OVERVIEW STATEMENT

BY

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THE MILITARY HEALTH SYSTEM

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Mr. Chairman, distinguished members of this committee, thank you for the opportunity to discuss the Military Health System. Today, the Armed Forces of the United States have more than 275,000 service men and women deployed around the world in support of our national military commitments, including those serving in Afghanistan and Iraq. The Department is firmly committed to protecting the health of these and all service members, before, during and after their deployment and to our other healthcare beneficiaries, who now number more than 9 million.

My experience, over the past four years, as Assistant Secretary of Defense for Health Affairs and leader of the Military Health System has seen great sacrifice and sadness, but also great human triumph. We have lost loved ones and friends, but we have also liberated over 50 million people in Afghanistan and Iraq from decades of brutality and oppression. During these experiences, we have learned invaluable lessons and increased our determination to provide world class health care to our beneficiaries. These lessons and our determination are shaping the future of the Military Health System.

I assumed my position in the Department of Defense, shortly after the tragic events of September 11th with our nation ready to embark on the military campaign in Afghanistan against the Taliban and Al Qaeda. Our country then suffered malicious anthrax attacks against members of Congress, the media and others that killed unsuspecting U.S. Postal Service workers in the process. From those events, we found that the country had a very limited supply of anthrax and smallpox vaccine, and a limited means to detect a domestic attack by bioweapons. During this period following September 11th, there was neither a Department of Homeland Security nor a Northern Command, and not enough "interagency" collaboration.

Internationally, Saddam Hussein, his brutal sons, Baathist henchmen, and terrorists were relatively free to come and go as they pleased, and to carry out attacks on innocent people in the Middle East and elsewhere around the world. In short, the world had arrived at a very dangerous

and critical point in time. The United States government decided to act, and the Military Health System was a vital component in our actions.

Today, we have come a long way. There are many signs of success and hope. Clearly, we are seeing the beginnings of a new and perhaps hopeful future for the Middle East. As an example of this change, we have seen Palestinians democratically elect a leader for Palestine who is now working with the Israelis; a democratically elected government in Afghanistan that continues its path of rebuilding a bright future for its citizens; and, for the first time in more than 50 years, more than 8 million Iraqi citizens, in defiance of insurgents, voted to begin the developmental process of creating an elected government. We have seen Libya give up its Nuclear Weapons Program, democratic revolutions in the Ukraine, Krygyzstan, and Lebanon. Terrorists are on the run and finding fewer places to hide. We do not stand alone, rather we are engaged with many other countries in this international fight. Although Iraq is still a battleground, it continues its rebuilding efforts, not only the result of the war, but also to repair more than 30 years of designed neglect by Saddam Hussein. A constitutional election just occurred this past week.

Throughout all of the world events since September 11, 2001, the leadership of the U. S. military has had a clear and consistent message to our men and women in uniform -- we will take care of you as you go about the task of carrying out our government's missions, protecting Americans, and advancing the cause of freedom and democracy in the world. Throughout the Department of Defense, the men and women of the Military Health System contribute every day to the care and comfort of our service members. These medical professionals, from doctors and scientists to nurses, technicians and medics work around the clock keeping America's military fit, safe, healthy, and protected so that they can carry out their mission – a mission that, perhaps, has never before been as complex, challenging, or far-reaching as we find today. At the same time, these medical professionals also are defining, preparing and participating with others at the national level in improving the nation's medical emergency preparedness should the unthinkable happen. As some have put it, we are the "go-to team" on the other end of that 911 phone call when local, state or other federal assets are overwhelmed.

Not long ago, I visited the hurricane ravaged Gulf Coast Region. The men and women of the Military Health System were deployed to this region as part of our nation's medical emergency preparedness plan. We assisted in evacuations, search and rescue missions, offered health care to those who needed it, and consulted with local, state, and federal government entities on public health decisions. We also helped to evacuate the sick, old and infirmed in anticipation of Hurricane Rita. In both instances, the men and women of the Military Health System performed superbly.

Military Health System Funding

The Military Health System has a rich and diverse mission but before describing our military health activities, I would like to address our Defense health funding situation and highlight initiatives to manage costs. Defense Health Program (DHP) costs continue to rise due to increased utilization of the Military Health System (MHS). The Fiscal Year (FY) 2006 DHP funding request is $19.8 billion for Operation and Maintenance, Procurement and Research, Development, and Test and Evaluation Appropriations to finance the MHS mission. We project total military health care expenditures, including personnel expenses, MILCON, and DoD's contribution to fund Medicare retiree health costs, to be $37 billion for FY 2006. This funding growth is the result of benefit changes for our beneficiaries, to include the Reserve Components, increased healthcare costs in the private sector, and the decision of MHS-eligible beneficiaries, mainly our retirees, to drop private insurance coverage and rely on TRICARE.

The Department has taken several actions to better manage resources. The MHS is implementing performance-based budgeting, focusing on the value of services delivered rather than using old cost reimbursement methods. We are introducing an integrated pharmacy benefits program with a standardized formulary that is clinically and fiscally sound. Federal pricing of pharmaceuticals in the TRICARE retail pharmacy program will help significantly to contain costs. It is unfortunate that a number of large pharmaceutical companies have challenged the Department's position in the implementation of this program, and the matter is pending a legal decision which is not expected until next year. Quality management programs continue to ensure that care provided is clinically appropriate and within prescribed standards.

Performance-based budgeting. With this budgeting approach, we intend to base Military Treatment Facility (MTF) budgets on workload output such as hospital admissions, prescriptions filled and clinic visits, rather than on historical resource levels such as number of staff employed, supply costs, and other materials. We are in the second year of a planned four year transition to this new Prospective Payment System which will provide incentives and financial rewards for efficient management.

Integrated pharmacy benefits program. The redesign of our pharmacy programs into a single, integrated program, which began in June 2004, simplifies the program and allows us to more effectively manage this $5.5 billion program. We are standardizing formulary management, achieving uniform access to all medications, enhancing portability, and involving beneficiaries in formulary decision-making. We are promoting the use of more cost-effective products and points of service. Application of federal pricing for the retail pharmacy benefit pending judicial review will allow the Department to obtain manufacturer refunds for medications obtained through our extensive retail network. We currently use federal pricing for mail order and MTF pharmacy services.

Quality management programs. We continue to improve the quality of care delivered throughout the MHS, employing sound business practices and metrics to ensure the appropriateness of care. We monitor the health of our population using Healthy People 2010 goals as a benchmark, and we measure the quality of care provided to our beneficiaries using nationally recognized external benchmarks including the National Committee on Quality Assurance Health Plan Employer Data and Information Set measures and the Joint Commission on Accreditation of Healthcare Organizations ORYX indicators. These indicators demonstrate that the health care provided by the MHS meets or exceeds that provided by participating commercial health plans. In addition, we assess the safety of care using electronic systems for medication event reporting as well as root cause analysis of sentinel events. The deployment of a web-based commercial

application for reporting and analyzing patient safety events throughout the MHS is anticipated for fall of 2006.

Our new healthcare contracts, which we fully implemented in FY 2005, use best-practice principles to improve beneficiary satisfaction and control private sector costs. Civilian contract partners must manage enrollee healthcare and can control their costs by referring more care to MTFs. In concert with these new contracts, and the implementation of the Prospective Payment System, we need the flexibility to flow funds between MTFs and the private sector. We appreciate the Congressional intent to protect direct care funding. However, the current restrictions on funding adversely affect MTFs as well as care in the private sector. We urge you to allow the MHS to manage our funds as an integrated system. Funds must be allowed to flow on a timely basis to where care is delivered. We seek your help in restoring this much needed management flexibility.

TRICARE, the Military Health Plan

The TRICARE Program, our healthcare plan for our 9.2 million beneficiaries has now fully transitioned to new regional alignment and contracts, which include incentives for positive outcomes based on improved customer service. This transition was a momentous accomplishment and required dedicated work by a highly motivated professional team. Today's contracts have a stronger customer service focus, apply best commercial practices, and support our medical treatment facilities—which remain at the core of our system.

In spite of our efforts to manage more efficiently, total spending for the Military Health System, including the Retiree Accrual Fund, will reach $37 billion in 2005. Spending has essentially doubled in just the past four years! Our program growth is very rapid. Additionally, if current trends continue, over 75 to 80 percent of that spending will be for individuals no longer on active duty or their family members. The expansion of benefits, such as those for our senior retirees in TRICARE for Life, contributes to the growing size of our budget, as do other program elements. For example, our total pharmacy program has increased five-fold, that's 500 percent

since 2001 and now stands at over $5 billion annually. Our leaders of military medicine must apply full attention and best management efforts to these matters. We have informed the Service chiefs and vice chiefs, Service secretaries, and other department leaders, including Secretary Rumsfeld, of the facts about our spend patterns, cost trends, funding needs, how we are addressing cost increases, and more. Through these efforts, we have achieved a much better understanding about the financial aspects of our Defense Health Program and have received solid funding commitments. As a result of these exchanges, we are confident about the state of our program in the near term.

However, looking to the medium to longer term, quite candidly, we are concerned. We face tremendous challenges with a benefit design that does not always reward the efficient use of care. We are increasingly out of step with the benefit design approaches and trends of the private sector. We must address these issues, engage in constructive dialogue, and do what is right for our current and our future generations. My primary goal is to ensure that the military has a high quality, yet affordable health benefit for the long term.

Reserve Components Health Benefits

At your direction, we are implementing the new TRICARE Reserve benefits that will ensure the individual medical readiness of members of the Guard and Reserve, and contribute to the maintenance of an effective Reserve Component force. The Guard and Reserve are doing an outstanding job and they deserve an outstanding benefit. We will provide that for them. We have made permanent their early access to TRICARE upon notification of call-up, and their continued access to TRICARE for six months following active duty service for both individuals and their families. We are implementing the TRICARE Reserve Select (TRS) coverage for Reserve Component personnel and their families who meet the requirements established in law. TRS is a premium-based healthcare plan, at very attractive rates, available to eligible members of the National Guard and Reserves who have been activated for a contingency operation, on or after September 11, 2001. This program will serve as an important bridge as the Reserve and Guard members move back to other employment and the utilization of the private health care market.

Battlefield Medicine Success

Today, military medicine is saving hundreds of lives that previously would have been lost on the battlefield. Better training, advanced equipment, and talented Soldiers, Sailors, Airmen and Marines also contribute to this success. Less than two percent of wounded service members who make it to a source of medical care die of their wounds. This is the lowest figure in the history of warfare. On its own, this milestone is a remarkable accomplishment. It was achieved by the proficiency and professionalism of our medical personnel who have advanced battlefield medicine and medical transportation to new levels of capability. Our people are also doing an extraordinary job preventing illnesses and maintaining health. This progress is mirrored in our disease and non-battle injury rates that are about four percent in Iraq – rates which also are the lowest in military history; about 50 percent less than that experienced during the 1991 Gulf War.

Despite these historically low rates, the Department of Defense continues to seek even better ways to care for our service members. We have new programs and initiatives to take care of all of our wounded warriors.

Improving Mental Health Services

During the past decade, we have learned valuable lessons. Among these are identifying and gaining a better understanding of the health effects of deployments and operations; we are happy to report that the Department has made great progress in these important areas. To date in the current conflict, service members have completed more than one million pre- and post-deployment health assessments. Nearly 90 percent of this information is collected and transmitted to the repository electronically. This information helps us to improve follow-up care and treatment, ensures our people get the care they need, and assists the Department with its medical planning efforts.

War is always a difficult undertaking. Stress, uncertainty, separation from loved ones, daily risk of death or bodily harm, and frankly, witnessing of horrible events – take a mental toll on many of our service members. These mental health issues strike even our strongest and most brave. This is a challenge we must meet -- and we believe we are doing so in a concerned, straightforward and timely fashion. The Department today has a better understanding than ever before of the effects of combat and other rigors of war on our service members. In recent years, the Military Services began deploying combat stress control teams at the unit level and using them far forward in combat zones. These specialized teams do a fantastic job; they are making a real difference. They are part of the forward edge of our healthcare continuum, which extends back to include post-deployment health assessments, family support services, and reintegration into home life.

Another lesson that we've learned is that the period of highest risk for mental and family readjustment problems may be weeks after someone returns home. With this in mind and in consideration of the potential for physical health issues to arise once service members return, we recently directed an additional post-deployment health assessment – a follow-up program that expands upon our previous efforts. We recognize that no one who goes to war remains unchanged. However, not everyone is affected in the same way and not everyone has mental health or readjustment issues. But, some, a minority, do have health issues, and their health is our concern. This new effort will include a short interview questionnaire to be filled out by all service members -- including Reservists and Guardsmen, three to six months after they have returned home. Once they complete the questionnaire, service members may be referred to a healthcare provider to discuss issues of concern and obtain needed assistance. The intent of this program is to help determine the health status or personal situation of the service member with a focus on discovering any readjustment issues or problems. To get to the heart of issues, counselors will ask such questions as: "How are you doing"? "How is your family"? If things are not well, we want our service members to know that help is available. We believe that with this new disciplined and caring process, we can reach those who may need help and make a real difference where it is needed. As you know, there remains a common, general public perception in our country -- a

stigma – regarding the need for mental health services. We believe that through this new, follow-on reassessment tool, we reduce this "stigma" as an issue or barrier to needed care.

The Post-Deployment Health Reassessment (PDHRA) program has initiated three pilot programs since June 2005. The pilot program implementation included local implementation plan development, leadership and clinician education and training, identification and notification of service members, and outreach and education for service members in preparation for actual screening and assessment. The pilot projects have been initiated at Camp Pendleton, Ft Hood and Schofield Barracks for the active component. The National Guard will begin with a pilot project in Arkansas in November-December, 2005. The Army Reserve will begin in November-December with a pilot project with the 88th Regional Readiness Command, with units in Wisconsin, Illinois, Indiana, Ohio, Michigan and Minnesota. A centralized call center is being established to assist with screening, assessment, and referral management for Reserve Component personnel, especially those who are geographically separated from a drilling unit. The call center will leverage the capability of the FEDS HEAL program currently providing medical readiness support to the Reserve Component. The goal of the program is to identify and proactively assist service members in getting needed support for deployment-related concerns that may arise during the three to six month time period after their return from deployment.

Support to the Severely Wounded

While service members are surviving injuries in record numbers, we now must treat and care for those severely injured as we help them return to productive lives. Among these new programs are the Assistive Technology Centers for amputees at Walter Reed and Brooke Army Medical Centers, and others such as the Army's Disabled Soldier Support System. The Brooke Amputee Care Center opened in January 2005. The aim of the Care Center is to return patients to their "highest possible level of activity." It does so by incorporating a full range of amputee care at one site, including services for orthopedics, rehabilitation, occupational therapy, physical therapy and prosthetics. It also offers these service members quick access to social work and Department of Veterans Affairs counselors when needed. The Walter Reed and Brooke centers

also provide an opportunity for additional research in rehabilitation and prosthetic design. Walter Reed Army Medical Center, the Department's first amputee care center, has cared for more than 280 troops from operations in Iraq and Afghanistan. The combined effort of the Centers' staffs is remarkable and it's just amazing to see these health professionals attain their goals of returning seriously injured service members to a "tactical level of athleticism," including such activities as running track, bicycling, wall-climbing and rappelling. It is also satisfying to see the optimism and "true grit" of our injured and wounded war-fighters as they meet the challenges of their particular situation.

In addition, each of the Services has initiated an effort to ensure that our seriously wounded service members are not forgotten - medically, administratively, or in any other way. To facilitate a coordinated response, the Department established the Military Severely Injured Joint Support Operations Center. We collaborate, not only with the Services, but also with other departments of the federal government, nonprofit organizations, and corporate America, to assist these deserving men and women and their families.

A number of our severely injured Service members will be able to return to duty, thanks to their dedication and commitment, and the phenomenal quality of military medicine. Some, however, will transition from the military and return to their hometowns or become new members of another civilian community. These are capable, competent, goal-oriented men and women - the best of our nation. We will ensure that during their rehabilitation we provide a "case management" approach to advocate for the Service member and his or her family. From the Joint Support Operations Center here in Arlington, Virginia, to their communities across America, we will be with them. This will continue through their transition to the Department of Veterans Affairs, and the many other agencies and organizations providing support to them. Our goal is to provide long term support to ensure that no injured Service member is left without assistance.

Sharing Initiatives with VA

We continue to explore new avenues of partnership with the Department of Veterans Affairs (VA). Our Executive Council structure serves as the setting in which the Departments jointly set strategic priorities, monitor the implementation of these priorities and ensure that accountability is incorporated into all joint initiatives.

The Joint Strategic Plan (JSP) approved in April 2003, articulated a vision for collaboration, established priorities for partnering, launched processes to implement interagency policy decisions and develop joint operation guidelines, and instituted performance monitoring to track the Departments' progress in meeting the specific goals and objectives defined in the plan. The JSP goals include:

- Leadership Commitment and Accountability
- High Quality Health Care
- Seamless Coordination of Benefits
- Integrated Information Sharing
- Efficiency of Operations, and
- Joint Contingency/Readiness Capabilities.

The JEC reviewed and updated the JSP in CY 2004. When updating the plan, the JEC clarified roles and responsibilities of the entities under the Executive Council structure, included specific performance metrics, and strengthened the planning process. Progress on the JSP objectives, strategies and key milestones, and performance measures is reported on a regularly scheduled basis. Currently, the Health Executive Council and Benefits Executive Council are reviewing and updating the Joint Strategic Plan, which they will present to the JEC for approval in early CY 2006.

We have also worked closely with VA to establish the joint incentives program required by the National Defense Authorization Act for FY2003 by creating a DoD-VA Health Care Sharing Incentive Fund. The intent of the program is to identify, fund and evaluate creative local, regional

and national sharing initiatives. In FY 2004, 58 proposals were initially submitted, 29 proposals were selected for further consideration, and 12 were selected for implementation. In FY 2005, 56 proposals were initially submitted. Of these, 25 were selected to continue to a second round review and to submit more detailed information, including a cost benefit analysis, and 18 were selected and funded. For FY 2006, the submission dates will be earlier in the fiscal year to allow for earlier approval and funding of the selected projects.

We are especially pleased with our work with VA towards seamless, responsive and sensitive support to Service members as they transition from active duty to veteran status. An important aspect of this transition is DoD's collaboration with VA towards interoperable electronic medical records. We are electronically sharing health information to enhance the continuity of care for our nation's veterans. Each month, DoD transfers electronic patient information on Service members who have recently separated. These data include laboratory and radiology results, outpatient pharmacy data, allergy information, consult reports, discharge summaries, transfer information and patient demographic information. To date, DoD has sent electronic information on over 3 million veterans to the VA.

Information Technology and Management

DoD has a long history of transforming healthcare delivery through the use of information technology. For more than a decade, DoD has been a national leader in using one of the world's first and largest computerized physician order entry systems called the Composite Health Care System (CHCS). DoD recognizes the value of secure and on-demand accessible computerized patient information as a substantive way to enhance patient safety and the quality of healthcare delivery, and we are committed to working with the VA on appropriate electronic health information exchange to support our veterans.

CHCS also provides the backbone for the very successful Pharmacy Data Transaction Service, or PDTS. PDTS maintains a patient medication record for all DoD beneficiaries worldwide. Through an automated tool, PDTS reviews a beneficiary's new prescription against all previous prescriptions filled through any point of service in the Military Health System, including

military treatment facilities, retail network pharmacies and the TRICARE Mail Order Pharmacy. A cutting-edge benefit for beneficiaries and providers alike, PDTS has improved the quality of prescription services and enhanced patient safety by reducing the likelihood of adverse drug to drug interactions and duplicate treatments. Each prescription undergoes clinical screening against a patient's complete medication history before it is dispensed to the beneficiary. Use of the PDTS has resulted in higher quality medical care based on proper medication control, reduction of fraud and abuse, better management reporting and control, and most important, increased patient safety. All prescription information transmitted to PDTS is encrypted for security and privacy.

The Department is currently in the process of deploying the military's new electronic health record system. The new system, which will be publicly unveiled next month is a Windows-based application, further enhances capabilities and provides a user-friendly interface with improved coding and expanded documentation of medical care. It is an enterprise-wide medical clinical information system that maintains and provides worldwide secure online access to comprehensive patient records, continuing the Department's military electronic medical record effort. The new system is secure, standards based, and patient centric, for use in our garrison based medical facilities and our forward deployed medical units. By streamlining and computerizing business processes and scheduling systems, our new system stresses a team-based approach to healthcare that will improve efficiency in providing timely service to patients as well as continuity of care, patient safety and timeliness of diagnoses and treatments. The new system has been implemented at 71 of 139 planned Military Treatment Facility (MTF) sites spanning 11 time zones worldwide, with over 30,000 of 63,000 total users fully trained. DoD's Clinical Data Repository is operational, and currently contains electronic clinical records for over 7.1 million beneficiaries and 25 months of outpatient pharmacy and medication allergy information on about 75 percent of TRICARE beneficiaries. To date, our new system has processed over 8.6 million outpatient encounters, and on average is currently processing over 52,000 patient encounters per workday. Worldwide deployment is expected to be completed by the end of calendar year 2006.

Over the past year, the Departments of Defense, Veterans Affairs and Health and Human Services have launched a new era of Departmental information technology collaboration, with

unprecedented strides toward a new federal partnership through a number of initiatives. I would like to address a few of these today.

As a member of the American Health Information Community, I work with federal and private medical partners to help assist with the implementation of the President's agenda - that every American will have an electronic health record within ten years. The Department of Health and Human Services chartered this group made up of 8 federal medicine officials and 8 private sector medicine officials to discuss and guide the formation of an operable electronic health record. Secretary Leavitt has identified the Department of Defense and the Department of Veterans Affairs as leaders and key participants in the overall public-private electronic health record effort. I am honored to serve on this committee.

DoD and VA are lead partners in establishing federal health information interoperability standards as the basis for electronic health data transfer in federal health activities and projects through the Consolidated Health Informatics initiative. These adopted standards will be used in new acquisitions and systems development initiatives. DoD and VA are leading partners in many national standards development efforts, and both Departments participate in multiple standards boards to collaborate and share expertise. In addition, DoD and VA are co-leads for the Federal Health Architecture initiative managed by the Department of Health and Human Services (DHHS), and co-lead the Health Care Delivery – Electronic Health Record Work Group formed in May 2004. DoD is also active in the DHHS initiatives to build partnerships throughout the nation's healthcare environment in developing an integrated health information exchange network.

The Bidirectional Health Information Exchange is another important capability that enables the real-time sharing of allergy, outpatient prescription and demographic data, and laboratory and radiology results between DoD and VA for patients being treated by both DoD and VA. This capability is operational in the Seattle, WA area, El Paso, TX, the Eisenhower Army Medical Center in Augusta, GA, Naval Hospital Great Lakes in Chicago, IL and the Naval Medical Center in San Diego, CA. Deployment to additional sites in FY06 is being coordinated with the Services, and local DoD/VA sites. Site selection is based on support to returning

members of Operations Enduring Freedom and Iraqi Freedom, number of visits for VA beneficiaries treated in DoD facilities, current Federal Health Information Exchange usage, number and types of DoD medical treatment facilities, local sharing agreements, retiree population, and local site interest. We anticipate implementation at the following sites in FY06: Bassett Army Community Hospital, Fairbanks, AK; Brooke Army Medical Center, San Antonio, TX; National Capital Area to include Walter Reed, Bethesda, Dewitt and others; Landstuhl Regional Medical Center; David Grant Medical Center, CA; Elmendorf AFB Medical Facility, Anchorage, AK; Mike O'Callaghan Federal Hospital (Nellis AFB) NV; and Wilford Hall Medical Center, San Antonio, TX. The electronic health information from each DoD facility that implements this functionality is available to all VA facilities.

In addition, DoD now sends electronic pre- and post-deployment health assessment information from the Defense Medical Surveillance System (DMSS) to VA for separated Service members. The historical data extraction completed in July 2005 resulted in approximately 400,000 pre- and post-deployment health assessments being sent to the data repository at the VA Austin Automation Center. Transmitting electronic pre- and post-deployment health assessment data monthly to the data repository began in September 2005 with the transmission of over 52,000 assessments. VA is scheduled to have the capability to retrieve the data in December 2005. DoD will soon add the new post-deployment health reassessment information in early FY 2006.

DoD and VA are also establishing interoperability between DoD's clinical and health data repositories, and VA's health data repository. We successfully tested the exchange of computable outpatient pharmacy and allergy data in a laboratory environment in September 2004. The test demonstrated the ability to do drug to drug and drug to allergy checking using outpatient pharmacy and allergy information from both Departments. Since that time, DoD and VA have made significant progress in the foundation work necessary to begin exchanging outpatient pharmacy and medication allergy data on shared patients.

Additionally, DoD and VA are facilitating the electronic sharing of laboratory order entry and results retrieval between DoD, VA and commercial reference laboratories. This capability is

available for use throughout DoD. It is actively being used daily between DoD and VA at several sites where one Department uses the other as a reference lab. Either Department may function as the reference lab for the other with electronic orders and results retrieval. This speeds the processing and eliminates manual data entry previously required to incorporate the laboratory results into the electronic medical record.

The Department of Defense is committed to the collaborative efforts underway between DoD and VA. We have accomplished much and laid the ground work for even greater progress in the future. Our shared commitment to strong DoD/VA collaboration places us in the forefront of interagency health information technology across the federal government and in the nation.

Military Vaccine Program

In this War on Terrorism, the Department has programs to protect our service members against the threat of smallpox and anthrax, which we believe to be two potential bioterrorism weapons. To date, we used vaccines to protect more than 1.3 million Department members against anthrax spores and over 875,000 against smallpox virus. These programs have an unparalleled safety record and are setting the standard for others in the civilian sector. Our anthrax vaccination program is currently operating under an emergency use authorization, the result of a Federal district court judgment last October. We worked with the Department of Health and Human Services, the Food & Drug Administration (FDA) and the Court to restart this important program, and I am hopeful that shortly we will return to providing more of our service members this vital protection. Our service members deserve the protection the FDA-licensed anthrax vaccine provides, and it is our fervent belief that court decisions must recognize the ongoing, very real threat posed by anthrax.

Weapons of Mass Destruction Threats

I want you and the world to know that the Department is at the forefront of science, research and development for medical countermeasures to chemical, biological, and radiological threats; and for sensors, detectors and surveillance systems to protect all of us from a chemical or biological or radio-nuclear attack. For example, just three years ago, the Pentagon had a research

idea -- an environmental detection system to detect airborne pathogens. Today, we have installed this vital protection system, known as Biowatch, in more than 30 cities throughout the nation, including Washington D.C. Additionally, the President's Project BioShield provides nearly six billion dollars to develop an effective stockpile of protective vaccines and drugs. Similarly, we played a key role in developing the "National Interagency Biodefense Campus" at Fort Detrick, MD, to accelerate research on medical countermeasures. This project involves close coordination with the Departments of Homeland Security and Health and Human Services as well as other Federal agencies.

Finally, the Department continues its work on vaccines and measures that hold great promise toward effectively combating such diseases as HIV/AIDS, tuberculosis and malaria. Not only do these efforts have potential for significant benefits to our service members, but they can help in worldwide humanitarian efforts as well.

Healthy Choices for Life

We have made great strides toward achieving this goal by continuing to improve the ways we deliver healthcare and build healthy communities for all beneficiaries. We believe that the long-term, life-style choices people make can affect positively the readiness of our forces. To encourage these positive life-style choices, we embarked on a new effort, one that reflects our commitment to proactively support healthy lifestyle choices among our service members and beneficiaries in the MHS.

The negative effects on our military community of destructive choices are a cause for concern. For example, according to DoD cost estimates, tobacco use by the active duty force generates a $1.6 billion annual expense in medical care. Combined with the adverse consequences of obesity and binge drinking, the health of our military population suffers significantly. Force readiness depends on the good health of members of our armed forces. It is clear that we must work harder and smarter to reduce the negative affects of unhealthy behavior choices. Long-term

success in efforts to promote healthy choices among our members and their families could be among our most valuable and enduring efforts.

While individual health is a personal responsibility, developing and maintaining a healthy and fit force is everyone's responsibility. Our patients tell us that we – the Department – are their most trusted sources of advice in such matters. Knowing that, we believe we can help our military members and their families make a difference in their life-style choices.

In that spirit, over the next two years, through a demonstration project called "Healthy Choices for Life," we will focus on building healthier communities through education, intervention and treatment. TRICARE recently awarded two contracts under this initiative. These projects will test the utilization and efficacy of the tobacco cessation and weight management benefit for TRICARE Prime enrollees. Additionally, we are in the final phases of establishing a prevention education program on alcohol abuse within the active duty population. Our goal is to significantly improve members' health through lifestyle changes, thus enhancing the readiness of the Armed Forces, and eventually reducing the cost to our MHS that adverse lifestyle choices impose. We have an enthusiastic team of health professionals working with others in the Department to meet this challenge.

Humanitarian Operations

Natural disasters and humanitarian issues are a constant challenge to the world. The Department's medical assets provide unique capabilities not found elsewhere. The tsunami in South Asia was unprecedented in its devastation. A worldwide response developed quickly to support those affected by that incredible disaster. In cooperation with many other nations and multi-national groups, the U. S. contributed significantly to the relief efforts. Once again, the Department and the Military Health System demonstrated substantial and unique capabilities of support for humanitarian operations; we helped make a major difference to the people of South Asia. I had the opportunity to observe part of DoD's effort when I visited Indonesia and our crew

aboard the USNS Mercy. The Mercy is our hospital ship that hosted a number of non-government agencies providing humanitarian aid and support. I was very impressed with those operations and I find encouraging the precedent of partnering the U.S. military and Federal Government with non-government organizations to provide much needed care. One result of our collaborative humanitarian assistance is strengthened good will and trust between our nation and those we assisted. As you are aware, just last week the Department has also assisted those who are suffering in Guatemala and Pakistan due to natural disasters in their countries.

Hurricane Relief

An equally devastating disaster, Hurricane Katrina prompted activation of the US National Response Plan. The Military Health System (MHS), always ready to respond, was called to support the Emergency Support Function number eight. Under this support function, the Department of Health and Human Services is the lead agency, and when state and local resources request federal assistance, we provide all the assistance we have available in consideration of our other military missions. Our capabilities to provide support include health assessment, surveillance, personnel, supplies, patient evacuations, and delivery of emergency healthcare. Military medicine, because of our ability to provide healthcare and health-related activities in a very mobile fashion represent a vital part of this plan and its implementation operations. We coordinate and collaborate with our federal partners to ensure the safety of the individuals involved in a national emergency and to provide healthcare to those affected by the devastation.

After Hurricane Katrina's landfall, we faced an unparalleled disaster that crippled our Gulf Coast region. Now as a country, we stand united, ready to rebuild and renew hope for all those who have lost their homes, their businesses, their possessions and for some, family members.

In coordination with other federal agencies, the state and local governments, we continue to bring relief to the grief stricken area. We deployed over 2,000 medical personnel to the area. We moved more than 10,000 patients including more than 2,600 by air evacuation. Our medical personnel treated more than 5,500 people. We opened field hospitals and we sailed the USNS Comfort to aid in the relief operation. Our medical personnel in coordination with the Department

of Health and Human Services and the Centers for Disease Control and Prevention are heavily involved in monitoring the public health situation.

In addition to our support on the ground, we immediately considered how to ensure that our military beneficiaries who lived in the disaster areas and were displaced or adversely affected by Hurricane Katrina still receive their health benefits, especially chronic medications and recurring treatment procedures.

For Hurricane Rita, the lessons of Katrina were fresh and communication at all levels occurred two days before the storm hit. Jointly, we were able to assess capabilities and identify needed assistance. This analysis via teleconferences resulted in the military evacuating over 3,000 sick, infirm, and elderly individuals by military aircraft in less than 24 hours. The men and women of the Military Health System are doing unprecedented work to save lives and help rescue those in need in the Gulf Coast region.

The Way Ahead

As we near the end of the first year in the second four years of this Administration, it is an appropriate time to contemplate the way ahead for our Military Health System. The mission is clear -- to support our men and women fighting the Global War on Terror, and to care for our Armed Forces wherever they serve around the world. Our top priorities for our health system today are simple. First, to continue to do our utmost to care for service members who go in harm's way. Second, to ensure our health benefit remains intact, effective and affordable to the Department of Defense. We have worked with the leaders and the leadership of the Military Health System to be creative and diligent in the pursuit of these missions and priorities. We will advance our programs to care for our deployed heroes -- our returning wounded from Iraq and Afghanistan will have special focus. We have made great strides in this direction, but further improvements are possible.

The Department continues to lead and cooperate with other federal partners in the biodefense of our country and supporting the enhancement of emergency medical preparedness. We will continue to improve our response, coordination, and care during these crisis situations.

We will follow through on our TRICARE governance implementation and together address remaining and emerging issues in our new framework. In key areas we have worked with our private sector partners to identify needed policy changes and to soon implement these changes.

We will work to complete the Quadrennial Defense Review, the Medical Readiness Review, and implement the final recommendations of the Base Realignment and Closure Commission to be released later this year. We have established the Military Health System Office of Transformation to provide leadership, direction and assistance to those responsible for implementing these recommendations. This office will enable local commands to manage their resources more effectively and efficiently by helping develop capabilities and remove management obstacles.

We will fully implement our strategic and business planning processes to ensure we effectively address readiness, capital needs, and changing infrastructure. These processes are not simply a window for us in Washington, but a productive way for MTFs, regional directors, and TRICARE managers to manage for the next 10 years or more.

We will pursue higher levels of system efficiency and clinical effectiveness and deploy information technologies and management systems that support greater performance, clarity and accountability. We will continue to implement critical new initiatives such as revised financing, prospective payment, DRGs, improved billing and coding, and the new electronic health record system.

The Military Health System enjoys a position of national leadership with respect to information technology. Our electronic health record system is the most sophisticated and far reaching of any in the world. We are on track to implement it fully within the next 24 months.

Today, on average, over 50,000 patient visits daily are being captured by this new system. We have an opportunity, even an obligation, to lead—and so we will.

Conclusion

The military medical community has often been a powerful influence in building national relationships that foster freedom, liberty, and hope for the future. Today, we also directly support our Service members who fight to help others secure their freedom and those who help rebuild and renew our homeland. We face real challenges in the months and years ahead in this fight for freedom and liberty. Our Military Health System is truly a precious national asset, and I am pleased to have the opportunity to help shape and lead it. The men and women of the Military Health System have worked very hard to protect, to care for, to treat, to manage and to lead. The reason military medicine has succeeded and why it will continue to succeed goes beyond 'hard work' -- it goes to the will and character of the American people. We are confident that our mission -- caring for the uniformed service members who keep this nation safe and secure, and to care for their families -- has no greater calling or cause!

The Department of Defense has made tremendous progress in force health protection and surveillance since the Gulf War, and quite a bit since the beginning of Operation Iraqi Freedom. We are constantly learning from our experiences and we have laid the groundwork for even greater progress in the near future. We are firmly committed to continued improvement in protection for the health of our service members and improvement in the everyday care and support for all of our beneficiaries. The medical personnel of our combined services have our heartfelt appreciation and full support for their outstanding work.

Thank you.