hope that discoveries in ME/CFS will lead to new avenues of excellent research that will attract scientists with relevant expertise.

e: NIH has not developed a strategic plan for ME/CFS, given that there have been several strategic planning efforts in this area over the past few years including the *Pathways to Prevention Workshop* and its resulting research recommendations. These planning efforts are guiding NIH activities and helping to inform future research opportunities in this area. As the scientific understanding of ME/CFS builds from this platform we would be better able to develop a strategic plan that pursues avenues of research likely to have high impact for the illness.

In December 2014, the NIH convened a *Pathways to Prevention (P2P) Workshop*: ***Advancing the Research on ME/CFS***. Following the workshop, an independent panel released a report that **included recommendations for research opportunities and resources to advance the field. As a follow-up to the 2014 meeting, a P2P Federal Partners meeting was held in May 2016.** The partners discussed research needs and gaps identified in the panel report and considered ways in which new and ongoing activities can be enhanced through collaborations among the federal agencies. A report from the Federal Partners meetings summarizes these discussions and recommendations. (https://prevention.nih.gov/docs/programs/p2p/mecfs-federal-partners-report.pdf)

In addition, the IOM – at the request of several agencies, including NIH – convened an expert committee to examine the evidence base for ME/CFS. The resulting 2015 report *Beyond Myalgic Encephalomyelitis/Chronic Fatigue Syndrome: Redefining an Illness* (http://www.nationalacademies.org/hmd/Reports/2015/ME-CFS.aspx), proposed new diagnostic criteria to facilitate the diagnosis and care for individuals with ME/CFS. The report also highlighted the urgent need for more research to understand the mechanisms underlying the development and progression of ME/CFS and for research to develop effective diagnostic markers and treatments.

Recommendations from these efforts help guide discussions of the Trans-NIH ME/CFS Working Group (https://www.nih.gov/research-training/medical-research-initiatives/mecfs), which includes representatives from 24 NIH Institutes and Centers and which meets monthly to identify ways to advance research on ME/CFS. To include the perspective of the ME/CFS research and patient communities and the public, the Working Group issued a Request for Information for new ME/CFS research strategies, and received over 160 responses to this request. The Working Group has also hosted three telebriefings and plans to hold additional telebriefings in the future. These calls allow NIH staff to directly engage with the community and provide updates on efforts to advance ME/CFS research. The calls also provide an opportunity for patients and advocates to ask questions and offer perspective.

f: The first paper describing the methods has been published and is available open access at the following website: https://academic.oup.com/aje/article-lookup/doi/10.1093/aje/kwx029. Additional publications are in preparation and the basic description of the similarities and differences between patients in the seven clinics should be submitted to a journal by October. Data are still being gathered to complete the study on exercise testing, cognition and natural killer cell function. These publications will be prepared as soon as data are available, expected the end of 2018.

g: CDC is actively participating in the HHS CFS Advisory Committee's workgroups that are addressing medical education and methods of dissemination of the IOM recommendations. The educational content being prepared for the CDC's webpage will be shared with other government agencies. As recommended by the HHS CFS Advisory Committee, CDC has reached out to the Department of Education and the National Association of School Nurses to coordinate educational initiatives. In 2016, CDC hosted a roundtable meeting that facilitated the conversation among patient stakeholders, health care providers and government agencies about educational needs. CDC plans to work closely with medical professional organizations to encourage them to develop CMEs for healthcare providers. Through ongoing research, consultation with clinical experts, and stakeholder engagement, CDC has identified that there is a critical need to provide treatment recommendations at the same time that diagnostic guidance is provided. Given the limitations of published clinical trials for ME/CFS, CDC is developing a plan for organizing published literature and expert opinion to generate ME/CFS guidelines that meet the federal National Guideline Clearinghouse criteria for trustworthy clinical practice guidelines.

Roybal-Allard 8- Mental Health Workforce

While the policies to fight the addictions epidemic have been understandably focused on prescription medications, the treatment component has not received sufficient attention. Further, although the FY16 Budget for the Substance Abuse and Mental Health Services Administration was $3.396 billion, less than $62 million was appropriated for the only two training programs open to the behavioral health workforce: the Minority Fellowship Program and the Behavioral Health Workforce Education and Training program

a. Considering the recognized shortage in mental health and addictions professionals, what is the Department doing to increase the workforce and ensure an adequate supply of professional to meet growing demands?

b. Will the Department be increasing funding and creating new workforce training programs for addictions professionals like the addictions track of the Minority Fellowship Program?

c. What is the Department doing to ensure that best practices are employed in addictions treatment services and ensuring the workforce has a proper supply of graduate level professionals?

Response:

The Department believes that investing in the workforce supports the President's goals of creating jobs and stimulating economic growth, and provides the American people with a diverse group of providers that can care for their health needs. The FY 2018 Budget prioritizes funding for health workforce activities that provide scholarships and loan repayment in exchange for service in areas of the United States where there is a shortage of health professionals. The Department is dedicated to funding programs which meet important public health needs and support key direct health care service activities that have service requirements.

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Roybal-Allard 9- Accountable Care Organizations (ACO)

Both bundled payment and population health models, including ACOs, have increased in popularity in recent years. While these programs are often considered in isolation, beneficiaries can fall into both types of programs in the same year, which leads to complex program overlap policies that favor bundled payment programs over ACOs. Under current CMS policy, a bundled payment participant maintains financial responsibility for the bundled payment episode of care. Any gains or losses during that episode are linked to the bundled payment participant and are removed from ACO results during year-end financial reconciliation.

The Medicare Shared Savings Program (MSSP) offers different payment options for ACOs in order to help them manage risks. Track 1 remains by far the most popular option for ACOs, representing over 90 percent of MSSP ACOs in 2017 and demonstrating a growth rate four times that of two-sided ACOs from 2012 to 2016. However, ACOs may only remain in Track 1 for two agreement periods before being required to move to a two-sided risk model or drop out of the program. Many ACOs remain in Track 1 because they are unprepared to assume risk requiring them to potentially pay millions of dollars to Medicare, which is simply not practical for most of these organizations.

If current regulations go unchanged, 2019 will be the first year in which Track 1 ACO eligibility will be limited due to the agreement period cap. ACOs can only participate in Track 1 for two, three-year agreement periods, totaling 6 years. Track 1 is by far the most popular model and Track 1 ACOs have been successful in reducing costs and improving quality for Medicare beneficiaries. Despite their success many Track 1 ACOs are simply not ready to move to a downside risk model and will discontinue participation in the program if they cannot continue in Track 1.

a. Are you planning on continuing the MSSP three track ACO payment program?

b. Will the administration allow successful Track 1 ACOs to participate in a third, three-year agreement period?

Response:

The Medicare Shared Savings Program continues to offer three Tracks. As of January 2017, there are 480 Accountable Care Organizations (ACOs) in the Medicare Shared Savings Program serving over 9 million assigned Medicare Fee-For-Service beneficiaries. Forty two ACOs participate in one of the two-sided performance-based risk tracks (Track 2 or Track 3). An additional six Track 1 ACOs are committed to moving to a performance-based risk track in 2018 under a provision that allows ACOs a fourth year under their existing agreement if they transition to performance based risk the following performance year.

While ACOs can only spend two agreement periods in Track 1 under current rules, CMS anticipates that the number of ACOs selecting two-sided performance-based risk arrangements will continue to increase in 2018 due to the Medicare ACO Track 1+ Model. This model, announced in December 2016, will test a payment design that incorporates limited downside risk in order to encourage more ACOs, especially small practices and small rural hospitals, to

advance to performance-based risk. CMS anticipates that many of the ACOs that decide to participate in the Medicare ACO Track 1+ Model will have already had experience in Track 1 of the Medicare Shared Savings Program.

Lee 1- Teen Pregnancy Prevention Program

Last year, the Republican proposed LHHS budget completely eliminated funding for the proven-effective Teen Pregnancy Prevention Program – a program that I have long advocated to increase and continue to lead on that issue here in Congress The leaked FY17 reduction options document proposes a 50% reduction in this program for this year. That's 50 MILLION dollars. The justification says that states can continue to use the evidence built by TPP to reduce teen pregnancy rates.

a. Do you agree with these proposed cuts?

b. With a 50% reduction in these grants, where do you expect states to come up with the money to continue these programs?

Response:

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

Lee 2- Chronic obstructive pulmonary disease (COPD)

Chronic obstructive pulmonary disease (or COPD) is this nation's third leading cause of death, and a disease with which I am intimately familiar. CDC and NIH have embarked on the development of a Federal Action Plan for Chronic Obstructive Pulmonary Disease (COPD).

Can you tell us more about CDC's involvement in the establishment of a COPD Action Plan and how this budget request reflects that work?

Response:

CDC and NIH CDC are both committed to raising awareness of COPD. In response to appropriations language passed during the 111th Congress, the NIH National Heart, Lung, and Blood Institute (NHLBI) and the CDC laid the groundwork for a coordinated national approach. In 2011, CDC released the "Public Health Strategic Framework for COPD Prevention" (http://www.cdc.gov/copd/pdfs/Framework_for_COPD_Prevention.pdf), which included NHLBI participation. In 2013, CDC released state-by-state fact sheets on COPD prevalence (http://www.cdc.gov/copd/maps/index.htm), a result of interagency collaboration between NHLBI and CDC on the Behavioral Risk Factor Surveillance System. In May 2013, the NHLBI hosted a forum on COPD in which participants from a number of federal agencies and the NIH Institutes shared information about their current COPD-related activities and discussed opportunities for further cooperation, collaboration, and enhanced effectiveness. A summary report of this meeting has been published on the NHLBI public website (http://www.nhlbi.nih.gov/research/reports/2013-copd-workshop.htm).

To further advance these efforts, NHLBI and CDC again assembled federal representatives of these agencies and Institutes in November 2014 with the additional participation of the National Institute of Nursing Research and the Agency for Healthcare Research and Quality to discuss progress in COPD-related activities and collaborations and to chart the next steps towards developing a National Action Plan. A consensus was reached that Healthy People 2020 (HP2020) respiratory objectives RD-11 (reduce hospitalizations for COPD) and RD-12 (reduce emergency department visits for COPD) were specific goals that warrant coordinated federal action. In late 2015, NHLBI convened a meeting involving federal and non-federal stakeholders, including patients, to develop a National Action Plan to coordinate activities targeting this disease, particularly those addressing these HP2020 objectives.

In 2016, NHLBI convened the COPD Action Plan Town Hall to discuss effective and efficient implementation of the National Action Plan for COPD, a complex, multifaceted disease with a high burden and cost. Unfortunately, CDC was unable to attend the town hall due to lack of dedicated appropriated funds for COPD. At this event, a number of critical issues were identified, including the importance of early detection and treatment of COPD to reduce preventable hospitalizations and improve quality of life, and important COPD case management strategies of pulmonary rehabilitation, smoking cessation, and physical activity.

In addition to inviting feedback from federal and nonfederal partners and members of the contributing working groups, NHLBI also invited feedback from the public at large. The latter happened in the fall of 2016, when NHLBI made a first draft of the COPD National Action Plan

available for public comment. CDC subject matter experts provided input on the development of the COPD National Action Plan through participation in meetings and conference calls. NHLBI and other federal partners carefully considered all the comments and used them to finalize the plan, which they plan to release in later this year.

CDC does not currently receive any dedicated appropriated dollars for COPD, including surveillance or implementation of the National Action Plan. Previous work on COPD was funded by the Community Health Promotion subline, which was eliminated in FY 2016.

Lee 3- LGBT Health/ Data Collection

a. HHS currently manages nearly 2,000 datasets. Data help us understand where and how to direct resources to diseases or communities most in need of federal funds. Do you believe that data is necessary to evaluate and serve the needs of Americans?

b. Most surveys, especially in the health field, collect relevant demographic data because different groups have different needs. Do you believe acknowledging differences between groups is important in successfully meeting the needs of and serving all Americans?

c. Many minority groups in the United States face health inequality and even discrimination in healthcare access, including LGBT people. In fact, a 2010 survey – which is unfortunately the most recent data that we have – found that over HALF of LGBT people reported discrimination from healthcare providers. Do you believe that we should be collecting data to better assess and meet the needs of LGBT Americans?

d. It has come to my attention that HHS's Administration for Community Living recently removed all questions regarding sexual orientation and gender identity from two of its surveys. This will make it much more difficult to evaluate whether the needs of the LGBT community are being met. Were you involved in this policy change? If so, why did you make this change? If not, do you support it?

Response:

Data collection can certainly be an important tool to assess the effectiveness and efficiency of Federal programs. Surveys conducted by the Administration for Community Living (ACL) of recipients of services provided under the Older Americans Act gather information about service quality and self-reported outcomes of the services, as well as special needs characteristics, such as physical and social functioning of the people who receive services.

I understand that the questions you refer to were added in 2014 to test new questions focused on sexual orientation and gender identity, but that there were not enough respondents to those questions for the data to be statistically reliable or reportable.
Under the Paperwork Reduction Act, we are required to do everything we can to minimize the burden of information gathering on the people from whom we are gathering it. For surveys of taxpayers, time required to complete the survey is one factor considered when determining burden, as is the degree of personal information being requested. Making a survey longer or requesting highly personal information can only be justified if the data the additional questions will generate are required by law or can be expected to help us conduct necessary oversight for the program. Given that the questions were not generating reliable data, they did not meet that standard. Consequently, ACL removed the questions from the proposed survey of Older Americans Act participants, and decided not to propose them as new additions to the Centers for Independent Living Program Performance Report (CIL PPR.

Lee 4- Racial and Ethnic Health Disparities

As the Co-chair of the Congressional Asian Pacific American Caucus's Healthcare Taskforce, I'd like to ask you a few questions about the disproportionate health impacts among Asian American and Pacific Islanders (AAPI) individuals.
The Racial and Ethnic Approaches to Community Health (REACH) program has historically provided direct support to Asian American and Pacific Islanders with the highest rates of health morbidity and mortality so that sustainable solutions to their health issues are developed. Over the past decade, REACH has documented continued success in engaging Asian American and Pacific Islander communities.

a. Do you plan to continue funding for REACH?

b. If not, how can your agency ensure continued support for the unique needs of the AAPI community?

Response:

HHS is committed to its mission for protecting the health and well-being of the American people. The Administration is considering several options that prioritize critical programs, while eliminating programs that are duplicative or have low impact. Detailed information on these programs and the Administration's priorities will be available in the President's Budget request for FY 2018, scheduled for public release the week of May 22.

TUESDAY, APRIL 4, 2017.

EXAMINING FEDERAL SUPPORT FOR JOB TRAINING PROGRAMS

WITNESSES

ZOE BAIRD, CEO AND PRESIDENT, MARKLE FOUNDATION
DOUGLAS J. BESHAROV, PROFESSOR, UNIVERSITY OF MARYLAND SCHOOL OF PUBLIC POLICY; SENIOR FELLOW, ATLANTIC COUNCIL
DEMETRA SMITH NIGHTINGALE, INSTITUTE FELLOW, URBAN INSTITUTE

Mr. COLE. Good morning.

It is my pleasure to welcome our witnesses today to the Subcommittee on Labor, Health and Human Services, and Education to discuss job training programs at the Department of Labor. And we look forward, obviously, to hearing all your testimony.

But before I go any further, I want to recognize my friend from Tennessee for the purpose of a quick introduction he wanted to make.

Mr. FLEISCHMANN. Thank you, Mr. Chairman.

I am privileged to represent the people of the Third District of Tennessee. And, as you know, most Members of Congress are able to nominate people to our great military academies. And this is my seventh year in Congress.

We have a young man with us today who I was privileged to nominate to the United States Air Force Academy, and he was the wing commander. The significance of that is: number one in his class at the Air Force Academy. And this is Mark Caldwell.

Ms. DELAURO. Mark, wow.

[Applause.]

Mr. FLEISCHMANN. He is from Chattanooga, which is my hometown. And he has actually taken his commission in the United States Marine Corps, which I found out you can do. So the Commandant of the Marine Corps is especially pleased to have him; he has told me that.

But it is good to be with us. And he is going to actually shadow me today, and I told him, no better place to come than this great subcommittee.

Thank you.

Mr. COLE. Man, this is suck-up central this morning. I tell you.

But, with that, let me resume my opening remarks.

Each year, the Federal Government invests over $4,000,000,000 across multiple job training programs at Department of Labor with the goal of helping participants acquire the knowledge and skills that they need to succeed in the labor market, yet millions of Americans continue to struggle to find good-paying jobs.

At the same time, according to current BLS data, there are over 5½ million job openings across the country. We must look closely

at the results of our Federal investments in job training programs so that we can make wise choices moving forward about how to maximize the effectiveness of limited taxpayer resources.

I look forward to hearing from our witnesses about what works in the job training programs and what barriers exist to achieving greater outcomes. And I hope to learn more about how this committee can help to improve and better target investments in workforce training to ensure that participants have access to better jobs and, frankly, that businesses have access to employees with skills needed to compete in the global market.

Today, I am pleased to welcome the following witnesses:

Douglas Besharov is a professor of public policy at the University of Maryland and a senior fellow at the Atlantic Council. He has conducted several extensive research on government policy related to poverty, welfare, children and families, and workforce development.

In 2011, he edited a research volume that assessed job training programs authorized under the Workforce Investment Act. The book included extensive research and analysis on job training programs authorized under the Workforce Investment Act, focusing more specifically on program implementation, management, and evaluation.

Demetra Nightingale is a fellow at the Urban Institute. Her research focuses on social, economic, and labor policy issues, particularly workforce development, job training, and income security. Prior to that, she served 5 years as the Chief Evaluation Officer at the Department of Labor, leading an evidence-based clearinghouse and integrating program evaluation activities with performance management to improve program results and operational efficiency.

She is also a professional lecturer at George Washington University, teaching graduate courses in program evaluation, which integrates evaluation and performance management in the context of evidence-based policy.

Zoe Baird is president and CEO of the Markle Foundation. The Markle Foundation leverages information technology to drive solutions to some of the Nation's most pressing problems in the areas of health, the economy, and national security.

The foundation's Skillful pilot initiative in Colorado and the greater Phoenix area provides a set of online and offline tools to connect middle-skill job seekers—those with a high school diploma and some college experience but not a 4-year degree—with employers, educators, and community coaches so they can advance their careers. Skillful focuses on the key skills and training needed for each job rather than on degrees or certificates.

As a reminder to the subcommittee members and our witnesses, we will abide by the 5-minute rule so that everyone will have a chance to present their testimony and ask questions.

I would now like to yield to my good friend, the ranking member, the gentlelady from Connecticut.

Ms. DELAURO. Thank you very much, Mr. Chairman. Thank you so much for holding this hearing this morning.

And I would like to welcome our witnesses and say thank you for being here today. I look forward to hearing from each of you

about what you know works in training our workforce for the jobs of the 21st century and what we can do better.

And, today, we will have the pleasure of hearing about how the Markle Foundation is preparing workers for jobs in the digital economy through the Skillful initiative, Demetra Nightingale's findings on what works in job training, and Doug Besharov's perspective on the Workforce Innovation and Opportunity Act.

If you might, just a point of personal privilege. I would like to welcome my dear friend Zoe Baird here today. She joined Markle as its president in 1998 but after an illustrious career as a lawyer and as a public policy expert. And, Mr. Chairman, you will appreciate this; she lived in New Haven, Connecticut, as well.

The biggest issue of our time is that too many families are not making enough to live on. They are in jobs that just don't pay them enough. And, too often, they lack the skills and experience to access better jobs and earn family-sustaining wages. We need to enact policy that ensures that everyone can benefit from economic recovery and that everyone has the training they need to get good jobs with fair wages.

I do not believe the popular national view that wage stagnation in America today is the inevitable result of globalization and technology. To quote the Nobel Prize-winning economist Joseph Stiglitz, "Inequality is not inevitable; it is a choice we make." So we need to stop making bad choices. We need to rewrite the rules so that workers benefit from a growing economy. And job training and workforce development are critical areas.

The advantage for workers with more than a high school diploma is clear, but we need to shift our thinking so that we do not only focus on degrees but, rather, on in-demand skills and credentials that help people get good jobs with fair wages.

In many cases, work-based learning and apprenticeship programs are equipping workers with lucrative skills. Innovative approaches like boot camps are also showing promise. But while we promote these programs, I do want to issue a word of warning against predatory practices of for-profit institutions. Our government needs to do more to rout out bad actors.

According to Mathematica, findings from a rigorous national evaluation of services provided at American Job Centers through the Adult and Dislocated Worker programs show that, quote, "intensive services, staff assistance with finding and keeping a job not only help people find a job but also lead to higher earnings."

The fact is, by 2020, two out of three jobs will require education and training beyond the high school level. It is up to us to use our resources to meet this need. We cannot be caught mid-stride. It is critical for our competitiveness, for our leadership in global innovation to have a pipeline of skilled workers. That means we need to have a public workforce development system that adapts to businesses' changing needs.

The Federal Government has long played a key role in helping American workers learn and grow through workforce development and connecting businesses with talent. Most recently, Congress enacted the bipartisan Workforce Innovation and Opportunity Act of 2014, the law that oversees more than a dozen programs serving

15 million Americans each year. These changes enable programs to better meet the needs of job seekers, of workers, and employers.

Through this subcommittee, we have been able to make important investments in job training that we know work. In 2016, we included an increase of $86,000,000 for State job training programs under WIOA, for a total of $2,700,000,000, and invested $90,000,000 for the first ever Federal appropriation to expand the apprenticeship model throughout the country.

The 2017 budget, at the moment, the Senate has put in $100,000,000 for this program; the House has put in zero. My hope is that, when it is all sorted out and worked out, that we will have, I dare say, at least level funding of this program, but I would like to see us have more funding for the program.

A recent U.S. Conference of Mayors report found for every dollar spent through WIOA State grants there is a $1.72 return on investment from Federal taxes on wages and savings on TANF.

Apprenticeships have a solid return on investment. Nearly 9 out of 10 apprentices are employed after completing their programs, with an average starting wage of over $60,000. However, at 450,000, the current number of apprenticeships represents only a sliver of the labor force. To be at the same level as Great Britain, we would need six times—six times—as many apprentices. We would need 16 times the apprentices to be on par with Germany.

So our outlook on workforce development is by no means rosy. There are many opportunities we are missing. When compared to 2010, workforce programs have actually been cut by 18 percent, adjusting for inflation. To make matters worse, the administration's budget proposes to cut workforce programs by an estimated 35 percent. This would decimate job training programs, hamper our progress in more ways than one. American workers would be boxed out of the middle class and would lose out on advancement, while globally our competitiveness would suffer serious consequences.

If we were serious about job training, we would be making investments like we did through the TAACCCT program, which provided $2,000,000,000 to more than half of all community colleges. That program has supported partnerships with 2,500 employers in all 50 States, served more than 400,000 participants, who have earned 240,000 in-demand credentials to date.

We can't turn our back on providing the unemployed and underemployed citizens with the services that they need to find a job. These are the people that we were elected to represent.

The chairman has heard me say this many times, but I think it bears repeating: You cannot do more with less; you can only do less with less. When the future of American jobs and wages are on the line, we should all be invested in doing more. We need to look to the future to where the Federal Government can play a role. If we are serious about expanding evidence-based programs, we need to do more than just scratch the surface.

The challenges are great, which is why our conversation today is so critical. So I look forward to your testimony this morning.

Thank you.

Mr. COLE. I thank the gentlelady.

Before we go to our witnesses, I certainly want to go to the ranking member of the full committee, partly out of just respect for her

rank and importance, but mostly because she is more faithful in her attendance on this subcommittee than any other of the members.

So, with that, I want to recognize the gentlelady from New York.

Mrs. LOWEY. And I want to thank Chairman Cole for your kind words and for your leadership on this committee and my good friend, Ranking Member DeLauro, for holding this very important hearing.

And I want to thank all our distinguished panelists for joining us here today.

For most of our history, the ability to learn a skill has been the ticket to the middle class. With nearly 6 million jobs open nationwide—6 million jobs open nationwide—it should be a priority of our government to invest in apprenticeships and other job training programs that allow hardworking Americans to gain the skills to have a fair shot at the American Dream.

Unfortunately, the Trump administration does not appear to share this attitude. Its budget framework would result in slashing workforce innovation and opportunity grants to States by as much as 35 percent, which would result in the loss of training services for 2.7 million Americans, including more than 450,000 New Yorkers. These cuts would close the door on Americans who are learning the skills to earn a better life. Sadly, this is just another broken promise by the Trump administration.

We know that evidence-based training, including initiatives that match workers to good and open jobs, can be a great success. And I have seen this in my district. I was proud to help secure a $9,800,000 U.S. Department of Labor grant to fund the workforce academy that trains workers with skills to match open jobs in health care and information technology.

I was really surprised to learn in my many meetings with employers in my district that there are thousands, just in my district, of unfilled positions in health care and IT thousands of jobs, and they can't find people with the skills to take that job. With the right tools and the use of public-private partnerships, such as the workforce academy, we can fill these positions, create jobs, and strengthen the economy.

Rather than put these investments on the chopping block, I think it is time to—and I know we can—work together to support job training programs that are making a difference in our community.

Thank you, Mr. Chairman.

Mr. COLE. I thank the gentlelady.

And now let's go to our witnesses, if we could.

Mr. Besharov, we will start with you.

Mr. BESHAROV. Thank you very much, Mr. Chairman, Ranking Member DeLauro, and members of the subcommittee. Thank you for allowing me to testify.

The chairman has already indicated my affiliations. Let me just say that I work at the Atlantic Council, as well as teach at the University of Maryland, and at the Atlantic Council we work on international competitiveness. And as some of your remarks indicate, job training is not just about helping people find jobs here; it is making our whole country stronger and more vibrant, so there are strong connections.

My testimony is long and has a lot of footnotes. Apologies for being an academic. I want to make three points, and I am going to make them kind of quickly so that we can go on with the panel.

A number of you mentioned skills mismatch. I know you are familiar with that. I want to focus on skills deficit, which is to say: what our workforce doesn't know and what it needs to know.

For decades, the American labor force was the most highly trained in the world. There is now a study that is conducted regularly by the OECD on the qualities of and knowledge of the American workforce. We are slipping down. Our older workers are still towards the top. Our younger workers, 19 to 26, are at the bottom of the skills level worldwide. They are our future workforce. And so, when we worry about skills mismatch, it is not just the people who have worked hard for 30 and 40 years and now see the economy shifting under them; we have a population of very needy people.

Now, maybe this ought to be a subcommittee on K-12, because all the people I am talking about went to school at least for a while. But the programs that you supervise are now inheriting these people, and they need help in many ways.

In my testimony, I also describe the mixed evidence about existing job training programs. And let me just say, some work, some don't work, some work very well. On average, they are not doing what we need to do. Let me say that again: On average, we do not have a system that fills the needs that we all know exist.

And the results—you see it in the newspapers—we have a discouraged labor force; we have people dropping out of the labor force; we have people turning—formerly middle-class people who have had good jobs turning to drugs and other unhealthy behaviors; we know that death rates among this group, the prime part of working Americans, are going up. It feels a little bit like Russia when you get right down to it. We are doing a project on this, and the problems we face are almost as large in a demographic point of view.

I want to tell you about two programs I have visited recently, and I want to emphasize that they were in nonprofit agencies. Because I don't think the problem is for-profit versus nonprofit. I think the problem is supervision, management, and incentives.

I went to this program, and, on one floor, there was a program for mainly women who wanted to go from being practical nurses to registered nurses. And they—I am sorry, from practical—yeah, to registered nurses. Now, the important thing about this is they were—the difference in income is $20,000 to about $45,000.

These women spent a year in this program, and they saw their incomes go up by $15,000, $18,000. It was almost automatic. Don't drop out; you are going to get one of these jobs because they are in high demand.

Not easy. Had to take a year. Many of them had to find money for support because, of course, they are in classes so they have to not work. Many of them had problems at home because their boyfriends or husbands didn't want them becoming empowered in this way, but that is another story; ask me about it. But they thought it was worth it to get $15,000 more a year.

On another floor, there was a program for auto mechanics. The men came in making $9.50 an hour. A year later, they went out making $9.50 an hour. The program was out of touch with the market that was needed. But they had taken out their loans and there were much higher child-support arrears, so they came out of that program much worse than they went in.

I think the challenge for all of us is to build a system that makes more of the first kind of program than the second kind of program.

I am happy to take your questions. In my testimony, I talk about the fact that I think there should be some supervision from government, but we have to get the incentives right for public, for private, and nonprofit agencies to work here so that they are constantly retooling for the needs of the workforce.

Thank you very much.

[The information follows:]

Douglas J. Besharov

School of Public Policy
University of Maryland

The Atlantic Council

Testimony

Subcommittee on
Labor, Health and Human Services, Education and Related Agencies
Committee on Appropriations
U.S. House of Representatives

April 4, 2017

Chairman Cole, Ranking Member DeLauro, and members of the subcommittee, thank you for inviting me to testify on this important topic.

My name is Douglas Besharov, and I am a Senior Fellow at the Atlantic Council, where I conduct research on international competitiveness and comparative domestic policy. I am also a professor at the University of Maryland School of Public Policy, where I teach courses on poverty alleviation and program evaluation. I also direct our Welfare Reform Academy (WRA) and our Center for International Policy Exchanges (CIPE).

Today, I would like to discuss:

- The skills American workers need to remedy "skills mismatch" and, more ominous, their growing "skills deficit";
- The limited ability of federal programs to provide training and other services capable of raising employment and earnings; and
- What can be done to improve current programs, particularly through the use of more market or market-like mechanisms.

This is a giant topic, of course. Today, my testimony focuses largely on the Workforce Innovation and Opportunity Act (WIOA) and its predecessor, the Workforce Investment Act (WIA). I start with a short discussion of skills mismatch and the skills deficits of the American workforce.

Skills mismatch and the skills deficit

The US economy and, hence, the US labor market, is changing before our eyes. Jobs and industries that for decades provided steady and well-paying opportunities are disappearing—or pay much less under pressures from global competition and automation. This shifting labor market means that, to see their earnings rise, American workers need to be able to move not just to new employers, but also to entirely new industries.

Many American workers have not been able to make this shift, as shown by the large number of unfilled jobs even in the face of historically high levels of long-term unemployment

and underemployment. There is, as you know, disagreement between many academics[1] and the large segments of the business community[2] about the existence and size of a "skills mismatch." This is not the place to settle that argument, but there seems to be reasonably wide agreement that a lack of requisite skills keeps hundreds of thousands, if not millions, of Americans from getting a job or getting a better job.

Professor James Bessen of Boston University makes this larger point: "Today's unemployment is largely a cyclical matter, caused by the recession and best addressed by macroeconomic policy. Yet although skills are not a major contributor to today's unemployment, the longer-term issue of worker skills is important both for managers and for policy."[3] He explains:

[Although] technologies eliminated some jobs for clerks and warehouse laborers, they

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[1]See, for example, Gary Burtless, "Unemployment and the 'Skills Mismatch' Story: Overblown and Unpersuasive," https://www.brookings.edu/opinions/unemployment-and-the-skills-mismatch-story-overblown-and-unpersuasive/ (accessed March 24, 2017); Patricia Buckley and Rumki Majumdar, *A Growing Skills Mismatch? Not Necessarily* (Washington, DC: Deloitte University Press, April 2015), https://dupress.deloitte.com/dup-us-en/economy/behind-the-numbers/us-skills-mismatch.html (accessed March 24, 2017); Peter Cappelli, *Skill Gaps, Skill Shortages and Skill Mismatches: Evidence for the US* (Cambridge, MA: National Bureau of Economic Research, August 2014), http://www.nber.org/papers/w20382.pdf (accessed March 24, 2017); and Sophie Quinton, "Why the 'Skills Gap' Doesn't Explain Slow Hiring," *Stateline*, November 14, 2016, http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/11/14/why-the-skills-gap-doesnt-explain-slow-hiring (accessed March 24, 2017).

[2]See, for example, Martha Laboissiere and Mona Mourshed, *Closing the Skills Gap: Creating Workforce-development Programs That Work for Everyone* (New York: McKinsey and Company, February 2017), http://www.mckinsey.com/industries/social-sector/our-insights/closing-the-skills-gap-creating-workforce-development-programs-that-work-for-everyone (accessed March 27, 2017); and Manpower Group, *Human Age 2.0: Future Forces at Work* (Milwaukee, WI: Manpower Group, 2016), https://manpower.com/wps/wcm/connect/3f1fa392-c7f8-4e77-94f6-090c88430307/Human+Age+2+Future+Forces+at+Work.pdf?MOD=AJPERES (accessed March 27, 2017).

[3]James Bessen, "Employers Aren't Just Whining–The 'Skills Gap is Real," *Harvard Business Review*, August 25, 2014, https://hbr.org/2014/08/employers-arent-just-whining-the-skills-gap-is-real (accessed March 24, 2017).

> also created new jobs by creating new capabilities. However, these new jobs require specialized skills among both the managers and technicians, who typically have college degrees, as well as among the less educated operational occupations. Workers who have these skills, often learned on the job, are actually in short supply. . . . As with weaving and other nineteenth-century technologies, automation of some tasks increases the value of the remaining tasks, even as new or deeper skills are needed. But workers with those skills are not readily available, nor do robust labor markets initially provide the right incentives for workers to acquire those skills.[4]

If, as many expect, the pace of economic change continues to accelerate, the need for retraining (perhaps more accurately "uptraining") will grow in importance for an even larger proportion of unemployed and underemployed Americans.

An even more serious problem, however, is looming in the background: A deep "skills deficit" between American workers and those of our major global competitors that threatens to undermine a much larger share of our economy. Let me give you just one indicator.

Starting in 2011, the Organisation for Economic Co-operation and Development (OECD) fielded its Programme for the International Assessment of Adult Competencies (PIAAC), a study of cognitive and workplace skills of adults between the ages of sixteen and sixty-five in twenty-three developed countries (including the United States).[5] PIAAC assesses proficiency in three skill areas—literacy, numeracy and problem solving in technology-rich environments—and

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[4]James Bessen, "Scarce Skills, Not Scarce Jobs," *The Atlantic*, April 27, 2015, https://www.theatlantic.com/business/archive/2015/04/scarce-skills-not-scarce-jobs/390789/ (accessed March 28, 2017).

[5]Countries that participated in the first round of PIAAC: Austria, Australia, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, Norway, Poland, the Slovak Republic, Spain, Sweden, the United Kingdom (England and Northern Ireland), and the United States. See OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills* (OECD Publishing, 2013), http://dx.doi.org/10.1787/9789264204256-en (Accessed April 5, 2016).

presents the results by demographic and socioeconomic characteristics.[6]

PIAAC's findings are sobering for what they say about the future US workforce. Decades ago, the United States was widely seen as having the most highly-skilled workforce in the developed world.[7] Now, when compared to the rest of the developed world, the U.S. is below the median country on all of the PIAAC measures. The U.S. ranks sixteenth out of twenty-three in literacy, twenty-first out of twenty-three in numeracy, and seventeenth out of nineteen in problem solving in technology-rich environments.[8]

The reason for this relative decline? Older Americans (ages 55-64) are still among the most skilled in the world; they ranked toward the top on two of the PIAAC measures (literacy and problem solving) and about the middle for numeracy. But younger American adults (ages 16-24) are far less skilled than their counterparts in other developed countries; they ranked either last or second-to-last on all PIAAC measures. Assuming the validity of the PIAAC measures, as these younger people become a larger part of the workforce, the overall US ranking will fall

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[6]OECD defines literacy as "the ability to understand, evaluate, use and engage with written texts to participate in society, to achieve one's goals, and to develop one's knowledge and potential," numeracy as "the ability to access, use, interpret and communicate mathematical information and ideas in order to engage in and manage the mathematical demands of a range of
situations in adult life," and problem solving in technology-rich environments as "the ability to use digital technology, communication tools and networks to acquire and evaluate information,
communicate with others and perform practical tasks." See OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills* (OECD Publishing, 2013), 59: http://dx.doi.org/10.1787/9789264204256-en (Accessed April 7, 2016).

[7]Jacob F. Kirkegaard, *The Accelerating Decline in America's High-Skilled Workforce: Implications for Immigration Policy* (Washington, DC: Peterson Institute for International Economics, 2007).

[8]The assessment on problem solving in technology-rich environments was optional, and four countries (France, Italy, Spain, Cyprus) chose not to participate. See OECD, *Time for the U.S. to Reskill?: What the Survey of Adult Skills Says*, (OECD Publishing, 2013), http://dx.doi.org/10.1787/9789264204904-en (Accessed April 5, 2016).

further—unless something changes to raise their skill levels,

Additional analysis of the PIAAC data reveal significant discrepancies in scores across race, ethnicity, and migrant status. For all ages and in all competencies, black and Hispanic adults had scores that were substantially lower than US whites and also lower than any other developed country. Because minorities make up a greater share of those ages sixteen to twenty-four, this age group had the lowest rankings on all measures. White youth do better than minority youth, but not nearly as well as older white Americans. They ranked ninth out of twenty-three on literacy, nineteenth out of twenty-three on numeracy, and eleventh out of nineteen on problem solving.

This staggering skills decline of the American workforce has been a long time in the making. Thirty years ago, the right-of-center Hudson Institute issued a report titled: *Workforce 2000: Work and Workers for the 21st Century*.[9] In relation to the subject of today's hearing, it predicted a "workforce [that] will grow slowly, becoming older, more female, and more disadvantaged."[10] Its specific recommendations included:

> *Integrate Black and Hispanic Workers Fully into the Economy:* The shrinking numbers of young people, the rapid pace of industrial change, and the ever-rising skill requirements of the emerging economy make the task of fully utilizing minority workers particularly urgent between now and 2000. Both cultural changes and education and training investments will be needed to create real equal employment opportunity.

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[9]William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

[10]William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), xiii, http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

> *Improve the Educational Preparation of All Workers:* As the economy grows more complex and more dependent on human capital, the standards set by the American education system must be raised.[11]

That call to action, widely applauded at the time but largely not acted upon, seems prescient.

How large is this skills mismatch? And how large is the skills deficit? There are estimates, of course. But no one knows for sure. The simple point is that both are too large for the good of the nation—and require urgent remediation. Just recently, the papers reported on a new Brookings study that attributed the increased mortality among middle-aged white males to "progressively worsening labor market opportunities."[12]

The limited ability of federal programs to provide training and other services capable of raising employment and earnings

Preparation for work happens at many times during a person's lifetime, in many different ways, and through various social institutions—from parents and other family members, to pre-school and K-12, to college and post-secondary education, and to post-school public and private workforce development and job training programs. Starting with the family, all these institutions face serious challenges.

According to the US Government Accountability Office (GAO), in 2011, there were

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[11]William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), xiv, http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

[12]Anne Case and Angus Deaton, *Mortality and Morbidity in the 21st Century* (Washington, DC: Brookings Institution, March 2017), https://www.brookings.edu/wp-content/uploads/2017/03/6_casedeaton.pdf (March 27, 2017); see also Joel Achenbach and Dan Keating, "New Research Identifies a 'Sea of Despair' Among White, Working-class Americans," *Washington Post*, March 23, 2017), https://www.washingtonpost.com/national/health-science/new-research-identifies-a-sea-of-despair-among-white-working-class-americans/2017/03/22/c777ab6e-0da6-11e7-9b0d-d27c98455440_story.html?utm_term=.7512abcd97e3 (accessed March 27, 2017).

forty-seven federal job training and workforce development programs,[13] since reduced to about thirty-two by WIOA. In that year, the largest were the Workforce Investment Act (WIA) ($5.9 billion for dislocated and disadvantaged adults and youth), Vocational Rehabilitation ($2.9 billion for individuals with disabilities) Job Corps ($1.8 billion for disadvantaged at-risk youth), Wagner-Peyser Employment Services ($1.2 billion for all individuals seeking employment), Vocational Rehabilitation for Veterans ($900 million for disabled veterans), Senior Community Service Employment Program ($688 million for unemployed low-income individuals who are older than fifty-five), and Trade Adjustment Assistance ($686 million for individuals who lost jobs due to international trade).[14]

Among these programs, the most studied is WIOA, formerly the Workforce Investment Act (WIA) and, before that, the Job Training Partnership Act (JTPA).[15] As summarized by Burt

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[13]U.S. Government Accountability Office, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies* (Washington, DC: U.S. Government Accountability Office, February 2011). Although not explicitly a job training program, the Federal Pell Grant Program provides tuition assistance to low-income undergraduate students, including those at community colleges and professional schools.

[14]Dianne Blank, Laura Heald, and Cynthia Fagnoni, "An Overview of WIA" in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings* (Kalmazoo, MI: W.E. Upjohn Institute for Employment Research, 2011): 49–78.

[15]Fredrik Andersson, Harry J. Holzer, Julia I. Lane, David Rosenblum, and Jeffrey Smith, *Does Federally-Funded Job Training Work? Nonexperimental Estimates of WIA Training Impacts Using Longitudinal Data on Workers and Firms* (Cambridge, MA: National Bureau of Economic Research, September 2013), http://www-personal.umich.edu/~econjeff/Papers/Andersson%20et%20al.%20(2013)%20WIA%20NBER%2019446.pdf (accessed March 28, 2017); Howard S. Bloom, Larry L. Orr, Stephen H. Bell, George Cave, Fred Doolittle, Winston Lin, and Johannes M. Bos, "The Benefits and Costs of JTPA Title II-A Programs: Key Findings from the National Job Training Partnership Act Study," *The Journal of Human Resources*, 32, no. 3 (Summer 1997): 549-574; Paul T. Decker and Jillian A. Berk, "Ten Years of the Workforce Investment Act (WIA): Interpreting the Research on WIA and Related Programs," *Journal of Policy Analysis and Management* 30, no. 4 (Autumn 2011): 906–926; Carolyn Heinrich, Peter R. Mueser, Kenneth R. Troske, Kyung-Seong Jeon, and Daver C. Kahvecioglu, "Net Impact Estimates for the Workforce Investment Act Program" in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2011); and Kevin Hollenbeck, Daniel Schroeder, Christopher T. King, and Weo-Janh Huang, *Net Impact Estimates for Services Provided Through the Workforce Investment Act* (Kalamazoo, MI: W.E. Upjohn Institute for

Barnow of George Washington University and Jeffrey Smith of the University of Michigan: "Most employment and training programs have either no impact or modest positive impacts. Many do not pass careful social cost-benefit tests, though some that fail may be worth doing on equity grounds."[16] (The mention of "equity" is a reference to the fact that trainees may gain some benefit from the program, but the cost to taxpayers exceeds that benefit.)

The one exception to even these modest positive results are the troubling findings concerning WIA's program for dislocated workers. For dislocated workers, the predominant finding across studies is that the training program is not helpful and may actually be harmful to those who participate. As Paul Decker, president of Mathematica Policy Research, writes, "At best, the evidence suggests that impacts on dislocated workers are not large, and they may be zero or perhaps even negative."[17] (The WIA Gold Standard fifteen-month follow-up also found no significant differences for dislocated workers, although the authors note that these findings may be premature as many members of the program group were still in training or receiving intensive services.)[18]

Employment Research, October 2005). Also, see generally, James J. Heckman, Carolyn J. Heinrich, Pascal Courty, Gerald Marschke, and Jeffrey Smith, eds., *The Performance of Performance Standards* (Kalamazoo, MI: Upjohn Institute, 2011).

[16]Burt S. Barnow and Jeffrey A. Smith, "What We Know About the Impacts of Workforce Investment Programs," (paper prepared for Strategies for Improving Economic Mobility of Workers, Chicago, November 15–16, 2008), 13.

[17]Paul T. Decker and Jillian A. Berk, "Ten Years of the Workforce Investment Act (WIA): Interpreting the Research on WIA and Related Programs," *Journal of Policy Analysis and Management* 30, no. 4 (Autumn 2011): 919.

[18]Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, and Annalisa Mastri, *Providing Public Workforce Services to Job Seekers: 15-month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Princeton, NJ: Mathematica Policy Research, May 2016), 65, https://www.mathematica-mpr.com/our-publications-and-findings/publications/providing-public-workforce-services-to-job-seekers-15-month-impact-findings-on-the-wia-adult (accessed March 27, 2017).

Experts and advocates will glom onto these findings as further evidence that "job training works" (because of the modest but consistently positive results) or "job training does not work" (because the modest impacts are not large enough do not meet a cost-benefit test). The broader point is that none of programs that have been evaluated make the kinds of "transformative changes" we would hope for. Jacob Klerman, Senior Fellow, Abt Associates, and editor, *Evaluation Review*, explains:

> Studies of some training programs, though, find moderate impacts—in the range of $500 to $1,000 per quarter for those offered training relative to those not offered the training. For a full-time worker, this would be about $1 to $2 more per hour. Because earnings for the population targeted for job training are low to start with, in part because work is not always full-time and full-year, a $1 to $2 increase is a fifth to a third of earnings. These are not transformative impacts, but they are meaningful.[19]

Even with this low bar, it is most troubling that no one really knows even roughly how many programs fall into each category, and which they are.

What can be done to improve current programs?

Too often, the argument here in Washington is over whether existing job training programs "work." But I think that is the wrong question. Regardless of whether existing programs meet a minimal cost-benefit test, they are simply insufficient to remedy the problems of skills mismatch and skills deficits facing American workers.

In 2015 (the last year for which data are available), WIA served about 1.3 million

[19]Jacob Klerman, e-mail message to author, March 31, 2017.

individuals in the Adult[20] and Dislocated Worker programs (with some duplication).[21] Of these, about 58 percent received only "core" services (such as job listings, computer access, and workshops on resume writing), about 30 percent received "intensive" services (such as skill assessments, individual employment plans, counseling, and, in some instances, work experience placements), and only about 12 percent received "training" services.[22] That's about 160,000 receiving job-related skills instruction.

The U.S. used to spend much more on WIOA-type job training. In 1980, the Comprehensive Employment and Training Act (CETA), a precursor of WIOA, spent about $20 billion in current dollars.[23] But years of disappointing evaluation results have dulled the appetite for this kind of spending, as has the growth of other providers—such as, for example, community colleges. (In 2014, community colleges spent about $85 billion[24] to enroll about 5.7 million

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[20]For the Adult program, although all adults are eligible, priority is given to individuals who are receiving public assistance, who are low-income, or who have basic skills deficiencies. *Workforce Innovation and Opportunity Act of 2014* sec. 134(2)(3)(E)

[21]The calculation is based on those served and exiting in that year.

[22]Social Policy Research Associates, *PY 2015 WIASRD Data Book* (Oakland, CA: Social Policy Research Associates, January 2017), https://www.doleta.gov/performance/results/WIASRD/PY2015/PY2015-WIASRD-Data-Book.pdf (accessed March 30, 2017).

[23]Congressional Budget Office and National Commission for Employment Policy, *CETA Training Programs—Do They Work for Adults?* (Washington, DC: Congressional Budget Office, July 1982), https://www.cbo.gov/sites/default/files/97th-congress-1981-1982/reports/doc25-entire.pdf (accessed March 30, 2017).

[24]Author's calculations from Scott A. Ginder, Janice E. Kelly-Reid, and Farrah B. Mann, *Graduation Rates for Selected Cohorts, 2007–12; Student Financial Aid, Academic Year 2014–15; and Admissions in Postsecondary Institutions, Fall 2015* (Washington, DC: U.S. Department of Education, February 2017), https://nces.ed.gov/pubs2017/2017084.pdf (accessed March 30, 2017); and National Center for Education Statistics, *Digest of Education Statistics* (Washington, DC: U.S. Department of Education, 2016), table 304.80, https://nces.ed.gov/programs/digest/d15/tables/dt15_304.80.asp?current=yes (accessed March 30, 2017).

students, although only about 35 percent of those who start as full-time students at these two-year programs graduate after four years.)[25]

I think that a more successful WIOA would garner more support—from all levels of government as well as the private sector. The question, of course, is what can be done to improve and invigorate WIOA and related work force development programs?

Congressional oversight. First, of course, the Congress should continue its oversight activities—through, for example, hearings, GAO reports, and staff research.

The operational weaknesses of WIA that WIOA seeks to address are deeply troubling, and I fear that much, much more is needed. One example will illustrate. Under WIA, individuals could receive vouchers for training services, but they were supposed to choose a provider from the state's Eligible Provider Training List (EPTL). States were able to grant new providers automatic eligibility to be on the EPTL but, to ensure quality, states were required to use more stringent standards when determining subsequent eligibility. At the time WIOA was passed, thirty-nine states had received DoL waivers exempting them from doing so. In other words, there seems to be a minimal effort to screen out poor performing providers.[26] (Under WIOA, all WIA waivers were ended, but states were allowed to keep providers on their EPTLs until June 2016

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[25]American Association of Community Colleges, *Enrollment Trend* (Washington, DC: American Association of Community Colleges, February 2017).

[26]Amy K. Selzer and Lauren Eyster, *How States Manage Eligible Training Provider Lists: Findings from a State Survey* (Columbia, MD: Impaq International, June 2015), https://wdr.doleta.gov/research/FullText_Documents/ETAOP-2017-10%20EPTL%20Report%20(Accessible%20PDF).pdf (accessed March 30, 2017).

without determining eligibility.[27])

Job Centers and career services. Second, WIOA's "career services" (that is, its core and intensive job finding and job readiness services) should be enhanced by energizing the American Job Centers (formerly the One-Stop Centers). Some states are bringing all career services under one roof. As WIOA encourages, there should be, for example, even closer coordination between WIOA and TANF's work-related activities—as well as similar activities being considered for the Supplemental Nutrition Assistance Program (SNAP) and other safety-net program.

Job Center operators should also be encouraged to offer more services that are attuned to employer needs. One of the best ways to do that would be to allow them to make more money when they successfully serve clients. A number of observers have complained that for-profit firms have been effectively excluded from operating the Jobs Centers by the imposition of caps on both profits (typically between 6 and 8 percent) and on administrative costs that the provider can charge, while failing to limit possible losses.[28]

Demand-driven training. Third, closer coordination should be fostered with employers (sometimes even "employer-led" training programs and apprenticeships), which seems to have support on both sides of the aisle.

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[27]U.S. Department of Labor, Employment and Training Administration, "Workforce Innovation and Opportunity Act (WIOA or Opportunity Act) Title 1 Training Provider Eligibility Transition," (guidance letter, U.S. Department of Labor, Washington, DC, November 24, 2015), https://wdr.doleta.gov/directives/attach/TEGL/TEGL_41-14_Change1.pdf (accessed March 30, 2017).

[28]David Heaney, "One-Stop Management and the Private Sector," in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings*, eds. Douglas J. Besharov and Phoebe H. Cottingham (Kalamzoo, MI: Upjohn Institute, 2011): 141–152.

Noteworthy is the relative success of some sectoral programs,[29] which match employers to training providers so that trainees are taught the specific skills needed by the employers. They have the subject of three major evaluations in eight selected sites, with some sites showing gains in earnings of between 14 and 32 percent and gains in full-time employment of between 17 and 21 percent in full-time employment—although sites experienced no differences in employment.[30] Clearly, implementation and the population served matters a lot.

At the present time, we know relatively little about the extent of instructional content in current training programs, let alone how well they address local labor market demands. Many hope that WIOA's added provision for reporting measurable skill gains (toward a credential or employment) will help inform administrators and policymakers about how well current programs are meeting the demand for more skilled workers. The worry, however, is that it will prove to be more of yet another administrative burden than a source of useful information.

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[29]Richard Hendra, David H. Greenberg, Gayle Hamilton, Ari Oppenheim, Alexandra Pennington, Kelsey Schaberg, and Betsy L. Tessler, *Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the WorkAdvance Demonstration* (New York: MDRC, 2016), http://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf (accessed March 28, 2017); Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway, and Deena Schwartz, *Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study* (New York City: Public/Private Ventures, 2010); Anne Roder and Mark Elliott, *Sustained Gains: Year Up's Continued Impact on Young Adult Earnings* (New York: Economic Mobility Corporation, May 2014), https://economicmobilitycorp.org/uploads/sustained-gains-economic-mobility-corp.pdf (accessed March 28, 2017).

[30]Richard Hendra, David H. Greenberg, Gayle Hamilton, Ari Oppenheim, Alexandra Pennington, Kelsey Schaberg, and Betsy L. Tessler, *Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the WorkAdvance Demonstration* (New York: MDRC, 2016), http://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf (accessed March 28, 2017); Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway, and Deena Schwartz, *Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study* (New York City: Public/Private Ventures, 2010); Anne Roder and Mark Elliott, *Sustained Gains: Year Up's Continued Impact on Young Adult Earnings* (New York: Economic Mobility Corporation, May 2014), https://economicmobilitycorp.org/uploads/sustained-gains-economic-mobility-corp.pdf (accessed March 28, 2017).

This is not as easy as it sounds. Besides the operational challenge of building an actionable knowledge base, being more attuned to the labor market is much more expensive than a one-size-fits-all approach, and the need to continually update offering as the market shifts further adds to costs.

Financing instruction for high-wage jobs. This brings me to my last point. Needed are more creative ways to pay for the kinds of higher quality and more extensive instruction that can lead to higher-paying jobs, and, thus, can more successfully address the problems of skills mismatch and skills deficits. Practical nurses who successfully complete training to become registered nurses, for example, can see their annual earnings as much a double, from around $40,000 to around $80,000.

One idea worth pursuing is the use of pay-for-performance contracts. WIOA authorizes localities to use up to 10 percent of their state allotments for such contracts with training and career service providers and with one-stop centers. (States may use non-federal funding to provide "incentives" [presumably supplemental funds] to localities to use pay-for-performance contracting.) Payments may be adjusted based on specific outcomes or impacts for different demographic groups as well as for those who are facing barriers to employment. (States are required to report on any pay-for-performance contracts in their state plans.)

While promising, these pay-for-performance contracts are not likely to generate the cash flow needed for greatly enhance training. Public and political support would not be there for such an increase in spending, and it is unlikely that government agencies could make sound and non-

political decisions about such contracts. For real progress, there needs to be another means of financing high-quality and intensive programs.

Trainees are already permitted to use borrowed funds (from public or private sources) to pay for higher-cost educational and vocational courses under approved circumstances, and large numbers do.[31] Reports indicate that these loans can be extremely useful for appropriately screened trainees and programs. Restricting their impact are limitations (in order to protect trainees) on the amount that can be borrowed and the interest rates that can be charged.

These loans, moreover, must be paid back even if the instruction does not succeed in getting the trainee into a high-paying job. (Like college loans!) This can leave trainees in an even worse condition, having forgone wages to be in the training program and now also being burdened with debt. What if trainees could borrow the money—but were obligated pay off the loan only if they got a better paying job? The higher risk on nonpayment would mean that the pay-off to the lender would have to be larger than a simple interest rate, but, then again, so would be the opportunity for much higher earnings.

This is, of course, the basic way private recruiters (headhunters) are paid. Although there are many details to be worked out because of the somewhat different nature of the relationship, I sincerely believe that this is an idea worth exploring.

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[31]See generally Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, and Annalisa Mastri, *Providing Public Workforce Services to Job Seekers: 15-month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Princeton, NJ: Mathematica Policy Research, May 2016), 61, https://www.mathematica-mpr.com/our-publications-and-findings/publications/providing-public-workforce-services-to-job-seekers-15-month-impact-findings-on-the-wia-adult (accessed March 27, 2017).

We need a more successful job training system—and the standard approach to funding (even if it were politically feasible) will not work.

Thank you again for inviting me to testify on this important topic. I would be happy to answer any questions.

Mr. COLE. I thank the gentleman.

Ms. Baird, you are recognized for your opening remarks.

Ms. BAIRD. Thank you, Mr. Chairman and Ranking Member DeLauro. Thank you very much to the full subcommittee for having me here today.

You know, I grew up near Seattle, and my father was a labor union official. And I remember, as a little girl, going into the union hall and seeing the men retrained when they were in between jobs. When they lost a job or they were in between assignments, they would come in and get retrained.

And if you all think back to your parents, in our parents' day and before that, most people worked for the same employer for their whole career. So if you worked at GE or GM or at an auto repair shop, when the tools changed, when the needs changed, you were retrained by your employer.

Today, very few people have the benefit of being retrained in the union hall or by their employer. People have 7 to 10 jobs in their career.

And if you think back—you are a historian, Mr. Chairman. If you think back 100 years ago, when we made this dramatic shift from the agricultural economy to the industrial economy, we invented the systems, we invented the infrastructure, the institutions that people needed to enable them to make that shift. We invented the high school. It didn't exist in the agricultural economy.

So, today, we have this challenge of an even more rapid, equally disruptive transition from an industrial economy to a digital economy, where people have found that the skills that they had in jobs, the jobs that they had, have been transformed dramatically by automation. They are going to be transformed even more by artificial intelligence as we go forward. And we haven't really thought about—as my colleague said, we haven't really thought about what are the systems people need in order to succeed.

We know that particularly the almost 70 percent of Americans who don't have a college diploma, a 4-year college diploma, have been thrown off by this economy, but they really don't know what the new system is that they can feel part of to enable them to see themselves in the digital economy.

I think this subcommittee all believes that skills are a key to this and getting people skills are a key to this. And even in a time when people were so divided, in October of last year, when we had a completely divided electorate, we did a poll with Pew, and we found that 87 percent of Americans believed they needed to get skills throughout the course of a lifetime in order to have a decent career. Eighty-seven percent felt it was essential or important. And that shows us that the American people recognize the skills agenda, they know they need to get new skills, and they know that it is a lifelong process of learning and retraining.

We also found, though, that 72 percent of Americans believed it was their personal responsibility. People feel alone; they do not feel supported. Only 35 percent said the Federal Government could help them.

So part of what the subcommittee ought to grapple with is what is the role for the Federal Government to enable people to become part of the digital economy, and how does that become part of the

broader possibilities we have now by strong businesses, strong nonprofit institutions, strong State and local government, which we didn't have, necessarily, when we made the transition to the industrial economy.

So we have tried to see if we could figure out how to create the skills-based labor market in Skillful, which we have talked about. And we start with the businesses. We got almost 90 State and local—or small and medium-size businesses in Colorado, our first State, to engage with us to identify the skills needed.

We have gotten the workforce centers engaged. Their coaches have been critical. We have found that if people have a workforce center coach they are much more likely to succeed in getting onto a new career path or getting a new job or new training.

We have been working with the educators. LinkedIn is one of our partners and has been creating new tools, like the Training Finder, to help people find the good training that fits with the needs of the businesses. Microsoft is a partner. We have the Governor of Colorado all in. And we hope to expand this effort to other States because it is beginning to demonstrate some real success.

I have limited time left. I have a number of suggestions for particular programs in my testimony. If you will give me another minute here, let me just comment on a couple.

Mr. COLE. We are prepared to be generous to you but not to the members of the committee, so——

Ms. BAIRD. OK. Well, I won't over extend that, but I appreciate it.

I just want to say that the workforce boards, the local workforce boards, are critical to creating strategies that appreciate the needs here, and there is a lot you can do to help them understand that.

Professional development for coaches is critical. We have done a number of training programs with coaches. We have brought them new digital tools. They have a SkillfulCoach.com, which is both the State workforce centers, Goodwill, and United Way. And they can use a sort of Yelp-like feature to find the best technology tools to help job seekers see what the jobs look like. We have taken them to LinkedIn and trained them in LinkedIn tools. So professional development has really been critical for the coaches.

Connecting in the workforce centers the business side with the coaching side for job seekers has proven to be really important. We need more funding for training that is tied to business needs, business-articulated needs.

We also need, though, more robust Labor Department data, because every small and medium-size business can't do what we took people through in Colorado, trying to take an advanced manufacturing job or an IT track or a healthcare track and figure out what those new position descriptions should look like that are based on skills and not based on seat time in an educational institution, which just hasn't been working for most Americans.

We also need data transparency. The Federal Government can do a tremendous amount if it develops more data, making it available, like when we saw weather data used to create all kinds of private-sector businesses, including ones that have been critical to agriculture. I am sure you are aware of that, Mr. Chairman, in your own State, that some of the tools that are now available by Mon-

santo and others for farmers to know when to plant crops, what the weather is going to be like in anticipation of how they provide fertilizer and everything else has come off of Federal Government data. We need that in the labor arena, and it really is not robust enough, and it is not kept up to date.

We obviously need more investment in career and technical education and apprenticeships. And I would urge the subcommittee to look at ways that employers can be incented to both train workers more and to deploy these other kinds of programs, to work with their local community colleges on career and technical ed, to work with apprenticeship programs and seek out apprentices.

So I personally am very optimistic that we have the opportunity to transform our labor market so that it serves the almost 70 percent of Americans who don't have a 4-year college diploma and many of those who do who still can't find good jobs. But I think that this committee has a very significant responsibility to think about where the Federal Government's investments can enable people not to feel on their own but to feel that, indeed, the Federal Government is a partner of theirs in finding a good future.

Thank you.

[The information follows:]

TESTIMONY OF ZOË BAIRD
CEO and President of the Markle Foundation

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON LABOR, HEALTH AND
HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES
April 4, 2017

Chairman Cole, Vice-Chair Womack, Ranking Member DeLauro, and Members of the Subcommittee:

Thank you for the opportunity to appear before you this morning. I am Zoë Baird, CEO and President of the Markle Foundation.

It is an honor to speak with you today about the importance of making sure Americans are equipped with the skills and training to succeed in today's rapidly changing digital economy.

AMERICA'S CHANGING PATHS TO OPPORTUNITY

Our nation's workforce faces a critical challenge. Not since America moved from farms to factories a century ago have we seen economic change as profound as what we are living through today. The transition to the digital economy has brought tremendous opportunity for some, but it also has shattered career paths and traditional jobs and has left many Americans deeply concerned about their future.

This is what I want to talk about today: America's *changing paths to opportunity*, and the broad, systemic shifts we have to make in the way we connect people with training and work to enable all Americans to thrive.

I grew up near Seattle where my father was a labor union official. I remember, as a little girl, going with him to the union hall and seeing the men come in for retraining when they were in between jobs. At that time, if you think back to your parents' experience, union halls retrained people and so did employers. Workers expected to be with companies like GE and GM for their whole careers, and to be retrained as the work changed.

But things are different today. People feel like they're on their own with no support. One of the most interesting findings from a national Pew Research Center survey done in association with the Markle Foundation was that 72 percent of Americans believe they themselves have the most responsibility for job readiness. We must do more to provide them with opportunity. How do we help enable people to find their place in this digital economy where automation, artificial intelligence, and other technological developments are transforming jobs at an incredibly rapid pace?

Particularly vulnerable to the dynamics of the new economy are the almost 70 percent of American adults who do not have a four-year college degree. The Georgetown Center on Education and the Workforce found that if your highest level of educational attainment is a high school diploma, there are 7.3 million *fewer* jobs for you today than there were in 1989.[1]

[1] Georgetown Center for Education and the Workforce, "America's Divided Recovery: College Haves and Have Nots." 2016. https://cew.georgetown.edu/wp-content/uploads/Americas-Divided-Recovery-web.pdf

At the same time though, there are 5.6 million jobs across America going unfilled. Many of these jobs increasingly require new skills, and these skills are changing rapidly. We know there are great jobs out there in this digital economy: computer systems analysts, network administrators, machinists, and health technicians.

The National Skills Coalition reports that middle-skill jobs, which are jobs that require more than a high school diploma but not a four-year college degree, account today for 54 percent of American jobs and those jobs are growing.

A 2015 report from Burning Glass found that middle-skill jobs that require digital competencies are growing 2.5 times more rapidly than middle-skill jobs that do not.[2] Good paying jobs in the areas of health care, information technology, and advanced manufacturing can offer a favorable career path for Americans who lack a bachelor's degree. The White House released a report in April 2016 stating that we will need to fill 3.5 million manufacturing jobs over the next decade, 2 million of which may remain unfilled due to a skills gap.[3]

We must do more to equip people with the skills to do these jobs. Most Americans are ready: 87 percent of working Americans in our Pew poll said that they believe that it is essential or important for them to get new skills over the course of a lifetime in order to compete in today's

[2] Burning Glass, "Crunched by the Numbers: The Digital Skills Gap in the Workforce." March 2015. http://burning-glass.com/wp-content/uploads/2015/06/Digital_Skills_Gap.pdf

[3] Subcommittee for Advanced Manufacturing of the National Science and Technology Council, "Advanced Manufacturing: A Snapshot of Priority Technology Areas Across the Federal Government." April 2016. https://www.whitehouse.gov/sites/whitehouse.gov/files/images/Blog/NSTC%20SAM%20technology%20areas%20snapshot.pdf

jobs. And 45 percent said that in the past year they've already taken a class or enrolled in training to learn, maintain, or improve their work skills.[4]

GETTING EVERYONE WITH A SMART PHONE A SMART CAREER

A few years ago, Markle realized the need to create opportunity for all Americans in the digital economy, and convened Rework America, a broad collaboration of more than 50 diverse national leaders committed to thinking about new ways to help Americans have access to opportunities.

Collectively, we authored the book *America's Moment: Creating Opportunity in the Connected Age*, which provides a roadmap to move the country forward in the digital economy. It makes a straightforward argument: Yesterday's strategies do not work in today's economy.

To enable all Americans to succeed, we need to transition to a skills-based labor market—one that does not put up the barrier of a four-year college degree, thereby preventing most people from applying for in-demand jobs. At a time when 46 percent of U.S. businesses are reporting difficulty filling jobs, a renewed focus on the skills needed to do the jobs is critical to business growth, and the job growth that can come with it. **Everyone who has a smartphone ought to be able to have a smart career.**

We need new mechanisms for employers to better identify the skills they need to grow. We need ways for Americans to understand what skills are in demand today and how they can learn and

[4] The Pew Research Center in association with the Markle Foundation, October 2016, "The State of American Jobs." https://www.markle.org/sites/default/files/State-of-American-Jobs.pdf

demonstrate those skills to employers. Job listings still rely on outdated educational requirements. In-demand, high-growth jobs either require—or are perceived to require—college degrees. This shift by employers has been dramatic for some of the occupations historically dominated by workers without a college degree. The credential gap can amount to 25 percentage points or more for middle-skill jobs in some occupational families, like office, administrative, business, and financial operations. For example, 65 percent of postings for executive secretaries and executive assistants now call for a bachelor's degree. Yet, only 19 percent of those currently employed in these roles have a B.A.[5] By focusing on degrees rather than the skills needed, we close off opportunities that should be accessible to middle-skill job seekers.

SKILLFUL

To begin to achieve a skills-based labor market that works for everyone, Markle created Skillful in collaboration with LinkedIn, the state of Colorado, and others. Skillful, which we are starting in Colorado, is a partnership of businesses, state government, non-profits and educators who have come together to forge a new way of creating and accessing opportunity by prioritizing skills and lifelong learning.

Based on a robust set of jobs data, Skillful tackles the entire workforce system for those with a high school degree and some or no college. We help businesses evaluate the skills they need and connect this with educators, counselors and jobseekers. We help jobseekers see what these jobs look like and enable them to imagine themselves in those jobs. Skillful creates an integrated system of all parties so the efforts of one have much greater impact for the efforts of all.

[5] Burning Glass "Moving the Goalposts: How Demand for a Bachelor's Degree is Reshaping the Workforce." September 2014. http://burning-glass.com/wp-content/uploads/Moving_the_Goalposts.pdf

Together, Skillful and our partners work to help communities overcome the most problematic barriers in today's labor market by:

- Identifying available jobs based on the skills needed, so these jobs are seen as accessible to those without a college diploma;
- Connecting job seekers and educational providers who teach these skills;
- Working with LinkedIn to deploy new technology tools such as LinkedIn's Training Finder to provide more transparency around the value of educational and training programs;
- Using data and technology to give educational providers a clearer picture of which skills are in demand in their area, and to give businesses a better sense of which skills are available in their applicant pool; and
- Connecting job seekers with coaches—dedicated professionals such as those who work at workforce centers across the country—who can help job seekers do what it takes to get into high-demand career paths.

Middle-skill jobs take 15 percent longer to fill in Colorado than the national average, and the challenge is even greater for the fastest growing jobs. Since launching Skillful in March 2016, Markle has worked with employers around the state to create meaningful job descriptions that reveal the skills needed for the fastest growing, most in-demand jobs in industries like healthcare, IT and advanced manufacturing by leveraging open source and proprietary labor market data.

Our experience in Colorado showed us that transforming the labor market often has the biggest effect on small- and medium-sized employers who lack the resources of larger companies. Since small- and medium-sized businesses are responsible for the vast majority of jobs created, it is imperative that we tailor our offerings to meet their needs.

We only have early data on how the program is working, but it is very promising. Over the past nine months, 90 small- and medium-sized employers invested time in informing our skills research and employer toolkit, with 20 employers working in depth with us to make significant changes in the way they hire and train.[6] Eighty-five percent of our Skillful coaches strongly agree that Skillful has provided them with new tools, trainings, and ways of approaching their work with job seekers. Since the program started, 48 percent of the job seekers we surveyed have enrolled in training or obtained new jobs.[7]

LESSONS LEARNED

Based on our work in Skillful and the work of many others addressing the needs of a transforming labor market, I encourage the Subcommittee to explore actions that can accelerate the creation of a skills-based labor market. We can enable all Americans to get on great career paths with the potential for income growth.

1. **Government leadership is needed**. Workforce Innovation and Opportunity Act-mandated state plans need to focus on helping job seekers obtain the skills they need to meet the demand for skilled labor that will enable businesses to grow.

[6] Net Promoter Score (e.g., employers' willingness to recommend Skillful workshops and tools to other employers) of 90 for the 18 employers who have attended our skills-based hiring workshops.
[7] Based on sample of 71 individuals from total of 1,406 individuals who went through Skillful coaching.

2. **Develop targeted professional development for workforce center staff.** Coaches need access to information on the growth jobs in their community, the skills needed to compete for those jobs, technology tools, and quality training. In Colorado, Skillful developed a web resource for coaches to curate and evaluate coaching documents, tools, and procedures and then leverage the best ones available with job seekers. Government investment in technology tools that improve performance and imbed best practices within the coaching community would provide tremendous value to the workforce development system.

3. **Increase collaboration within workforce centers.** Workforce centers are critical to helping scale local programs to large numbers of people and bringing businesses to the table, but their current bifurcated structure limits their effectiveness. Encouraging collaboration between business services and job seeker services will equip coaches with knowledge about local industries and occupations in their community and increase the effectiveness of workforce development programs.

4. **Unlock funds for training.** Unlocking financial aid resources, such as Pell Grants and other government investments, for industry- and state-recognized job training programs tied to career paths (like community college programs, coding boot camps and YouthBuild) would enable more Americans to acquire the skills they need to succeed.

5. **Increase data transparency**. Build transparency into training program outcomes and employment pathways so that Americans are empowered to make choices that lead to

career success and government investments are wisely made. One of the greatest challenges for jobseekers is the lack of transparency around the outcomes of training programs. Confronted with high financial costs and investment of time, and a lack of understanding of how the right training might transform their situation, job seekers are often paralyzed, and forgo valuable upskilling opportunities.

6. **Improve skills data**. Congress should ensure funding for dynamic, granular labor market data such as O*NET so it is easier to identify the skills needed to fill the growth jobs.

7. **Invest in career and technical education.** Strengthen the direct funding for community colleges and career and technical education programs that play a crucial role in training the nation's middle-skill workforce. Promote delivery of high quality, high demand post-secondary certificates and degrees and academic programs that are efficient, cost effective, and supportive of non-traditional students.

8. **Invest in apprenticeships and employer training.** Expand funding for apprenticeship programs between employers and schools, and develop tax incentives for businesses to offer employee training either internally or through community colleges.

CONCLUSION

As we did one hundred years ago when we invented the high school to help Americans transition to the Industrial Age, we need to create the systems today that support their transition to the digital economy. We need all our institutions to support a skills-based labor market that enables

everyone to get the skills they need to fill the growing jobs. Then, and only then, can we unlock the true potential of our nation's best asset: our skilled and talented workforce.

Thank you for allowing me to address this important and timely issue. I look forward to answering any questions you may have.

Mr. COLE. Thank you.

Dr. Nightingale, you are recognized for any remarks you care to make.

Ms. NIGHTINGALE. Thank you very much. And, Chairman Cole, Ranking Member DeLauro, and members of the subcommittee, thank you so much for allowing me to speak with you today based on research and evaluations that have been conducted by me and by others over the years and my recent experience as Chief Evaluation Officer at the U. S. Department of Labor.

I must say also my comments are my own. I am not representing the Urban Institute or the Labor Department or George Washington University.

I am going to focus on two questions: one, what works in job training—again, I am also an optimist—and how might the system change under WIOA.

The Nation's workforce development system is a partnership, as you know, of Federal, State, and local governments charged with providing employment-related services to both workers and businesses through more than 2,000 local offices around the country, career centers. And the system operates a free labor exchange nationwide, offering job search and job matching services and providing access to a range of services, including training. As you know, the goal is to help anyone find a job, but they are especially focused on the unemployed, the underemployed, dislocated workers, and veterans.

Since established by Congress in 1933, the workforce development system has also regularly been called upon to mobilize during periods of economic recessions, in areas where there is a lot of economic dislocation and high unemployment, and sometimes to administer public jobs when it was necessary and authorized by Congress; and to retrain workers, like the ones that we have heard about already, whose regular occupations and industries have disappeared; and to help communities that are affected by disasters. So job training is just one of many activities that the system provides.

So what works in job training? I have four points.

First, training that is connected to work has the most positive evidence. Not all training is the same, and not all training is effective. The most effective job training is that which is connected directly to work, rather than standalone training without the link to work. Several evaluations are finding positive impacts from work-based models such as Registered Apprenticeship, sectoral and career pathway training, on-the-job training where employers receive a subsidy for a portion of the wages.

The second point is that counseling and coaching and customer-focused career services are important based especially on some recent studies. Veterans, for example, especially women, who receive assistance from specialized staff in the local offices have better employment outcomes than veterans who get just general services. Trainees who receive assistance when they are trying to make decisions about what training to go into do better than those who are just left on their own to make their choices.

And interim results, as Ranking Member DeLauro mentioned, from the WIA Gold Standard strongly suggest that those individ-

uals who have access to staff-supported services, coaching and counseling, intensive services, do better than those who just get core services.

The third point is that comprehensive and integrated models work well for youth. We have a number of evaluations that have been done for youth. Sometimes the findings are not as positive as for adults, but we are beginning to learn more. Youth programs with the most positive outcomes are those that have comprehensive, integrated services, including education, occupational training, counseling, and support services. And there are a number of them in my testimony.

The fourth point is that public investment in training appears to fill an important gap, because most training in the U.S. is conducted by the private sector, but much of that training goes to the midlevel and higher-level employees. So the public sector can step in where the private sector does not provide as many trainings.

There are seven ways that one might expect the law to improve the system; I am not going to go into all of them. But it is much more demand-driven, which is what we would say from the research makes sense. Second, WIOA allows more flexibility to the State and local governments in service delivery. Third, WIOA calls for aligning education, economic development, voc rehab, and employment services, along with joint planning and reporting. Fourth, the performance accountability system we already heard about is much improved. Hopefully, there will be improved data. And, finally, a point that is very important is that WIOA emphasizes evaluation and evidence to continue to build evidence about what works.

Thank you, and I am happy to answer any questions.

[The information follows:]

Statement of

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before the

Committee on Appropriations,

Subcommittee on Labor, Health and Human Services, Education, and Related Agencies

United States House of Representatives

hearing on

PREPARING THE WORKFORCE

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*The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders.

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Chairman Cole, Ranking Member DeLauro, and members of the Committee: I appreciate the opportunity to testify before you on the workforce development system and job training. My testimony is based on research and evaluations conducted over the years, along with my recent experience as Chief Evaluation Officer at the U.S. Department of Labor for five years. The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders, or to the Labor Department. I will focus on two questions: What works in job training? And, how might the Workforce Innovation and Opportunity Act (WIOA) which replaced the Workforce Investment Act in 2014, change the workforce development system?

The nation's public workforce development system is a partnership of federal, state, and local governments charged with providing employment-related services to two customer groups: workers and employers. Through more than 2,000 local One Stop Career Centers, the system operates a free labor exchange nationwide, offers job search and job matching services, and provides access to a range of services to improve the employability of Americans, including training. The goal of the system is to help anyone find a job, especially the unemployed and underemployed, dislocated workers, and veterans. Veterans and their spouses must be given priority for all services. Employment services and job training are also provided to workers with disabilities, older workers, youth and other new workers entering the job market, and people lacking skills that employers in their community demand.

In addition, since its establishment by Congress in 1933, the workforce development system is regularly called upon to mobilize during economic recessions and in local areas where unemployment rates or economic dislocation is particularly high, to facilitate the processing of

unemployment insurance claims, administer transitional or subsidized jobs when authorized, retrain workers whose regular occupations or industries have disappeared, and assist workers, communities, and regions affected by disasters.

Job training is, therefore, just one of many activities in the nation's workforce development system.

What works in job training? Evidence from evaluations suggests four points.

Training connected to work has the most positive evidence.[1] Not all training is the same, and not all training, whether public or private, is effective, but considerable evidence from evaluations over many years shows that the most effective type of job training is that which is connected directly to work, rather than "stand alone" training not aligned with jobs in demand. Several formal evaluations have found positive impacts on earnings and employment from work-based and work-integrated training models, including registered apprenticeships with particular employers, sectoral and industry-specific training, career pathways, and on-the-job training where a subsidy is offered to employers for a portion of wages for a set period (e.g., six or nine months). Findings from recent evaluations of integrated education and occupational instruction also show promise.

Counseling and customer-focused career services are important. Several different evaluations suggest that the types of intensive services offered in One-Stop Career Centers are important for job seekers and trainees. Veterans who receive assistance from specialized staff

[1] U.S. Departments of Labor, Commerce, Education, and Health and Human Services, "What Works in Job Training: A Synthesis of the Evidence" (Washington, DC: U.S. Department of Labor, 2014).

have better employment outcomes than veterans who receive general core services.[2] Trainees who receive assistance in selecting their training do better than those who make their own choices without any career coaching.[3] And interim results from the WIA Gold Standard evaluation find that individuals who have staff-supported services, such as workshops and counseling, available to them do better than those who have access to only basic self-service resources.[4] Similar findings about the importance of student supports are coming from evaluations of community college programs.[5]

Comprehensive and integrated models work for youth. Youth, especially those out of school and not working, are much more challenging to serve than adults. Fewer formal evaluations of job training for youth have been done than for adults. However, growing evidence indicates that the programs showing the most positive outcomes for youth have a comprehensive set of integrated services, including education, occupational training, counseling and support services. Residential models such as Job Corps[6] and National Guard Youth Challenge[7] have been found to increase employment outcomes. Comprehensive programs, though, are costly, limiting the number of youth who can be served. As with adults, there is evidence that industry-focused training is important for youth. Career academies, for

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[2] U.S. Department of Labor, Chief Evaluation Office "Women Veterans Who Get Employment Services for Veterans Specialists Earn More," Evaluation Snapshot 4/24/2015 (Washington, DC: U.S. Department of Labor, 2015).
[3] Mathematica Policy Research, "Larger Training Awards and Counseling Improve Cost Effectiveness: Long Term Impacts of Individual Training Accounts" (Washington, DC: Mathematica Policy Research, 2012).
[4] Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastri, and Ronald D'Amico "Providing Public Workforce Services to Job Seekers: 15-month findings on the WIA Adult and Dislocated Worker Programs" (Princeton, NJ: Mathematica Policy Research, 2016).
[5] Theresa Anderson, Lauren Eyster, Robert I. Lerman, Maureen Conway, Ranita Jain, and Marcela Montes, *Implementation of Accelerating Opportunity: Final Implementation Findings with Lessons from the Field* (Washington, DC: Urban Institute, 2016).
[6] Peter Z. Schochet, John Burghardt, and Sheena McConnell, "Does Job Corps Work? Impact Findings from the National Job Corps Study," *American Economic Review*, 98 no. 5 (2008).
[7] Megan Millenky, Dan Bloom, Sara Muller-Ravet, and Joseph Broadus, "Staying on Course: Three Year Results of the National Guard Youth ChalleNGe Evaluation" (New York: MDRC, 2011).

example, where high schools prepare students for particular industries and sectors, have positive and long-lasting impacts on labor market outcomes, particularly for young men. And recent reports from the YouthBuild evaluation find positive impacts of that industry-based comprehensive model.[8]

Public investment in training fills a "gap." Most job training in the United States is provided by employers. Public funding on training comes mainly from the federal government, although some states invest considerable resources in training, usually in tandem with the federal funding. One Urban Institute study conducted several years ago, but that probably still holds true, estimated that the private sector spends two to three times as much as the public sector (federal and state combined) each year on training.[9] Training at work is clearly important, especially for company-specific purposes. Surveys indicate, though, that employer-provided training is more likely to go to more-educated and higher-level workers. Higher educated and higher paid employees are twice as likely to receive employer-provided training as lower-level and less-educated workers. The 2016 Training Industry Report's recent survey suggests more than 60 percent of those receiving training by employers are executives, managers, and other "exempt" employees.[10] The public workforce system's very limited funding only allows serving a small fraction of the 150 million or so workers in the nation. The public system also tends to serve smaller businesses and newer businesses by identifying available workers and training them, because many of those businesses do not have the resource levels that larger, established companies have. Thus, the public system is training

[8] MDRC, "Building a Future: Interim Impact Findings from the YouthBuild Evaluation" (New York: MDRC, 2016).
[9] Kelly S. Mikelson and Demetra Smith Nightingale, "Estimating Public and Private Expenditures on Occupational Training in the United States" (Washington DC: Urban Institute, 2004).
[10] "2016 Training Industry Report," *Training Magazine*, November/December 2016, accessed March 26, 2017, www.trainingmag.com.

workers who might not otherwise receive it—namely, those with middle and lower skills and wages, and providing training for businesses that might not have the resources to do it on their own. However, the system is constrained by very limited funding in reaching all workers and businesses that could use the services.

How might WIOA change the system?

WIOA reinforces many of the evidence-based approaches just mentioned. WIOA continues some basic parameters of WIA, such as the emphasis on universal services to both job seekers and employers, and requiring that veterans and eligible spouses receive priority of service. The law also includes provisions and changes that should improve the workforce development system and continue to build evidence about "what works":

- *More demand-driven.* The full range of work-related evidence-based training noted above is allowable under WIOA. Local workforce boards are now required to develop industry or sector partnerships to improve the connection between job training provided and skills that are in demand by employers. WIOA also explicitly endorses the most evidence-based approach by recognizing the importance of workplace training, including endorsing registered apprenticeship with specific employers, increasing the subsidy amount employers can receive through their participation in on-the-job training, and expanding the support of work experience for youth.

- *More flexibility in service delivery.* Rather than requiring a sequence of services before offering training as was the case under WIA, WIOA allows staff to work with customers to develop the most appropriate plan, including training. The redefinition of core and intensive services also reinforces the importance of the client-focused services and assistance, while allowing states and local boards to use sophisticated electronic information tools for those preferring self-directed services.

- *Alignment of workforce development and other systems.* WIOA aligns workforce development, employment services, adult education, economic development, and vocational rehabilitation. The joint federal guidance is sending a clear message about the importance of alignment and partnerships.

- *Revised performance accountability requirements to improve results.* The new performance measures apply to the entire WIOA system: workforce development, adult education, employment services, and vocational rehabilitation.

- *Expanded public access to data about the performance of training programs.* The latest federal guidance indicates new consumer tools will be available to compare training programs so workers can make more informed decisions about their options. In addition, WIOA calls for federal funding to states to create and improve longitudinal data systems, an investment that is critical to better track program performance and outcomes over time.

- *Increased services to individuals with barriers to employment.* WIOA increases the emphasis on both job training and serving those with barriers to employment, who often require supportive services such as child care, transportation, and referrals to other services in order to succeed in training. WIOA shifts youth funding to devote more focus on out-of-school youth than in-school youth, who may have other programs and resources to help them. The shift is in keeping with the WIOA priority on those with barriers to employment.

- *Increased emphasis on evaluation and evidence.* Several provisions in WIOA specifically require formal evaluations so federal agencies and states can test the effectiveness of strategies and approaches, including career pathways models that can train workers in health care and early childhood education occupations, strategies for expanding gender equity in occupations, including nontraditional job training, and tests of other promising approaches to improve outcomes. Adding to the knowledge about effective

programming is critical, and WIOA's future evaluations can make a major contribution about "what works."

The challenge under WIOA will be how to achieve better participant outcomes and program performance, increase services to those with barriers to employment, strengthen performance accountability, increase cross-agency integration, and meet the skills needs demanded by employers. The law provides the framework for doing so and with appropriate funding the system could gradually recalibrate to meet the mandates in the new law.

Mr. COLE. I want to thank all of you for your testimony and thoughtful points that you made.

Let me begin and pick up actually on something Dr. Nightingale mentioned but you all touched on in different ways. And I would like to just address this to all three of you, but we will start with you, Dr. Nightingale.

Incentivizing the private sector to make these investments is an interesting challenge. And we give tax credits for research and development. We have made those permanent recently. I don't know why we don't do the same thing where workers are concerned.

My dad was a career Air Force guy, but he was a very skilled technician. He worked on airplanes. And then when he left, he went to a work to an air depot, largest one in the world; continued to do that in Federal employment. All along the line, he got training. I mean, they would have breaks and—because new aircraft were coming or technology changed. He started in a prop Air Force and ended in a supersonic jet Air Force, and the skills to maintain different planes were very different.

So, you know, they understood the incentive in both the Air Force and then the civilian defense establishment of constant training. What do we do to get other employers to do exactly the same thing, just to invest back in their own people?

Ms. NIGHTINGALE. Well, I would say, you know, we know from the research that the majority of the training in the U.S. is done by the private sector but that it is not targeted to the lower-skilled workers. So there could be incentives.

We have a range of tax credits for hiring certain workers, depending on the economic cycle that we are in. Sometimes employers are interested in that, and sometimes they are not. I think emphasizing apprenticeships is a way to encourage the partnership between the public sector and the private sector to invest more in training.

As Ranking Member DeLauro said, some of the newer research that has been done by researchers at Case Western and the Department of Commerce are estimating that the return on investment from Registered Apprenticeship, which usually will be at the lower ends in the job market, pay off to the employers within a year or two.

So we think that there are ways—certainly, other countries over the years have had training taxes, a tax pool or a tax fund that employers would pay into. But, you know, I think that there is more that we could do with tax credits, but it should be targeted at the lower end, which is where the businesses are not investing now.

Mr. COLE. Ms. Baird.

Ms. BAIRD. You make a critical point, because if employers aren't invested in this, the training won't lead to great jobs for people and won't achieve any of our objectives.

You are also probably familiar with the research that has shown that almost half of the Nation's employers say they can't find the skilled workers they need. So people are aware of the problem and are feeling really constrained in their growth because they can't find the workers they need.

I think tax incentives are very much something to look at, but I also think that you should consider the possibility of using industry associations in communities to provide some of the support that employers need.

If we are going to shift particularly small and medium-size businesses, who, as we all know, are the job creators, as I said—that is where most new jobs come from. If we are going to shift their capacity to hire people based on skills, they are going to need support.

And their local trade associations are a great place to start. So, in Colorado, we are working with the Colorado Advanced Manufacturing Association. They brought in the employers that we worked with and provided support to identify the skills that are needed for the jobs.

And you might say, "Well, why would employers want to work together? They are competing with each other for the same jobs." But, in fact, most employers recognize that if there is a skilled workforce everyone benefits, and they will hire each other's workers, but the overall workforce will be stronger.

In addition, government data is really important for businesses to engage more, because they need to know what skills the workforce has. They need much more transparency into what the educational programs provide. There have been some efforts in the country to require—and the State legislatures to require educators to make transparent what kinds of jobs people go into after they have gone through their programs. We need much more transparency like that for job seekers as well as for businesses. But for businesses, it will help them know which programs to look to to get the workers that they need.

So there is a great deal that we can do. And I would encourage you to think about it in terms of what are the things that will cause tipping points in the system. And I think these are some of the ones that will.

Mr. COLE. Mr. Besharov.

Mr. BESHAROV. So everyone has made valid points. Let me try to take it a slightly different place.

The question first is, why are these businesses not investing as much as they used to in your day? And the reason is your dad today would be looking around at other firms to get a job and a better paid job. So most economists who look at this say the incentive for firms to invest in their own people is lower today than it was in the past. Because unless it is a very firm-specific skill—how to take apart this particular piece of equipment—the more training you give someone, the more that person has other opportunities someplace else.

And that is why, when we talk about the public getting involved here, it is to deal with this problem of the lower incentive—not a zero incentive, just a lower incentive for businesses to be involved.

The second thing I would say is globalization, for whatever else we want to say, puts a damper on the desire of firms to train our own people. There are some jobs no American will take. We are talking about immigration. So that is 27 percent of all American doctors—27 percent of all American doctors born and trained

abroad. A higher percentage of American nurses born and trained abroad. Now, there is a skills mismatch for you.

And that is because we have, in this country—this is another problem I want to bring up—a "wrong pocket problem." We need our one set of government agencies to train folks; we need to invest in medical schools. I am taking an example at the extreme. We don't do that. We don't train our people for those kinds of jobs, and we have to import them. Think about that for IBM and GE and so forth.

So then the question is, how do you deal with this? How do you fix this? If you subsidized the firms the way we are trying to do, the first problem you have is you end up buying out all the training they are already doing, which is to say they will substitute. "Oh, yes, we will follow this grant, we will file for this." And we will end up—the Federal Government will end up paying for the training that they were already going to provide. So you have to get over that hump, as well.

I think that is why the big movement is what your public opinion poll showed. I think the workers——

Mr. COLE. I am going to have to be strict on me, or I won't be able to be strict on anybody else. So, with that, we will come back to this topic, but thank you very much.

The gentlelady from Connecticut is recognized.

Ms. DELAURO. Thank you very much, Mr. Chairman.

And thank all of you.

Ms. Baird, based on your experience with Skillful, that program, you have built a body of knowledge on how to engage businesses, what the workforce staff need to be successful and place workers in these in-demand jobs.

I think the issue that Dr. Nightingale made about who is being trained is an upper level. From your testimony, we are looking at 70 percent of people in the U.S. who do not have a college degree. So how do we craft our training to deal with this 70 percent? You have a model.

Let me just ask about—we do business here at the Federal level. What should the Federal Government be doing? What is the role that we should play?

I will mention that TAACCCT program, because that got to precisely what you were saying. It brought industry and community colleges together to develop a curricula that would meet their needs. That occurred from 2011 to 2014, with $2,000,000,000—$500,000,000 a year—of mandatory dollars. It no longer exists. It was not authorized, and we are not quite sure where we are going further in how we try to proceed along that way.

Should the Federal Government be playing a role?

Second, programs that we should be taking to scale. What is it where we should put our investment, when we are looking at what people talk about here as limited resources? What is best to achieve the goal that you have all laid out here, getting at those folks with low skills, no college degree, and nowhere to go?

Ms. BAIRD. Thank you.

I think it is really important for this committee to recognize that for decades we have been telling people, "Go to college, get a 4-year

college degree, and you will succeed," and that for decades has not worked.

So it is great for people who can get a college degree, and it is obviously important that we continue to have a broadly educated society, including at the top end. But let's just recognize that 70 percent of Americans, almost 70 percent of Americans, do not have a college diploma. That has been true for decades. So we have been giving them the wrong message.

But what we can do is to take the resources that we are now using and to expand the programs that are acceptable for using those resources and to base it not on seat time but on skills developed. And if you did just that, the Federal Government could be transformative.

There is much more that needs to be done at the Federal level, but if you took the programs for veterans, the Pell Grants, the full range of programs that exist and programs like the one you mentioned that actually matched employers with community colleges, and if the spending of the Federal Government was supercharged around this notion that almost 70 percent of Americans need the entree into the digital economy—it is urgent. They are feeling despair, and they feel the Federal Government is not their partner. And these programs can be used to make the Federal Government their partner.

In addition, the investments in workforce centers that the Federal Government makes is critical. That investment ought to be focused on making sure that people really understand what the growth jobs are in their local communities. Through workforce board strategies, it ought to be focused on professional development so that the coaches and workforce centers are able to use the multiplicity of online tools that exist, are able to get access to the best data and information.

And, in addition, if you have an infrastructure bill, that is a place to really look at the training equation. And I haven't really heard this discussed much, but we don't today have the trained workforce to do the jobs that an infrastructure bill would require, let alone the jobs that would be needed thereafter as that falls off for people.

Ms. DELAURO. Tell me, how important was the existence of a public structure, the American Job Centers, to Skillful's success in Colorado?

Ms. BAIRD. In Colorado, both the commitment of the State government and the Federal job centers was essential. The fact that—I mean, we worked from the bottom up with the coaches as well as more broadly, and the fact that those job centers existed has been critical.

Ms. DELAURO. Uh-huh. So if we expanded that model and worked in conjunction with a business, industry, et cetera, that we could strengthen that, and that would add to the ability to take a program like yours——

Ms. BAIRD. Right. The Colorado Workforce Development Council was really essential, and that integration is really important.

Ms. DELAURO. Thank you very much, Mr. Chairman.

Mr. COLE. And thank you.

Obviously, the demands on the ranking member of the full committee are always great, so we always go to her next. She may not be able to stay, so the gentlelady is recognized.

Mrs. LOWEY. Thank you very much.

And I thank you for your testimony.

I have been a real supporter of apprenticeship programs and community colleges, as I mentioned before, because especially our hospitals find thousands of jobs that they can fill.

I don't think I heard and I don't think I read in your testimony any reference to vocational education in high school. I know we would love everyone to go to college, and every parent wants their child to be a doctor or a lawyer, not a Congressperson, but——

Mr. COLE. Especially these days.

Mrs. LOWEY [continuing]. I find it interesting that none of you mentioned voc ed programs in high school.

I know when I talk to a plumber who comes to the house, not every youngster has to go to college, even though their parents would like them to. And they are having a terrible time, whether it is electricians or plumbers, et cetera. And, boy, their hourly wage is pretty high.

Could you comment on that? Do you know successful voc ed programs? Could you comment further on apprenticeship programs following up on the voc ed——

Mr. BESHAROV. So I am a graduate of a vocational high school.

Mrs. LOWEY. Where?

Mr. BESHAROV. Brooklyn Tech.

Mrs. LOWEY. I went to Bronx Science, but it wasn't a voc ed—

Mr. BESHAROV. No.

Mrs. LOWEY [continuing]. And neither was Brooklyn Tech.

Mr. BESHAROV. Well, we had shop and we had all these other things.

Mrs. LOWEY. Well, so did we, but——

Mr. BESHAROV. It is a challenge. If you go to some of the communities that we are most worried about and you tell them that the future for their children is a blue-collar job, they are not real happy. So, at the local level, there is a challenge for getting school systems to expand voc ed. And it is just a real challenge. It is going to require some education to say that a lot of plumbers make more money than a lot of lawyers.

So I think that is the challenge. And probably we didn't talk about it too much because of your committee's jurisdiction, but it is important.

But I see that Demetra wants to say something.

Ms. NIGHTINGALE. In the interest of time, I skipped over a really important piece. Because we do have some very positive evidence from career academies, which you also mention. And those can run the whole gamut of occupations and industries.

And we are continuing to test, doing rigorous demonstrations to see if new models of career academies, in fact, also are showing positive impacts for the young people who are going into them.

So there is a model that could be expanded in its career academies, which you also mentioned.

Mrs. LOWEY. But can you tell us more about the career academies? Where is it working, and how does it function?

Ms. NIGHTINGALE. Yes. And the other example, which is in the trades area, is YouthBuild. And we have some positive evidence coming out of rigorous evaluations of the positive earnings impact and employment impact for young people who are going through YouthBuild, which is all in trades.

So the career academies, where they have worked with particular occupations, whether it has been in manufacturing, finance, some in technology, health care over the years, at the Labor Department they are currently evaluating several models that partner with high schools and training institutions to continue after high school, if necessary, to move into those occupations.

So there are reports, and I would be happy to send you some material from those.

Mrs. LOWEY. I really would—yes?

Ms. BAIRD. I was just going to add very briefly, I agree that Youth Build is a model really worth looking at. And they are looking also at how to move from construction to digital economy jobs, which I think is important.

In addition, in Colorado, they have begun an apprenticeship program based on the Swiss model, and it is very, very interesting. The employers are committing to take apprentices for 3 years, a 3-year commitment. And the students are in high school part of the week, in job part of the week, and then they go into the community college for the other part of their training as they move out of high school.

And it really is looking very promising. And there are some companies, like Pinnacle Insurance, which has taken 20 apprentices. You know, so some companies are really throwing themselves into this as a way of trying to see if they can find an alternative career path for young people.

And the more we have these kinds of programs and the more we are able to make the data transparent—again, the Labor Department data being really important—the more we will be able to create equal dignity and respect for these other pathways, to the point being made about how much money people can make on these other pathways.

Mrs. LOWEY. Thank you.

And thank you, Mr. Chairman. Maybe we will take a field trip to Colorado.

Ms. BAIRD. Great.

Mr. COLE. There are worse places to go.

With that, based on the order of arrival, the gentleman from Tennessee is next up.

Mr. FLEISCHMANN. Thank you, Mr. Chairman.

And I wish to thank this distinguished panel today for coming before us.

A few years ago, I realized that our great State, Tennessee, was booming. We were attracting new businesses. We were retaining businesses. It was growing rapidly. And I heard time and time again from employers that we have hundreds, if not thousands, of jobs to fill, and we can't fill them. So I sat down with my staff, and I said, how do we address this in terms of workforce development?

And it was one of the most important endeavors, I think, I have taken on in my congressional career. And I have some questions in that regard, but a few things that I think we all can learn from:

First and foremost, I think when we go into a vocational school, I think it is important to recognize the men and women who have these outstanding skill sets.

I sat with a gentleman after he showed me how to change rotors and change oil, and I told him that I was just so impressed with his skill level. And he told me—he was in his 20s—no one had ever taken the time to tell him that he was special and that he had a great skill. But he did, and he does.

And these schools have 90-plus percentage employment success. So I think it starts then. And, as Members, we go back and we talk at their graduations and things like that. So make sure that we give the proper praise to these men and women because their skill set is so important.

The other thing we need to do is get everyone in the room. We got business leaders, civic leaders, yes, even labor leaders to come into the room and sit and talk. There were competing employers—I think you have touched on that—that sat at the table. They wanted result-based workforce development. We had a great dialogue. I think it was so critically important.

Recently, we had Microsoft come into my district, and I had one ask for them. I said, come into the inner city in Chattanooga, because we have a large underserved inner city. We went to the Howard high school, which is a tremendous high school in Chattanooga, traditionally an African American school, in the inner city. The potential there was just incredible. The community knows that. Microsoft knows that now.

Then we went to see second-graders at another inner-city school, and guess what? They were teaching me how to code. Computer science literacy is so, so important.

So it is all of the above, getting everybody in the room, leaving politics, I think, at the door. That is so important. But we have a long way to go, and I am solicitous of your thoughts as to how we can get there. Because those jobs are there and need to be filled.

With that and in the interest of time, I am going to ask a couple of questions, if I may.

While improvements made by WIOA attempt to better focus the workforce development dollars, it is clear that other programs within the Departments of Education and Labor are meeting workforce needs. What can be done to better target funds to ensure programs adequately address the skills gap by preparing individuals for the jobs that are actually available in their region?

I am going to ask you that question, and then in the interest of time I have one question, so I ask for a relatively brief response.

Mr. BESHAROV. Well, I think key to that is the job centers, as we have talked about before, but they have to be energized. And I think there is a tendency for those job centers to not get the incentives that they ought to have to be aggressive about this.

And so I may be the only one on this panel—I am not sure—who thinks that you could have a pay-for-performance approach to those job centers. Let them get a reward for doing a better job. Let's think about the way we run the whole rest of our economy and give

them the benefits if they do better placing young people—or older people.

Ms. BAIRD. One thing we haven't talked about much but you may relate to is the potential for improving the efficiency of these centers, the coaches, the interface with business, through data and technology. They really are not as equipped as they should be to use knowledge through data and to use technology to provide services. So you find people coming in looking for online courses they can take to get certificates, and you don't have the online capacity to search for that as a career coach.

The other thing I would encourage you to think about is, when you go back to your district, if you are the convener of businesses, the trainers, the job centers in your community, and you get them to create a skills outcome-based strategy for the community, you could have a tremendous impact and cause the leadership to develop. And if everyone on this subcommittee did that, it would get noticed.

Ms. NIGHTINGALE. If I could just add one point, that the WIOA really does call for improving data and the quality of data for decisionmaking. And this will include consumer tools, hopefully, that are currently being developed to allow consumers to make better decisions about the results of different training providers, because some training providers, as we have said, are good, and some may not be as good.

So one way to improve the connection between the training and the jobs is to up the quality of all training. And by using data labor market information, that is one way to do it.

The WIOA also is calling for——

Mr. COLE. We are going to have to hold there.

Ms. NIGHTINGALE [continuing]. Continuing Federal funding for the longitudinal data systems, which could make a difference.

Mr. COLE. Thank you very much.

We will go next to my good friend, the gentlelady from California, Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. Thank you, Mr. Chairman.

And thank you very much for being here.

Much of your testimony really supports what I am being told by businesses in my own district that say they can't find workers and many times have to train somebody in order to fill certain jobs.

Before I ask my question, I just want to go back to the point that was made about parents being unhappy to hear that their children don't need to go to college, that there are other jobs where they can make more money. And I think that, in order to address that issue, we really need to look at it from a historical perspective and why it is that parents feel that way.

Now, I was born and raised in a poor, working-class, minority district. And even going back to my parents, when they were in school and when I was in school—elementary, high school—we were never told that we should go to college. Most of the kids in the community that I grew up in were put into shop and made to feel less and they were failures.

And so the thinking, then, of a lot of parents was that if your son or daughter went into one of the areas of skilled—shop, secretarial—that they were then failures and that the only way their

children could be successful was if they went to college. And so I think that is the kind of stigma that we are dealing with.

And even when we are talking here about these workers and being able to get them trained to go into these trades, we are referring to them as low-skilled workers. And I think something that has to change is that we have to elevate those workers—maybe they have a degree in, you know, whatever it is that the area of expertise is—and stop talking about it in terms of low-skilled workers going into the trades, but to elevate it so that there is a sense of pride in not only the person who gets that training but in the family themselves to be able to say, yes, my son, my daughter, they are plumbers or whatever, the same way that you would do if they say you graduated from college.

And, quite frankly, you can graduate with a B.A. Or a B.S. And have no skills whatsoever to get a job. But if you are a plumber or you have training in electricity, you are much more employable than somebody with just a B.A.

The question that I have, Dr. Besharov and Ms. Baird, is that you spoke about the decline in skills mastery among our country's adult population. And, as you know, while other nations are consistently improving their adult basic education levels, Americans have stagnated in their literacy, numeracy, and technological problem-solving skills. And in spite of this, the administration's skinny budget is silent on adult education programming, or title II.

I am trying to skip through this because I have a lack of time here, but one of the things that concerns me is that there is a proposal of a 14-percent cut to the Department of Education, which could devastate the reduction in services that are likely. Thus, we have discussed opportunities for workers who have a high school education but no post-secondary education, but many of my constituents don't even have that.

What is the value of the Federal Government investing in adult basic education? And in order to maintain America's global competitiveness, what improvements do you recommend at the Federal level for adult basic education?

Mr. BESHAROV. Wow. And I have 51 seconds.

First of all, I concur with everything you said about families and college and blue-collar. It is a giant problem. And for that, we are going to have to have a much larger public education program about where opportunity is in this country.

As I tried to suggest, our labor force problems start in K–12. And what we are talking about are people who go through elementary and secondary schools without the skills that young people used to get 20, 30 years ago. And there are many explanations for that. If I had more than 13 seconds, I would start with parents, because it is a family problem as well as a social problem.

The Obama administration spent billions of dollars trying to improve the school systems of this country; the Bush administration before, and going all the way back to President Reagan and before that.

I don't think we know the answers. If you notice, all of us here say, "It is promising," "This might work." And I think that is the way we should approach these issues, keeping an open mind.

Now, I want—and to be very direct, one of the issues we have in Latino communities is so many people are not authorized, that it is extremely difficult to persuade them to go to college, because there are no white-collar jobs if they are not legally in this country.

So the issues are layer on layer on layer. And I encourage you to think about these things—and I know there is politics in this building and have to be, but sometimes the solution is over here even though the problem is over here.

Mr. COLE. Thank you. We don't allow politics on this subcommittee. Don't worry about it.

Now I want to go to my good friend from Maryland for a minute, Dr. Harris.

Mr. HARRIS. Thank you very much.

It is a fascinating subject, and I find I agree so much with what has been said, particularly about, you know, the need for vocational training, and we kind of de-emphasize it.

And, look, I am obviously the benefit of college education, but, you know, Professor, you actually bring up a good point; we import a lot of physicians. And yet I know a lot of people who could have gotten into medical school, would have made great doctors. And you know, actually, the predictability of who makes a good physician and who doesn't, you know, it doesn't correlate with the MCAT that much.

But let me go back to something that you say in your testimony, which I think is very important and I would like all the panel to comment on, which is, you know, the horse is kind of out of the barn on a lot of these people. And why do I say that?

Back when I was in Maryland and we talked about class-size reduction, you know, we brought up the Tennessee STAR study. Fascinating study. Shows that if you can't read by the third grade and you don't do well in algebra in the eighth grade, you are behind, because you haven't learned—think about it. I mean, we are talking about adult education, but if someone can't read well, you know, this is a problem.

And it originates in K through 12. It actually originates in K through 8. If you can't process mathematically because you never had an algebra course and didn't learn, you know—and, you know, everybody hated algebra because it made you think, actually. It actually trained your brain how to think.

And, you know, we talk about, well, the solution is community college. I talk to my community college presidents, who say the problem is everybody needs remedial—you know, not everybody—half the people need remedial education just in order to attend the college. Our failure begins way before, you know, the job training programs.

So how do we reverse what is—and, again, Professor, your point, you know, 50 to 64-year-olds, yeah, they—on that PIAAC measure or whatever, however you pronounce it, they do well. Yeah, because when they went to school, you actually had to know, you know, what two plus two was, and you had to do algebra, and you had to read, you actually had to read.

How do we do it? I mean, how do we go back to give people—I am talking about the future generation, not the 50-year-old who now has to be retrained. But how do we prepare our young people

for a lifetime of having to retrain themselves and acquiring these very basic skills, which I think you acquire, actually, in grade school? I think the foundation is in grade school, and our grade schools are failing.

You know in our State, if you go to a Baltimore City public school, sorry. You know, you can create all the job training programs down the line, but you are not going to do as well as someone who goes to school in—fill in the blank—Japan or someplace in the United States.

If the panel could comment just on that aspect. What do we do in grade school?

Ms. BAIRD. I will jump in first.

I think it is really important not to consider it to be either/or. There is no question that we want our K–12 system to work better, but I went to a school in rural Washington State which wasn't so hot, and my dad said to me when I was in high school, "You better learn to type in case you need to work." A lot of sexism in that comment, but I won't go further. And I figured it out afterward, you know?

And I think we need to appreciate that we can't wait until we fix the K–12 system to provide the right opportunities for people who are coming out of high school. So we are very focused on that middle-skill individual who has a high school diploma, maybe some college but no college diploma.

But we have also gotten off—with this notion everyone should go to college and get a 4-year bachelor's degree, we have also gotten off of investing adequately in really good career and technical education.

And let me just close with a description of what these jobs look like. These jobs are not just welders and electricians and plumbers, as we have talked about. These jobs are ultrasound technicians, radiology technicians. These jobs are computer user-support specialists, software quality assurance.

You know, these are great jobs with great titles and great career paths, because if you get into these jobs, then we can maintain additional skills training thereafter. We have an example on a video we did, which you could look at on our website, a 3-minute video we did with Microsoft, which shows a female FedEx truck driver——

Mr. HARRIS. If we could just—I would just like to hear from the other two folks on the panel.

Ms. BAIRD. I am sorry. OK.

Mr. HARRIS. Thank you.

Ms. NIGHTINGALE. If I could just say—I am talking about individuals who come out of high school, because that is what I do most of my research on—we have some positive information from research on the importance of new instructional models that combine education—and maybe remedial education, but basic education—with occupational training in the community colleges. So that is one way.

And then other things at the community-college level: accelerating the programs. Because what happens is a lot of people don't make it through the training programs either because they need remediation or because it is going to take too long.

And so we have some good research coming out about the importance of those kinds of models.

Mr. BESHAROV. If I could, one sentence—I know the time is up.

We need to energize this system. And I think the only way to do it is not through top-down regulations but through the market. And I just think that we have to let job training providers make a big profit if they are successful and not pay them if they are unsuccessful.

It is surprising, who does well in this world. You find someone and you say, wow, by every test you didn't make it, and they often do well. So I think we should unleash the market on helping these people.

Mr. COLE. Again, based on order of arrival, we go to the gentleman from Wisconsin, Mr. Pocan.

Mr. POCAN. Great. Thank you, Mr. Chairman.

And thank you to the panel.

There are a couple areas I would like to try to get to, so I will try to go fairly quickly. Ms. Nightingale and Ms. Baird both mentioned, kind of, the connection to work with training. And a couple questions around that.

One, some of my colleagues and I are working on a project around the future of work and the future of labor and the fissured workplace. And there was an article recently by David Weil, President Obama's Wage and Hour Administrator, that made the case that worker training has been hurt by this explosion in these independent contractors, permanent temps, and the creative staffing arrangements that we are seeing.

I think we were told by the Department of Labor last year that in five industries alone there are about 30 million people that are independent contractors, but they think there could be 70 million people, actually, who are independent contractors right now. So this is making it even more difficult when it comes to job training.

Could you just address that, especially in relation to the comments you made?

Ms. NIGHTINGALE. Yes. That is a great point, because the nature of the relationship between employees and employers is clearly changing.

And one thing that is happening, as I said, much of the training in the U.S. is employer-provided or at least based on the employment relationship between worker. So when you break that relationship, which is happening in a lot of places, whether it is through fissured arrangements within an industry or having contingent workers who are contractors, it eliminates that opportunity that previously would have been available through the workplace.

And on top of that, there are other things that also break away, like paid benefits, paid leave, the group health insurance, as well as the training. So it is the combination of things that means, as a public policy, we need to be considering new ways to define those benefits that previously had only and primarily been provided through the employer-employee relationship.

Ms. BAIRD. We did a survey with the Future of Work Initiative that Senator Mark Warner and Mitch Daniels are leading, and it was published in Time magazine, and it was a survey of employers on this question. And we found that well over 60 percent of employ-

ers prefer to hire full-time workers, and they are going to part-time independent contractors often because they can't find the skills they need.

So I think the problem we are talking about here is one where employers will be on the same side with people who want good, long-term jobs with all the benefits that were referred to. Employers want people that know their business, who will stick with them, and who they can retrain on the hard skills if they have the soft skills.

Mr. POCAN. Let me do a followup on that. Because you mentioned your father's involvement with labor, and, you know, I come from a labor background. And, you know, we had a recent fight back in the legislature to make Wisconsin a right-to-work State. And it was interesting, it was a coalition of 400 private-sector contractors came out against the change. And a large part of that was the apprenticeship programs that came from organized labor. They had great job training coming from the union and private sector in partnership through the apprenticeship programs.

And could you just address that, with the changing nature of labor, what has happened to that area?

Ms. NIGHTINGALE. Certainly, there is a lot of good evidence about the importance of Registered Apprenticeship. And Wisconsin is a leader in the Nation on apprenticeship. We know that a lot of businesses will use apprenticeship, whether it is formal Registered Apprenticeship or their own informal apprenticeship.

There are some real advantages to the Registered Apprenticeship concept, which would be: portability of the credentials across States; usually, there is union partnership in making sure that the standards meet that journeyperson level; there is agreement upfront about what the wages are going to be during apprenticeship and then wage progression afterwards.

And so that connection to, sort of, worker rights and worker standards as well as collective bargaining, I think, is an important part of what comes with the Registered Apprenticeship.

Ms. BAIRD. In our poll with Pew, we found that 45 percent of the people that we were surveying about their view of the state of jobs and job training felt that the decline in unions had hurt workers. And we think that a lot of that has to do with the fact that people saw that there were apprenticeship programs and union job training programs before that don't exist.

My own personal view is that the union should have a new line of business, which is to spread those programs to people who aren't members of the unions, because they really are excellent programs, by and large.

Mr. POCAN. That is happening. My union in Minneapolis—5 seconds—just became an officially registered community college in their apprenticeship program.

Thank you.

Ms. BAIRD. Very interesting.

Mr. COLE. I thank the gentleman.

The gentleman from Arkansas is recognized.

Mr. WOMACK. Thank you.

Thanks to the panel. So many questions, so little time.

I have a couple of theories. One—and I think Professor Besharov touched upon it briefly in his testimony, or in one of his responses, and that is the stigma associated with vocational-type education, particularly down in the lower grades.

And I also have a theory that, in some cases, our K–12 education system is not really doing a very good job of helping with coping skills, you know, just how do you perform in a working environment.

And another theory of mine is that we duped an entire generation of people into thinking their only pathway to success was to get a 4-year degree and good times will happen. I just believe that.

So here are my questions. What is the role of the Federal Government right now, in your opinion, very briefly, in helping people develop the skills necessary to move the economy and the jobs that are present today that don't necessarily require an academic degree of some type, a professional-type degree? What is our role?

Mr. BESHAROV. Limited. I mean, it is really important to say, we are 330 million people. It is a continental country we are in. And I hate to say this, but there are a lot of people doing a lot of things, many things very good. And so you can only do a certain amount here.

Also, the job market, as we speak, is changing. You know, we wouldn't have had this conversation 5 years ago. Uber had just started; now it is whatever-thousand drivers and so forth and so on. So I think what the Federal Government has to do is, as they say in sports, keep its knees a little loose. It has to go with change. It has to facilitate change at the local level.

Some of the advantages of WIOA are that it moves more of that decisionmaking to the State level and to the local level. So I would encourage saying we don't have all the answers here. What we want to do is maximize the framework so that local people make decisions for local conditions.

Mr. WOMACK. I am glad to hear you say that.

So can I also assume that you would believe that industry has a role in this entire process? I.e., if an industry requires robotics, if that is a key part of what their manufacturing process is all about, shouldn't we have that technology down in some of these grades where we are teaching some of these skill sets? Not, you know, first-generation stuff, but I am talking about the stuff that is out there today, the highest-quality-type machinery, shouldn't we have that down there in the teaching areas?

Mr. BESHAROV. Yes, but if you determine what it should be here, by the time you finish holding hearings, do legislation——

Mr. WOMACK. I get that is not a good idea. Totally understand that.

Mr. BESHAROV. So you have to create a system where someone at the county level—your program says, we have to do this. You, I think—I hate to say this—you have to facilitate the localities to do the right thing.

It is not just—I don't want to be wishy-washy here. It is not give them full freedom. I mean, if we gave the localities full freedom, they would steal us blind. So that is not the point. The point is, though, creating a system that encourages accountability but risk-taking at the local level.

Mr. WOMACK. I have another question, more of the academic sort, and that is: I think there is a point in time in a young person's educational curriculum—personally, I think it is around the eighth grade, but I am no expert—that we ought to be able, with some degree of certainty, be able to channel an individual maybe away from that college pathway and maybe direct them more to something that would be very beneficial to them and profit handsomely from it if we put them on some kind of a career and technical path.

What is that grade? Where should we be able to determine when a young person is more predisposed to industry and less predisposed to college?

Ms. BAIRD. I can't tell you when the grade is, but I can tell you, when someone is applying for funding to go to school, if they can't use it for an innovative program that is going to connect them with a job, if they can't use it for career and technical education, they can only use it for seat time in a community college or a 4-year college, then they are going to make the decision to opt for seat time.

And that is where you are finding people opting out of education altogether, because they don't want to spend the money on something that they can't see leading to a good job and a good career, but they don't want—they don't to get the loans and have the debt, but they don't know where else to go either.

So I think that is a critical point in time for Federal Government intervention, to examine the interventions we are making.

Mr. WOMACK. I am out of time. Thank you.

Mr. COLE. My friend has more confidence in our ability to influence eighth graders than I do.

With that, we will go to my good friend from Massachusetts, Ms. Clark.

Ms. CLARK. Thank you, Mr. Chairman, Ranking Member DeLauro.

And thank you to all the panelists for being here today.

I have a question for all of you.

Last year, I was proud to be the lead Democratic sponsor, with G.T. Thompson on the Republican side, for a bill that passed the House overwhelmingly that really looked at the Perkins Career and Technical Education Program and put in what we thought were some important reforms. But it stalled out in the Senate, mainly over concerns on the Secretary of Education's role.

And I think it did a lot of the things Dr. Nightingale referred to: these links to work, making sure we had private and public collaboration from the application process right through a needs assessment, and really worked on reducing what we still see as a leftover stigma that we have been referring to many times today, to show this is a great career path and really can help link our students with a job market and a flourishing career.

So my question for all of you, as we look at some of the concerns that we found in the Senate, is: Do you think—and I know, Mr. Besharov, you have talked about, you know, some role, limited role. But do you think that the Secretary should have the ability to require measurement of program outcomes, alignment with local market needs, and racial equity for programs that are asking for Federal funds?

Mr. BESHAROV. Go ahead.

Ms. NIGHTINGALE. If I could answer that, certainly, WIOA provides the framework for doing that, with alignment and strategic planning by both the workforce development system and the education system, which can include Perkins, as well, as well as adult education.

And part of that, I think, depends on having the appropriate performance metrics so that you can do that and, also, picking up on Ms. Baird's point, having up-to-date information on labor market trends so that that third piece of what you talked about, aligning to needs, is based on the best available data. And the Federal Government, I think, can play that role.

If the metrics are correct and if the data are available and if the agencies can actually coordinate and develop the strategic plans, then they also can be held accountable for those results. So it is a combination of having the right data and the right metrics to do that.

Ms. CLARK. Great. Thank you.

Ms. BAIRD. I would agree that your effort is a really critical tool and that if you can align the metrics with career outcomes as well as educational outcomes that that will make a tremendous difference in Perkins Act effectiveness and also the ambition to connect educational institutions and employers.

I believe that needs to be done systemically, not just one-off, one educator with one employer, because that will never be scaleable. But if a community, through the direction in the various Federal programs, has a collaborative like we do in Skillful, where you have the businesses, the workforce centers, the educators all creating a system in a State, that that is really essential for transformation at scale.

Ms. CLARK. And do you see it as an appropriate role for the Secretary of Education, to make those requirements, if we are using the right metrics, to have that requirement lie with the Secretary?

Ms. BAIRD. Yes, I think so, because these programs exist, the Federal investment is being made, and if it is not made with an ambition for the program that we think is going to be of value to the workforce, then we are not fulfilling the responsibility of the Federal Government.

Ms. CLARK. Mr. Besharov.

Mr. BESHAROV. Well, I think, for me, we have heard three times people say "the right metrics."

Ms. CLARK. Right.

Mr. BESHAROV. And you have heard me suggest this a number of times: The metrics change every year. And one of the problems is, when you establish metrics from Washington, it is extremely difficult to change them yearly, even every 5 years. So, yes, there should be metrics, but the right metrics, to me, are going to have to be much more creative.

I talked to a workforce development person last week, and he told me that they spent 2 years working on the regulations to implement the reporting requirements under WIOA. He said he has done nothing but that for 2 years. And I am saying to myself, oh, I want to know what you are counting and all, but I wish you had spent some of that time improving your programs.

So it is a balance. And I don't know anything about that legislation and where it was, but I would pass for, you know, a lot less data but more flexible data.

Ms. CLARK. Thank you.

Thank you, Mr. Chairman.

Mr. COLE. Thank you.

We will next go to my other good friend from California, Ms. Lee.

Ms. LEE. Thank you very much, Mr. Chairman.

Mr. Chairman, may I have a moment of personal privilege to introduce somebody?

Mr. COLE. You certainly may.

Ms. LEE. One of the individuals—or the individual who really is responsible for my being here as a Member of Congress is Chloe Drew, who works for Markle Foundation. But, also, I just want to say what a wonderful role model she is for young women. And she left California to go on to bigger and better things, but she is still someone who I love dearly.

And it is so good to see you here today, Chloe.

Ms. CLARK. She came from Massachusetts.

Ms. LEE. And from Massachusetts, that is right. Born in Massachusetts and family lives in Massachusetts. So we claim her.

So thank you. And it is good to see the work that you are doing now in continuing to, you know, really fight for social justice for everyone.

And, Mr. Chairman, I just want to preface my comments by using my own personal reference as a student in high school. My family was determined I was going to college, and the school was determined I wasn't. And so they continued to insist that I take nonacademic courses. And, of course, my mother, being a rebel that she was, said, no, no, no, she is going to take academic courses.

But, also, my mother said, "But you better take typing," she said, "because you better have a skill." So I won all the typing contests, and, lo and behold, typing is what got me this far, through college, as a single mom taking care of two kids.

And I share that because the importance of learning a skill and having a skill and vocational education in high school, regardless of what path you go into, is extremely important. And as a person of color and as a young girl—and, many times, now, still, young girls and people of color, students of color are still, you know, trapped and not given the opportunities to go into vocational ed or college track programs and should be offered both and should be told that both are valuable and you need to know how to work even if you want to go to school.

But getting a vocational education is incredible in itself, because you can, as Congresswoman Roybal-Allard said, get a good-paying job and take care of your family.

And so one of the sectors that we are working on as a member of the Black Caucus is TECH 2020, which is the tech sector. And by 2020 there will be 1.4 million new tech jobs. Seventy percent of these jobs will go unfilled. And a large percentage of these jobs don't require a college degree.

And so Congressman Fleischmann and I, we are trying to figure out a strategy to bring forth something for a $250,000,000 grant program for computer science for all. And I want to get your take

on how you see moving into the tech sector for young people in high school.

Because, again, looking at the diversity and inclusion issues, very few people of color are in the tech sector. And I represent the Bay Area, and Silicon Valley is next-door, and my constituents can't even get jobs there for a lot of reasons, and they are highly qualified to do that.

Ms. NIGHTINGALE. I would just second your concern. And I also grew up in Massachusetts, and as a junior in high school, I always did very well on math and science in my testing. And the guidance counselor said, oh, you probably should be a teacher or a journalist, which are fine occupations, but I had wanted to do something more technical, but I was discouraged. Eventually, I made it.

But we know that introducing young females as early as a possible to STEM and technology occupations can make a difference and that some of the research that has been done shows that when you ask young people, whether they are males or females of any race, at very young ages they are optimistic about they are future. It is somewhere around middle school when it changes, and especially for young girls. Their horizons sort of narrow unless they have the coaching, the support, and the exposure necessary through tech programs, STEM programs, gender equity studies, and the career pathways that are open.

And so having more introduction of those technological jobs, which Ms. Baird has also talked about, can make a difference for young people who otherwise may not have opportunities on their horizon.

Ms. BAIRD. I want to thank you for the reference to the magnificent Chloe Drew, from whom we have both benefited, and just comment that, as you think about this really excellent program, also think about the challenge that it is for people to see themselves in these jobs. Even if they get some of that training, they learn to code in elementary school or something, it is still hard for people to think of themselves in jobs that their parents or their neighbors don't do.

So the social media companies that are in your district could be enormously valuable in using those platforms. You know, 95 percent of people under 24 or something like that—my numbers aren't exactly right—have a smartphone. And everyone with a smartphone should be able to get a smart career. And they ought to be able to see what these careers look like as they are playing with their smartphone and see people who are doing these jobs.

So we have a lot of new tools that can complement this and have people of color, you know, as kids are playing with their smartphones, have them see other people of color, other women in advanced manufacturing, working as an ultrasound technician, doing IT-path jobs. And then I think they can relate to it and really capitalize on the education.

Mr. BESHAROV. I seem to always have 30 seconds, which is all right.

There is a provision in WIOA, which I think had bipartisan support, which allowed States to spend up to 5 percent of their funds on pay-for-performance contracts. And these are contracts I keep going back to; I am a Johnny One Note on this. These are contracts

that say to the training providers, if you don't succeed, we don't pay you.

Now, that had bipartisan support. It had strong support from the Obama administration, had strong support from at least some Republicans in the House and the Senate. That money is available at the State level to encourage the kind of risk-taking that you need to do in this. Otherwise, the system is—the young people you are talking about have to take out loans, and if it doesn't work, they bear the risk.

So this provision, which had bipartisan support, is something that I hope many people around the country will look at.

Ms. LEE. What is that? WIA? What was that?

Mr. BESHAROV. The Workforce Investment——

Ms. LEE. Oh, Workforce Investment—oh, ok. Gotcha.

Mr. BESHAROV. The new—I am sorry. WIOA and WIA.

Ms. LEE. Yeah. Gotcha. Thank you very much.

Thank you, Mr. Chairman.

Mr. BESHAROV. If your staff wants, I will be glad to send some material.

Ms. LEE. Thank you.

Mr. COLE. Just so that we can try to get another full round in, we will move to 2 minutes now, so we will try to get as many people as we can to ask a question. And let me start with myself.

I am not asking you to pick losers, but we always have to make decisions around here, so I am asking you to pick some winners. If you looked at the Federal programs that we have, knowing that they all can be improved, but if you had to pick out two, three, whatever, that you thought were particularly effective, that, you know, if we had extra money we should double down on, you know, I would like you to point us in that direction.

I am going to start with you, Dr. Nightingale, because obviously you have great expertise in this area.

Ms. NIGHTINGALE. Well, what many people have already said, I think, Registered Apprenticeship would be near the top of the list. There is a lot of good evidence on that. There is also good evidence on YouthBuild. And there is good evidence for continuing to invest in Job Corps.

So I think all of those provide opportunities for combining skills, education, and support services, which we think are the critical ingredients.

Mr. COLE. Thank you.

Ms. Baird.

Ms. BAIRD. I am not the same degree of expert on the Federal programs, but I would say that, as the systems work on the ground, the people who are needed, there is much greater need for labor data, good labor skills data. And the workforce centers and the coaches that they provide are of enormous value in the system.

Ms. NIGHTINGALE. Yes.

Mr. COLE. Thank you.

Dr. Besharov.

Mr. BESHAROV. Well, if you asked any 10 economists who look at these programs, I think at least 9 of them would say that the—I am going in the other direction—the Displaced Worker Program is

in trouble. And you ought to take a real good look at it, decide whether it can be fixed and, if not, be quite creative.

I don't think—and I will stand to be corrected here—I don't think there is an evaluation that is widely trusted that finds the program effective.

Mr. COLE. Thank you.

We will go to the ranking member next.

Ms. DELAURO. Thank you very much, Mr. Chairman.

What I want to do is to see where we go from here.

Dr. Nightingale, you have talked about some programs you think that we ought to build on.

Ms. Baird, you have talked about programs—or the efforts you think that we ought to make.

How do we marry what you are doing in Colorado to what is already as part of the Department of Labor and training programs?

I want to get back to the digital economy, in this sense, because that is what we are trying to do. And where in that space can what you are doing with a digital economy and training people—do boot camps fit in here——

Ms. BAIRD. Absolutely.

Ms. DELAURO [continuing]. With the coding? And should we then be engaged in this kind of an effort?

What I am trying to do is to get the two of you married here to figuring out what we have, what is working, what is not working, and what we believe we need to do in order to move forward.

So I am going to let—well, I have only 50 seconds here to go.

Ms. NIGHTINGALE. I will just start and just take——

Mr. COLE. We will give you a little extra time.

Ms. DELAURO. OK. Thank you.

Ms. NIGHTINGALE. I will just take a minute.

I think that the WIOA framework is there to allow it to be done. And, unlike WIA, where there had to be a sequence of services before you could get to training, there is an opportunity to develop, support, and fund more creative and a wider range of training programs, including the kinds that you were talking about there.

So what I think a major Federal role—and many of you have asked, sort of, what is the Federal role. I totally agree with data, that is what I spend my life on, but also on technical assistance, so that the Federal role should provide, sort of, the guidance and the information to let more places know about the innovative programs.

Ms. DELAURO. And that includes the coaches that——

Ms. NIGHTINGALE. Yes.

Ms. DELAURO [continuing]. Ms. Baird just talked about and the kind of technical assistance that they ought to have——

Ms. NIGHTINGALE. And the employer partnership.

Ms. DELAURO [continuing]. And the business engagement, as well——

Ms. NIGHTINGALE. Yes.

Ms. DELAURO [continuing]. In that effort to develop the tools.

Yes?

Ms. BAIRD. Yeah, I think if you encourage, in the way only you can, the data transparency that we are talking about, you will have better labor data on where the growth jobs are, you will have bet-

ter Labor Department data—I mean, O*NET has the foundation for this but really needs to have much more dynamic, current data. And so, if you invest there, you will have better data on not just the growth jobs but the skills that are needed for these jobs, which will enable employers to search for people based on skills, not on the barriers of the bachelor's degree. And it enables the educators to understand what they should train to, and that is also missing in the system.

Then, better data transparency on what the outcomes are of programs will show that a lot of the boot camps and other innovative online education programs—the Starbucks College Achievement Plan grew out of our work, which is an ASU online program for people who work at Starbucks. And, you know, these things, if they can demonstrate what they deliver, then there will be investment in them, people will find them, will get into better career paths.

Ms. DELAURO. And help those 70 percent of the people who don't have a degree.

Ms. BAIRD. Absolutely. Right.

Ms. DELAURO. Thank you, Mr. Chairman.

Mr. COLE. Thank you.

Since, again, we did have some people leave, we are going to give everybody an extra minute or 2, so if you need to go to 3 or 4—that way, we will be able to get everybody done.

So, with that, my good friend from Maryland is recognized.

Mr. HARRIS. Thank you very much.

And, Professor Besharov, you are not going to be the only Johnny One Note around here. I am going to return—and I learned a new word today, "numeracy." I don't even know if I am pronouncing it right. But, you know, in your testimony here, it is, you know, "the ability to access, use, interpret, and communicate mathematical information and ideas in order to engage in and manage the mathematical demands of a range of situations in adult life."

Well, I will tell you, I am always struck that, you know, you go into McDonald's and the person behind the register can't make change. They literally can't make change. For heaven's sake, they are in high school, and if they don't have a machine in front of them that tells them, you know, how to subtract and add, they can't do it.

So I am going to return again—because, you know, I am very worried that, you know, this PIAAC measure says the U.S. ranks 21st out of 23 in numeracy. I mean, literally, our children coming out of grade school and high school don't have the mathematical skills to engage in the workforce. I assume that the, you know, PIAAC decide these are things that are important to engage in the workforce.

So we are going to have Secretary DeVos—you know, this is an interesting subcommittee because we now have labor; we also have the Secretary of Education is going to come in. This Secretary of Education has taken a lot of heat for actually implying that our public school systems don't really do too good a job and that maybe they need a little reform. Boy, this PIAAC measure indicates, yes, our public school system is, in fact, not doing a very good job, and I would offer that maybe they do need a little bit of reform.

Where does the failing public school system fit into our desire to be a leading participant in a 21st-century, global economy with an employee base that has the skill sets necessary to have the flexibility in the 21st century? I mean, I have to believe that it starts way at the beginning.

So I am going to ask you one more time, because I don't think you quite answered it last time, where does the K through 8 public school system fit into this?

And, in fact, should we reward those that don't—I mean, we send billions of Federal dollars to public schools that can't teach someone to add and subtract.

Mr. BESHAROV. So let me start, and let me start at 50,000 feet.

OK. So our country is in a period of transition. Our demographics are changing as we speak. The percentage of single-parent households is very high. I heard what you said, but the answer—I was raised by a single mother and a grandmother, and I can tell you, things were tight. It would have been nice to have another adult in the house. I am not going to call him a man, but it would have been nice to have someone else there. It is more difficult. So we have a demographic problem.

These kids come to schools that are unprepared in many ways. Many of the schools look just like the schools I went to more years ago than I want admit. They have to go through some process of modernization that we haven't seen yet. And, my goodness, we have spent a lot of money on it. If the answer were just money, you would hear more people say, "More money." Some change has to happen.

But I want to say for this, for the workforce investment, I don't want us to leave this hearing thinking that after high school these kids are hopeless. Somebody else can decide if they are hopeless, and we should not be doing that. We should be creating a system that says, everyone gets another shot—another shot, a third shot, as many shots as you want.

But we need a different system for paying for it. We need to have a system that creates incentives and benefits for the people who will invest in these young people. And that is what I have been trying to encourage, is some of it is in the law, some of it just takes a little creative thinking.

But I hope we don't leave this conversation by saying that these kids who have not done well K-12 will never do well. I don't think that is true.

Ms. BAIRD. I think it is really important, as I said before and as the professor said, to focus on both K-12 and also appreciate that there is a second chance for those who haven't done well in K through 12.

And I would point you, for an example, to Delaware, which won the Race to the Top, you know, I think twice, I mean, was extremely successful in the efforts to look at its traditional educational programs and create reform but also has a pathways project that is taking kids in high schools and getting them into these alternative pathways to work that looks like it is also extremely promising. So I think we need to look at both.

Mr. COLE. With that, we will go to Ms. Roybal-Allard.

Ms. ROYBAL-ALLARD. I have a question for both Dr. Smith Nightingale and for Dr. Besharov, and it has to do with Job Corps.

An economic cost-benefit study of the Job Corps program from 2008 found that it was the only Federal training program that increased earnings for youth ages 16 to 24 who experienced serious barriers to employment. And, to date, 87 percent of Job Corps graduates are able to find a job, go on to higher education, or enlist in the military. And according to a Mathematica Policy Research study, even among lower-performing Job Corps centers, students experienced improvements in their future financial earnings.

Dr. Smith Nightingale, the President's skinny budget recommends closing Job Corps centers that do a poor job educating and preparing students for jobs. Is there value in helping these centers to improve, or are there other viable alternatives for the high-needs constituency that Job Corps serves?

And I am just going to quickly ask Dr. Besharov the question that I have for him.

In your written testimony, you suggest that there are opportunities for innovation within Job Corps. What models would you recommend to strengthen the program?

Ms. NIGHTINGALE. Thank you.

Certainly, Job Corps has been evaluated a lot, and, you know, there is some good evidence of the importance, as you said. It is also true that not all of the Job Corps centers perform at the same level. I am always the one that says we should go for performance improvements, and there should be sort of a strategy for improvement before considering other repercussions because of poor performance. And that is built into the program as well.

I think that some of the innovative approaches also coming out of the evaluation findings are saying it works particularly well for the older group of students that are in Job Corps. And so some of the innovative demonstrations that are being tested right now are trying more to integrate the education and—basic education with occupational training for the younger cohort of participants in Job Corps.

So I would say, improve and keep testing innovative ways to show how to improve the program models that are out there and linking them as close as possible to occupations that are in demand.

Mr. BESHAROV. Quickly—I think I am right about this—I am told by people I trust that the Job Corps model is extremely difficult to apply to young mothers. The Job Corps model is a residential experience far away from your children. And so, if you are asking me where to look to make it relevant to the contemporary world we live in, not 50 years ago, it is to ask the question, has it changed as our populations have changed?

As I said, I am not sure about this, but people I trust have told me that this is a glaring problem. And you can think about—as soon as I say it, right? It is a residential program. Either grandma or grandpa has to take the kids or a young mother is not going in this program.

Ms. ROYBAL-ALLARD. Thank you.

Mr. COLE. The gentlelady from California, Ms. Lee.

Ms. LEE. Well, I just have to follow up by saying that I know for a fact, in my area, at Treasure Island, the Job Corps program serves many, many young people who never would have had those opportunities, whether they have children or not. And so I don't think it is either/or. But I think in no way should we cut Job Corps centers because of this population of kids who would not have those opportunities.

Mr. BESHAROV. That is right. I hope I didn't sound as if I was saying that. I was asked what we could do to improve the program, and what I said was, take a good, hard look at whether it can serve single mothers. That is all I——

Ms. LEE. OK. Well, that is good. That means expanding them and not cutting the budget.

Ms. DELAURO. Would the gentlelady yield?

Ms. LEE. Yeah.

Ms. DELAURO. Just very, very quickly.

In fact, the Job Corps centers, like the one in Iowa, has Head Start as a part of it, in addition to which, if we wanted to do something to make it more meaningful, then maybe what we would do is expand the opportunity for Head Start at the Job Corps sites.

Thank you.

Ms. LEE. Yeah. And that is the point, in terms of expanding opportunities, by opposing the severe budget cuts that are in this Trump budget. When you look at the Department of Labor, there is a 21-percent cut, which decreases Federal support for training, employment service formula grants, all of the efforts we are talking about here now. I don't know how we are going to do them with this Trump budget that we are faced with.

And not only with regard to job training, Department of Labor, but when you look at SNAP cuts, when you look at housing, when you look at all of the other very severe budget cuts, what I am concerned about and what I would like to hear from you is, just in terms of our safety net programs that are being cut, what is that going to do to our job training programs, people who oftentimes need the safety net to get through the job training program so they can go on and get a job?

Ms. NIGHTINGALE. If I could just add that, I think that you raise some excellent points. And, in fact, some new research from the Institute for Women's Policy Research that looked at support services, which range from income supports but also transportation, child care, family emergency situations, other kinds of issues, clothes and things—those are the kinds of supports that are needed in order to participate and finish training programs and then also successfully enter the labor market.

So those kinds of supports, whether it is coming from SNAP as income support or from social services programs with child care, community services, community block grant services that go down to the local level, all of those, where we have evidence that those are important ingredients for support, particularly for women, but not just for women, men as well. Especially transportation, that is a huge need for support services that does come out of those other programs, as well as the workforce investment system.

Ms. LEE. Yeah.

Mr. Chairman, I think, once again, this subcommittee, you know, we can accept these cuts or not. And I think the testimony we are hearing really demonstrates that the budget that has been presented, at least in the skinny budget, is really going to take us in the wrong direction, if we are really concerned about vocational training, job training, and helping people lift themselves out of poverty into the middle class. I mean, this is pretty bad, if you ask me.

Mr. COLE. Well——

Ms. LEE. But thank you very much for your testimony.

Mr. COLE. Thank you. And, as always, my friend makes a good point, but I always like to remind my friends, I don't think President Obama's budget ever got a single favorable vote on the floor, and, you know, I suspect a proposal is a long way from reality. But we will see, because we are still in that process, and it is certainly appropriate to make the point.

And, with that, I am going to go to the ranking member next for any final comments or questions she wanted to pose.

Ms. DELAURO. Thank you very much, Mr. Chairman.

We didn't get much of a chance to talk about dislocated workers, what it is that we can do about them, because there is mixed information about them. But we need to be thinking about them. We cannot turn our backs on them.

We didn't get to talk about women and the underrepresentation in apprenticeships and the—actually, you have one in four Hispanic women, 24 percent, and close to one in five black women, 18 percent, who work full-time and earn less than $400 per week. And they are woefully underrepresented in apprenticeships programs. They make up nearly half of the workforce. So how do you provide that kind of economic opportunity?

We didn't get a chance, honestly, to talk about whether we should be frightened or not frightened by automation and where that may take us in the future.

And we just barely touched the issue of support services that, in fact, could assist people in being able to take advantage of training programs.

But I will tell you what I am really—I am encouraged, I am not discouraged by; it is how we have changed direction at the Department of Labor in a number of the programs that can effectively provide skills training. And I am very, very excited about the opportunity to take this new effort based on research and data and not anecdotal that says that we have an ability to—I want to know where in Ms. Baird's process the Federal Government can be engaged and how we can help you do what you do.

Because I think we are on to something about a digital economy and looking forward and not allowing those 70 percent of the people to feel that they are invisible, that they are not there, no one cares about what their lives are about. And I think it is important that the Federal Government step up and that there ought to be unbelievable conversations with us on what the programs are that are working and what the new opportunities are for the future—it is a new economy; it has to be regarded as an industrial revolution—and where we go from here.

And without the collaboration of Federal and private, yes, and local efforts, we are not going to be able to bridge that gap. A lot of questions unanswered yet, but I think the conversation begins.

So I thank you very, very much, all of you, for being here today.

Mr. COLE. Well, as always, my friend and colleague makes a great point, that we need more hearings.

Ms. DELAURO. Amen.

Mr. COLE. We try to be robust. We have picked up the pace. But to paraphrase my friend, Mr. Womack, so many questions, so little time; so many topics, so few hearings.

But, you know, this has been a very valuable hearing. And, you know, I hope you gathered from the questions here, the focus really from every member here was, how do we make these things work better? It wasn't getting rid of this or cutting this. It was, you know, what are the smart things we could do to stretch the dollars we have and refocus, if we need to, to places that make a difference.

And you have, all three, helped us understand that issue with much more clarity than I think we had coming into it. But it is a topic we ought to revisit. I actually agree very much with my friend. It is a big, complex topic, and it is an area that we just haven't done as well as we could. Was it my friend from Maryland who—you know, we all know this needs to start a lot earlier than it does. And we didn't get a chance to talk about how to push some of these programs down, frankly, in terms of age scale. And I thought my friend made a very good point.

And I appreciate, particularly, your observation about single moms and Job Corps. You know, the minute you say it, you go, "Yeah." So that is something we do need to think about, because, as I think the testimony showed, we see Job Corps as a good program and one that has benefited a lot of people, but, you know, here is one where our changing demographics—maybe we haven't been thinking about this nearly enough in terms of that particular segment of our population.

But I again would just conclude by thanking all of you for giving us your time and your expertise and your talent. And we will be calling on you, I am sure, again in the future, and please keep the lines open, because it is extremely helpful to this committee as it tries to wrestle with the decisions that are in front of it.

So, with that, I declare the hearing closed.

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