TOM DAVIS, VIRGINIA,
CHAIRMAN

CHRISTOPHER SHAYS, CONNECTICUT
DAN BURTON, INDIANA
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. McHUGH, NEW YORK
JOHN L. MICA, FLORIDA
GIL GUTKNECHT, MINNESOTA
MARK E. SOUDER, INDIANA
STEVEN C. LATOURETTE, OHIO
TODD RUSSELL PLATTS, PENNSYLVANIA
CHRIS CANNON, UTAH
JOHN J. DUNCAN, JR., TENNESSEE
CANDICE MILLER, MICHIGAN
MICHAEL R. TURNER, OHIO
DARRELL ISSA, CALIFORNIA
JON C. PORTER, NEVADA
KENNY MARCHANT, TEXAS
LYNN A. WESTMORELAND, GEORGIA
PATRICK T. McHENRY, NORTH CAROLINA
CHARLES W. DENT, PENNSYLVANIA
VIRGINIA FOXX, NORTH CAROLINA
JEAN SCHMIDT, OHIO
VACANCY

ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051
TTY (202) 225–6852

http://reform.house.gov

HENRY A. WAXMAN, CALIFORNIA,
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
DANNY K. DAVIS, ILLINOIS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
LINDA T. SANCHEZ, CALIFORNIA
C.A. DUTCH RUPPERSBERGER,
MARYLAND
BRIAN HIGGINS, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA

BERNARD SANDERS, VERMONT,
INDEPENDENT

April 25, 2006

The Honorable R. James Nicholson
Secretary of Veterans Affairs
Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, D.C. 20420-0002

Dear Secretary Nicholson:

According to a recent *Los Angeles Times* article, your predecessor, former Secretary Anthony Principi, is now chairman of the board for a medical services company, QTC Management Inc., which has contracts with the Veterans Affairs Department worth over $1 billion.[1] The article states that many of these contracts were approved and expanded while Mr. Principi was the Secretary of Veterans Affairs.

Beginning in 1998, QTC Management Inc. has administered medical exams to veterans seeking disability assistance and to soldiers before they are discharged. Disability benefit decisions are based in part on the results of these exams. After leaving QTC and becoming Secretary, Mr. Principi appointed a task force to examine the backlog of veterans' claims. This task force reportedly "lauded QTC's performance and recommended that the medical exam program continue or expand."[2] Although the Department followed the task force's recommendation to put the work QTC had been doing out for competitive bid, the competition seems to have been flawed. QTC was the only bidder, and potential competitors complained that "they learned of the new contract only after it was awarded" and that their calls requesting information about the competition were not returned.[3] QTC's revenue from this and other VA contracts grew from $8 million in 1998 to over $69 million in 2005.

QTC's contracts appear to be a poor deal for the taxpayer. In 1998 and 1999, QTC charged $495 for a hearing exam that the Department could do itself for just $90. The company charged $393 for a general medical exam that the Department could do for $226. Despite a

---

[1] VA Contracts GO to Ex-Chief's Company, *Los Angeles Times* (Apr. 23, 2006).

[2] *Id.*

[3] *Id.*

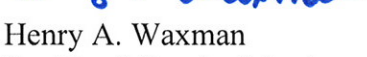
private consultant's recommendation that the Department conduct further cost-comparison studies, no such analysis was done under Secretary Principi. One psychiatrist who worked at VA health facilities for 23 years believes that the Department "was paying double what it should" to QTC.[4]

In order to clarify the relationships between QTC Management Inc. and Secretary Principi, I ask that you provide copies of all communications, whether written or electronic, between representatives of QTC Management Inc. and (1) Secretary Principi, (2) other officials in the Office of the Secretary during Mr. Principi's tenure, or (3) other political appointees in the Department during Mr. Principi's tenure. I also request summaries of any oral communications between representatives of QTC Management Inc. and these officials.

Regardless of whether ethical or contracting rules were violated, the appearance of impropriety can have a damaging effect on public confidence in the Department. This appearance can best be mitigated through full disclosure.

I ask that you provide the requested information by May 15, 2006.

Sincerely,



Henry A. Waxman
Ranking Minority Member

---

[4] *Id.*