

2010 Military Health System Conference

Aligning MHS Resources to Accomplish the Strategic Plan

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25 January 2010



Health Affairs (HA)

www.health.mil/IIP



Military Health System: Who We Are



- **9.6 million beneficiaries**
 - 3.5 million TRICARE Prime enrollees (direct care system)
 - 1.5 million TRICARE Prime enrollees (contractor networks)
 - Remainder
 - TRICARE Standard/Extra
 - TRICARE for Life
 - TRICARE Plus
 - TRICARE Reserve Select
- **Military Treatment Facilities (MTFs)**
 - 59 Hospitals & Medical Centers
 - 364 Health Clinics
- **Network providers**
 - 347,673 individual providers



Priorities & Challenges FY 2009

DoD / Congressional Priorities

- Traumatic Brain Injury and Psychological Health
- Wounded Warrior Care and Transition Support
- Facility Sustainment, Restoration and Modernization
- BRAC Implementation
- FY09 American Recovery and Reinvestment Act
- Pandemic Influenza Stockpile and Surveillance

DHP Challenges

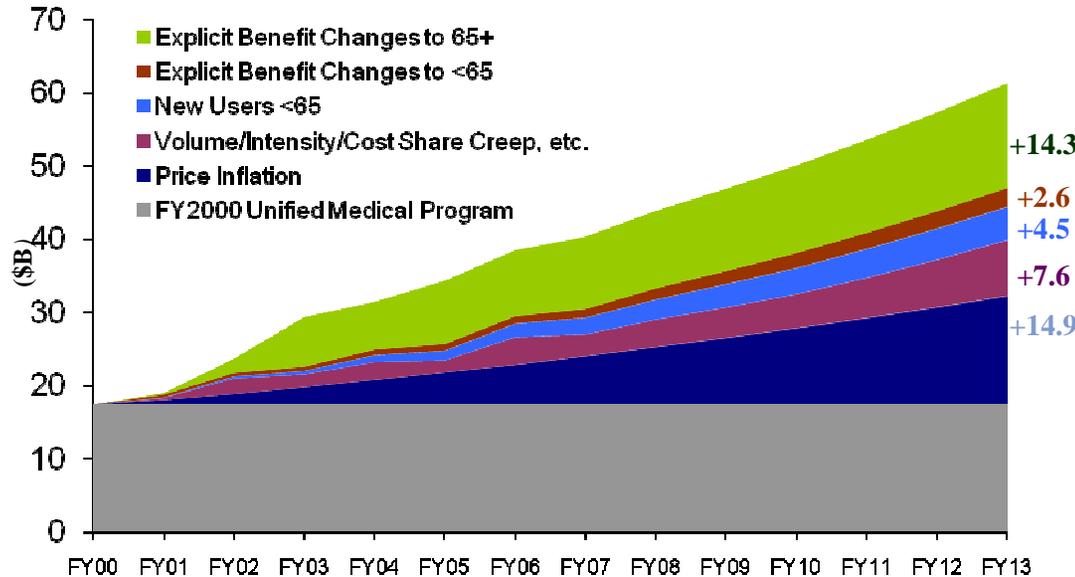
- Increased Active Duty population over authorized levels
- Increased intensity and number of visits per user
- Cumulative effect of war-related workload
- Increased users
- Increased inpatient and outpatient price inflation
- Reduced other health insurance (OHI) payments



Rising Costs for the MHS

MHS Healthcare Costs

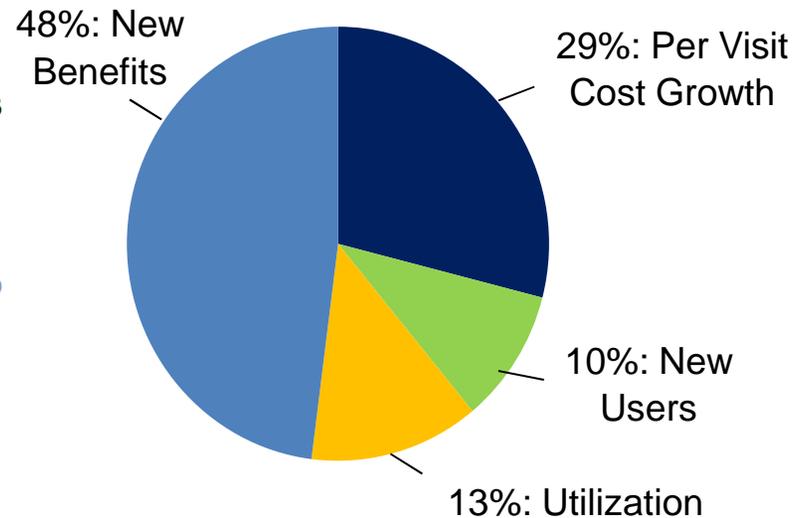
- The DoD budget for healthcare is projected to grow \$44 billion between FY2000 and FY2013



• Source: Congressional Budget Office.

Root Causes of Cost Growth

- Recent drivers of cost inflation are largely outside of the control of the MHS and include: benefits added by Congress, new users, and purchased healthcare inflation



To limit its impact on the DoD budget, the MHS must find innovative ways to slow the cost curve



Defense Health Program Overview

- **Three sub-appropriations**

- Operation & Maintenance
- Procurement
- Research, Development, Test & Evaluation



- **Funding Authorization Documents issued to six entities:**

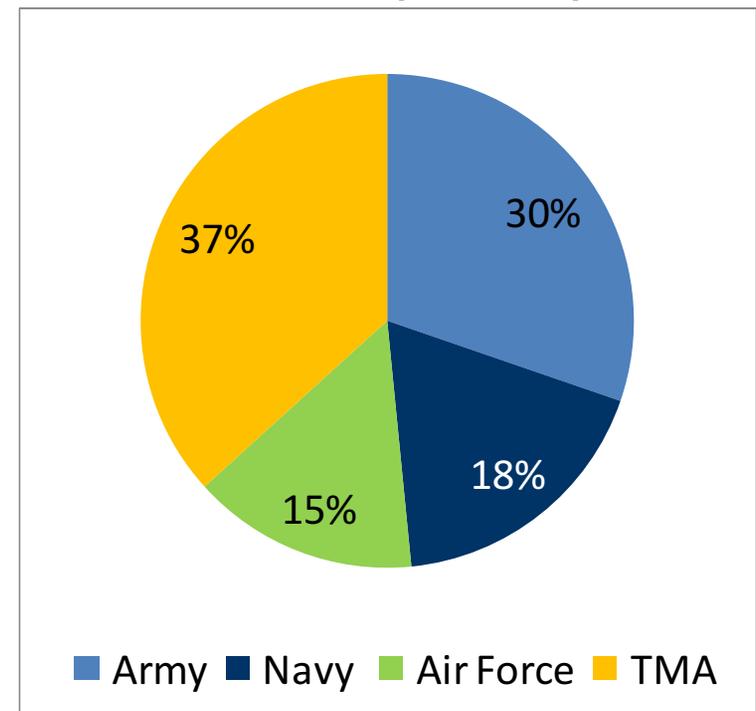
- Army Medical Command
- Navy Bureau of Medicine and Surgery
- Air Force Surgeon General
- TRICARE Management Activity Headquarters, Falls Church, VA
- TRICARE Management Activity Contract Resource Management, Aurora, CO
- Uniformed Services University of the Health Sciences



FY 2010 Unified Medical Budget

DHP Appropriation (\$M)		Total
O&M		\$28,853
Procurement		\$367
RDT&E		\$1,280
Total DHP		\$30,500
Other Sources (\$M)		
MILPERS		\$7,905
MILCON		\$1,011
BRAC		\$1,076
MERHCF Contributions		\$10,796
Other Sources Total		\$20,789
Total		\$51,289

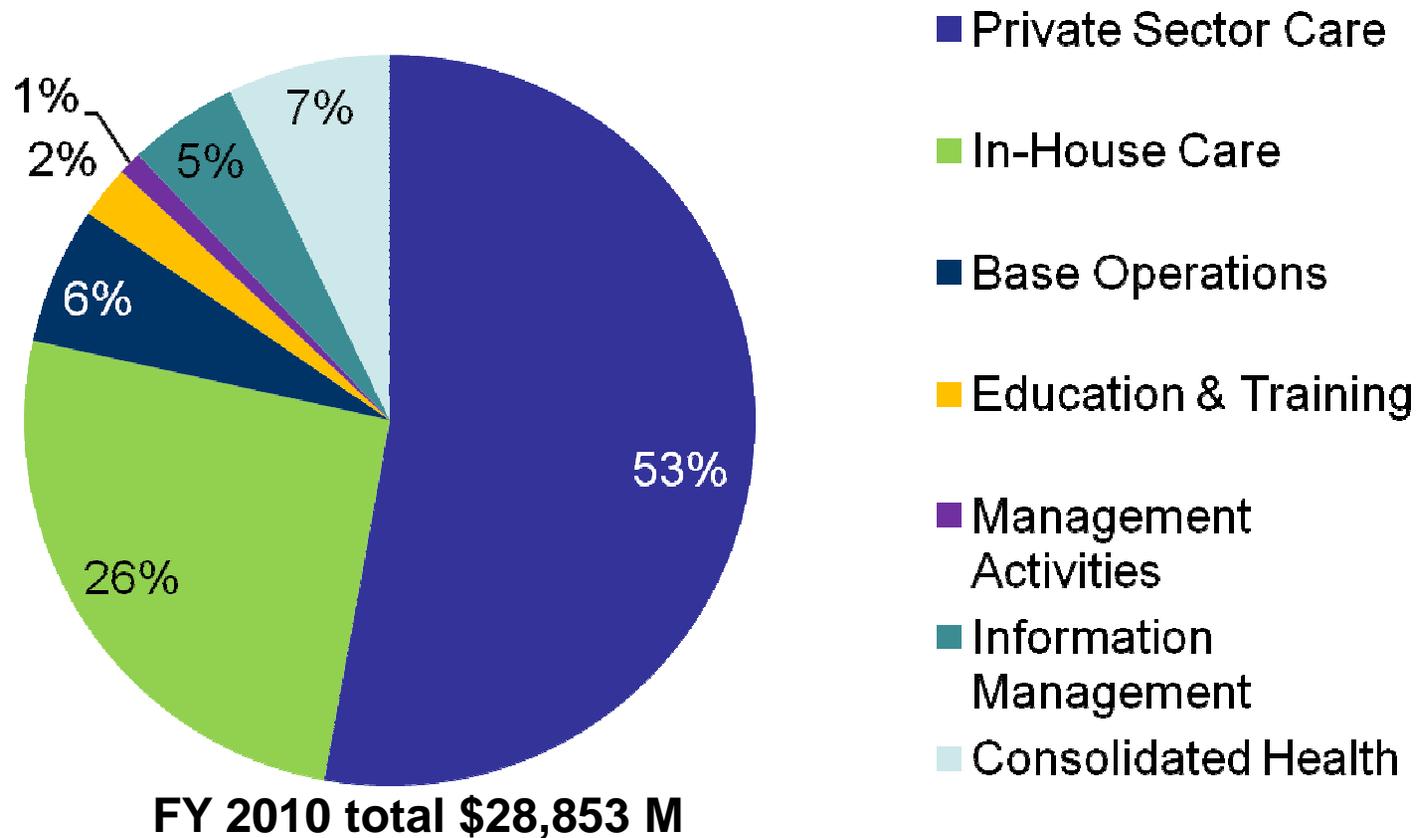
**Budget Authority by Service
FY 2010 (\$51.3 B)**





DHP O&M by Budget Activity Group

FY 2010 Request (\$M)



- O&M represents the largest component of the Defense Health Plan budget
- 79% of the DHP O&M budget FY 2010 represents the cost of patient care

President's Budget for FY 2010



Highlights

- Provides realistic funding in support of projected requirements
- MTF efficiency savings fully restored to Service Medical Departments
- Military-to-civilian conversions restored
- \$1.7 B to fund medical enhancements for wounded warriors
- Additional funding for Ground Forces Augmentation initiative and Overseas Contingency Operations requirements
- Projected savings reflect Federal Ceiling Pricing (\$761 M) and TRICARE Outpatient Prospective Payment System (\$315 M)



Our Ultimate Goal: The Quadruple Aim

▪ Readiness

- Pre- and Post-deployment
- Family Health
- Behavioral Health
- Professional Competency/Currency

▪ Population Health

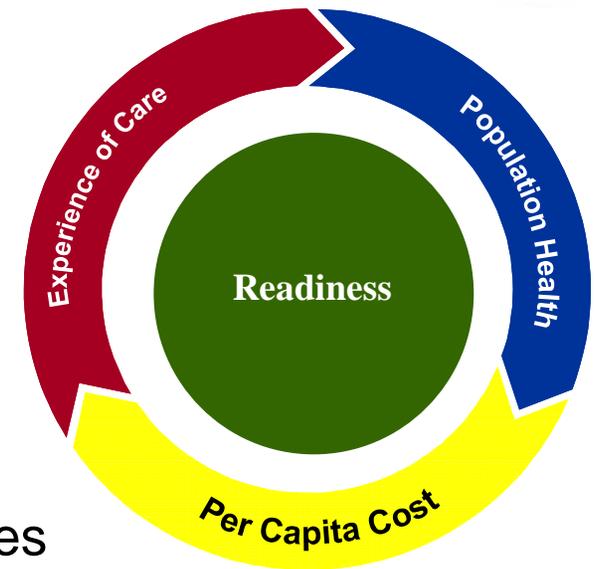
- Healthy service members, families, and retirees
- Quality health care outcomes

▪ A Positive Patient Experience

- Patient and Family centered Care, Access, Satisfaction

▪ Cost

- Responsibly Managed



Moving Forward

Aligning Financial Processes with Strategy





From the DHP to the MHS

Creation

Creation of the DHP

- Three separate appropriations pulled together
- Few Health Affairs staff
- Little or no interaction or intersection in healthcare delivery or management

Change

Changes over Time

- CHAMPUS to TRICARE
- Multi-Service markets
- TRICARE Regional Offices
- JTF CapMed
- Strategic Plan
- Shared training

Today

MHS Today

- Perceived as single program
- Expectation that standard of care and quality will be consistent throughout the MHS
- Constant communication among Senior Leaders
- Strategic Imperatives

MHS Strategic Plan



Strategic Imperatives

- Individual Medical Readiness
- Psychological Health
- Engaging Patients and Healthy Behaviors
- Evidence-based Care
- Wounded Warrior Care
- 24/7 Access to Your Team
- Personal Relationship with Your Doctor
- Value-based Incentives and Reimbursements
- Functional EHR
- Using Research to Improve Performance
- Fully Capable MHS Workforce

Key Question



How do MHS financial processes support achievement of the Strategic Imperatives?

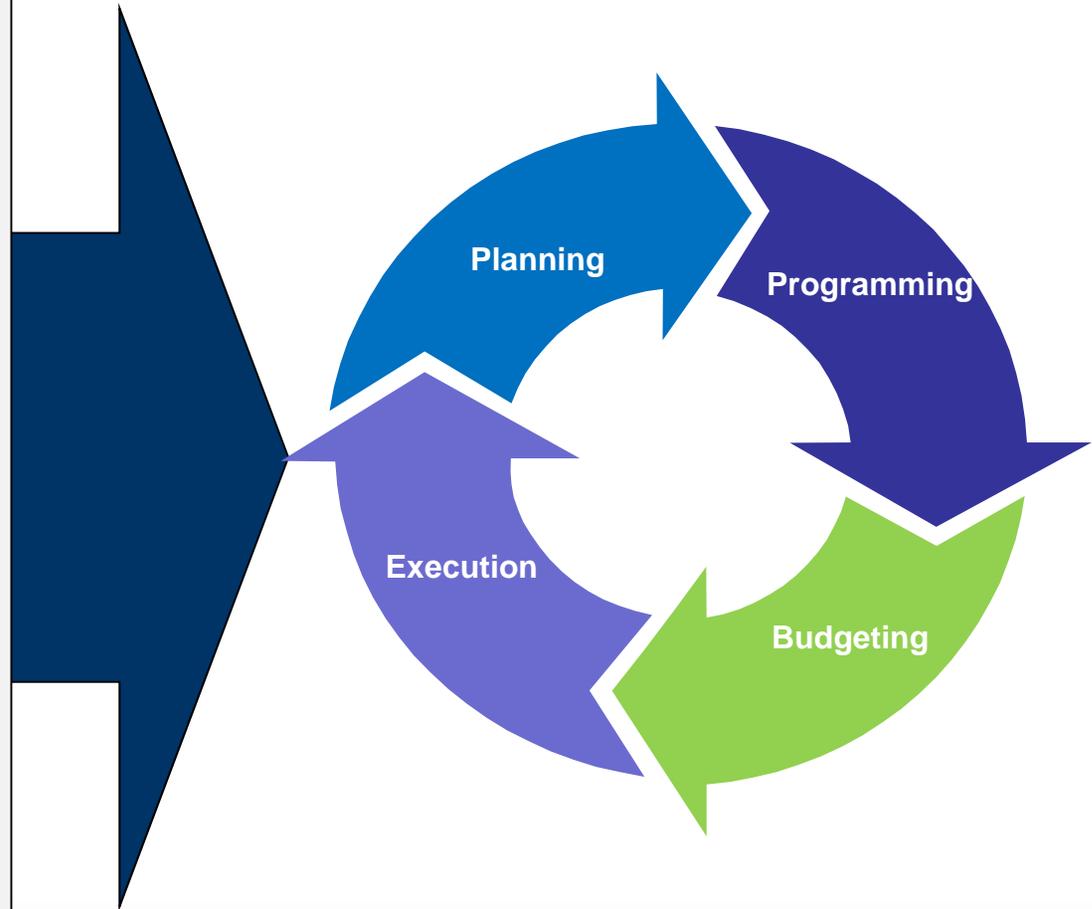


Aligning Strategy and Budget

Strategic Imperatives

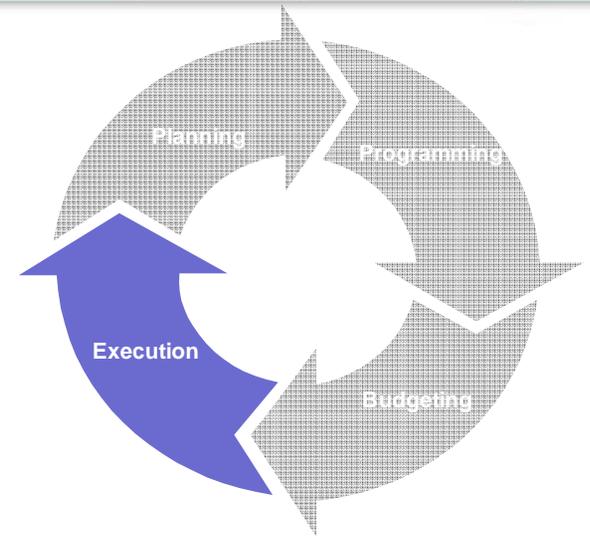
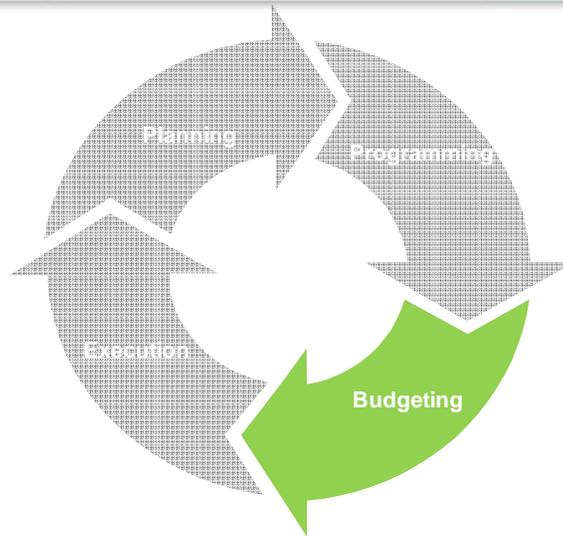
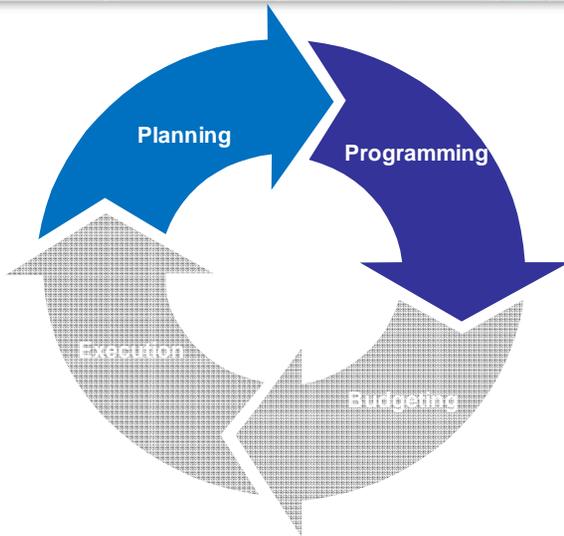
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Financial Processes





Financial Processes



Plan/Program

Old: "Cut up the Pie"

New:

- Execution baseline plus requirements
- MHS Senior Leaders decide

Budgeting

Old: Lack of transparency

New:

- Transparent, working towards financial visibility

Execution

Old: Bills divided among Services

New:

- Review execution and source emergent requirements with any available funds

New Financial Processes



Intended Results

- “Shared Vision” , “Shared Fate”
- Financial processes support strategic direction
- Better understanding and control over program baseline

