



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

MAY 22 2020

The Honorable William M. "Mac" Thornberry
Ranking Member
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Representative Thornberry:

The enclosed report is in response to the House Report 116-120, page 159, to accompany H.R. 2500, the National Defense Authorization Act (NDAA) for Fiscal Year 2020, which requests the Department to provide a report on Co-Location of Department of Defense (DoD) and Department of Veterans Affairs (VA) Medical Facilities.

As of September 30, 2019, the DoD and VA had 130 sharing agreements with 472 shared services across 148 facilities. Both Departments are working together on Joint Market Assessments to determine health care requirements and identify markets that could benefit from a joint planning, design, leasing, and construction process. However, without a change to title 10, DoD and VA lack the authority to conduct joint planning. DoD has submitted a proposal to change the code during the previous three legislative change cycles, but Congress has not included the proposal in the NDAA. This proposal would give DoD and VA the authority to conduct joint planning, design, leasing and construction.

Thank you for your continued support of the health and well-being of our Service members, veterans, and their families.

Sincerely,

//SIGNED//

Matthew P. Donovan

US Under Secretary of Defense for P&R

Enclosure:
As stated



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The Honorable Adam Smith
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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Report to the Committee on Armed Services of the House of Representatives



Co-Location of Department of Defense and Department of Veterans Affairs Medical Facilities

**Requested by: House Report 116-120, Page 159,
to Accompany H.R. 2500, the National Defense Authorization Act
for Fiscal Year 2020**

Office of the Secretary of Defense

The estimated cost of this report or study for the Department of Defense (DoD) is approximately \$11,000.00 in Fiscal Year 2019- 2020. This includes \$10 in expenses and \$11,000.00 in DoD labor.
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1. PURPOSE

This report is in response to House Report 116-120, page 159, to accompany H.R. 2500, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, which requests the Secretary of Defense (SECDEF) to provide a report to the Armed Services Committees on the “Co-Location of Department of Defense and Department of Veterans Affairs Medical Facilities.”

Specifically, the committee requests the SECDEF to submit a report to the House Armed Services Committee by February 1, 2020, on the following:

- (1) a list of facilities where co-location may be possible;
- (2) a cost-benefit analysis that highlights efficiencies that could be gained by shared services, personal services contracts, equipment, and other resources; and
- (3) a list of facilities that could benefit from a joint planning, design, and construction process for DoD and VA medical facilities.

2. BACKGROUND

The Department of Defense (DoD) and Department of Veterans Affairs (VA) are constantly seeking opportunities for greater sharing of medical resources to include facility space. The DoD/VA Collaboration Office (DVCO) provides a central point of contact within DoD for the White House, Congress, the VA, and other Federal agencies and stakeholders regarding Service member and veteran programs. The DVCO serves as DoD’s Executive Secretariat for the Joint Executive Committee (JEC), co-chaired by the Deputy Secretary of Veterans Affairs and the Under Secretary of Defense for Personnel and Readiness. Reporting directly to the JEC is the Health Executive Committee (HEC), co-chaired by the Executive in Charge Veterans Health Administration (VHA) and the Assistant Secretary of Defense for Health Affairs (HA). The HEC priorities range from military medical provider readiness to virtual health to joint sharing of facilities and services. Through the HEC, both Departments are working together on Joint Market Assessments to determine health care requirements. While many facilities have been identified that could benefit from expanded collaboration in these areas, VA and DoD are unable to take action without legislative changes.

For several years, DoD and VA have pursued legislative changes to provide the needed authority to expand their existing collaborative relationship to permit proactive, more detailed joint capital investment planning, construction, and leasing of co-located and shared medical facilities. The Capital Asset Planning Committee (CAPC) has led this effort, advocating to the JEC and Department leadership for this authority. The CAPC is co-chaired by VA’s Executive Director, Office of Asset Enterprise Management and DoD’s Deputy Assistant Secretary of Defense for Health Resources Management and Policy.

The VA/DoD Medical Sharing Office (MSO), VHA and the DoD/VA Program Office (DVPO), HA facilitate mutually supportive relationships on all matters related to joint health care initiatives between VHA and the DoD. Both offices serve as the primary liaison for their

respective departments' VHA/DoD joint sharing initiatives. The MSO and DVPO provide senior-level leadership and direction for the support and accomplishment of all health care related VHA/DoD Joint Strategic Plan goals, objectives, and performance measures through the use of medical resource sharing agreements. Sharing agreements provide a written structure to exchange clinical and non-clinical resources between VA and DoD medical facilities. In addition, agreements increase patient access to medical services, enhance military medical provider readiness, promote improved efficiency by reducing duplication of services, and encourage the sharing of medical facility space.

This report has been drafted in coordination with DoD's section 703(d) of the NDAA for FY 2017 military medical treatment facility (MTF) right-sizing report.

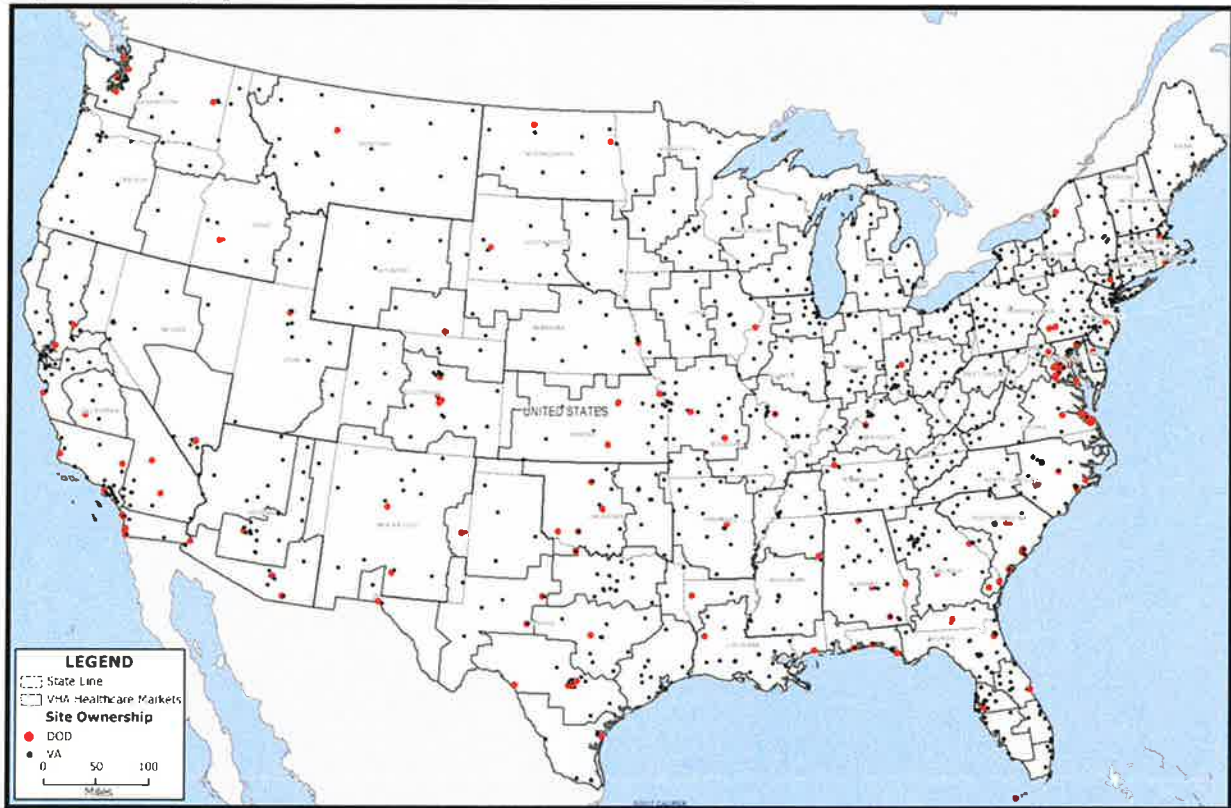
3. POSSIBLE CO-LOCATION FACILITIES

Current Co-Location and Sharing

The DoD and VA have one fully integrated facility (Captain James A Lovell Federal Health Care Center (FHCC) in Chicago) and 34 sites that are co-located or sharing real property locations (See Appendix). As of September 30, 2019, the DoD and VA have 130 sharing agreements with 472 shared services across 148 facilities (61 VA and 87 DoD). In FY 2018, DoD-VA sharing resulted in interagency billing of \$195M. This includes \$117M in DoD billing VA, \$49M in VA billing DoD, and \$29M in VA billing TRICARE.

Future Co-Location Possibilities

Figure 1. Geographic Locations of all DoD and VA MTFs



Future co-location opportunities are widespread and numerous due to the considerable proximity of DoD and VA facilities. Geo-mapping of all DoD and VA facilities, regardless of capability, shows an additional 544 co-location possibilities based on a 60-minute drive time.

It is important to note that both DoD and VA have consistently reported that the FHCC, established in 2010, does not yet represent a model that is exportable to other DoD/VA sites. According to an August 2018 letter from DoD and VA leadership to the Honorable Richard Durbin, the FHCC demonstration project was expected to improve access and quality of care, while also achieving cost savings in common functional areas. The Departments' July 2016 joint Report to Congress (RTC) about the FHCC outlined the inherent challenges associated with the FHCC model to include the lack of a common Electronic Health Record (EHR). The RTC also included recommendations to bring FHCC closer to achieving its original goals of improved access, quality, and cost effectiveness. Both DoD and VA are pursuing these recommendations, to include a common EHR, but the desired outcomes, especially in the area of cost effectiveness, had not been achieved in 2018.

Determining Co-Location Feasibility

The VA is currently collaborating with the DoD Market Visioning Studies (Strategic Market Assessments) to complete the VA Market Assessments as outlined by section 106(a) of the VA MISSION Act of 2018. The market assessments provide opportunities for creating high performing health care networks by evaluating market demographics, estimating demand/supply, and assessing quality, satisfaction, accessibility, cost, facility condition, and mission impact. Where there is a DoD presence in the VHA Health Care Market, DoD is participating in preliminary analyses, site visits, and market assessment interviews. DoD is also providing capacity data to fulfill the requirements outlined in section 106(a)(1)(D) of the VA MISSION Act of 2018, which states, “Each Market Area Assessment. . . shall include the following. . . (D) an assessment obtained from other Federal direct delivery systems of their capacity to provide health care to Veterans.” The outcomes from each of the market assessments will drive market optimization and capital plans that align with the regional Veterans Integrated Service Network (VISN) and National DoD-VA Strategic Plans. The 96 VHA Market Assessments are scheduled for completion in the Fall of 2020, and will then be reviewed by DoD and VA leadership. Subsequently, opportunities that meet the recommendation criteria established by the VA Secretary of Veterans Affairs (section 203 of the VA MISSION Act of 2018; due: May 2021) will be delivered to the VA and Asset Infrastructure Review Commission for consideration.

Feasibility of co-location sites for DoD is largely dependent upon identifying those DoD sites that have latent facility and provider capacity to support co-location and patient care sharing, respectively. Latent facility space capacity creates opportunities for the VA to operate within MTFs. Where latent provider capacity exists, based on established Defense Health Agency (DHA) provider productivity standards, DoD treating VA patients may be more cost-effective for the Departments, while also providing opportunities to maintain wartime medical skills. As the DHA gains administrative direction and control of the MTFs, DoD is placing greater emphasis on optimizing capacity within the direct care (military) system. The DoD and VA are already partnering to meet the following JEC priority: “VA and DoD will establish a process to increase VA purchased care patient referrals to military medical treatment facilities with excess capacity to support Graduate Medical Education (GME) and wartime skills maintenance.”

4. EXAMPLES OF EFFICIENCIES GAINED

Cost-benefit analyses highlight efficiencies that could be gained by shared services, personal services contracts, equipment, and other resources as the following examples demonstrate:

Walter Reed National Military Medical Center’s (WRNMMC) Neurosurgery Service

DoD-VA collaboration supplements both GME programs and wartime skills maintenance by offering VA beneficiaries treatment in a DoD facility. For example, during FY 2019, WRNMMC Neurosurgery Service completed 438 inpatient and outpatient referrals for VA patients. Because of this additional high acuity VA workload, the neurosurgery residency has added one additional resident slot for the upcoming year. In addition, the partnership in FY 2019

resulted in \$4.5M of care billed to the VA at the standard 20 percent discounted rate. Despite enterprise-wide VA-DoD reimbursement challenges, the Neurosurgery Service experienced a 96 percent collection rate. The DoD and VA continue to pilot a standard reimbursement process, which upon completion and validation is expected to be implemented enterprise-wide.

Naval Hospital Beaufort (NHB) and Ralph H. Johnson Veterans Affairs Medical Center (RHJVAMC)

A Joint Incentive Funds (JIF) Project between NHB and RHJVAMC established a dermatology service for DoD and VA beneficiaries to be delivered at the NHB, Beaufort SC. Neither clinic alone could justify establishing a dermatology clinic, but the combined demand for care was great enough to pursue a JIF Project. The joint clinic met the combined demand for VA and DoD dermatology, speeding access to care and reducing travel time for both VA and DoD beneficiaries. The Joint Dermatology Clinic avoided \$280K in annual network costs while realizing a 12.5 percent return on investment.

VA Northern California Health Care System (VANCHCS) and David Grant USAF Medical Center (DGMC)

As part of a DoD-VA Health Care Resources Sharing Program between the VANCHCS and DGMC, the VA employs 133 full time staff within DGMC. Veterans utilize the emergency department; inpatient care; outpatient care; radiation therapy; dialysis; inpatient mental health; heart, lung, vascular care (HLV); hematology oncology; orthopedics; and specified diagnostic services. In FY 2019 veterans accounted for over 19,000 outpatient visits, 1,800 admissions, and 51.75 percent of surgical cases for FY 2019 including 395 HLV, 263 orthopedic, and 262 neurosurgery cases.

March Air Reserve Base, Riverside, California

The VA established 25,000 square feet of administrative space in an unused DoD building, paying DoD \$1,895.00 per month or \$22,740.00 per year. Comparable office space in nearby Riverside rents for approximately \$25.00 per square foot. Therefore, the VA is paying \$22,740.00 per year for a space that is estimated to be worth \$625,000, saving the VA \$602,260.00 per year.

Lawton VA Outpatient Clinic, Fort Sill, Oklahoma

The VA occupies, free of charge, a 34,471 square foot DoD building directly adjacent to the Reynolds Army Health Clinic on Fort Sill. Comparable space in nearby Oklahoma City rents for approximately \$20.00 per square foot. Therefore, the VA is paying \$0 per year for a space that is estimated to be worth \$689,420.00 per year.

5. POSSIBLE JOINT CONSTRUCTION SITES

Current Joint Planning

DoD and VA do not currently have legislative authority to conduct joint planning under title 10, United States Code. DoD submitted a proposal to change the code during FY 2014, FY 2019, and FY 2020. VA submitted companion legislation to change the authority for joint planning under title 38 beginning in FY 2014 through FY 2021. Most recently, the proposal was transmitted to Congress for consideration for inclusion in the NDAA for FY 2021. The Departments are jointly pursuing Combined Legislation to allow this authority under title 10 and title 38 in FY 2021.

Future Joint Planning Possibilities

Geo-mapping shows 578 VA and DoD facilities within 60 minutes of each other that, based on proximity, may benefit from future joint planning. Specifically, aging infrastructure offers multiple opportunities for joint planning. The DoD and VA have identified 10 sites that may benefit from joint planning, design, and construction in the near future.

Installation / Area	Type	DHA and VA Collaboration	Status
Fredericksburg, VA	Project	Ambulatory Care Center Lease	Ongoing
Travis Air Force Base (AFB), CA	Project	Inpatient Modernization (Existing Resource Sharing Agreement)	Ongoing
Colorado Springs, CO	Study	Colorado Springs Market Visioning	Ongoing
San Antonio, TX	Study	San Antonio Market Visioning	Ongoing
El Paso, TX	Coordination	Fort Bliss / El Paso Market Coordination Meetings	Ongoing
Wright-Patterson AFB, OH	Study	Facility Assessment Study	Planned
Eglin AFB & Naval Air Station Pensacola, FL	Study	Florida Panhandle Market Infrastructure Study	Ongoing
San Diego, CA	Study	San Diego Market Infrastructure Study	Planned
Jacksonville, FL	Study	Jacksonville Market Infrastructure Study	Planned
Honolulu, HI	Study	Hawaii Market Infrastructure Study	Planned

Determining Joint Planning Feasibility

Both Departments are working together on Joint Market Assessments to determine health care requirements and identify markets that could benefit from a joint planning, design, and construction process. However, without a change to title 10 and title 38, DoD and VA lack the authority to conduct joint planning and funds transfer for joint construction projects

6. CONCLUSION

As of September 30, 2019, the DoD and VA had 130 sharing agreements with 472 shared services across 148 facilities (61 VA and 87 DoD). In FY 2018, DoD-VA sharing resulted in interagency billing of \$195M. There are numerous additional opportunities for DoD-VA co-location. Many DoD-VA sharing projects have proven successful but these projects, in general, continue to be hampered by dual credentialing, information sharing, and reimbursement challenges. Although there are numerous opportunities for large-scale joint planning, design, and construction, DoD and VA lack the statutory authority to conduct joint planning.

VA and DoD continue to seek legislative authority to expand their existing collaborative relationship to permit proactive, more detailed joint capital investment planning, construction, and leasing of shared medical facilities. Enacting the Combined Legislation, currently proposed for FY 2021, will provide inherent authority for both Departments to transfer and accept funds appropriated for the planning and design, major (authorized) and minor construction, and leasing of shared medical facilities. This will eliminate a major obstacle to collaboration on joint capital projects, thereby improving the efficiency, accessibility, and cost-effectiveness of health care delivery for beneficiaries including Service members, veterans, and taxpayers.

Short of a change to title 10 and title 38, Congress could permit DoD and VA to initiate demonstration studies for proposed facility planning at specific sites. These studies would be conducted in parallel with NDAA submissions for the DoD and VA Like Legislation. The studies, using the facilities identified in Section 5, would be structured on collaborative opportunity evaluation criteria to include, but not limited to, DoD-VA location and market selection, DoD-VA beneficiary requirements, DoD readiness, DoD-VA staffing benefits, and DoD-VA cost factors. These studies would determine the basis for expanded DoD-VA sharing, and identify programs and policies to support future collaboration.

7. ACRONYMS

AFB	Air Force Base
BACH	Basset Army Community Hospital
CAPC	Capital Asset Planning Committee
CAVHCS	Central Alabama Veterans Health Care System
CBOC	Community Based Outpatient Clinic
DGMC	David Grant USAF Medical Center
DHA	Defense Health Agency
DoD	Department of Defense
DVCO	DoD/VA Collaboration Office
DVPO	DoD/VA Program Office
EHR	Electronic Health Record
FHCC	Federal Health Care Center
FY	Fiscal Year
GME	Graduate Medical Education
HA	Health Affairs
HCS	Health Care System
HEC	Health Executive Committee
HLV	heart, lung, vascular care
JEC	Joint Executive Committee
JIF	Joint Incentive Fund
MSO	Medical Sharing Office
MTF	military medical treatment facility
NDAA	National Defense Authorization Act
NHB	Naval Hospital Beaufort
RHJVAMC	Ralph H. Johnson Veterans Affairs Medical Center
RTC	Report to Congress
SECDEF	Secretary of Defense
VA	Department of Veterans Affairs
VAGCVHCS	VA Gulf Coast Veterans Health Care System
VAMC	Veterans Affairs Medical Center
VANCHCS	VA Northern California Health Care System
VHA	Veterans Health Affairs
VISN	Veterans Integrated Service Network
WBAMC	William Beaumont Army Medical Center
WRNMMC	Walter Reed National Military Medical Center

APPENDIX: Existing DoD/VA Co-Location Sites

Fully Integrated Facility

VISN 12: North Chicago, IL – Captain James A. Lovell FHCC integrates the North Chicago VA Medical Center and Naval Health Clinic Great Lakes.

Co-Located or Sharing Real Property Locations

VISN 2: Keller Army Community Hospital, West Point, NY occupies space at the VA Hudson Valley in Montrose, NY.

VISN 4: Wilkes-Barre Veterans Affairs Medical Center (VAMC) has a VA clinic at Tobyhanna Army Depot, PA.

VISN 5:

- Martinsburg VAMC has a Community Based Outpatient Clinic (CBOC) adjacent to Barquist Army Health Clinic at Ft. Detrick, MD.
- Washington DC VAMC operates a CBOC within the Ft Belvoir Community Hospital on Ft Belvoir, VA.
- Baltimore VA Health Care System (HCS) operates a CBOC adjacent to Kimbrough Ambulatory Care Center on Ft Meade, MD.

VISN 6: Fayetteville VAMC and Womack Army Medical Center share space in Ft. Bragg Garrison-owned space at the Soldier Support Center, Fayetteville, NC.

VISN 7:

- Naval Health Clinic Charleston (Goose Creek) and a Ralph Johnson VAMC CBOC were jointly constructed on Joint Base Charleston at Goose Creek, SC.
- NHB has the Ralph Johnson VAMC CBOC located in NHB.
- Carl Vinson VAMC (Albany CBOC) shares clinical space with the Navy on Albany Marine Corps Logistics base in Albany, GA.
- Central Alabama Veterans Health Care System (CAVHCS) has a primary care clinic at Lyster Army Health Clinic, Ft. Rucker, AL.
- CAVHCS has a VA podiatry clinic at Maxwell AFB, AL.
- CAVHCS occupies modular clinical space on Ft. Benning.

VISN 8: Naval Branch Health Clinic Key West, Naval Hospital Jacksonville and Key West CBOC, Miami VA HCS jointly constructed clinics on their respective naval bases.

VISN 9:

- Louisville, KY, VAMC has a CBOC at Ireland Army Health Clinic, Ft. Knox, KY.
- Nashville VAMC has a CBOC at Arnold AFB, TN.

VISN 15: St. Louis VA HCS operates a Compensation and Pension clinic in the 375th Medical Group clinic on Scott AFB.

VISN 16:

- VA Gulf Coast Veterans Health Care System (VAGCVHCS) and Keesler Medical Center, 81st Medical Group, have a Center of Excellence Model of Sharing to include: Joint Cardiovascular Care Centers and Joint Business Office Center.
- VAGCVHCS and Naval Health Clinic Pensacola operate a Joint Ambulatory Care Clinic on DoD property outside the gates of the Naval Hospital Pensacola.
- VAGCVHCS has a CBOC co-located with Navy outside the gates of Naval Support Activity, Panama City, FL.
- VAGCVHCS has a CBOC on DoD property outside the gates of Eglin AFB's, 96th Medical Group, Eglin AFB, FL.

VISN 17:

- Audie Murphy VAMC and Wilford Hall Ambulatory Surgical Center (AF) occupy VA commercially leased space for a clinic (originally funded by the VA-DoD JIF) San Antonio, TX.
- El Paso VA HCS and William Beaumont Army Medical Center (WBAMC), Ft. Bliss share an outpatient clinic and ambulatory surgery service co-located with the WBAMC.

VISN 19:

- Oklahoma City VAMC occupies space for a CBOC at Ft. Sill, OK.
- Oklahoma City VAMC occupies space for a CBOC at Wichita Falls, on Sheppard AFB.
- Denver, CO, VAMC's new hospital includes space for a Buckley AFB clinic.

VISN 20:

- Alaska VA HCS built a Health Care Center on 673rd Medical Group, Elmendorf AFB land outside the gates of the AFB, which connects to the AF hospital via a corridor. Alaska VA HCS also shares clinic space with 673rd Medical Group.
- Alaska VA HCS operates its Fairbanks, AK, CBOC within Basset Army Community Hospital (BACH), Ft. Wainwright, AK, with ancillary services provided by BACH specialty care and inpatient services provided on a space available basis.

VISN 21:

- VANCHCS (Fairfield CBOC) operates an outpatient clinic on Travis AFB and shares clinic space with David Grant Air Force Medical Center, 60th Medical Group.
- VANCHCS shares space at its McClellan Outpatient Clinic, Sacramento, CA, with David Grant Medical Center (AF) for an Air Force clinic.
- Palo Alto VA HCS recently open the new co-located VA Gourley CBOC with Army CALMED in Marina, CA.
- VA Pacific Islands HCS has a Medical Center located adjacent to Tripler Army Medical Center.
- VA Guam CBOC shares space on Navy land outside the gate of Naval Hospital Guam.

VISN 22:

- Loma Linda VA HCS and March Air Reserve Air Base co-located administration building on March Air Base.
- 377th Medical Group Clinic, Kirtland AFB operates a clinic on New Mexico VA HCS property.