

TESTIMONY OF

RADM THOMAS CARRATO, USPHS (Ret)

PRESIDENT

HEALTH NET FEDERAL SERVICES

BEFORE THE COMMITTEE ON VETERANS AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

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Biography of RADM Thomas Carrato, USPHS (Ret)

Thomas Carrato, President of Health Net Federal Services, is responsible for the daily leadership and management of Health Net Federal Services and MHN Government Services. His responsibilities include the management and oversight of Health Net's Department of Defense and Department of Veterans Affairs lines of business to include DoD's TRICARE program for the North Region and the worldwide Military and Family Life Counseling program and the Department of Veterans Affairs' Patient-Centered Community Care program.

Mr. Carrato has over thirty years of experience, success, and accomplishments in both the public and private health care sectors as a senior executive, chief operating officer, and clinician. He served as Assistant Surgeon General of the United States, Regional Health Administrator for the U.S. Department of Health and Human Services, Deputy Assistant Secretary of Defense for Health Plan Administration, and Group Vice President for a publicly traded government services company. Mr. Carrato joined Health Net Federal Services in March 2006.

Previously, Mr. Carrato served as Deputy Assistant Secretary of Defense for Health Plan Administration and Executive Director of the TRICARE Management Activity where he directed and managed worldwide operations and performance of the TRICARE health plan. In an earlier role as the Department of Health and Human Services' Regional Health Administrator for Region IV, Mr. Carrato was the Department's principal representative, providing advice and participating in policy development and implementation of key health care initiatives in the southeastern United States. He managed regionally based programs of the Office of Public Health and Science including the Offices of Emergency Preparedness, Minority Health, Women's Health, and Population Affairs.

Mr. Carrato holds a Master of Science in Accounting from Georgetown University and is a licensed Certified Public Accountant. In addition, he holds a Master of Social Work from the University of South Carolina and is a Licensed Clinical Social Worker.

Mr. Carrato retired as a Rear Admiral in the Commissioned Corps of the United States Public Health Service. His decorations include the Defense Distinguished Service Medal and the Public Health Service Distinguished Service Medal.

A Partnership History

Chairman Miller, Ranking Member Michaud and Members of the Committee, I appreciate the opportunity to testify on Health Net Federal Services' implementation and administration to date of the Department of Veterans Affairs' (VA) new non-VA care initiative, the Patient-Centered Community Care (PC3) program.

Health Net is proud to be one of the largest and longest serving health care administrators of government and military health care programs for the Department of Defense (DoD) and Department of Veterans Affairs (VA). Health Net, Inc.'s health plans and government contracts subsidiaries provide health benefits to more than five million eligible individuals across the country through group, individual, Medicare, Medicaid, TRICARE, and VA programs.

For over 25 years, in partnership with DoD, Health Net has served as a Managed Care Support Contractor in the TRICARE Program. Currently, as the TRICARE North Region contractor, we provide health care and administrative support services for three million active duty family members, military retirees and their dependents in 23 states. We also deliver a broad range of customized behavioral health and wellness services to military service members and their families, including Guardsmen and reservists. These services include the worldwide Military and Family Life Counseling (MFLC) program providing non-medical, short-term, problem solving counseling, rapid response counseling to deploying units, victim advocacy services, and reintegration counseling.

As an established partner of VA, Health Net has collaborated in supporting Veterans' physical and behavioral health care needs through Community Based Outpatient Clinics (CBOCs) and the Rural Mental Health Program. We also support VA by applying sound business practices to achieve greater efficiency in claims auditing and recovery, and previously through claims re-pricing. The monies recovered through these programs are available to provide or enhance services to our nation's Veterans.

It is from this long-standing commitment to supporting service members, Veterans, and their families that we offer our thoughts on PC3 and its role as an important component toward improving Veterans' timely access to care, supporting coordination of care, and ensuring quality of non-VA care. PC3, ultimately, supports greater integration of non-VA care services with the care provided to Veterans at a VA Medical Center (VAMC) or CBOC.

Building Upon Lessons Learned

In developing approaches to ensure Veterans have access to quality, coordinated care, VA has previously implemented pilot programs, such as Healthcare Effectiveness through Resource Optimization (HERO) in 2008, VA Rural Mental Health Program in 2010, and Project Access to Care Received Closer to Home (ARCH) in 2011. PC3 grew out of these pilot programs and was designed based on lessons learned from them, as well as input from and collaboration with, key industry and legislative stakeholders, including Veteran Service Organizations and Members of Congress.

In-Place, Integrated Solution

PC3 has been designed as an integrated solution that ensures a clinical quality baseline, supports care coordination, and provides timely access to care for Veterans. PC3 contracts have been constructed to enhance VA care delivery by augmenting VA's ability to provide inpatient and outpatient specialty care and behavioral health care for enrolled Veterans when the local VA Medical Center (VAMC): (1) lacks available specialists; (2) has a long wait time; or, (3) is an extraordinary distance from the Veteran's home. The purpose of PC3 is to augment VA capacity and capabilities, not to replace them. To this end, specialty care can be provided on either an inpatient or outpatient basis and includes mental health.

The most important goal of PC3 is to ensure Veterans have timely access to high quality, coordinated care. Health Net's PC3 appointment schedulers work collaboratively with Veterans to schedule appointments that meet their schedules and follow PC3 standards and industry best practices. Health Net conducts follow-up with providers to ensure that Veterans complete their appointments. When there is an issue with an appointment, we find out why and attempt to reschedule. Health Net's PC3 staff collects and returns completed medical documentation to VA, which ensures VA has timely and complete patient care information to include in the Veterans' computerized patient record within VistA (Veterans Health Information Systems and Technology Architecture). The result of this careful process is delivery of integrated health care services in a manner that is convenient for Veterans.

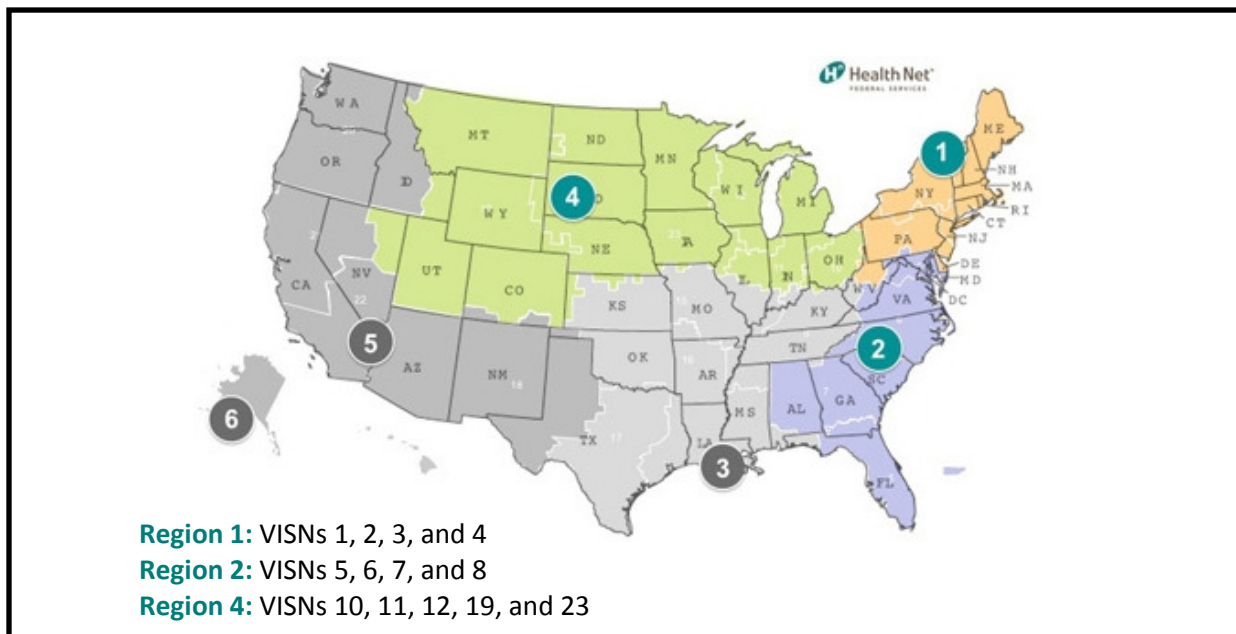
PC3 contracts deliver significant benefits to Veterans and VA through:

- ✓ *Enhanced Access to Care: Veterans are seen quickly and within required commute times.*
- ✓ *Convenience to Veterans: Upon receipt of an authorization from a VAMC, appointment schedulers reach out to Veterans and work with them to schedule appointments that best meet their needs.*
- ✓ *Improved Care Coordination: Medical documentation is returned to the VA in a secure and timely manner.*
- ✓ *Quality Care: Health Net's provider network is URAC accredited and all providers comply with PC3 clinical quality requirements.*
- ✓ *Improved Efficiency and Accountability: PC3 contracts help VAMCs manage high volumes of care. They consolidate the complex, diverse work of managing many providers into a single contract.*

Standing Up PC3

Following a competitive bidding process, Health Net Federal Services was awarded a contract for three of the six PC3 regions (see Figure 1). The regions supported by Health Net contain all or part of 37 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Within the three regions are 13 of VA's 21 Veterans Integrated Service Networks (VISNs) and 91 Veterans Affairs Medical Centers (VAMCs). Implementation started shortly after the contract was awarded on September 23, 2013. The first VAMCs in Health Net regions went live on January 6, 2014. Implementation of the remaining VAMCs was completed on April 1, 2014. From program inception through June 9, 2014, VA has provided Health Net with approximately 28,000 authorizations for care in 71 specialty areas. The top five areas of specialty care authorized include: optometry, physical therapy, gastroenterology (to include colonoscopy), audiology, and podiatry. PC3 is not a mandatory program, thus, utilization across the 91 VAMCs and 13 VISNs has varied significantly. For example, as of June 9, 2014, three VISNs provided almost 60 percent of total authorizations to Health Net.

Figure 1: Health Net Federal Services' Contracted PC3 Regions 1, 2 and 4



Improving Timely Access to Care

PC3 includes strict timelines to make sure that appointments are scheduled and executed quickly. These requirements help reduce wait-times and ensure that Veterans are able to see a physician in a timely manner. We are committed to meeting the contract requirements for scheduling routine appointments within five days of receiving an authorization and scheduling care to occur within 30 days. Urgent authorizations have an even higher standard: appointments are made within 48 hours of receiving an authorization. Our PC3 appointment schedulers always attempt to contact Veterans in order to collaboratively find appointment times that are convenient for Veterans. Distance as well as travel time are considered when offering the Veteran an appointment with providers within VA-defined distance standards. Veterans are called to schedule the appointment and the provider is contacted after the appointment to make sure the Veteran attended the appointment. If the Veteran did not attend the appointment, Health Net ensures the Veteran is contacted to reschedule the appointment.

Supporting Coordination of Care

The PC3 program achieves care coordination by requiring that medical documentation is returned to VA. In PC3, we collect documentation from the provider, image it into our workflow management system (iDocs), and transfer it electronically to VA (within 14 days for outpatient care and 30 days for inpatient care) for inclusion in the Veteran's electronic health record. In collaboration with DOMA Technologies, a Veteran Owned Small Business, we tailored iDocs for PC3 to provide transparency and ready access to information by VA. The iDocs system provides VA users with secure, role based access to key information and provides transparent access to information. The same system is accessed by both VA and Health Net users. VA users can track the authorization as it progresses through a seven step process that

includes appointing and delivery of complete medical documentation. Alternative methods of providing non-VA care, such as individual authorizations, may not yield the assurance that a Veteran has made or attended an appointment, and certainly does not ensure medical documentation being returned to VA electronically.

Ensuring Quality of Non-VA Care

Ensuring quality is an important component of PC3. Network providers must meet strict, VA-mandated clinical quality requirements to be accepted into the PC3 network which includes the Medicare Conditions of Participation (CoP) and Conditions for Coverage (CfC). In addition, Health Net's network is URAC accredited. URAC accreditation is a symbol of excellence and provides key quality benchmarks in the health care industry. Health Net meets URAC's nationally recognized standards of quality and operational integrity for network management, provider credentialing, quality management and improvement, and consumer protection. We currently have over 60,000 providers in the PC3 network across all three regions and continue to grow the network based on the needs of each VAMC. Primary care is not available through PC3, so all of the network providers are specialty providers. To further support our focus on quality in relation to patient safety and patient clinical issues, we have an Oversight Committee and a Peer Review Committee, and a comprehensive Quality Assurance Surveillance Plan (QASP) that is aligned with specific contract performance objectives.

The Path Forward

We believe PC3 has tremendous potential to help VA deliver timely, coordinated, and convenient care to Veterans. PC3 is still a very new program. As with any new program, no matter how well the program requirements and design have been developed, areas for enhancement become apparent in the early stages the program. In order to ensure the success and long-term viability of a new program, all parties need to be able to bring forward recommendations for refinement and be willing to make appropriate corrections or modifications to ensure the program is effective in achieving its goals and objectives. We are committed to doing this and have already adopted a number of enhancements to make the program more effective and more responsive to Veteran and VAMC needs. We also are participating in frequent collaborative discussions with the VA Program Management Office around some potential VA refinements to the program.

As mentioned earlier, PC3 is not a mandatory program. As an in-place program which addresses access, care coordination, and quality, PC3 is an integral part of the solution to effectively care for our nation's Veterans. To fully leverage the capabilities of PC3, full adoption is essential.

We stand ready to support Acting Secretary Gibson on the Accelerating Access to Care Initiative. We look forward to continuing our collaborative relationship with VA and to serving as a resource to this committee and to Congress on ways in which the highest quality care can be delivered to our nation's Veterans. Thank you and I am available to answer any questions you may have.

Background on Health Net, Inc.

Health Net, Inc. (Health Net) is one of the nation's largest publicly traded managed health care companies and is currently ranked #254 on the 2014 *Fortune 500*. Health Net's government services division is one of the largest and longest performing administrators of government and military health care programs. Our health plans and government contracts subsidiaries provide health benefits to more than five million individuals across the country through DoD and VA, as well as group, individual, Medicare, and Medicaid programs. As a leader in behavioral health, Health Net provides behavioral health benefits to approximately five million individuals across the U.S. and internationally through its subsidiaries, MHN, Inc. and MHN Government Services.

Health Net Federal Services manages several large contracts for the government operations division of Health Net, Inc. and is proud to be one of the largest and longest serving health care administrators of government and military health care programs for the DoD and VA.

In partnership with DoD, Health Net Federal Services serves as the Managed Care Support Contractor for the TRICARE North Region, providing managed care services for three million active duty family members, military retirees, and dependents in 23 states. In collaboration with VA, Health Net Federal Services has supported the physical and behavioral health needs of Veterans through CBOCs and the Rural Mental Health Program. Additionally, Health Net Federal Services also supports VA by applying sound business practices to achieve greater efficiency in claims auditing and recovery.

Our affiliate, MHN Government Services, delivers a broad range of customized behavioral health and wellness services to military service members, their families, and Veterans. These services include military family counseling, financial counseling, rapid response counseling to deploying units, victim advocacy services, and reintegration counseling.