STATEMENT BY
DR. WILLIAM WINKENWERDER, JR., MD, MBA
ASSISTANT SECRETARY OF DEFENSE
(HEALTH AFFAIRS)

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CONCERNING
MILITARY HEALTH SYSTEM

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Introduction

Mr. Chairman, Distinguished Committee Members, it is a pleasure to have this opportunity to address you, and to report on the Military Health System, its significant accomplishments and the opportunities and challenges that lie ahead.

I plan to outline an ambitious program for the coming fiscal year. The budget put forward for the 2004 Defense Health Program again represents a realistic assessment of our requirements, and the anticipated private sector health care inflation rates, which do affect our program. The President's budget request anticipates a 9 percent cost increase in private sector health care costs for the Department, and requests a 15 percent growth rate for pharmaceutical costs.

Our experience in 2002 established our ability to manage our increased responsibilities in a prudent financial manner. I am confident that we will have a similarly well-managed defense health program in 2003.

In 2003, the Department's senior military medical leadership – the Surgeons General of the Army, Navy and Air Force, and the Joint Staff Surgeon – have been deeply involved in and expertly executing the operational missions for which we exist. Their leadership has been instrumental in our successful management of deployment health issues, dramatic decreases in non-battle injuries and illnesses, and expert casualty care management. Along with their operational focus, the Surgeons General have not wavered from their efforts to make TRICARE work better for all of our beneficiaries.

As we established our 2003 – 2004 priorities for the Military Health System, the senior medical leadership established a strategic plan for serving our service members, their families, and the American people. I recently met with medical commanders and senior staff from around the world to discuss these priorities. Our theme – "Protecting Our Forces, Supporting Our Families, Shaping Our Future" – also provides a context in which to review our major initiatives and priorities in our budget. This statement serves to outline the major priorities for our military health system.

Protecting Our Forces

The fundamental mission of our military health system is medical readiness. All that we do in military medicine flows from this primary responsibility – to ensure our forces receive health support for the full range of military operations to which they are called, and are maximally protected against the most significant, non-conventional threats. In support of this mission, we operate a large health care delivery system – and we endeavor to foster, sustain and restore the health of all 8.7 million military service members, retirees, and family members entrusted to our care.

Resumption of Anthrax Vaccine Immunization Program

In 2002, the Department of Defense (DoD), in close consultation and coordination with agencies across the federal government, made significant advances in protecting our military forces against the threat of bioterrorism. In June 2002, we announced the resumption of anthrax immunization for those forces at greatest risk. We also pledged support to the

Department of Health and Human Services (DHHS) and allocated a portion of DoD anthrax vaccine to the DHHS for use in the event of a domestic crisis. To date, more than 2 million doses of anthrax vaccine have been given to more than 565,000 service members. We are working with DHHS and other federal agencies to develop a next generation anthrax vaccine for future use.

Initiation of Smallpox Immunization Program

In December 2002, President Bush announced the federal plan to resume smallpox immunization for select first responders and for military service members at greatest risk. Within days, DoD initiated smallpox vaccination for our forces. The federal government made this decision with full awareness that the smallpox vaccine has potentially severe side effects in rare circumstances. We have vaccinated more than 350,000 service members and instituted an aggressive safety program to both screen individuals who may be at risk, and then closely monitor those service members who have been vaccinated. I am pleased to report that we have seen only a few significant or severe side effects, and all of these individuals have been successfully treated and are returning to duty.

Our medical teams across the globe are providing first-hand evidence of their clinical excellence in administering these vital programs. The combination of these two vaccination programs are providing our forces with superior protection, and offering an important deterrent to any enemy who may consider using them.

Anthrax and smallpox are clear and lethal dangers to U.S. forces. These immunization programs remain our highest bioterror priority and are supported in the Fiscal Year 2004 President's budget request.

Of course, force health protection extends well beyond these vaccination programs. There is a vast array of health protection measures being employed today that provide layers of protection to our forces from chemical, biological, radiobiological exposures. We are working closely with the DoD Office of Chemical, Biological and Nuclear Defense Programs to accelerate the most critical of these efforts.

Medical Surveillance

As U.S. forces deploy to more locations in the global war on terrorism, we are acutely aware of the need to ensure we deploy healthy personnel, closely monitor their health while deployed, and then reassess their health upon redeployment to the United States. We are performing these vital force health protection services through a variety of means.

Today's force health protection tools include a joint theater medical surveillance program that enables commanders to identify, assess and execute appropriate early intervention measures. In addition, these commanders will have near real-time information on exposures or environmental hazards, data on medical conditions and force health status, including immunizations of US forces in the field. Our medical information specialists and clinicians have teamed to execute a program in 4 months, originally scheduled to be implemented in three years.

Other important force health protection tools include newly developed policies and plans on pre and post-deployment health, patient movement and tracking systems, personal protective equipment, improved training, decontamination and environmental hazard sampling and assessment.

Chemical-Biological Warfare Defense -- Interagency Collaboration

We have also worked closely with our federal partners and improved our collaboration with other agencies. We recently convened an interagency workshop, together with US Northern Command, to identify how the medical assets of the Department of Defense and NORTHCOM will integrate with federal health leaders in the event of a national crisis.

In 2004, we will continue to bolster force health protection measures. Anthrax and smallpox vaccination programs will continue. We will upgrade our ability to monitor individual medical readiness by introducing an individual metric for readiness. This composite metric will assess vaccination status, currency of physical exams, availability of individual medical equipment and a small selection of other critical indicators to determine the immediate availability of a service member to deploy.

Improved medical detection and medical surveillance technologies will be introduced to further enhance our "early warning" system, particularly against biological threats so that preventive or treatment measures can be more quickly implemented.

We are also interested in seeing passage of the Administration's BioShield initiative. New authorities are needed, with appropriate safeguards, to assure rapid and effective medical treatments can be introduced quickly in response to weapons of mass destruction. The President's BioShield initiative would increase the Food and Drug Administration's authority to approve needed medical products in response to declaration of an emergency issued by the Secretary of Health and Human Services that is based on findings by the Secretary, the Secretary of Homeland Security, or the Secretary of Defense.

Finally, while not part of the Defense Health Program budget submission per se, I want to advocate on behalf of the Department's medical research and development requirements. We continue to make important headway in confronting a number of asymmetric enemy threats, particularly in the areas of biological, chemical, and radiobiological warfare. The research funded by the Department is providing essential information that can lead to even higher levels of protection for our forces in medical detection, surveillance, prevention, and treatment. In today's age, this research has applicability for all of our citizens and the civilized world.

Supporting Our Families

In order to sustain our medical readiness posture, as well as to attract and retain the best qualified Americans for military service, we operate a quality, world-wide health care system. Wherever we maintain medical capability and capacity, whether through military hospitals and clinics or contracted civilian services, our goal is a world-class health benefit that serves the health care needs of our active duty service members, retirees, the family members of both active and retired services members, and survivors. Through the operation of a clinically challenging medical practice, we ensure our health care providers and other medical experts are best prepared for their operational mission.

TRICARE

With the essential support of Congress, TRICARE is one of the most comprehensive health care benefits in the world. We continue to work hard to perfect the implementation of TRICARE benefit enhancements enacted in 2001, such as: extending eligibility for TRICARE Prime Remote to active duty family members; introducing a prescription drug benefit and a TRICARE benefit for military beneficiaries who are also eligible for Medicare.

Yet, there is more to do. In the coming year, we are introducing new programs to improve patient safety and quality health care, to improve customer service, particularly in the area of maternal health care, and to improve access to health care for all beneficiaries.

Quality, Family-Centered Maternal and Child Health Care

The legislative requirement to eliminate the need for non-availability statements for TRICARE Standard beneficiaries seeking private sector poses a serious threat to our readiness mission. Our surgeons and medical teams need continual on-the-job training to be effective in the field and home. Quality can be harmed if medical personnel do not have patients. Our budget proposes to bring back non-availability statements for TRICARE. In addition, the Department is re-examining our obstetric service product line. In this process, we have evaluated the full-range of family-centered medical programs in obstetrics, gynecology, and pediatrics. Our objective is to be the provider of choice for our patients. We have established customer satisfaction standards for world-class family-centered health care. We have communicated with our medical facility commanders on these standards, and begun to reach out to our beneficiaries to inform them of our standards, and of our outstanding quality outcomes. Some of the initiatives we have undertaken may take several years to meet – particularly in the area of capital improvement requirements. But we are beginning now, and we will measure our performance quarterly to ensure that this program achieves our objectives for high patient satisfaction and sustained high quality care.

Access to Care

To improve patient satisfaction, patient awareness, and ease access, we unveiled two programs in 2002. TRICARE Online is one of our most promising innovations to improve access to military health services and leverages modern technology for use by all military beneficiaries, health professionals and managers worldwide. It offers increased access to care through online appointments, secure health data, and information about all military medical facilities and providers. The pilot program we unveiled in 2002 has proven extremely successful and we are proceeding with worldwide deployment by the end of 2003.

A second initiative being tested at MTFs around the world is the "Open Access" initiative – in which appointments are made available for TRICARE Prime enrollees on the same day in which they call, whether the appointment need is acute or routine. We are witnessing both improved patient and provider satisfaction with this initiative, and are actively supporting its export to other facilities in our system.

We remain vigilant regarding access to care for all of our beneficiaries – Prime, Extra and Standard. We continuously monitor the adequacy of TRICARE networks, and we are particularly focused on this issue as military medical deployments increase and our direct care system is required to refer care to the civilian network. We are pleased that the percentage of health care claims filed by participating providers continues to increase – now 97% of all claims are filed by the provider, the highest number ever reached in TRICARE or the previous CHAMPUS program. We are committed to sustaining this level of network and/or participating provider availability.

Quality and Patient Safety

We recently restructured our Patient Safety Program. Our objectives for the Patient Safety Program involve improving coordination of patient safety activities across the three Services, with the Armed Forces Institute of Pathology (AFIP), the Uniformed Services University of the Health Sciences (USUHS), and the TRICARE Management Activity providing

essential integrating and leadership functions. We will align our patient safety data with national standards; to increase our reporting of near misses from Military Treatment Facilities; and to create a culture of disclosure and reporting to improve systems within healthcare. Surrounding these objectives, we intend to increase patient awareness and involvement in our patient safety initiatives.

One of the most significant advancements we have made in the area of patient safety was achieved through the deployment of the Pharmacy Data Transaction Service (PDTS). The PDTS provides real-time integration of individual beneficiary prescription drug profiles from MTF, mail order and retail pharmacy points of service. In the brief time since its automation, PDTS has already alerted TRICARE providers and patients to more than 50,000 potentially life-threatening drug interactions. It was recognized recently by President Bush as one of the most outstanding innovations in all of the federal government.

Reserve Health Care Support

The Department has introduced several demonstration programs since September 11, 2001 to provide an easier transition to TRICARE for the growing number of reserve component members and their families who are called to active duty. These demonstrations have helped to preserve continuity of medical care and reduce out-of-pocket costs for these families. We are revising our administration of reserve benefits to ensure that families are not arbitrarily excluded from benefits that were intended for them. We have updated our policies to ensure that family members of reservists who are activated are eligible for TRICARE Prime Remote benefits when they live more than a one hour's commuting distance from a military medical facility. In addition, reservist families can enroll in TRICARE Prime if a member is activated for 30 days or more.

TRICARE For Life – Medicare-Eligible Health Care Fund

Of the important initiatives introduced in the past several years, the TRICARE for Life legislation also required a new method of accrual financing to support the program. The first year's operation was funded from the Defense Health Program appropriation, providing needed time to establish and transition to the DoD Medicare Eligible Health Care Fund. We have worked closely with the Defense Accounting and Finance Service and the Department's Comptroller to determine accounting and finance procedures for program implementation. We are pleased to note that the GAO reviewed our program and issued their report that concluded "DoD's regulations satisfy the legislative criteria for transfers from the Fund and appear to be adequate and provide a framework for the transfers to be implemented upon activation of the Fund."

Shaping Our Future

TRICARE continues to set standards as one of the premier health plans in the world. While we are proud of our accomplishments in TRICARE, we also recognized that improvements can be made in the administration of this program. This year is an important transition year for TRICARE and we have begun the transition process already.

New TRICARE Contracts

In August 2002, we issued Requests for Proposal for a new generation of TRICARE contracts – simpler, more customer-focused, easier to administer, and with greater local accountability for performance. We reduced the number of TRICARE regional contracts from seven to three, and we reduced the number of TRICARE regions from eleven to three.

The contracts include incentives for contractors to utilize local military medical facilities, and to increase patient satisfaction. We are aligning our incentive structure so that Service medical departments and local military medical commanders are similarly rewarded for cost-effective decisions to optimize use of their medical facilities.

In January 2003, the bidding process reached a milestone when competitive bids were received for each TRICARE region. We have already accomplished a major objective by ensuring market competition for each of the three regional contracts.

We have also simplified our TRICARE contracts through selective identification of functions and services that can be more easily administered through single, nationwide contracts, or through more focused, local solutions. For example, local MTF commanders sought, and we provided more direct control of contracting for local support functions such as appointing and resource sharing with civilian providers for support to military hospitals and clinics.

We have competed and awarded a national mail order pharmacy contract that began March 1, 2003. This will be followed by a single national retail pharmacy contract that will shortly be competed. The establishment of national pharmacy services will enhance our own management of this high-cost service, and enhance customer service for patients traveling in different regions are requiring short-notice prescriptions.

TRICARE Governance

The most important element of our TRICARE transition, however, is our effort to ensure a seamless transition for our patients. The establishment of a new governance model for TRICARE that focuses on local health care needs will best support this transition.

Over the next several years, our Lead Agent offices around the country will have a critical role in this transition. For 2003, we have fully operational TRICARE contracts that continue to require the full efforts of our Lead Agents staffs in coordinating and overseeing contractor performance. In 2004, those contracts will still be operational for several months. The transition issues between contractors will require intensive oversight and coordination that will largely be conducted by Lead Agent staff. As the contract transition passes, there will be a migration of Lead Agent staff responsibilities from regional matters to local health care market management. Our Lead Agent/Market Management offices are all located in areas of significant military medical capability as well as sizable beneficiary population needs, and thus represent areas of importance for the Department for the foreseeable future. The Lead Agent/Market Manager duties may differ in some respects but the need for experienced health care executive staff with knowledge of local market circumstances will remain.

To further our ability to best deliver services in local health care markets, the Department is studying health care delivery in those markets served by more than one military medical treatment facility. Our objective is to identify business practices that allow us to sustain high quality health care programs, to include graduate medical education programs, and ensure patient satisfaction with access to these services.

Metrics

The DoD medical leadership has established a long-term strategic plan, using the Balanced Scorecard model. As part of this strategic plan, we have established a series of metrics and performance targets for our health system. Although there are a number of important measures, we have selected three indicators that will receive great visibility throughout our system. These indicators are:

- An Individual Medical Readiness metric to determine individual service member's medical preparedness to deploy. This is a new, joint service metric that promises to provide valuable information to both line and medical leadership.
- Patient Satisfaction with Making an Appointment by Phone. While we will measure a number of patient satisfaction indicators with access to health care, we are providing heightened attention to the specific indicator of phone access, which we have found to be a significant determinant of overall satisfaction with access. We will also measure ourselves against civilian benchmarks on this item.
- Patient Satisfaction with the Health Plan. This comprehensive review of patient satisfaction with their health plan provides a perspective on our overall performance on behalf of our patients. Similar to the previous metric, we will again compare ourselves to civilian benchmark standards.

Recruitment and Retention of Quality Medical Professionals

Ensuring that we maintain skilled staff across the MHS remains one of our top priorities in DoD. There are several avenues through which we obtain talented health care professionals. The Uniformed Services University of the Health Sciences (USUHS) is dedicated to the preparation of health care professionals to serve, lead and educate members of the military health system. Its military unique curricula and programs, successfully grounded in a multi-service environment, draw upon lessons learned during past and present-day combat and casualty care experiences. In addition to its education of military health professionals, USUHS makes available a significant number of courses to health professionals across the nation.

We also seek to recruit and retain health professionals through a variety of educational offerings and financial incentives. I am pleased that we were able to use Critical Skills Retention Bonuses this year to retain a significant number of medical personnel in critical specialty areas. In the coming year, working closely with Congress, we hope to further streamline our medical professional bonus programs and provide greater flexibility in targeting financial incentives to those serving in our most critical and at-risk areas.

Using Information Technology to Improve Patient Care

The Military Health System is incorporating new technology into all aspects of our operations, and the infrastructure we are putting into place now and over the next two years will put the MHS in the forefront of health care systems worldwide. Several of these information systems deserve special recognition.

The Composite Health Care System II (CHCS—II) is the military's electronic computer-based patient record -- a clinical information system that will generate, maintain and provide secure online controlled access to a comprehensive health record for service members, their families, retirees, their families and other eligible beneficiaries. This system will enable population health reporting by storing all patient data in a central location; it will maintain the integrity of patient data and standardization; and it will provide clinical functionality for the Theater Medical Information Program. CHCS—II has passed several important program

milestones and is being deployed to additional sites now. Following one more evaluation of its performance, we will make a decision on worldwide deployment in late Spring 2003.

The Defense Medical Logistics Standard Support program provides the right medical product at the right price at the right place and at the right time to our health care providers worldwide in peace and in war. This system has proven its value in supporting health care providers in a timely manner, and in eliminating the need to maintain large inventories of medical products.

While we are proud of our significant advances in using technology, trust remains the bedrock of a successful doctor-patient relationship and the expectations that our service members, retirees and families rightly have. Electronic sharing of health care information provides great advances in patient safety, in reduced errors in claims processing, and in improved customer service. But, there are risks in electronic communications that must be identified and measures implemented to prevent or manage those risks. The military health system information assurance program vigilantly protects patient information. We are proceeding with the appropriate use of technology, backed by an information security program, recently bolstered to standards beyond those seen commonly in the private sector, which protects the privacy and confidentiality of all patient information.

Improving Collaboration with the Department of Veterans Affairs

Just as we have done in the area of force health protection and medical readiness, we are also pursuing a more collaborative approach with our federal partners in our health care delivery system. In any discussion of collaborative initiatives, the DoD – VA relationship is a frequent and important topic.

We have established a Joint Executive Committee, led by the Under Secretary of Defense for Personnel & Readiness, and the Deputy Secretary of the Department of Veterans Affairs. We have established a joint DoD/VA strategic plan and expect that this will be our roadmap over the next few years to develop solid goals and performance measures and serve to further institutionalize our relationship

The Joint Executive Council oversees the Health Executive council and the newly established Benefits Executive council. Together these have:

- Concluded an agreement establishing a single discounted rate for the provision of medical services between DoD and VA. We believe this will encourage more efficient sharing of resources
- Initiated a system for the transfer of protected electronic health information so we can send veterans' service health records to the VA electronically. By 2005, our plan will allow physicians in both organizations to access health data of joint beneficiaries or individuals at joint venture sites.
- Facilitated procurement sharing agreements under which we either buy together, or one uses the preferential procurement arrangements of the other (as we are doing in pharmacy)
- Working with VA so that DoD's Defense Enrollment and Eligibility Registration System (DEERS) can be used to allow for a seamless transition from active duty to veteran status

We are collaborating on future facilities planning, through a coordinated approach to our BRAC process and VA's infrastructure realignment process "Capital Asset Realignment for Enhancement of Services (CARES). We are excited about new models for facility planning being considered.

Conclusion

Mr. Chairman, our responsibility to provide a world-class health system for our service members, our broader military family, and to the American people has always been recognized by the Congress, and on behalf of the men and women who serve in the US Armed Forces, I am very grateful for your past and future support of the Military Health System.

I look forward to working closely with you and your staffs in the coming weeks and months to provide whatever information you need to better assess our ability to execute our mission on behalf of the American people.

Thank you.