



December 20, 2007

DHB

MEMORANDUM FOR SECRETARY OF DEFENSE

SUBJECT: Department of Defense Future of Military Health Care Findings and Recommendations

On December 11, 2007, the Defense Health Board (DHB) deliberated with the Task Force on Future of Military Health Care on their report containing an assessment of, and recommendations for, sustaining the military health care services being provided to members of the Armed Forces, retirees, and their families.

The DHB is a chartered federal advisory committee tasked with providing independent advice and recommendations to you through the Assistant Secretary of Defense for Health Affairs on matters regarding the treatment and prevention of disease and injury, the promotion of health and the delivery of efficient, effective, and high quality health care services to Department of Defense beneficiaries. The Task Force on the Future of Military Health Care, a DHB subcommittee, was established at the request of Congress and has been working for the past year on their report.

The DHB carefully reviewed the Task Force's report and fully endorses the findings and recommendations as detailed in the document. We commend the Task Force for its exhaustive efforts and for providing a realistic roadmap for improvement in the Military Health Care System (MHS), and suggest that the report be subtitled "A Roadmap for Military Health Care Transformation". In this regard, the DHB summarizes its views and recommendations, which we believe complement the Task Force report, as noted below:

1. The DHB believes that the Military Health System is a "crown jewel" of the DoD. Nonetheless, it is apparent that peacetime and retirement health care innovation and delivery have lagged behind the delivery of innovative lifesaving care for battlefield traumatic injuries.
2. The DHB believes that the MHS should lead in the delivery of innovative cutting-edge health care in peace time, just as it leads in the delivery of innovative cutting-edge health care to victims of traumatic battlefield injuries. DoD has traditionally pioneered breakthroughs in preventive medicine and trauma care. The MHS should similarly strive to create bold innovations in health care delivery and purchasing which promote health, reduce medical errors, improve quality, and eliminate wasteful and inefficient clinical and business practices. The goals of the MHS should be less to mirror current civilian best practices but, rather to expand upon them to explore, demonstrate, and deploy value-added innovations that can build on the unique assets of the military population – a

population that is “healthier” by comparison than their civilian peers, and one which benefits from a mission emphasis on health, fitness and compassionate care.

3. Building on the general recommendations in the Task Force report to convene a civilian advisory group to share information on “best practices”, the DHB believes that special emphasis should be placed on (a) *enhanced health care education* for providers and beneficiaries, (b) *greater use of incentives* (e.g. financial incentives, differential copayments, deductibles or premiums) for healthy behaviors, care engagement, disease prevention, and compliance with evidence-based practices; (c) *cost transparency for both beneficiaries and providers* (including, as examples, the true cost of pharmaceuticals, physician visits, procedures and hospitalizations); (d) the *maximum use of the enormous purchasing power* of the MHS to obtain health care supplies and services, including prescription drugs, at favorable cost; and (e) *personal, professional and organizational accountability for outcomes*. Recent dramatic and promising innovations in benefit design (account-based consumer-directed health plans using incentives such as Health Reimbursement Arrangements and Health Savings Accounts), and new, national-scale competition by non-traditional entrants into health care delivery (large retail chain generic drug pricing and retail health clinics using mid-level providers - both with fully transparent pricing) may create potential opportunities for the MHS and its beneficiaries to access lower cost, convenient and cost-effective services.
4. Selection of priorities, targeting of interventions, and innovation should be based on data that are aggregated across all sources of care in the MHS. Data analyses should be oriented toward primarily improving population health outcomes and secondarily by demonstrating how expenditures in prevention and effective disease management can reduce treatment costs for complex medical conditions. This endeavor requires that MHS care be provided in an environment that anticipates the use of electronic medical records and electronic data transmission among providers and to the DoD data warehouse.

For health care delivery transformation to be timely, effective, and cost-effective, the DHB wishes to summarize its belief that four overarching principles should be operative as DoD moves forward with attempts to transform healthcare delivery within the MHS:

1. **Transparency.** Any changes should be transparent to the beneficiary and to the providers.
2. **Incentives.** Incentives for patients, health care providers, and health care systems must be aligned to reward good health care behavior on the part of the beneficiary, and efficiency and timeliness of service on the part of the provider and the health care system.
3. **Accountability.** Accountability for performance and for specific clearly-defined healthcare outcomes must be clear, explicit, and unwavering.
4. **Equitability.** The system should maintain the fair distribution of services among all service members as well as for management and treatment of all disorders – physical or behavioral.

Finally, it is clear that adequate legislative appropriations will be required to meet the unique needs of the MHS and enable the provision of the innovative, evolutionary, world-class acute and chronic healthcare that service men and women and their families deserve. These are, in the long term, part of the cost of military readiness and an essential component to national security. Our warriors and their families sacrifice much and have paid a high personal and family price in performing their duty. They should not be asked to pay anymore than their fair share for healthcare. The Task Force has detailed recommendations for enrollment fees and co-pays that will help incentivize prudent use of military healthcare while continuing to honor the sacrifices of our service members through a generous health benefit.

The Defense Health Board fully endorses the Task Force's approach and hopes the Department and Congress will take appropriate and timely action.



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