Prepared Statement

of

The Honorable Thomas McCaffery
Assistant Secretary of Defense (Health Affairs)

And

Lieutenant General Ronald Place, M.D.
Director, Defense Health Agency

REGARDING

MILITARY HEALTH SYSTEM REFORM

BEFORE THE

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SUBCOMMITTEE ON PERSONNEL

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Chairwoman Speier, Ranking Member Kelly, members of the Committee, thank you for the opportunity today to discuss our combined efforts to maintain and strengthen our Military Health System (MHS).

The mission of the Military Health System (MHS) is to support the National Defense Strategy by: assuring the military has a trained uniformed medical force ready to deploy at any time to provide medical care in a combat environment; ensuring service members are medically ready to carry out their duties around the globe; and providing quality health care to active duty service members, their families, and retired military personnel. The MHS pursues this mission through a combination of military and civilian medical personnel, DoD operated military treatment facilities (MTFs), and contracted private sector care. The MHS annual budget is approximately $50B and is supported by the Defense Health Program (DHP) appropriation.

The men and women of the MHS are justifiably proud of what they do. They provide the platform to train our uniformed medical force, and care for 9.6 million service members, retirees and their families. They support one of the largest and most successful medical research enterprises in the country. They operate a global health surveillance network that monitors for infectious threats to our forces and our homeland. They manage one of the country's largest networks of hospitals and clinics. They perform all of these missions with unfailing professionalism. We are grateful for the Committee's support of our work.

MHS Guiding Principles

As leaders entrusted with maintaining and strengthening this unique medical enterprise, we are guided by foundational principles. Our primary mission is readiness – the readiness of medical personnel to support our forces in battle, and the medical readiness of combat forces to

complete their missions. Readiness also entails caring for troops, retirees and their families. As our service members deploy around the world, they need to know that their families back home are cared for. Meeting this obligation to our beneficiaries is vital to recruiting and retaining a high-quality force.

In order to advance these goals, we believe the MHS, like the rest of the Department of Defense, must adapt and change in order to carry out our mission in an ever-evolving security environment. Congress, in successive National Defense Authorization Acts, has also given us direction to reform the MHS in order to optimize the system so that it can most effectively meet our mission. Today we will discuss the reform efforts now under way in the MHS and their role in sharpening our focus both on warfighting readiness and on the needs of military families, both active and retired.

The MHS is guided by the National Defense Strategy, and it has a critical role to play in each of the three elements of the strategy – building a more lethal force, strengthening relationships with allies and partners, and reforming business practices to build a more effective and cost-effective organization.

We are strengthening the MHS to better prepare for future conflicts with a highly trained, well-equipped medical force. And to be good stewards of the public's resources, we are working to derive the maximum potential benefit for every dollar we spend. We are incorporating the findings of decades of reviews and studies that suggest ways to address the MHS' siloed nature that has produced undesired variability and too little standardization among the institutions operated by the DoD. That fragmentation serves neither our readiness mission nor our ability to provide the patient experience our families deserve.

Our reforms are aimed at:

- Ensuring that the uniformed medical force is properly sized and has the skills to respond to operational requirements.
- Ensuring that our system of hospitals and clinics is properly sized and shaped to support the readiness of our medical forces, the medical readiness of combat forces, and our obligations to our beneficiaries.
- Better organizing our direct-care system to improve its effectiveness and efficiency and to provide a more standardized, dependable, high-quality experience for our service members, their families, and our retirees.
- More effectively managing private-sector care through TRICARE's managed care networks.

Reforming MTF Management and Administration

In 2018, we launched the most significant change to the MHS in over three decades, initiating the transfer of authority, direction and control of military medical and dental facilities to the Defense Health Agency (DHA). This was done to comply with the direction provided by Congress in the 2017 National Defense Authorization Act to consolidate the separate health systems of the Army, Navy and Air Force under a single agency that also oversees our civilian TRICARE networks. Congress' action accelerated a path the Department had already begun in 2013, when we established the DHA as a means to strengthen jointness and drive greater standardization in order to more effectively carry out the mission of the MHS.

This reform will allow the military medical enterprise to:

- Improve readiness by allowing the Military Departments to place additional focus on their medical man, train, and equip responsibilities (rather than management of separate healthcare facility networks)
- Improve readiness by expanding the clinical opportunities for Military Department medical teams across a unified military medical enterprise
- Further strengthen our ability to ensure high quality, accessible care for our active duty service members, retirees and their families
- Lower the cost required to operate the system, and ensure overall costs remain below National Health Expenditure inflation rates

DoD has long recognized that the readiness of our total force and our medical teams are inextricably linked with the operation of our direct care system. Ongoing, active clinical practices across all specialties continuously sharpen our teams' clinical skills. The MTFs where our medical professionals work serve as readiness platforms. In this respect, DHA serves as a supporting agency to the Military Departments who, in turn, are supporting the requirements of our combatant commands. DHA's management of the MTF platform in support of Military Department requirements supports the MHS mission to ensure ready medical forces can deploy in response to command authorities worldwide, and to ensure appropriate backfill of government, contract or network providers are available to maintain continuity of care to our beneficiaries provided by those MTFs.

The transition of MTFs to the DHA is a multi-year process that will conclude by the end of 2022. On October 25, the DoD Deputy Secretary directed DHA to undertake administration and management of U.S. MTFs. In the early stages of the transition, the Service medical organizations, working under DHA's management direction, will provide direct support to MTFs

while the DHA continues to build its capacity to oversee the direct care system,. Working with the Services, the DHA has established a rigorous, conditions-based process for transitioning to a market-based management approach.

In the long run, our patients will see significant benefits from this reform: better standardization of quality, safety, access and business practices among our MTFs; more effective spread of best practices across our facilities; better integration and coordination of our direct and purchased-care systems. In the immediate term, this change should be seamless for our patients. While it is a major change for how the Department's medical enterprise is organized and managed, the reforms will not disrupt day-to-day operations, and our patients will continue to receive the same great care.

Medical Facilities Reform

We are also completing work on a review of our medical facility infrastructure – the hospitals and clinics we operate on installations around the world. This review was mandated by Congress in the 2017 NDAA in recognition that some of our facilities may not generate significant readiness value for medical competency.

Our analysis has assessed the contribution of each facility to our readiness requirements. Our focus has been to identify those areas where we could expand capacity at MTFs that offer potential for building the skills and knowledge of our medical force, while re-sizing some facilities that do not offer a platform for maximizing ready medical capabilities. A critical part of our analysis has been an assessment of the ability of the local civilian medical community to accommodate additional MHS beneficiaries.

As required by statute, the Department will provide Congress a detailed report on our specific recommended MTF re-sizing actions. Any re-sizing decisions that emerge in our final report will be implemented being mindful of our mission and the people we serve. We expect that for many of the recommendations, if approved by Congress, will be phased-in over a 2-3 year period. We anticipate submitting the report to Congress early next year.

Medical Manpower Reform

The Department's FY2020 budget proposal includes plans by each Military Department to reshape their uniformed medical force. We know this is an issue of concern for Members of Congress and for some of our beneficiaries, and we want to share information on how the Department is implementing these changes.

Each Military Department conducted an assessment of its medical readiness requirements and determined that a smaller military medical end strength was feasible and that the potential risk to their missions was manageable. The Department is proposing the medical end strength reductions to enable each of the Military Departments to utilize those resources for required operational/modernization priorities that support the National Defense Strategy. These proposed reductions are planned to start in Fiscal Year (FY) 2020 with initial reductions expected to consist largely of vacant positions.

The Department is carefully assessing the impacts of the proposed reductions by location and specialty to ensure that we maintain access to quality care for our beneficiaries. That assessment will continue throughout the implementation process to ensure that any impacts to readiness and beneficiary care are identified and addressed in our planning. We will work with our TRICARE contractors and local health care providers, where appropriate, to mitigate

potential impacts to healthcare. We will continue to refine the necessary analyses related to location and timing of reductions. Details of the timing of the reductions of military medical personnel by specialty and location are in the process of finalization. Prior to any reductions occurring, we will fully inform our beneficiaries on 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. While the location of where our beneficiaries receive care might change, our commitment to provide that care has not.

TRICARE Reform

Our private sector system is another area where we have made significant strides in modernization, and we are determined to continue on a path of reform. Congress has provided significant support for this effort, including provisions in the FY17 NDAA that helps bring TRICARE management more in line with best practices from civilian health plans.

The DHA, in its management of TRICARE, has instituted additional reforms to improve our beneficiaries' access and experience of care around the world. We have improved our use of virtual health capabilities through programs such as the integrated 24/7 Nurse Advice Line / appointing system, secure online messaging, mobile apps and expanded telehealth. We have streamlined the referral management process in certain markets to ensure specialty care needs are met effectively. We are scaling these process improvements for implementation across the enterprise in the coming year. We have expanded access to preventive care and reduced referral requirements for urgent care.

While the current TRICARE contracts have been in place for less than two years, work has already begun on designing the next-generation contracts. One area of focus will be to

strengthen the TRICARE Network to support the readiness requirements of the direct-care system. We will also improve on testing and evaluating the ability of the Network to accept additional patients during contingency operations. We also intend to expand our use of value-based care models, paying not merely for the number of services provided, but for better outcomes, and to incentivize better information exchange between DoD and the private sector. As we go forward, our goal is to further integrate the direct and purchased care systems on behalf of our beneficiaries. We will continue to expand transparency so that beneficiaries can better evaluate access, quality, safety, and costs to them and their families.

MHS GENESIS

In parallel to our organizational changes, we are continuing our deployment of a modern, standard electronic health record (EHR). MHS GENESIS will replace a disparate collection of legacy system with a single, off-the-shelf health record ready for use wherever a military professional delivers care. This new EHR will give our patients and providers the health record system they need and deserve.

As you know, we deployed MHS GENESIS at the first of four Initial Operating Capability (IOC) sites in the Pacific Northwest two years ago. And as we have discussed with the Committee, we learned much from that initial test deployment that then informed how we initiated the next steps to roll out the EHR to the rest of the MHS. We learned important lessons about how to most effectively train front-line users; timing around the build-out of the IT infrastructure required to support the EHR; and how to best support our people in the challenging first few weeks of deployment.

In September, we deployed MHS GENESIS at four facilities in California and Idaho, incorporating lessons learned from our IOC deployments, which clearly paid off. These successful deployments have cleared the way for an accelerating schedule of site deployments and for on-time deployment of MHS GENESIS throughout the MHS over the next 2-3 years. This success not only positively impacts our beneficiaries, but on Department of Veterans Affairs (VA) patients. Once the VA completes its deployment of the same EHR, our Service members will have a single medical record that follows them from the first day they are sworn in, through their time in the DoD and VA systems. We're working hard with our VA partners to share knowledge from the first MHS GENESIS deployments to ensure the successful deployment within both Departments.

Conclusion

It is our privilege to testify today on the critical role the MHS plays in support of the National Defense Strategy and how the reforms we are pursuing will better position us to meet our mission. We thank this Committee for its support of that mission and the outstanding men and women who carry it out.