Prepared Statement Of

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and

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REGARDING

THE MILITARY HEALTH SYSTEM

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE DEFENSE

SUBCOMMITTEE

March 5, 2020

Not for publication until released by the Committee

Chairman Visclosky, Ranking Member Calvert and members of the Subcommittee, on behalf of the Office of the Secretary of Defense we are pleased to present the medical program funding request for fiscal year (FY) 2021. We are honored to represent the dedicated military and civilian medical professionals in the Military Health System (MHS) who provide direct support to our combatant commanders and deliver or arrange healthcare for our 9.6 million beneficiaries.

The Defense Health Program (DHP) request in the FY21 President's Budget supports the MHS role in advancing the National Defense Strategy. The FY21 budget proposal also reflects our continued implementation of comprehensive reforms to the MHS as directed by Congress in the National Defense Authorization Acts (NDAA) for FY 2017, 2019, and 2020, as well as our efforts to support initiatives developed by DoD leadership and the Military Departments. Our budget, and our programmatic plans the budget supports, prioritize resources that improve the readiness of our military force and the readiness of our medical force. It also ensures we continue to sustain access to high quality care for all beneficiaries whether that care is delivered in our direct care system or in the civilian purchased care sector.

Our proposed FY21 budget requests $33.1 billion for the DHP. A high-level view of our budget request is provided below:

FY 2021 Budget Request Overview:

DHP Approps (In Millions)	**FY19 Actuals**	**FY20 Enacted**	**FY21 Request**
O&M	$31,497,207	$31,675,852	$31,714,651
Procurement	$ 520,459	$ 446,359	$ 617,926
RDT&E	$ 2,153,421*	$ 2,306,095*	$ 722,893
Subtotal	$34,171,087	$34,428,306	$33,055,470

*Includes Congressional Special Interest Adds

Management of the Direct Care System

The Department has made significant advances in fully implementing the direction from Congress, established in the FY17 NDAA and reinforced in subsequent NDAAs, to consolidate the management and administration of military hospitals and clinics under the Defense Health Agency (DHA).

In October 2019, the Department achieved a major milestone -- formally transferring responsibility for the administration and management of all MTFs in the United States from the Military Departments (MILDEPS) to the DHA. Concurrent with this milestone, the Service Medical Departments established a "direct support" relationship with the DHA, ensuring that policy and other guidance flows seamlessly from the DHA to MTF Directors. The Department is currently transferring functions and personnel from the Military Departments to the DHA in order to support DHA's ability to manage the direct care system. The transition of overseas MTFs is planned to occur no later than September 30, 2020. The Department is fully on track with our implementation of the MTF transition.

Through this consolidated management model, the DHA will be able to reduce unwarranted variation in both clinical and administrative functions. By standardizing approaches to quality management, the MHS will be better positioned to improve health outcomes and other patient safety priorities. This transformation helps the MHS focus on its core readiness mission while improving patient-facing services for our beneficiaries.

Medical Facility Infrastructure Reform

In the FY2017 National Defense Authorization Act, Congress directed the Department to

assess our military hospitals and clinics and make recommendations for restructuring our facilities to ensure they are focused on military and force readiness.

We reviewed all facilities through the lens of their contributions to military readiness that includes ensuring that MTFs are operated to focus on getting service members medically ready to train and deploy. It also means MTFs are effectively utilized as platforms that enable our military medical personnel to acquire and maintain the clinical skills and experience that prepares them for deployment in support of operations around the world.

Last month, we submitted the required report to Congress that outlines the results of our assessment, including proposed changes in the scope of operations at select facilities across the United States. The report details the Department's readiness focus for medical facilities, while maintaining our commitment to provide all beneficiaries with access to quality healthcare.

Our initial assessment of the 343 U.S.-based hospitals and clinics indicated that 77 MTFs warranted a detailed analysis. This detailed assessment concluded that for 21 of these MTFs, their current scope of services should remain unchanged. That is the case for a variety of reasons, but most commonly, it is because our review indicated that the local civilian healthcare market did not – and likely could not – offer our beneficiaries appropriate access to healthcare. We are leaving those facilities open to all beneficiaries because of the Department's commitment to military and retiree families. Six MTFs are still under review.

Our analysis did demonstrate that we need to adjust operations at 50 hospitals and clinics. The majority of changes are outpatient clinics currently open to all beneficiaries that we will modify to clinics for active duty and occupational health services only. Beneficiaries currently empaneled for primary care at these MTFs will move over time into our TRICARE civilian provider networks. Active duty family members who are required to transition to civilian network providers will not incur any additional out-of-pocket costs for their care. They will still enjoy access to the MTF pharmacy, and will only incur prescription drug copayments if they elect to

obtain their prescriptions from civilian network pharmacy or our mail order system. At two MTFs – Tripler Army Medical Center (Hawaii) and Naval Medical Center Camp Lejeune (NC), we propose to recapitalize infrastructure and expand medical services in order to increase clinical readiness opportunities for our medical force.

These changes will not occur right away. Before we transition any beneficiary from one of our hospitals or clinics, we will connect them with healthcare providers in the TRICARE network. That process will take time – several years in some locations. The bottom line for our beneficiaries is that– we will help guide them through every step of the enrollment change process when the time for action arrives. We will implement changes in a deliberate fashion, at a pace local healthcare markets can handle.

The importance of the MHS needing to focus our military hospitals and clinics on their core mission of military readiness is not new. It has been the subject of outside analysis, internal MHS assessment, senior civilian and uniformed leader engagement, and Congressional deliberation. At some facilities, much of our daily work, while valuable to our beneficiaries, is less relevant to supporting our readiness needs. In many other military hospitals and clinics, however, access for retirees and family members directly supports our readiness mission, and we are eager to sustain or expand the services we provide to all beneficiaries in these MTFs. We are fortunate to have robust civilian provider networks in many locations that offer timely access to quality healthcare, and a close, collaborative, relationship with the Department of Veterans' Affairs. As such, we have an obligation to focus our finite military resources on those activities with the highest readiness value while also ensuring we continue to provide access to healthcare for all our patients.

That said, if we determine market capacity in a particular location is more constrained than we estimated, we will reassess our plans and adjust as necessary.

Military Medical Manpower Reduction

Another critical initiative is the implementation of Military Department-determined uniformed medical personnel reductions. These reductions are the result of the Military Departments' assessment of their operational medical readiness requirements. All 988 of the positions proposed for reduction in FY20 are vacant positions.

The Military Departments are working with the DHA to identify and mitigate the loss of patient care capacity resulting from the reductions of uniformed medical providers. DHA has developed the processes and models needed to assess and develop action plans required to ensure continued access to care for all beneficiaries.

Section 719 of the FY2020 NDAA directs the Department to provide a report that requires analysis and inputs from the Military Departments and the Office of the Secretary of Defense before any reductions beyond limited unfilled authorizations and administrative authorizations can be taken. We will ensure that report is delivered on time and provides the data and analysis Congress has requested well in advance of FY2021.

In order to synchronize the medical personnel reductions with the planned right-sizing of MTFs, I have asked the DHA to work with the Military Departments and obtain updated medical personnel reduction plans by location and specialty. Alternatives to access to military medical personnel will include direct care in the MTF provided by civilians and contractors, the TRICARE managed care support contract, and agreements with local civilian health systems. Our budget proposal includes $334.6 million to support these mitigation efforts.

Similar to our approach to managing changes in infrastructure, our assessment will continue throughout the implementation process to ensure that any impacts to readiness or beneficiary care are identified and addressed. Prior to any reductions occurring, we will fully inform our

beneficiaries of any changes to the location of their care and support their transition as needed. We will continue to monitor the pace of the reductions to identify and address any issues as they arise.

MHS GENESIS

Another critical support component of our readiness and healthcare delivery missions is the continued rollout of our modernized Electronic Health Record (EHR) – MHS GENESIS. In 2017, we began the deployment of MHS GENESIS at four MTFs in the Pacific Northwest. We learned a great deal from this Initial Operating Capability (IOC) deployment, and re-adjusted our approach for the subsequent phased deployment across the entire MHS.

In September 2019, we initiated the first post-IOC deployment to additional MTFs in Idaho and California: Mountain AFB, ID; Travis AFB, CA; Naval Air Station Lemoore, CA; and the Army Health Clinic Presideo in Monterey, CA. The "Wave Travis" benefited from lessons learned at IOC sites. The number and complexity of trouble tickets significantly declined; the time it took to return clinic operations to their baseline productivity levels was much less; the training was refined and improved; and the transition to MHS GENESIS was significantly less disruptive for patients and staff during Wave Travis.

We are currently in the final stage of being ready to go live at 10 additional sites in June 2020. Those sites are: Nellis AFB and NAS Fallon in Nevada; 29 Palms, Beale AFB, Bridgeport Dental, Edwards AFB, Fort Irwin, Los Angeles AFB, Port Hueneme, and Vandenberg AFB in California.

MHS GENESIS has produced real benefits for patients and providers. We have reduced duplicate laboratory tests and imaging studies, observed improvements in patient safety metrics, effectively incorporated bar coding into inpatient medication administration and blood

transfusions. The MHS GENESIS Patient Portal provides a near real-time access to most outpatient visit documentation and test results for laboratory and imaging studies within 72 hours. Further details on the MHS GENESIS deployment are included in the testimony from Mr. William Tinston, the Program Executive Officer.

OTHER ELEMENTS OF THE MHS PORTFOLIO

While the Department is introducing changes to its medical infrastructure, it is also necessary to ensure those who work or receive care in these medical facilities have access to modern, safe, and patient-centered environments. Separately budgeted from the DHP, we also propose $504 million for MILCON capital investments, an increase of $174 million from the FY20 base – reflecting our continued requirement for advanced, state-of-the-art medical facilities for our service members and families.

We remain committed to sustaining the superb battlefield medical care we have provided to our Warfighters and the world-class treatment and rehabilitation for those who bear the wounds of past military conflicts. Our proposed budget sustains the medical research and development portfolio, allowing us to continually improve our capability to reduce mortality from wounds, injuries, and illness sustained on the battlefield, and in the execution of our readiness responsibilities.

The worldwide coronavirus outbreak has underscored the critical role our MHS research capabilities continue to play with regard to identifying and responding to infectious disease outbreaks, and in supporting the overall federal response to such developments.

The MHS is aligned under the Interagency Medical Countermeasures Task Force, led by the Office of the Under Secretary of Defense (Policy), to provide support and coordination of medical countermeasures (MCM) development activities. The Task Force is identifying

approaches to accelerate MCM products from development to FDA approval.

The value from a comprehensive medical research portfolio cannot be overstated. In addition to subject matter expertise in influenza viruses, DoD has infrastructure and competencies that can be leveraged to support a whole-of-government approach to rapid MCM development. DoD competencies include the following: biosafety level-3 containment laboratories for viral culturing, characterizing, and pre-clinical animal model testing for product safety and immunogenicity; a pilot bioproduction facility for manufacturing experimental vaccines and drugs for clinical trials; and a clinical trials center for conducting human safety studies. Furthermore, the Infectious Disease Clinical Research Program (IDCRP) at the Uniformed Services University of the Health Sciences (USU) currently conducts influenza virus vaccine clinical trials at DoD military treatment facilities (MTFs) that can easily be leveraged for COVID-19 clinical trials. IDCRP also conducts clinical trials in coordination with DoD MTFs and laboratories outside the continental United States.

The FY 2021 budget represents a balanced, comprehensive strategy that aligns with the Secretary's priorities and fulfills our ongoing requirements associated with congressionally directed reforms.

Thank you for inviting us here today to speak with you about the essential integration between readiness and health, and about our plans to further improve Military Health System in support of the National Defense Strategy and for our beneficiary population.