JOINT STATEMENT

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REGARDING

THE MILITARY HEALTH SYSTEM

BEFORE THE

SENATE COMMITTEE ON ARMED SERVICES

PERSONNEL SUBCOMMITTEE

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Mr. Chairman, Members of the Committee, thank you for the opportunity to discuss the Military Health System (MHS)'s priorities and budget for Fiscal Year (FY) 2011.

We have enduring obligations to the men and women of our Armed Forces, and to their families who serve with them, and to the millions of retired military personnel who have served us in the past.

This obligation begins the moment a recruit walks through our doors. In our budget for the coming year, we acknowledge that lifetime commitment we have to those who serve today or have served in the past, and to their families.

For those service members who honorably conclude their service before reaching military retirement, we have an obligation to ensure their medical experience is fully captured and easily shared with the Department of Veterans Affairs (VA) or with their own private physician. For those who retire from military service, our obligation to them and their families often extends for a lifetime.

And, for those who have borne the greatest burden, through injury or disease suffered in our nation's conflicts, we have an even higher obligation to the wounded and their families. As Secretary Gates stated with the introduction of the Defense budget, "Recognizing the strain that post-9/11 wars have put on so many troops and their families, the department will spend more than $2 billion for wounded warrior initiatives,

with a special focus on the signature ailments of current conflict, such as post-traumatic stress disorder (PTSD) and traumatic brain injury. We will sustain health benefits and enlarge the pool of medical professionals. We will broaden electronic information-sharing between the Department of Defense (DoD) and VA for wounded warriors making the transition out of military service."

The budget we are putting forward reflects our commitment to the broad range of responsibilities of the MHS – the medical readiness requirements needed for success on today's battlefield; the medical research and development necessary for success on tomorrow's; the patient-centered approach to care that is being woven through the fabric of the MHS; the transformative focus we are placing on the health of our population; the public health role we play in our military community and in the broader American community; the reliance we have on our private sector health care partners who provide indispensable service to our service members and families; and our responsibility to deliver all of these services with extraordinary quality and service.

As our military forces in Afghanistan are engaged in combat operations to expand the security, governance, and development environment for the people of Afghanistan; as we continue with the careful hand-off of responsibilities to the elected leaders of Iraq; and, as Marines provide security and the joint medical team provides care for the people of Haiti, we are mindful of the trust and investment that the American people have made in military medicine. We will continue to honor that trust.

MHS Mission and Strategic Plan

The MHS overarching mission remains as in years past: to provide optimal health services in support of our nation's military mission – anytime, anywhere.

Over the last twelve months, the Office of the Assistant Secretary of Defense for Health Affairs has worked with our Service Surgeons General and the entire Joint MHS leadership team to update and refine the MHS Strategic Plan.

In the process, we sought the expertise and advice from leaders both within our system and external to the MHS, to include renowned experts at the Mayo Clinic, Kaiser Permanente, Geisinger Health System, the Cleveland Clinic, Intermountain Health, and the Institute for Healthcare Improvement.

This effort resulted in unanimous support for adopting "The Quadruple Aim" as the foundation for our strategic plan in the coming years.

The Quadruple Aim borrows liberally (and with permission) from the Institute for Healthcare Improvement's (IHI) "Triple Aim," and is further tailored to the unique mission of the MHS. The four core components of the Quadruple Aim are:

- Readiness – Ensuring that the total military force is medically ready to deploy and that the medical force is ready to deliver health care anytime, anywhere in support of the full range of military operations, including combat support, defense support to civil authorities, and humanitarian assistance/disaster relief missions as we witnessed most recently in Haiti.

- Population Health – Improving the health of our population by encouraging healthy behaviors and reducing the likelihood of illness through focused prevention and the development of increased resilience.

- Experience of Care – Providing a care experience that is patient and family centered, compassionate, convenient, equitable, safe, evidence-based, and always of the highest quality.

- Cost – Creating value by focusing on measuring and enhancing quality healthcare; eliminating inefficiencies; reducing unwarranted variation; and emphasizing investments in health that reduce the burden and associated cost of preventable disease in the long term.

The outcome of this strategic planning effort is more than the plan itself. The values and strategies we have articulated in our plan are reflected in our proposed budget.

Whereas we take great pride in the past accomplishments of the joint MHS team, the overview we provide in the following pages for our fiscal year 2011 strategic priorities is forward-looking, not merely a reflection of past accomplishments. By aligning this testimony with our strategic plan, we link our budget proposal and priorities to our strategic focus inherent in the four core components of the Quadruple Aim.

Readiness

A fit, healthy, and protected force is the starting point in ensuring a medically ready force. We have a core set of individual medical readiness (IMR) measures that inform both our line commanders and our medical teams about the individual preparedness of a service member to deploy.

We will continue to use our monitoring systems so that we reduce the rate of deployment limiting conditions. We will also focus on disparities between the Active and Reserve Components in terms of IMR, and improve the medical readiness of the Total Force.

A critical companion strategic matter for the Department is the psychological health of our people. Between 20-30% of our service members who have deployed to Operation Iraqi Freedom or Operation Enduring Freedom (OIF/OEF) have reported some form of psychological distress. As has been widely noted, suicide rates in the Armed Forces have also been rising. DoD and the individual Services are studying every suicide or suicide attempt closely, and we have collectively introduced a number of new programs and

initiatives to reduce the occurrence of suicide. We are engaging commanders, the medical research community and fellow service members in a multi-tiered effort to understand and implement effective strategies to deter suicide; to reduce the stigma of seeking professional help and counseling; and to ensure there are adequate personnel resources to meet a clear and growing demand for mental health services.

We remain focused on accelerating our research into and the adoption of evidence-based care treatments for personnel with PTSD and traumatic brain injury. Secretary Gates continues to be personally interested in seeing us move information from the research realm to the field in a much more rapid manner.

We are proposing another $669 million to support our requirements in meeting these critical needs in support of psychological health. Significant funds are also directed to other critical battlefield medical research and development needs.

In addition, our investments in Defense Centers of Excellence and the Defense and Veterans Brain Injury Center are funded and poised for delivering world-class care and service to our military and veteran populations.

Finally, in FY 2010 and FY 2011, we will be undertaking actions to expand our measures of "readiness." Specifically, we will be assessing how to better measure "family readiness." There is no question that the health and resiliency of the entire family is tied

to the readiness of the individual Soldier, Sailor, Airman, and Marine. Our efforts will be directed toward measures that help us proactively identify and address health risks within a family prior to deployment.

Population Health

There are few organizations in the world that compare to the DoD in having the right incentives to truly invest in population health efforts. A significant number of military personnel and their families will have their health care managed by DoD or other federal and private sector partners for their lifetimes. Accordingly, we will continue to develop and employ the best tools and programs to transform our culture to one focused not just on expertly treating disease and injury, but to one focused on sustaining the health and well-being of our population.

There are a number of tools and programs at our disposal to improve overall population health. The Department will continue to invest deeply in our preventive service programs. We will improve our provider support tools so that opportunities for education or preventive treatment can be engaged at all patient-provider opportunities.

We will closely track our performance in delivering preventive services using the Health Employer Data Information System (HEDIS) measures. HEDIS allows us the opportunity to compare ourselves among each Service or MTF, but equally importantly, to compare ourselves against our private sector counterparts. In 2009, we witnessed

impressive gains in preventive service delivery as compared to both national norms and national benchmarks, particularly in the Army and Navy, after introducing pay for performance incentive programs.

We recognize, however, that not all measures are moving in the right direction. For example, we are seeing continued high levels of tobacco usage among our youngest service members. We are also seeing rising rates of obesity in our non-active duty population (along with the related morbidities, particularly diabetes).

As an aspect of our strategic imperatives, we are seeking to more directly and more personally engage patients to take a more active role in managing their health. We will seek to influence behaviors through increased positive actions (better nutrition and increased physical activity) and reduced negative habits (tobacco use and excessive alcohol intake).

Our efforts to improve the overall health status of our population do not operate in a vacuum. Improvements are made one patient at a time; one patient visit at a time. In this regard, our efforts in this strategic arena are directly tied to our efforts at the individual level with their experience with the care received -- and the topic of the next section.

Experience of Care

One of our foremost and sustained priorities is to improve the experience of care for those who are most intimately interacting with our MHS every day – the wounded, ill, and injured from our current conflicts who are moving through the joint patient evacuation system, from point of injury in the theater of operations, to the point of definitive care in the United States, where many are recovering at our flagship military medical centers in the National Capital Area and other medical centers around the country.

We remain grateful for the support of the Congress, and especially this Committee, to ensure we have the resources to provide the very best health care for our forces and their families, and in particular for the wounded, ill, and injured.

We propose a budget of more than $670 million to support the spectrum of services for the wounded, ill, and injured – services which include enhanced case management, improvements to our Disability Evaluation System, and greater data sharing with the VA and other private sector medical organizations.

Central to our efforts is the obligation to expedite the administrative elements of our disability cases, and work to get our Wounded Warriors to the best possible location to facilitate their recovery. We are expediting our Medical Evaluation Board (MEB) process toward a goal of completing all MEBs within 30 days.

We have also successfully piloted efforts with the VA to have both Departments' medical examination requirements completed in a single exam—which increases the timeliness of processing and increases satisfaction with the entire experience for the service member.

Enhancing the care experience is not limited, however, to our wounded warriors. It is imperative that we offer solutions and improvements for our entire beneficiary population we serve.

The overriding issue in our system has historically been and continues to be "access to care." Simply put, access is about getting the right care for the right patient at the right time.

Our efforts to improve access in the coming year will be focused on expanding our "Medical Home" initiatives. The Patient Centered Medical Home provides patients with a known provider or small team of providers, who will get to know that patient and her or his medical problems. The continuity of care offered by this model, when coupled with enhanced access to the provider through telephone messaging or secure electronic communication and timely appointing, will enhance the quality and safety of care and improve the patient experience. This model has been endorsed by professional medical societies (the American Academy of Pediatrics and the American Academy of Family Physicians, American College of Physicians, and American Osteopathic Association),

several large third party payers, employers, and health plans. Its adoption in the MHS reflects the continuation of a journey toward improving patient access and satisfaction.

We will be providing our enrolled population with clear communications about how to access the appropriate level of medical care to meet their needs at any time, 24 hours a day, seven days a week. We will offer our patients with multiple modes of accessing care, to include expansion of telephone access, and secure, web-based patient-provider messaging service.

Per Capita Cost Control

We are proposing a fully funded budget for FY 2011. The MHS serves 9.5 million beneficiaries, to include active duty members and their families, members of the Reserve Component and their families, and retired military personnel and their families. It is important to note that this number that has grown with the increased active duty end strength as well as the expansion of health benefits to members of the Reserve Component. Thus, while real cost growth will continue to rise, we, nonetheless, will be focused on controlling per capita costs within our system.

Our primary and most strategically important bulwark against unmanaged cost growth for the coming year is quality. Our efforts to develop, proliferate and adhere to evidence-based guidelines will have the most dramatic effect on our costs. In this instance, we will again compare ourselves against each other and against private sector data using the

Dartmouth Atlas as our guide. Our goal is to reduce inappropriate variation in the utilization of services.

The urgency of addressing costs in FY 2011 is clear from our budget request. A major increase in the budget request includes $1.2 billion for private sector care costs due to an increase in users of TRICARE and an increase in utilization of the TRICARE benefit.

We recognize that this focus on quality and utilization does not diminish the need for wise and informed management actions to also control costs. In FY 2011, we will also:

- continue implementation of Federal Ceiling Pricing of retail pharmaceuticals;
- continue implementation of the Outpatient Prospective Payment System, which reduces the reimbursement paid for outpatient care at inpatient private sector care facilities;
- standardize medical supply chain management across the full range of military health care operations;
- increase efforts to identify and detect fraud, waste, abuse, and overpayments to civilian medical providers; and
- pursue the first fully integrated Joint DoD/VA healthcare collaboration consisting of the North Chicago Veterans Affairs Medical Center and the Navy Health Clinic, Great Lakes, Illinois.

Through improved access to care from the medical home initiative and adherence to evidence-based care guidelines, we are hoping to reduce the need for referrals to private

sector sources wherever possible, and to decrease utilization of emergency room services (when used as a source for non-emergent primary care).

We recognize that the MHS is not immune from the cost growth challenges faced by our private sector peers. And, the ever-increasing value of the TRICARE benefit against private sector plans and premiums will likely place additional pressure on the MHS budget. Yet, along with the civilian and military leadership of the Department, we are mindful of the trade-offs being made every day to sustain this system of care.

Learning and Growth

Fiscal Year 2011 promises to be both exciting and challenging, as many of the Department's most significant health efforts will be advanced in bold and meaningful ways. The 2005 Base Realignment and Closure actions, which impact medical facilities in multiple joint medical markets, the joint Medical Education and Training Campus, and co-location of medical headquarters, will come to fruition in September 2011. Additionally, work on the Electronic Health Record (EHR) will continue on the trajectory toward improved system effectiveness and interoperability. And the Department will continue to address and resolve governance issues related to emerging requirements to organize, execute, and oversee Joint peacetime health care activities.

In this dynamic environment, supporting the Quadruple Aim is an objective that must continue to grow and support the people who serve the MHS. Our major initiatives for

this year center on (1) furthering the MHS; contribution to medical science, (2) delivering information to enable better healthcare decisions, and (3) ensuring a fully capable workforce most prepared to support our strategic initiatives.

Our medical research program continues to grow, with the leadership of Secretary Gates and the ongoing support of Congress. Significant funding has been dedicated to TBI and psychological health; battlefield medicine; threats from the full range of chemical, biological, radiobiological and nuclear threats. Our EHR continues to serve a vital function in support of our clinicians and patients. The incredibly rich clinical data repository is capturing care delivered throughout our system, to include outpatient services in the combat theaters. And, in each successive year, we are able to transfer more health information more easily with our counterparts in the VA.

Yet, our EHR has not been without its technical challenges. For FY 2011, we are proposing a total of $875 million for modernization efforts and to enable data interoperability with the Virtual Lifetime Electronic Record (VLER), being jointly led by DoD and the VA. VLER is an ambitious and needed undertaking to integrate medical, personnel benefits, and financial information in a single virtual record for veterans.

Finally, vital to our ability to deliver a high quality, accessible and cost-effective health system is a workforce that is trained and ready to operate in a fast-paced environment. We are investing in recruitment and retention programs to sustain our system. We have

proposed legislation that will allow us to offer post-graduate scholarships for MHS civilians. We are partnering with universities, marketing our job opportunities to their graduates. Outreach activities include attending job fairs, speaking at professional conferences, and marketing through our MHS website. Partnering with the VA has allowed us to share recruiting opportunities, improving our mutual ability to recruit scarce medical professionals. In all, our MHS human capital programs will continue to allow us to extol the benefits of public service while supporting our strategic initiatives.

We are proud to serve with the talented, dedicated and resourceful team of public servants and military volunteers who comprise the MHS. And, we are committed to enhancing their professional experience in service to the country.

UNIFIED MEDICAL BUDGET REQUEST FOR FY 2011

The Defense Health Program (DHP), the appropriation that supports the MHS, is under mounting financial pressure. The DHP has more than doubled since 2001 – from $19 billion to $50.7 billion in FY 2010

The majority of DoD health spending supports health care benefits for military retirees and their dependents, not the active force. We project that up to 65 percent of DoD healthcare spending will be going toward retirees in FY 2011 – up from 45 percent in FY 2001. As civilian employers' health costs are shifted to their military retiree employees, TRICARE is seen as a better, less costly option and they are likely to drop their employer's insurance. These costs are expected to grow from 6 percent of the Department's total budget in FY 2001 to more than 10 percent in FY 2015.

Despite these fiscal challenges, the FY 2011 budget request provides realistic funding for projected health care requirements.

The Unified Medical Budget, the Department's total request for healthcare in FY 2011, is $50.7 billion. This includes the DHP appropriation, including Wounded, Ill and Injured Care and Rehabilitation; Military Personnel, Military Construction, and normal cost contributions for the Medicare-Eligible Retiree Healthcare.

Defense Health Program

The largest portion of the request, or $30.9 billion, will be used to fund the DHP, which is comprised of Operation & Maintenance (O&M), Procurement and Research, Development, Test & Evaluation (RDT&E). A little over $29.9 billion is for O&M, which funds most day-to-day operational costs of healthcare activities;

Military Personnel and Construction

For Military Personnel, the Unified Medical Budget includes $7.9 billion to support the more than 84,000 military personnel who provide healthcare services in military theaters of operations and fixed health care facilities around the world. These services include medical and dental care, global aeromedical evacuation, shipboard, and undersea medicine, and global humanitarian assistance and response.

Funding for medical Military Construction (MILCON) includes $1.0 billion to improve our medical infrastructure. We are committed to building new hospitals using the principles of Evidence-Based Design (EBD). We are excited to be able to open a national showcase in EBD, the new Fort Belvoir Hospital, in 2011.

MILCON funding will also be directed toward infrastructure enhancements at the National Interagency Biodefense Campus at Fort Detrick, Maryland – a vital resource for the nation.

DoD Medicare-Eligible Retiree Health Care Fund

The estimated normal cost of the Medicare-Eligible Retiree Health Care Fund in FY 2010 is $10.9 billion. This funding includes payments for care in MTFs, to private health care providers, and to reimburse the Services for military labor used in the provision of healthcare services.

CONCLUSION

Mr. Chairman, the Military Health System continues to provide world-class medical care for a population that demands and deserves the best care anywhere. We are proud to represent the men and women who comprise the MHS. We are proud to submit to you and your committee members a budget that is fully funded and that we can successfully execute in the coming year.

We are pleased that we are able to provide you a budget with a direct and specific link to our strategic planning efforts of the last year.

Thank you again, Mr. Chairman, for the opportunity to be with you today. We look forward to your questions.

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