

# 2010 Military Health System Conference

## The Future of Purchased Care

A Dialogue with Leaders

Sharing Knowledge: Achieving Breakthrough Performance

26 January 2010

RADM David J. Smith, MC, USN

RADM C.S. Hunter, MC, USN





# TRICARE Overview

- 9.6 million beneficiaries eligible to use TRICARE as a health plan
  - 3.5 million TRICARE Prime enrollees (*MTFs and clinics*)
  - 1.5 million TRICARE Prime enrollees (*contractor networks*)
  - 1.8 million TRICARE for Life
  - Others are TRICARE Standard or TRICARE Reserve Select
  - Purchased care managed through regional contracts (North, South, West)
  - Retail and mail order pharmacy managed separately via Express Scripts
- MTFs – 59 hospitals & medical centers, and 364 health clinics
- 347,673 individual network providers

TRICARE Prime – *managed care option*  
TRICARE Extra – *preferred provider option*  
TRICARE Standard – *fee-for-service plan*  
TRICARE for Life – *Medicare-wraparound coverage*



# A Week in the Life of TRICARE

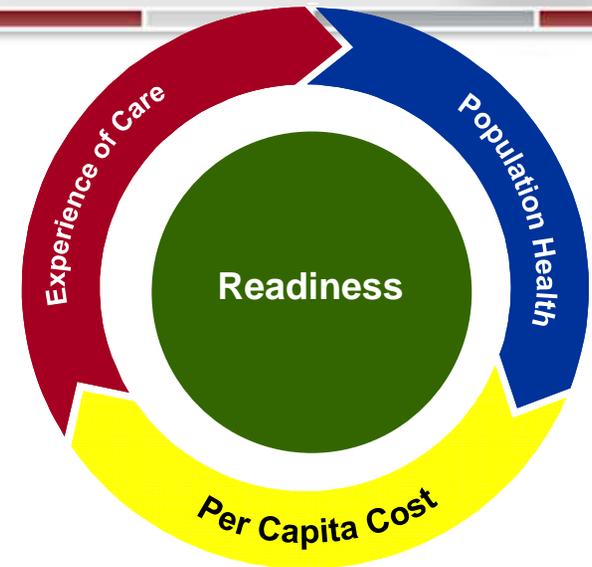
- **21,800 inpatient admissions**
  - 5,000 direct care
  - 16,800 purchased care
- **1.6 million outpatient visits**
  - 737,000 direct care
  - 876,400 purchased care
- **25,800 behavioral health outpatients**
  - 10,300 direct care
  - 15,500 purchased care
- **3.5 million claims processed**
- **2.48 million prescriptions**
  - 914,000 direct care
  - 1.37 million retail pharmacies
  - 200,000 mail order
- **2,380 births**
  - 1,010 direct care
  - 1,370 purchased care





# Our Ultimate Goal

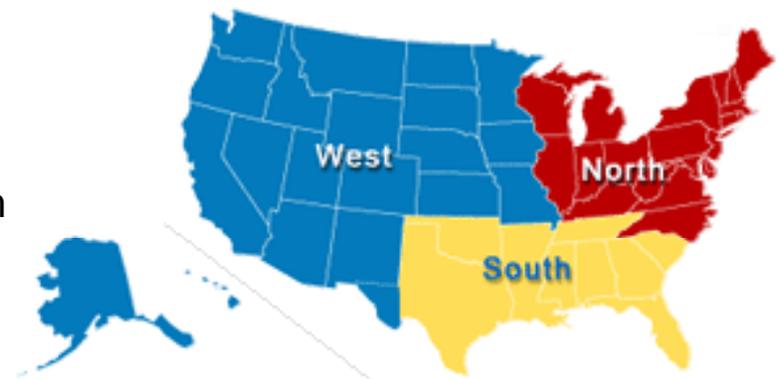
- **Readiness**
  - Pre- and Post-deployment
  - Family Health
  - Behavioral Health
  - Professional Competency/Currency
- **Population Health**
  - Healthy service members, families, and retirees
  - Quality health care outcomes
- **A Positive Patient Experience**
  - Patient and Family centered Care, Access, Satisfaction
- **Cost**
  - Responsibly Managed





# T-3 Managed Care Support Contracts

- New Managed Care Support Contractors Selected
  - Awards announced on July 13, 2009
  - Awardees: Aetna, United Health, TriWest
  - Protests ongoing
  - Minimum 10-month transition period
  - Current contractors provide care in interim
- Total \$55 billion over five years, with annual option periods
- No significant change in covered services
- Improved focus on preventive health, case management, quality outcomes, coordination of care, and consistent communication

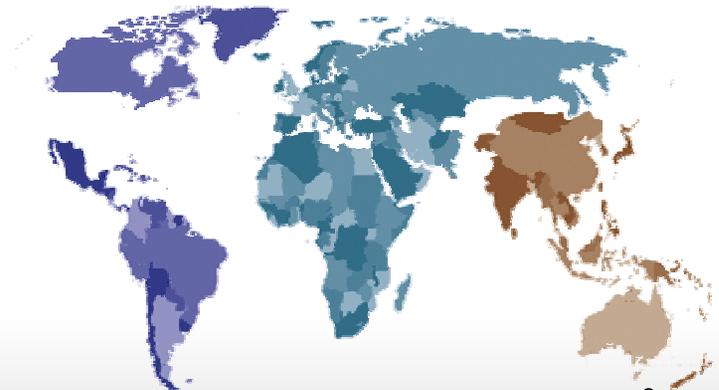




# TRICARE Overseas Contract

## Global Coverage for Prime Beneficiaries

- 3 TRICARE Overseas Regions: *Pacific, Latin America-Canada, Eurasia-Africa*
- Approximately 500,000 beneficiaries living overseas
- Patients receive primary care at MTFs, specialty care available in host nation
- 6 current contracts covering enrollment, claims, medical care, dental care, and emergency care in remote areas (TGRO)
- Vendor announced 10/16/09: International SOS Assistance
- New contract assumes all functions, plus responsibility for host nation provider relations, and some MEDEVACs
- 10-month transition

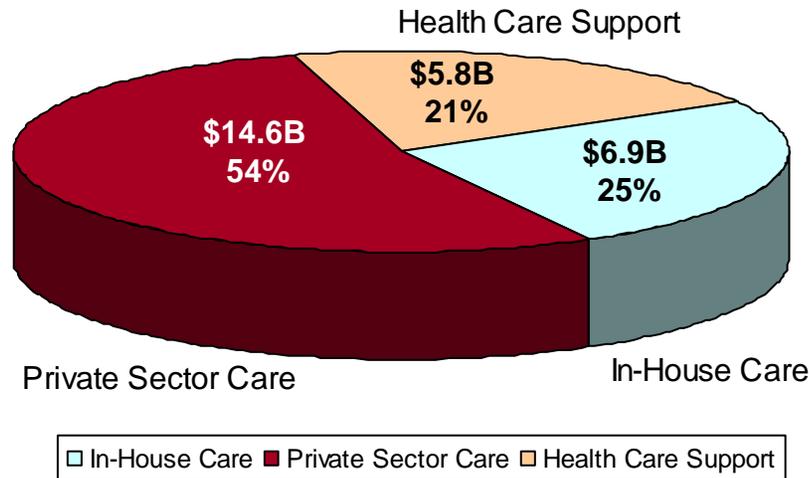




# FY10 Defense Health Program Budget

## Operation and Maintenance

**FY10 Defense Health Program Budget  
(Operation and Maintenance)**



Data Source: Defense Health Program FY2010 Appropriation.  
Excludes all costs associated with the Medicare Eligible Retiree Health Care Fund – e.g. \$3.8B TRICARE Senior Pharmacy

(In Billions)

In-House Support*		25%
Pharmacy (CONUS/OCONUS)	\$1.4	
Health Care/Administrative	\$4.6	
Dental Care (CONUS)	\$0.5	
Overseas Health Care	\$0.4	
Overseas Dental Care	\$0.1	
<b>Total</b>	<b>\$6.9</b>	

\*Excludes \$4.0B associated with MilPers

Private Sector Care		54%
Pharmacy (CONUS/OCONUS)	\$2.0	
Health Care/Administrative	\$10.8	
Active Duty Dental	\$0.1	
Overseas Health Care	\$0.3	
Other	\$1.4	
<b>Total</b>	<b>\$14.6</b>	

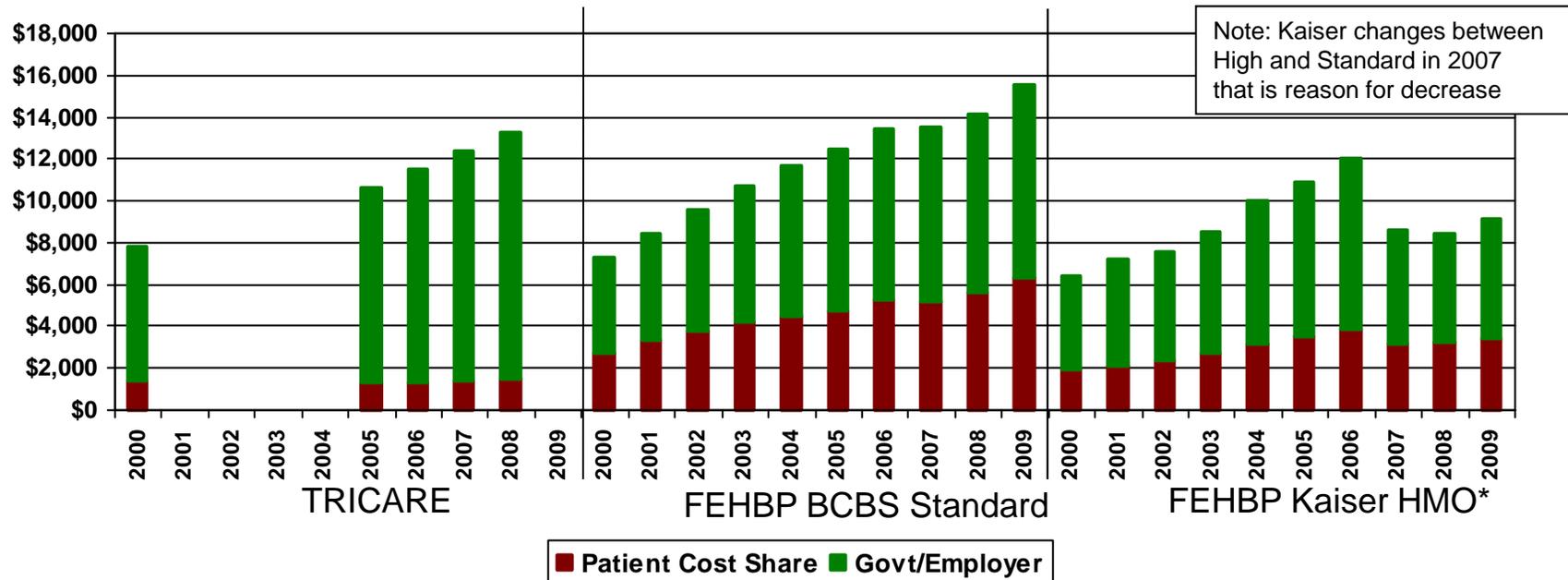
Health Care Support*		21%
Consolidated Health	\$2.0	
Information Management/Technology	\$1.3	
Management Activities	\$0.3	
Education and Training	\$0.6	
Base Operations	\$1.6	
<b>Total</b>	<b>\$5.8</b>	

\*Excludes \$3.5B associated with MilPers & \$0.3B for medical transportation infrastructure.



# Cost Comparison & Beneficiary Share

## For Family of Three



**Patient % of Total Health Care Costs**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
TRICARE	17.6%					12.1%	11.9%	11.7%	11.5%	
BCBS	37.5%	39.9%	39.4%	39.5%	38.1%	38.0%	38.9%	38.0%	39.5%	40.9%
Kaiser HMO*	29.8%	29.6%	31.5%	32.5%	32.1%	32.0%	31.8%	36.6%	38.5%	37.7%

TRICARE: Assumes all care received in the civilian sector for a family of 3

FEHBPBCBS and Kaiser HMO: Premiums and Other Out-of-Pocket (OOP) Levels for a Family of 3 from Washington Consumers' Checkbook

Kaiser HMO available data based on Kaiser "High" plan for 2000-2006, and Kaiser "Standard" plan for 2007-2009



# TRICARE Pharmacy Benefit

## Improving Patient Safety and Responsibly Managing Costs

- Enormous benefit with broad scope and 3 points of service
  - Military Treatment Facilities
  - Over 60,000 Retail Pharmacies
  - TRICARE Mail Order Pharmacy
- Federal pricing reduces retail by \$1.08B in FY10 (projected)

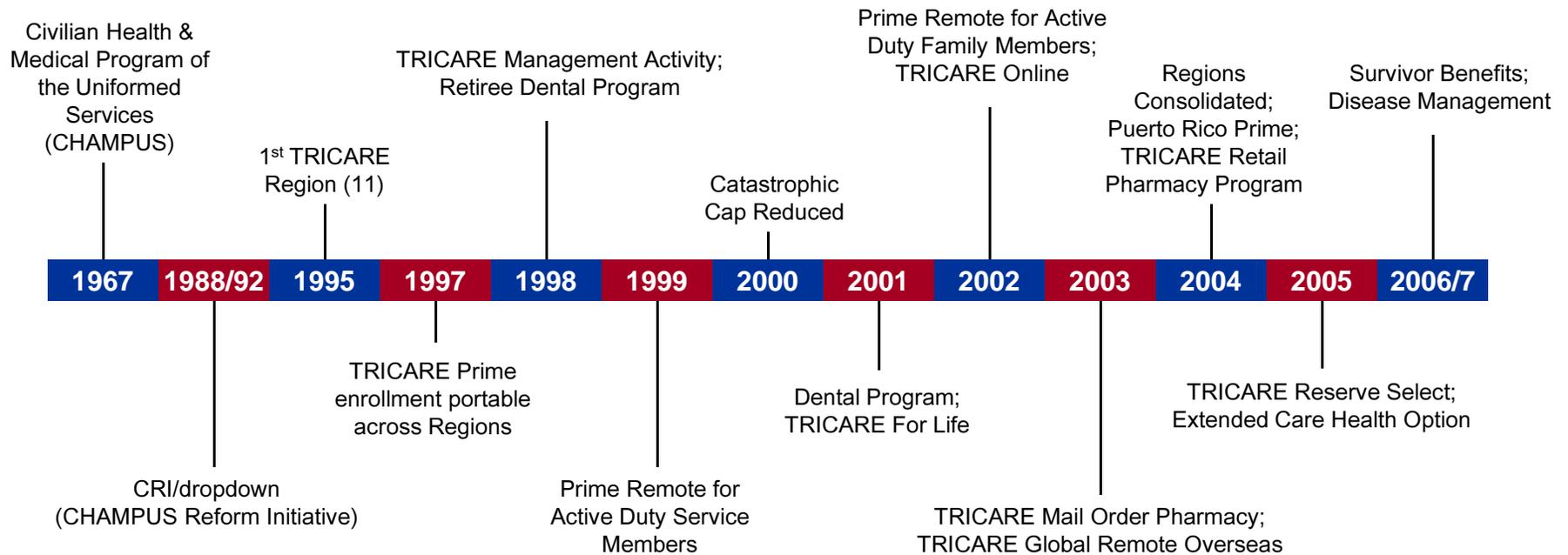
- 71% of eligible beneficiaries (6.9 million) use benefit annually
  - 122M prescriptions in FY08
- New for 2010 – Immunizations now available at 40,000 pharmacies



- Pharmacy Data Transaction Service
  - Centralizes data for all TRICARE providers to access
  - Ensures patient safety by preventing adverse drug interactions
  - Weekly pharmacy checks for Wounded Warriors to avoid over-medicating
- Opportunity for comparative effectiveness research



# History of TRICARE Program Development





# Health System Design for the Long-Term

## “T-4 Study Group”

- Posing strategic questions:
  - Alternate delivery and finance models
  - Opportunity for federal partnerships
  - Individual choice and financial responsibility
  - Need for global coverage and products for diverse populations
  - Rapid adoption of best practices, knowledge management
  - Advances in science and technology, individualized medicine
  - Scope of benefit
- Ensuring we maintain:
  - Patient and family centered care ethos
  - Robust direct care system for force projection
  - Coordination of care for individual and family readiness
  - Focus on health rather than health care
  - Stakeholder enfranchisement

# Discussion



## Question #1

- Do we need to change the structure of the benefit?
  - Should we consider "pure" indemnity versus a managed care approach?
  - For whom do we purchase care? Are there some cases where we could give people the money to purchase their own care?
  - Are there any groups that should be "carved out" or "carved in"?

# Discussion



## Question #2

- How will the approach to purchased care support MTF operations and readiness?
  - What parts of the direct care system (including non-MTF activities) do we value most?
  - How will care be coordinated in support of the patient experience?
  - How do we address the potential conflict between what our beneficiaries might want and what is best for the system (e.g. staff currency vs. continuity)?

# Discussion



## Question #3

- How do we design incentives for the contractors, network providers, MTFs, and beneficiaries?

# Discussion



## Question #4

- Are there any aspects of the current approach that are outside boundaries of planning/exploration?

# Discussion



## Question #5

- Will health care reform affect the MHS; what do we need to do to be prepared to participate in reform activities?
  - Can we be viewed as an example of an accountable care organization?
  - Are we already participating in a test of the efficacy of the patient centered medical home? Can/should that concept be executed via purchased care?

# Discussion



## Question #6

- Are there local barriers to success in executing the current approach to purchasing care that must be addressed?  
(Local authorities, Flow of funds, Human capital)

# Discussion



## Question #7

- What are the issues we might not have thought of?