Prepared Statement

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REGARDING

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Chair McCollum, Vice Chairman Calvert, distinguished Members of the Subcommittee, we are pleased to represent the Office of the Secretary of Defense to discuss the Defense Health Program (DHP) and its contributions to the health affairs of the Department. We are honored to represent the dedicated military and civilian medical professionals in the Military Health System (MHS), providing direct support to our combatant commanders and delivering or arranging health care for our 9.6 million beneficiaries.

This testimony provides the Committee with information on major activities that informed our budget proposal for Fiscal Year (FY) 2023 as well as issues affecting FY 2022 execution. Once again, the past year witnessed significant advances in our response to the coronavirus disease 2019 (COVID-19) pandemic, both within the Department and the Department's support to civilian authorities. We will begin this testimony with the current state of COVID-19-related efforts in the Department.

COVID-19 Response

On his first day in the Pentagon, Secretary Austin made clear that the greatest proximate challenge to our Nation's security is the threat of COVID-19, and that the Department will act boldly and quickly to support U.S. Government efforts to defeat this disease. Throughout this pandemic, the MHS has provided critical health support worldwide to our military forces, supporting other Federal and State entities as part of a whole-of-government response to this crisis, and continuing to meet other strategic, global mission requirements and sustain high quality health services to our military population. We will briefly mention several critical elements of our response along with our ongoing operational demands.

COVID-19 Testing. Testing remains a key pillar of our public health strategy – and our objective to maintain a medically ready force. The Department continued to sustain and expand

its COVID-19 testing of the force, as well as testing for suspected cases in our beneficiary population. The Department currently maintains 140 operational laboratories for COVID-19 testing, and has conducted nearly 6.4 million tests worldwide since the declaration of the pandemic.

In February 2022, the MHS also issued guidance allowing military medical treatment facilities (MTFs) to distribute over-the-counter antigen tests to eligible beneficiaries at no cost. This policy provides DoD with the opportunity to diagnose COVID-19 at an earlier date, potentially reduces the requirement for more expensive in-house laboratory testing, and allows our clinical team to deliver treatment in a more timely manner for those who test positive.

Clinical Support for Treatment and Therapuetics. Early in the COVID-19 response, the Defense Health Agency (DHA) developed and released the *DoD COVID-19 Practice Management Guide (PMG)* to provide clinicians and MTFs with a single document on best practices, the latest evidence, and guidance across all clinical care specialties. The PMG has been continually updated and rereleased, with the most recent version (Version 8) published on January 31, 2022.

The DHA continues to develop and disseminate specialized guidance to assist MTFs and health care providers regarding patient care considerations when administering emerging new therapies to treat COVID-19. Over the last several months, a number of new therapies have received emergency use authorization from the Food and Drug Administration (FDA), to include therapies authorized for use in outpatient settings. While these new therapies represent additional costs, they also are cost-saving approaches by avoiding hospitalization or more severe cases of COVID-19 requiring more intensive outpatient treatment.

In April 2022, the DHA issued its "Test to Treat" implementing guidance, that allows military pharmacists to distribute authorized therapies to patients who test positive for COVID-19 without requiring a separate visit with a physican.

Health Care Delivery and Deferred Medical Care. In both the direct care system and the TRICARE network, the Department has worked to ensure beneficiaries receive timely medically necessary and readiness-related care throughout the pandemic. In addition to guidance for MTFs on standard processes to provide medically necessary care that could not be delayed, the Department significantly expanded the use of Virtual Health to meet beneficiary demand while minimizing unnecessary risks for patients and staff. As case rates have fallen since winter, and COVID-19 appears to be moving toward an endemic phase, we are focused on educating beneficiaries to return to MTFs for care that was deferred due to the pandemic.

In FY22, MTFs and Markets increased available appointments to meet patient demand for care and schedule previously delayed care. Despite the additional workload associated with COVID-19-related deployments and vaccinations, MTF appointment availabity is approximating pre-pandemic levels, and access to appointments is exceeding standards in most markets. Direct care services for cancer and other preventive screening, however, are lagging compared to strong pre-pandemic performance, and MTF staff members are actively reaching out to beneficiaries to encourage and facilitate screening appointments.

In a similar vein, for network care, the DHA works with TRICARE contractors to ensure our beneficiaries have timely access to care in the network. We have expanded availability of telemedicine coverage, and eased beneficiary access to providers by extending referral and authorization limits and adjusting rules impacting beneficiary cost shares. In FY 2017, DHA formally amended the TRICARE Policy manual that included many enhancements that

supported the use of telemedicine including reimbursing for care at the same rate as "in person care" and covering medically necessary remote monitoring of weight, blood pressure, pulse oximetry, and respiratory flow rate for patients with acute and chronic conditions in support of improved health outcomes. Finally, DHA added coverage for audio-only telephone visits, which remain the most popular type of telemedicine visit, through an interim final rule. DHA plans to continue these telemedicine enhancements and include them in the next iteration of the TRICARE Contracts, known as "T5", which DHA expects to begin implementing in FY 2023.

COVID-19 Vaccine and Immunization Implementation. Since December 2020, the Department has managed a comprehensive campaign to administer COVID-19 vaccines to Service members and other eligible beneficiaries and personnel. Upon the first COVID-19 vaccine receiving FDA licensure, Secretary Austin directed mandatory vaccination of all members of the Armed Forces under DoD authority on active duty or in the Ready Reserve, including the National Guard. As of May 3, 2022, the MHS has administered over 8.1 million doses of COVID-19 vaccines to Service members, DoD civilian employees, contractor personnel, and other eligible beneficiaries. Approximately 1.7 million military personnel (Active/Reserve/National Guard) have been fully vaccinated, and an additional 330 thousand have received at least one dose. Additionally, approximately 368 thousand military personnel have received a COVID-19 booster dose.

Defense Support of Civilian Authorities. In FY 2022, the MHS provided timely support to the Federal Emergency Management Agency (FEMA) for COVID-19 response that included both mass vaccination efforts as well as health care delivery in communities needing supplementary medical teams; and supported the Departments of State and Homeland Security for evacuees from Afghanistan.

Since the beginning of COVID-19 response, the Department has received 578 FEMA mission assignments and 72 requests for assistance from other Federal departments and agencies in response to the COVID-19 pandemic.

Since January 27, 2021, more than 1,800 of the Department's medical professionals deployed to 29 States and one Indian Nation, many times to multiple locations within a State. Army, Navy, and Air Force medical teams provided surge medical support in civilian hospitals. More than 4,600 DoD personnel have supported the national vaccination effort in California, Colorado, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Texas, Virginia, Washington, Wisconsin, Guam, the U.S. Virgin Islands, and the Commonwealth of Northern Mariana Islands. Since the pandemic began, National Guard Soldiers and Airmen have vaccinated more than 13 million civilians while activated in support of COVID-19-reponse operations.

Effects on the FY 2022 Budget. In both FY 2021 and FY 2022, the Department did not seek supplemental funding for the DHP despite substantial outlays to support the pandemic response. In FY 2022, there were sustained Military Personnel (MILPERS) vacancies within MTFs that affected private sector care (PSC) costs, along with significant deployments for Defense Support to Civilian Authorities (DSCA) missions already discussed. Additionally, the MHS had limited carryover budget for FY 2022 as compared to prior years due to the shortfall in FY 2021 caused by COVID-19. In FY 2021, the Department also used Restoration and Modernization funds to cover that year's PSC shortfall – creating project backlogs at MTFs.

At this point in the fiscal year, DHP PSC projections are still uncertain, especially due to the trajectory of COVID-19 costs and the uncertainty regarding return of suppressed non-COVID-19 care. However, costs attributable to the pandemic response continue to accumulate.

MHS Reforms and Transition

The National Defense Authorization Act (NDAA) for FY 2017 enacted sweeping reforms to the organization and management of military medicine. These statutory requirements centralized and standardized many military health care functions in a way that better integrates readiness and health delivery throughout the Department. Included among these reforms were the expanded authority and responsibility of the DHA to manage MTFs worldwide and the authority to adjust medical infrastructure in the MHS to maintain readiness and core competencies of health care providers. Today, DHA exercises authority, direction, and control over all MTFs worldwide.

Section 703 of the NDAA for FY 2017 directed the Secretary of Defense to submit to the congressional defense committees an implementation plan to restructure or realign MTFs as necessary and appropriate to support the Department's readiness requirements.

All restructuring efforts were paused on April 2, 2020, as a result of the resources required to respond to the COVID-19 pandemic. During this pause, there were changes to local health systems capacities and capabilities. Consequently, the Department undertook efforts to revalidate the assumptions made regarding MTF and local capacity and preparedness. That work was completed in December 2020. The MHS is currently refreshing enterprise and local MTF planning efforts regarding this transition, and we plan to re-start implementation beginning in the 1st Quarter of FY 2023 with targeted completion by September 2026.

MHS GENESIS Implementation

The Department continues to proceed with the multi-year implementation of its new, Electronic Health Record (EHR), MHS GENESIS. The value of MHS GENESIS has become even more apparent during the COVID-19 response. On several occasions, we were able to implement COVID-19-specific configuration changes in MHS GENESIS within hours that provided senior military and civilian leaders with timely information on COVID-19 laboratory testing results and the health of our force and our beneficiaries. The same changes in our legacy systems took nearly four weeks to implement. MHS GENESIS' mass vaccination capabilities have produced a significant improved workflow that allows the Military Departments to assess the status of Service member inoculations in order to ensure readiness.

Since April 2018, DoD has applied bi-annual commercial upgrades to MHS GENESIS from the EHR's vendors, taking advantage of industry best practices in health care information technology. In addition, DoD has rolled-out capability improvements such as Cerner's HealtheIntent Platform for secondary data use, MHS Video Connect, as well as multiple Cerner Millennium modules to improve the end user experience.

Today, MHS GENESIS has been deployed at 53 MTFs and at more than 1,300 individual locations, with more than 77 thousand active DoD users. The deployment of MHS GENESIS is currently on track to be completed by the end of calendar year 2023.

TRICARE 5th Generation Contracts (T-5).

The Department continues to manage the TRICARE Program in a manner that seeks to reduce the growth in health care costs while ensuring our health benefit remains exceptional, serving as an important tool for recruitment and retention of military personnel and their families. Among the most important strategies we pursue is the development of effective

TRICARE contracts that deliver high-value, patient-centric care designed to seamlessly integrate military and private sector care in support of readiness and health outcomes.

The T-5 contracts represent the next generation of contracts that provide DHA with the flexibility to adjust network requirements, improve professional services support, and adapt care delivery models in support of evolving mission requirements and changes in American health care delivery. After an extensive, multi-year engagement with Department leaders, industry, and other stakeholders, as well as three draft Requests for Proposal shared with industry, the Department issued the T-5 Request for Proposals on April 9, 2021. The goals of this procurement are to support (1) military medical readiness and the readiness of the medical force; (2) beneficiary choice; (3) high value care; and (4) the adoption of Industry Business Standards.

The Department is now in the process of evaluating the proposals submitted by industry, and intends to announce awards by the end of FY 2022. The new contracts are planned to begin health care delivery in Calendar Year 2024.

Medical Research and Development

The Department is grateful for the long-term advocacy and support for its military medical research program. The DHP research, development, test, and evaluation (RDT&E) focus is to advance the state of medical science in those areas of most pressing need and relevance to today's emerging threats, which include the COVID-19 pandemic.

We seek to discover and explore innovative approaches to protect and support the readiness, health, and welfare of military personnel; to accelerate the transition of medical technologies to development and acquisition; and to accelerate the translation of advances in knowledge into new standards of care and treatment that can be applied in the field or in MTFs.

The FY 2022 DHP budget request for RDT&E was $631M; the FY 2022 appropriation was $2.633B. The additional funds were Congressional Special Interest items that included investments in various areas such as neurological and psychological health, combat readiness research, chronic pain management, hearing restoration, spinal cord injury, infectious diseases, cancer, and Alzheimer's disease.

Since the start of the pandemic, the Department has used its decades' worth of experience studying infectious diseases of military importance, including HIV/AIDS, Ebola, and coronaviruses such as Middle East Respiratory Syndrome, at the Department's laboratories to help defeat the COVID-19 pandemic. In January 2020, the Department began research and development on diagnostics, therapeutics, and vaccines for SARS-CoV-2, the strain of coronavirus that causes COVID-19. The Defense Health Program Medical research and development funds provided the initial infusion required to support early COVID-19 research efforts.

As part of the President's reignited Cancer Moonshot, DoD is expanding a signature clinical research program to all DoD hospitals. As part of the Cancer Moonshot in 2016, DoD launched the Applied Proteogenomics OrganizationaL Learning and Outcomes (APOLLO) network as a collaboration between the National Cancer Institute (NCI), DoD and the Department of Veterans Affairs (VA). The goal of this collaboration is to incorporate proteogenomics into patient care as a way of looking beyond the genome, to the activity and expression of the proteins that the genome encodes. To date, this network includes thirteen DoD and VA hospitals which started with eight cancer-specific programs, including studies in lung, breast, prostate, ovarian, pancreatic, testicular, and brain cancers, and is now expanding to all

cancer types. DoD, as part of the reignited Cancer Moonshot, will now ensure that the APOLLO trial network expands to include every DOD hospital.

In order to sustain the momentum in the COVID-19 fight, continue to defend the force against further evolutions of the virus, and to prepare for future pandemics, our future budget will support pandemic readiness and response in the MHS by enhancing capabilities to conduct rapid research and medical countermeasure development such as diagnostics, treatments, and vaccines, while strengthening the capability of the Department to quickly identify and characterize new variants and other emerging biological threats.

Management of the DHP

The MHS continues to employ enterprise-wide performance management systems that provide stakeholders at all levels of the military with visibility into how we are preforming on key metrics. These dashboards show longitudinal performance in measures of readiness, health, access, quality, safety and cost. We provide leadership, MTF directors, and staff with visibility into COVID-19 specific measures that include, but are not limited, to operational hospital bed capacity and surge capabilities, timely laboratory test results, personal protective equipment inventories, COVID-19 vaccine target population and vaccine administration data, as well as important private sector care data.

Our dashboards can be viewed at an enterprise level, by Military Department, by Market, and by individual hospitals or clinics. Directors can assess their performance against expected benchmarks, against peer institutions, and – where possible – against civilian sector performance as well. These dashboards help us to both assess how we are doing in these areas, and where we need to invest resources, training, or management attention in order to achieve further improvement.

Overall FY 2023 Budget

The FY 2023 budget prioritizes our resource requirements to address: urgent military medical readiness requirements to include ensuring military medical resources are prepared to support contingencies around the world; demands placed on the MHS from the COVID-19 pandemic; and increased PSC costs that are driven by a number of factors.

The MHS is not unique in the variability associated with predicting health care costs as all health insurers face these same challenges when forecasting their health expenditures for a given year. Changes in medical practice, demand for services, and new procedures and drugs are hard to foresee. COVID-19 has only exacerbated these challenges.

Despite these short-term budgetary challenges, the MHS continues its sustained decade-long track record in responsibly managing health care costs cost control. Our costs remain below the National Health Expenditures per capita rate. The Department continues to pursue efforts focused on internal business process improvements and structural changes to find greater efficiencies that may result from fully integrating the operation of hospitals and clinics; continuing the deployment of MHS GENESIS; modernizing clinical and business processes; and streamlining internal operations.

The Department remains vigilant about variation in year-to-year expenditures, and we are appreciative that Congress continues to grant the Department carryover authority each year. Carryover authority allows DoD to maintain better funding flows to minimize disruption of health care services to our beneficiaries. We are committed to providing regular updates to the committee, and providing full visibility to Congress on plans for reprogramming funds should that need arise. Furthermore, we will ensure that available funding is directed toward unfunded medical readiness and health care delivery requirements. Carryover authority is an invaluable

tool that provides the Department with needed flexibility to manage issues that emerge during the year of budget execution.

Our FY 2023 budget will present a balanced, comprehensive strategy that aligns with the Secretary's priorities – Defend the Nation; Take Care of our People; Succeed Through Teamwork – and that explicitly included DoD's role in the ongoing response to the COVID-19 pandemic. We look forward to working with you over the coming months to further refine and articulate our objectives in a manner that improves value for everyone – our warfighters, our combatant commanders, our patients, our medical force, and the American taxpayer.

Thank you for inviting us here today to speak with you about military medicine and our response to the global pandemic, the essential integration between readiness and health, and about our plans to further improve our health system in support of the National Defense Strategy and for our beneficiary population.