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

Maj Gen Robb

2 April 2013

Purpose & Agenda

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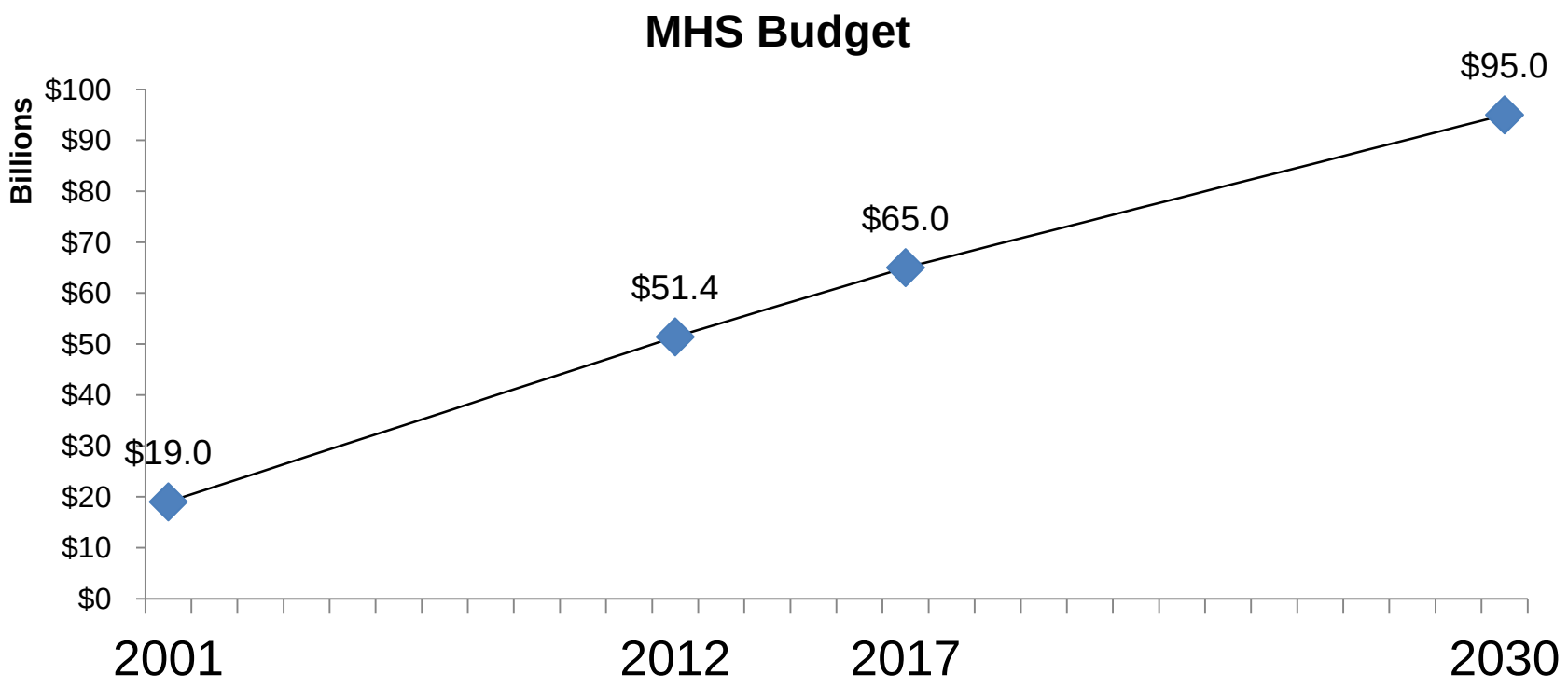
Inform the Task Force of the progress of MHS Governance Reform, the stand-up of the Defense Health Agency, and its continued sustainment for Recovering Warriors (RW).

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

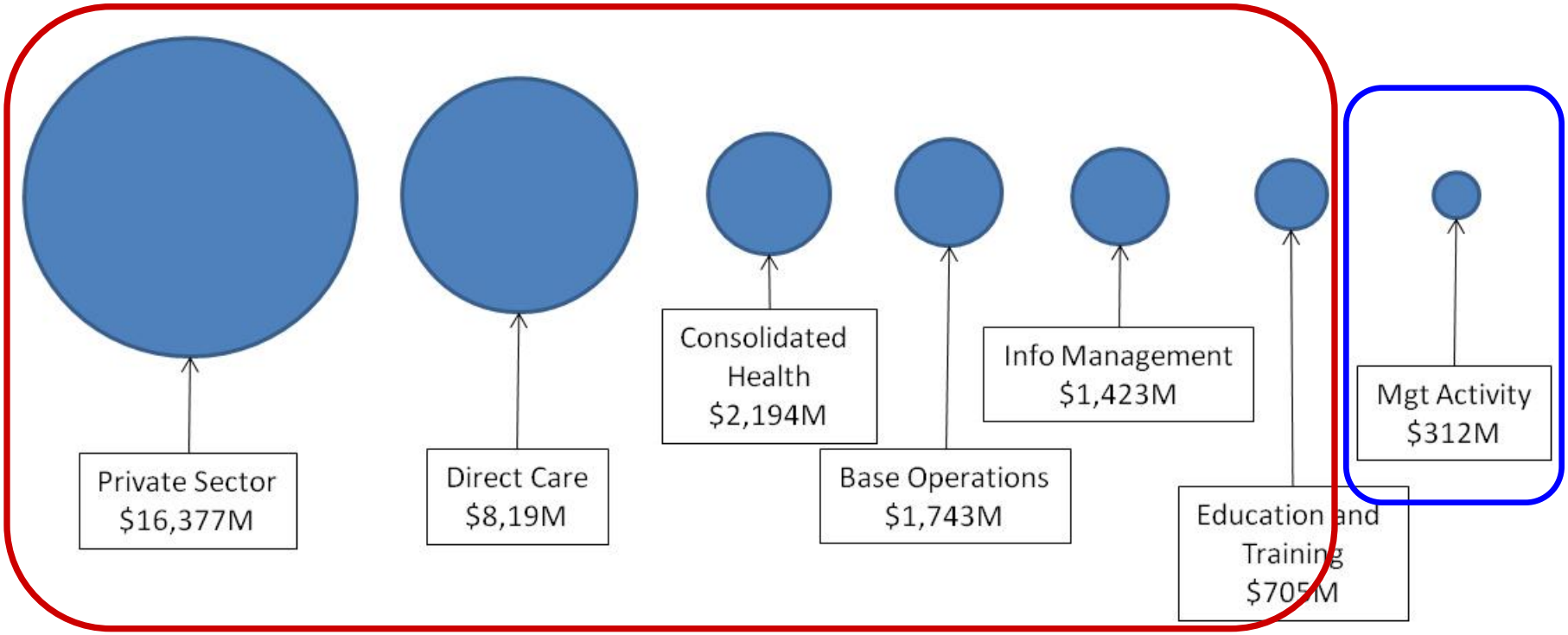
Why are Health Care Costs Growing in TRICARE?



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

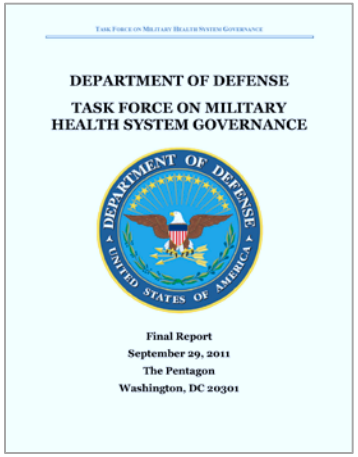
History of MHS Governance Studies

Year	COMMISSION AND/OR STUDY	CREATE UNIFIED SERVICE	ADD TO CENTRAL AUTHORITY	KEEP SEPARATE SERVICES
1948	HAWLEY BOARD		X	
1949	COOPER COMMITTEE		X	
1949	FIRST HOOVER COMMISSION	X		
1955	SECOND HOOVER COMMISSION		X	
1958	CONSULTANT TO PRESIDENT			X
1970	PRESIDENTIAL BLUE RIBBON PANEL		X	
1975	MILITARY HEALTHCARE STUDY			X
1979	DEFENSE RESOURCE MANAGEMENT COMMITTEE			X
1982	GRACE COMMISSION	X		
1983	SAIC REPORT TO CONGRESS	X		
1990	ASD(HA) JOINT WORKING GROUP		X	
1991	OSD OFFICE OF ADMINISTRATION AND MANAGEMENT		X	
2001	USD(P&R) RAND STUDY	X*		
2001	DEFENSE MEDICAL OVERSIGHT COUNCIL	X*		
2006	OSD(HA) OFFICE OF TRANSFORMATION	X*		
2006	DEFENSE BUSINESS BOARD	X*		
2006	JOINT UNIFIED MEDICAL COMMAND WORKING GROUP	X*		
2011	MHS TASK FORCE		X	

*UNIFIED JOINT COMMAND

MHS Governance Background

September 2011: DoD Task Force on MHS Governance

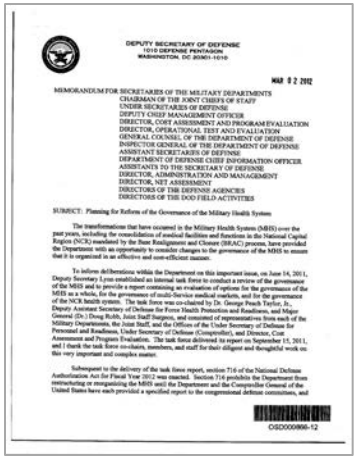

DEPARTMENT OF DEFENSE

TASK FORCE ON MILITARY HEALTH SYSTEM GOVERNANCE

Final Report
September 29, 2011
The Pentagon
Washington, DC 20301

- 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'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WASHINGTON, DC 20301-1010

MAR 02 2012

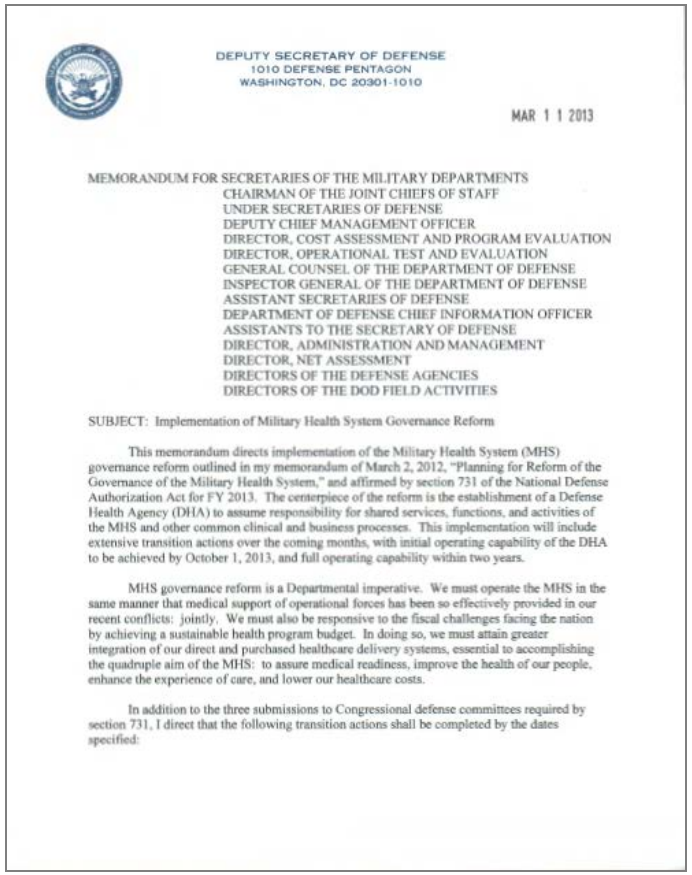
MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Planning for Reform of the Governance of the Military Health System

- 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

March 2013 DSD Memo



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SUBJECT: Implementation of Military Health System Governance Reform

This memorandum directs implementation of the Military Health System (MHS) governance reform outlined in my memorandum of March 2, 2012, "Planning for Reform of the Governance of the Military Health System," and affirmed by section 731 of the National Defense Authorization Act for FY 2013. The centerpiece of the reform is the establishment of a Defense Health Agency (DHA) to assume responsibility for shared services, functions, and activities of the MHS and other common clinical and business processes. This implementation will include extensive transition actions over the coming months, with initial operating capability of the DHA to be achieved by October 1, 2013, and full operating capability within two years.

MHS governance reform is a Departmental imperative. We must operate the MHS in the same manner that medical support of operational forces has been so effectively provided in our recent conflicts: jointly. We must also be responsive to the fiscal challenges facing the nation by achieving a sustainable health program budget. In doing so, we must attain greater integration of our direct and purchased healthcare delivery systems, essential to accomplishing the quadruple aim of the MHS: to assure medical readiness, improve the health of our people, enhance the experience of care, and lower our healthcare costs.

In addition to the three submissions to Congressional defense committees required by section 731, I direct that the following transition actions shall be completed by the dates specified:

- DSD signed, 'Implementation of Military Health System Governance Reform,' memo 11 March 2013.
- 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

Initial Operating Capability

Full Operating Capability

Spring 2013

- MHS transition teams stood up
- DHA Director selected
- 10 shared services assessed
- March 2013 report provided to Congress

October 2013

- 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

October 2014

- eMSMs fully operational
- 5-year business performance plans complete

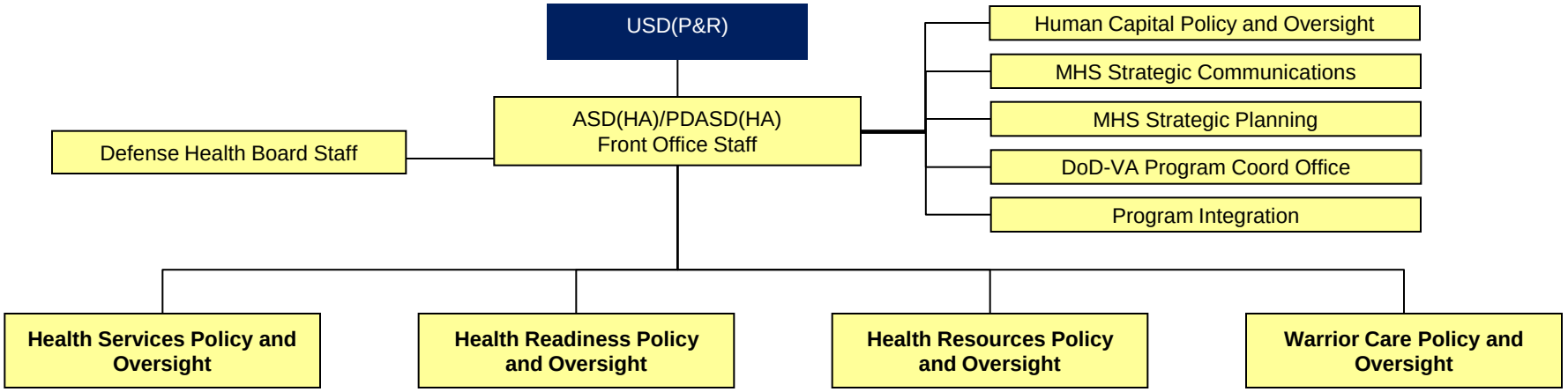
October 2015

- DHA fully operational
- MHS Governance Transition Organization disbanded

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

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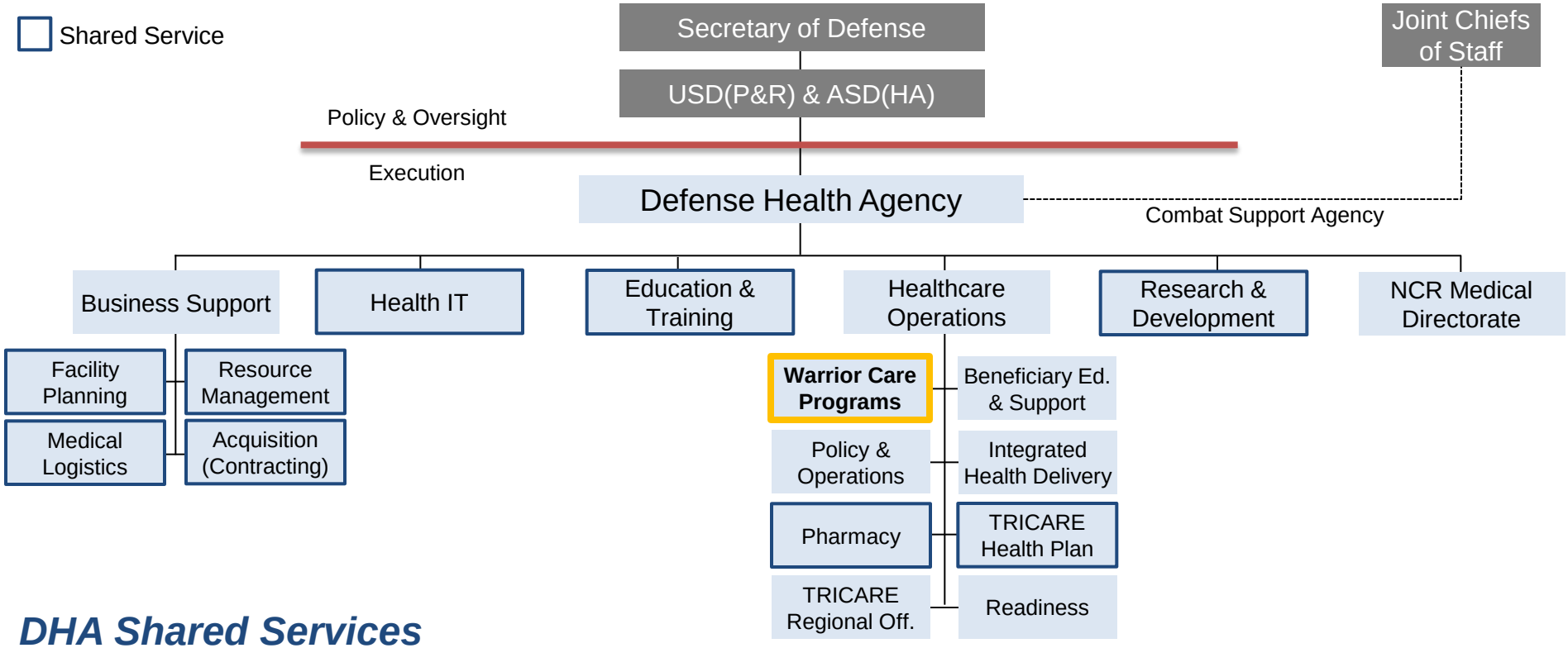


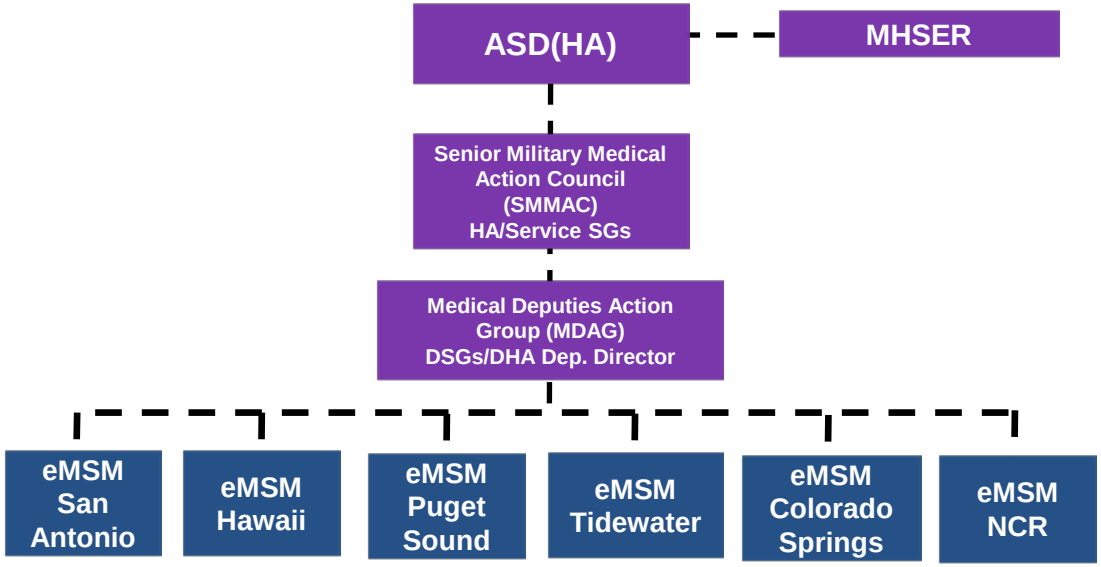
DHA Shared Services

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
10. Budget & Resource Management

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?