



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

The Honorable William M. "Mac" Thornberry
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

JUL 19 2016

Dear Mr. Chairman:

The enclosed report is in response to House Report 113-446, page 166, accompanying H.R. 4435, which ultimately led to the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015, that requested from the Secretary of Defense, in consultation with the Secretary of Veterans Affairs, a report analyzing the potential benefits of a partnership in the Colorado Springs area to better address the growing need for healthcare services.

The Defense Health Agency previously identified Colorado Springs, Colorado as the fastest growing Enhanced Multi-Service Market (eMSM) for healthcare in the country. The growth previously seen between FYs 2011 and 2015 has stopped, and there is no clear demand signal at this time to build additional facilities. At present, there are sufficient Department of Defense (DoD) capability and capacity to support the current DoD beneficiary population, and to augment Department of Veterans Affairs (VA) beneficiary healthcare as well.

In consultation with the VA, the Colorado Springs eMSM manager developed, and is currently utilizing, a Surgical Services Sharing Agreement between the United States Air Force (USAF) Academy Clinic and VA that provides VA two operating rooms in the USAF Academy Clinic. The supply charges, including pharmaceuticals used, are reconciled and paid monthly. On average, 600 surgical cases per year are completed by the VA under this agreement.

The eMSM is also coordinating a comprehensive memorandum of understanding (MOU) with the VA that will allow the VA to address speciality care demand through existing DoD capacity and capability. In addition, the eMSM is planning to open an Extended Hours Primary Care Clinic in July 2016. Although, at this time this clinic is intended only for DoD Tricare Prime enrolled beneficiaries, once proven, eMSM leadership will explore the possibility of entering into a new-lease option with the local VA, at a new location, which would be modeled after the current Surgical Sharing Agreement.

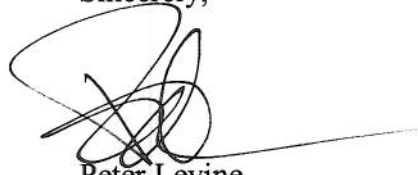
Nationally, there are nearly 130 DoD/VA clinical resources sharing agreements in place. These agreements have consistently produced win-win arrangements, and should continue or expand where feasible. However, the implementation of the Veterans Choice Program (VCP) legislative requirements resulted in noticeable declines in the historical number of VA patient referrals to military treatment facilities (MTFs) in FYs 2015-2016. In some cases, up to an 80 percent drop in referrals is anticipated in the future. This is partially due to restrictions on how

the VCP funds are used, and the expected shortfall in VA funds to pay for non-direct VA healthcare through DoD-VA resource sharing agreements. This decline in referrals is of concern because over the years, our MTFs and military teaching facilities have relied on the referred volume of complex VA patient cases to support clinical currency for our providers, and the readiness mission of our military medical force.

The Colorado Springs eMSM will continue to pursue a comprehensive MOU with the VA to address its specialty care demand requirements through existing DoD healthcare resources. Further, the Colorado Springs eMSM will also continue plans for opening an Extended Hours Primary Care Clinic in northeast Colorado Springs, and model it after the current Surgical Sharing agreement between the USAF Academy Clinic and the VA.

Thank you for your interest in the health and well-being of our Service members, Veterans, and their families. A similar letter has been sent to the House Armed Services Committee.

Sincerely,



Peter Levine
Acting

Enclosure:
As stated

cc:
The Honorable Adam Smith
Ranking Member



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UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

The Honorable John McCain
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

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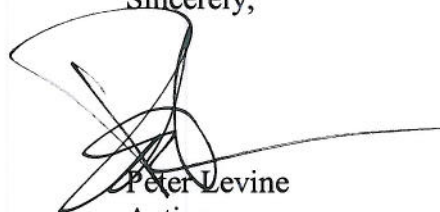
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Sincerely,



Peter Levine
Acting

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member

REPORT TO CONGRESS

HOUSE REPORT 113-446, PAGE 166, TO ACCOMPANY H.R. 4435, THE CARL LEVIN AND HOWARD P. "BUCK" MCKEON NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2015, "JOINT DEPARTMENT OF DEFENSE-DEPARTMENT OF VETERANS AFFAIRS HEALTHCARE IN COLORADO SPRINGS"



This report cost the Department approximately \$3,800 in Fiscal Years 2015-2016. This includes \$0.00 in expenses and \$3,800 in labor.

Reference ID: 7-71CAFEA

Purpose

This report provides a response to House Report 113-446, page 166, accompanying H.R. 4435, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015. This language requests the Secretary of Defense, in consultation with the Secretary of Veterans Affairs, to analyze the potential benefits of a partnership in the Colorado Springs area in order to better address the growing need for healthcare services.

Background and Analysis

Population in Colorado Springs eMSM

Prior to FY 2015, the Colorado Springs Enhanced Multi-Service Market (eMSM) was identified by the Defense Health Agency (DHA) as the fastest growing eMSM for healthcare in the country. In response, the Colorado Springs eMSM addressed (in its FY 2015-2019 five year business plan) how it would care for the growing population. A new building on the north end of town was thought to allow convenient recapture of urgent and emergent care of DoD beneficiaries being seen in the purchased care sector. The Department of Veterans Affairs (VA) was considered a potential strategic partner due to its ability to add more complex cases. More complex cases add to the competency and currency of DoD providers. This initiative was also thought to help reduce VA spending in the Private Sector. This initiative took into consideration that a comprehensive feasibility study would need to be conducted prior to any further planning.

At the beginning of FY 2011, the Colorado Springs eMSM had an eligible beneficiary population of 154k. This number steadily grew to 171k by the end of FY 2013. This number remained steady at 171k throughout FY 2014. During FY 2015, this growth stopped and the number of Department of Defense (DoD) eligible beneficiaries fell to 166k by the end of FY 2015. Most of the drop is attributed to troop reductions in the number of active duty and their family members being assigned to Fort Carson. For the first 7 months of FY 2016, the number of DoD eligible beneficiaries average is 168k. Our military installations indicate there are no known troop reductions predicted in the foreseeable future. Predicting what the population will do in the future is difficult and uncertain. What we do know is that the growth has subsided and is lower than its high of 171k at the end of 2013. The Colorado Springs eMSM currently has the capacity to meet the primary care demands of its TRICARE Prime population with no clear demand signal at this time to build additional facilities.

Surgical Sharing Agreement

The United States Air Force (USAF) Academy Clinic entered into a VA Surgical Services Sharing Agreement in 2009. This is an agreement pursuant to which the VA rents two operating rooms (ORs) in the USAF Academy's main clinic. Facility and supply charges, including pharmaceuticals

used, are reconciled and paid monthly. Fees are negotiated and based on historical averages to make reconciliation more streamlined. On average, 600 surgical cases per year are completed by the VA under this agreement. The VA controls its patients through the entire surgical experience. When observing the Academy's OR suite in operation it is difficult to distinguish between each Department's ORs; they appear to be one. The VA has its own surgeons, anesthesiologist, OR nurses, technicians, and recovery personnel on site. They share pre and post op areas and rely on each other to help with the general care of the patient until discharge and ultimately operate as one seamless OR suite.

Colorado Springs eMSM Visioning Assessment by DHA

In October of 2015, DHA concluded an assessment of the entire Colorado Springs DoD medical facility infrastructure. This "eMSM Visioning" assessment is DHA's methodology for supporting current and future eMSM facility requirements. This Visioning Study in Colorado Springs is part of the multi-eMSM assessment, and gives primary consideration to requirements for medical support to the considerable array of military missions in the Colorado Springs area, including those at the USAFUSAF Academy, Fort Carson, Peterson Air Force Base and Schriever Air Force Base.

The study provided a strategic facility framework from which to develop a future capital investment plan. The study took into consideration local, DoD, and VA population trends. The study's recommendation stemmed from population and healthcare workload data analysis; development of a healthcare services strategic concept of operations, and identification of strategic vision focus areas (non-facility and facility). The study addressed facility recommendations and solutions throughout the Colorado Springs Military Health System area.

The study addressed whether opportunities exist for DoD and VA to improve collaboration and effectively utilize existing provider capacity and facility resources. The study also addressed whether the VA population growth at PFC Floyd K. Lindstrum Outpatient Clinic presents an opportunity to establish a joint VA/DoD treatment facility with consolidated procedure capabilities.

The Colorado Springs eMSM leadership agreed with the DHA Visioning Study's recommendation to use DoD's existing current capacity to address the VA's specialty care demand through existing DoD facility platforms. The study also recommended seeking a new-leased clinic facility option northeast of downtown to provide Extended Hours Primary Care Services to both DoD and VA beneficiaries.

Extended Hours Primary Care Clinic / Joint Memorandum of Understanding

In concert with the "eMSM Visioning" recommendations, the Colorado Springs eMSM is currently pursuing a comprehensive memorandum of understanding (MOU) with VA that will allow the VA to address some of its specialty care demand through existing DoD capacity and capability. This MOU is currently in coordination. The Colorado Springs eMSM is also planning

on opening an Extended Hours Primary Care Clinic, in July 2015, at one of its existing Community-Based Medical Homes in northeast Colorado Springs. This clinic is intended for only DoD TRICARE Prime enrolled beneficiaries at this time. Extending hours at this existing-lease location can quickly be deployed and is intended as an interim step to prove the concept of operations and measure its efficacy. Once proven, eMSM leadership will explore the possibility of entering into a new-lease option with the local VA at a new location, in keeping with the DHA Visioning Study recommendations.

The Colorado Springs eMSM believes the best way to mitigate the challenges associated with a new-lease option that provides extended hours primary services to both DoD and VA beneficiaries is to model it after the current Surgical Sharing agreement between the USAF Academy Clinic and the VA. An agreement would be entered into whereby the VA would rent space from the DoD to provide services to VA beneficiaries, using VA staff in northeast Colorado Springs. The DoD would provide the space and remaining necessary logistics, to include pharmacy support, for an agreed upon fee. The DoD and VA would share the cost benefits of a fully integrated clinic, but in reality would operate two separate clinics in the same space. The DoD and VA would each be free to follow their current planning and budget timelines, authorizations, approval processes, and personnel staffing authorities and requirements with minimal delay to establish these clinics.

Analysis of Veterans Choice Program

VA referrals support and sustain military clinical provider readiness. Between FY 2011-2014 DoD providers saw slightly more than 666,000 veterans within DoD military treatment facilities (MTFs), providing opportunities to maintain proficiency and skills, helping to ensure that military physicians are ready when called upon. However, the implementation of the Veterans Choice Program (VCP) legislation requirements resulted in noticeable declines in the historical number of VA patient referrals to MTFs in FY 2015-2016. In 2016, the Veterans Health Administration (VHA) informed DHA that they have observed, in some cases, an 80% drop in expected VA referrals to DoD. Part of the reason for the referral drop off was restrictions on how VCP funds are used, and the expected shortfall in VA funds to pay for non-direct VA healthcare through DoD-VA resource sharing agreements.

Declines in VA referrals is an important factor to consider, because over the years our MTFs and military teaching facilities have relied on the referred volume of complex VA patient cases to support clinical currency for our providers and the readiness mission of our military medical force. Our active duty and dependent beneficiary population are generally healthier, so we rely on VA patients to augment our military providers' caseload requirements. As authorized by 38 U.S. Code §8111 (Sharing of Department of Veterans Affairs and Department of Defense Healthcare Resources), there are nearly 130 DoD-VA clinical resources sharing agreements in place. Based on MTF availability, timely access to care is provided to VA patients who are referred and live within drive time standards, while sufficient patient caseloads exist to support military provider's clinical currency needs. These agreements have consistently produced win-win arrangements and should continue or expand where feasible.

The VA's Community of Care (CoC) team under the VCP is charged with developing a set of standard authorization and referral process procedures for its non-VA patient care delivery network model, including the care provided by its federal partners such as DoD. In-turn, the DHA and VHA are collaborating to develop a new resource sharing agreement template designed to standardize and streamline instructions on patient authorization and referral management processes between DoD and VA facilities, for use at the beginning of FY 2017. It is critical that the processes being developed by the CoC team are complete by early summer so that the resource sharing agreement template being developed by DoD and VA corresponds with the VA CoC requirements, and is ready for use by FY 2017.

Regardless of these concerns, DoD and VA continue to leverage their joint purchasing opportunities to maximize efficiencies for pharmaceuticals where possible. National contracts are at an all-time high, with 138 existing contracts, of which 52 were new in FY 2015; there are currently 22 joint contracts pending at the National Acquisition Center and 18 pending at Defense Logistics Agency. The VA/DoD pharmacy team identified 40 commonly used pharmaceutical products and manufacturers for potential joint contracting action and continue to seek new joint contracting opportunities where practicable. In FY 2015 through the third quarter, VA spent \$260 million on joint national contracts, and DoD spent \$132 million. In FY 2015, through the third quarter, VA joint national contract prime vendor purchases represented 6.34 percent of total prime vendor purchases; DoD purchases represented 3.8 percent. The National Defense Authorization Act for FY 2016 required VA and DoD to develop a joint uniform formulary for VA and DoD with respect to pharmaceutical agents that are critical for the transition of an individual from receiving treatment furnished by DoD to treatment furnished by the VA. In consultation with VA/DoD Health Executive Committee (HEC) psychological health and pain specialists, the DoD and VA jointly developed a Transitional Continuity of Care Drug List and will report out to Congress in September 2016.

Conclusion

Through the eMSM Visioning session, a comprehensive analysis of the Colorado Springs service area was conducted. The assessment concluded that sufficient DoD capability and capacity exist to support the current DoD beneficiary population and help augment the VA beneficiary healthcare needs as well. The Colorado Springs eMSM will continue to pursue a comprehensive MOU with the VA to address its specialty care demand requirements through existing DoD healthcare resources. The Colorado Springs eMSM will also continue plans for opening an Extended Hours Primary Care Clinic in northeast Colorado Springs and model it after the current Surgical Sharing agreement between the USAF Academy Clinic and the VA. The proposed plan is for the VA to lease space from the DoD to run its own clinic, with the ability to purchase ancillary services from DoD as needed. The VA will use its own clinical scheduling policies and procedures, and maintain its own management structure, hiring authority, and personnel management system.