Military Health System (MHS) Governance Reorganization

Briefing to the Task Force on the Care, Management, & Transition of Recovering Wounded, Ill, and Injured Members of the Armed Forces

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2 April 2013
Purpose & Agenda

Purpose
Inform the Task Force of the progress of MHS Governance Reform, the stand-up of the Defense Health Agency, and its continued sustainment for Recovering Warriors (RW).

Agenda
- Health Care Cost Growth
- Defense Health Program
- History of MHS Governance Studies
- MHS Governance Background
- March 2013 DSD Memo
- MHS Governance Way Forward
- DHA Mission and Structure
- Impact of the MHS Governance Reform and DHA to the RW
- Lead in to discussion of IC3
Why are Health Care Costs Growing in TRICARE?

1. **Increases in new eligible beneficiaries**
   - Increase of 500,000 beneficiaries since 2007

2. **Expanded benefits**
   - TRICARE plans and prescription benefits

3. **Increased utilization**
   - Existing users consuming more care (ER, ortho, MH)
   - 70% increase in AD outpt purchased care FY05-FY10

4. **Healthcare inflation**
   - Higher than general inflation rate
Background on Military Health System
Defense Health Program: by O&M Budget Activity Group*

Management Activities represent a small part of DoD’s health care costs

Opportunities exist for a properly organized management HQ to effect change with shared services

*Source: FY 2012 President's Budget position for DHP O&M
## History of MHS Governance Studies

<table>
<thead>
<tr>
<th>Year</th>
<th>COMMISSION AND/OR STUDY</th>
<th>CREATE UNIFIED SERVICE</th>
<th>ADD TO CENTRAL AUTHORITY</th>
<th>KEEP SEPARATE SERVICES</th>
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*UNIFIED JOINT COMMAND
MHS Governance Background

**September 2011: DoD Task Force on MHS Governance**

- Presented five organizational models for overall MHS governance, six models for Multi-Service (MSM) governance, and six models for National Capital Region (NCR) market governance
- Recommended a Defense Health Agency (DHA) model for MHS governance
- Recommended an Enhanced MSM (eMSM) model providing budgetary and short-term personnel management authority for MSM and NCR governance

**March 2012: DSD Memo, ‘Planning for the Reform of the Governance of the MHS’**

- Outlined DoD position on MHS governance changes
- Recommended the establishment of the DHA, eMSMs, and an NCR Medical Directorate (a subordinate organization of the DHA)
- Directed the USD(P&R) and CJCS to stand up a planning team to develop an implementation plan for MHS governance changes for DSD approval
March 2013 DSD Memo


- Directs implementation of MHS Governance Reform outlined in March 2012 DSD memo.

- Validates MHS Governance Implementation Planning WG recommendations.

- Sets key transition deadlines, including DHA IOC deadline of 1 October 2013 and FOC deadline of 1 October 2015.

- Consistent with FY13 NDAA Section 731 language.
## MHS Governance Way Forward

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<th>Spring 2013</th>
<th>October 2013</th>
<th>October 2014</th>
<th>October 2015</th>
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| • MHS transition teams stood up  
• DHA Director selected  
• 10 shared services assessed  
• March 2013 report provided to Congress | • DHA operational and responsible for shared services  
• NCR Medical Directorate operational  
• ASD(HA) reorg implemented  
• eMSM transitions complete  
• July and September reports provided to Congress | • eMSMs fully operational  
• 5-year business performance plans complete | • DHA fully operational  
• MHS Governance Transition Organization disbanded |

### Initial Operating Capability
- Spring 2013
- October 2013
- October 2014
- October 2015

### Full Operating Capability
OASD(HA) – Notional Reorganization

Organizational Change Driven by Authorities and Functions

- Removed dual-hatting of ASD(HA) and Director, TMA
- Revised functions
  - ASD(HA): Policy (development, approval and oversight) and fiduciary responsibility as DHP appropriation holder
  - DHA/Services: Execution of policy (implement, manage, monitor, evaluate)
DHA Mission and Structure

DHA Organization Structure

- Secretary of Defense
- USD(P&R) & ASD(HA)
- Joint Chiefs of Staff
- Combat Support Agency
- Defense Health Agency
- Business Support
  - Facility Planning
  - Medical Logistics
- Health IT
  - Resource Management
  - Acquisition (Contracting)
- Education & Training
- Healthcare Operations
  - Policy & Operations
  - Pharmacy
  - TRICARE Regional Off.
- Research & Development
  - Beneficiary Ed. & Support
  - TRICARE Health Plan
- NCR Medical Directorate
- Policy & Oversight
- Execution

DHA Shared Services

1. TRICARE Health Plan
2. Pharmacy Programs
3. Medical Education & Training
4. Medical Research & Development
5. Health Information Technology
6. Facility Planning
7. Public Health
8. Medical Logistics
9. Acquisition
Enhanced Multi-Service Markets (eMSM) Governance Relationships (Not C2) Ensure Strategic Alignment

**Six eMSMs: Represent 35% of the Direct Care Costs ($2.5B/$8.1B)**

- eMSMs are projected to be major touch points for the recovering warrior community
- eMSM are markets with:
  - Treatment facilities from more than one Service
  - Large eligible populations (greater than 65K)
  - High patient workloads
- “Enhanced” Authorities allow the eMSM Managers to:
  - Implement a market approach to advance population health
  - Execute a 5-year business performance plan to improve care
  - Allocate market funding where the need is greatest
  - Disseminate clinical and business best practices across facilities to improve effectiveness
Impact of the MHS Governance Reform and DHA to the RW

**Impact on Delivery of RW Services**

- **Standardization:** Standardizes business and clinical systems and processes, leading to an improved and more consistent experience of care across the MHS enterprise.

- **Centralization:** Centralizes service-support functions (IT, facilities, logistics, etc.), enabling Service MTFs to focus on core missions of delivering world-class patient care in the direct care system and ensuring Service member medical readiness.

- **IC3 Cross-Connectivity:**
  - One mission
  - One policy
  - One plan

**Impact Beyond RW Medical Care**

- **Cost Reduction:** Gains organizational efficiencies and cost savings that can be used for further reinvestment in patient care.

- **Lines of Authority:** Defines clear organizational lines of authority within the MHS between policy, execution, service-support, and patient care.

- **Best Practices:** Facilitates implementation of Service best practices across the MHS and creates organizational synergies through the reduction of duplicative functions in the Services.
Questions?