

Statement of
The Honorable Leo S. Mackay Jr., PhD, Deputy Secretary of Veterans Affairs
Before the
Committee on Veterans' Affairs
U. S. House of Representatives

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Mr. Chairman and Members of the Committee, I am pleased to join you today to discuss the recommendations in the Final Report issued by the "President's Task Force to Improve Health Care Delivery For Our Nation's Veterans". The Department of Veterans Affairs (VA) is committed to President Bush's direction to improve benefits and services for Department of Veterans Affairs (VA) and Department of Defense (DoD) healthcare beneficiaries by removing barriers and overcoming challenges impeding VA and DoD healthcare coordination and improving our business practices to ensure high quality and cost effective health care as well as identifying opportunities for improved resource utilization through partnerships maximizing the use of resources and infrastructure, including: buildings, information technology and data sharing systems, procurement of supplies, equipment and services, and delivery of care.

I speak for the entire VA and America's grateful veterans when I express appreciation for what the Task Force has accomplished on behalf of the President. Even before his Inauguration, the then President-elect directed VA Secretary-Designate Anthony Principi and Defense Secretary-Designate Donald Rumsfeld to work together to improve delivery of benefits to veterans and military retirees. To this end, and as he promised during his campaign, the President established the Task Force and has included VA/DoD collaboration as one of the top management agenda items for his Administration. We are committed to fulfilling the President's mandate.

I commend the Task Force Co-Chairs, Dr. Gail R. Wilensky, and your former colleague, Congressman John Paul Hammerschmidt, for their leadership, and the remaining members for their thoughtful analysis and dedication to resolving the issues before us. They were inspired, I'm sure, by the legacy of the late Congressman Gerald B. Solomon, the original co-chair, a true patriot and one of the best friends America's veterans ever had. How appropriate that the Task Force Final Report is dedicated to his memory.

We were pleased to work closely with the Task Force from the moment it undertook its mission, detailing VA experts it needed to staff its workgroups and meeting regularly with the Co-Chairs to create and maintain an open channel of communication.

Much of what I say today, Mr. Chairman, will be a report on the progress we have made since last summer, when the Task Force published its Interim Report. In conjunction with our DoD partners, we immediately began acting on the PTFs preliminary findings.

The leadership is there. The will is there. But make no mistake about it, Mr. Chairman, we face serious challenges to overcome before these recommendations make a difference in the lives of veterans and DoD healthcare beneficiaries and the practice of our healthcare providers.

VA strongly endorses the report's central principles and resulting primary recommendations to have the Departments work together to provide clearer leadership; create a seamless transition from military to veteran status; and remove barriers to collaboration. We believe that the Task Force Report provides a valuable guide to realizing the President's commitment to enhance the care our veterans deserve.

Provide Clearer Leadership

In our view, the fundamental PTF finding from which everything else flows is the recognition of the importance of leadership commitment to successful collaboration and sharing. We applaud the recommendations to the President to require greater accountability from our departments through joint strategic

planning, development of metrics, and performance standards to insure results rather than rhetoric. Our leadership is committed to work with DoD as partners to improve access to care and reduce the overall cost of furnishing services to both military and veteran beneficiaries. We are renewing our efforts to eliminate the institutional and cultural barriers that have historically inhibited VA and DoD cooperation.

The VA/DoD Joint Executive Council (JEC), which I co-chair with my good friend Dr. David Chu, the Under Secretary of Defense for Personnel and Readiness, comprises senior leaders from each Department. Through the establishment of the JEC, we are working together to institutionalize VA and DoD sharing and collaboration through a joint strategic planning process. After more than a year of discussion and interagency planning, the JEC recently approved a Joint Strategic Plan designed to improve the quality, efficiency and effectiveness of the delivery of benefits and services to our beneficiaries through an enhanced VA and DoD partnership. Three principles guide the Joint Strategic Plan. These principles are closely linked to those outlined by the PTF in its Interim Report issued last year. They are: *Collaboration* – to achieve shared goals through mutual support of both our common and unique mission requirements; *Stewardship* – to provide the best value for our beneficiaries and the taxpayer; and *Leadership* – to establish clear policies and guidelines for VA/DoD partnership, promote active decision-making, and ensure accountability for results.

Based on these guiding principles, the Joint Strategic Plan consists of six strategic goals, which are linked to the PTF Final Report recommendations and specific topics emanating from the initial PTF work groups. These goals are: leadership commitment and accountability; high quality health care; seamless coordination of benefits; integrated information sharing; efficiency of operations; and joint contingency/readiness capabilities. Each of these strategic goals is accompanied by performance expectations, measurements and timelines. Not only do the guiding principles and strategic goals closely mirror the Task Force

Final Report, the development of the Joint Strategic Plan and associated accountability metrics respond to the Final Report leadership recommendations.

To further our implementation of PTF recommendations, we have institutionalized our partnership through other senior level deliberative bodies focused on removing collaboration barriers and creating a seamless transition from military to veteran status. The VA-DoD Health Executive Council (HEC) is responsible for improving coordination between the two health care systems. The VA Under Secretary for Health and Assistant Secretary of Defense for Health Affairs co-chair this body. VA and DoD have institutionalized a forum for senior health care leaders from both departments to identify opportunities for further collaboration and to remove obstacles to our partnership. Over the last two years this group has made progress in aligning both clinical and business practices related to health care delivery – some of which I will highlight later in my testimony.

The Veterans Benefits Administration (VBA) has been working with DoD for a number of years on a number of data sharing projects and programs such as the Benefits Delivery at Discharge initiative to improve transition to veteran status. Under the leadership of the VA Under Secretary for Benefits and the Deputy Under Secretary of Defense for Personnel and Readiness, we are currently developing a charter for a Benefits Executive Council to institutionalize the process, ensure senior management oversight of joint initiatives and expand collaborative activities in information sharing, claims processing and the delivery of benefits to separating service members. We believe this new council will serve as an instrument to implement the PTF call for a single separation physical and transfer of records to achieve a seamless transition from military to civilian status.

Further, in accordance with the President's Management Agenda, OMB has included VA/DoD performance milestones in the Management Scorecard which is monitored quarterly. Within VA, we have also included VA-DoD Sharing in our Monthly Performance Tracking System to measure and identify progress in all areas of collaboration.

Create a Seamless Transition

The PTF recommended that the two departments use standardized information nationwide to create a seamless transition from military to veteran status. Information relevant to a service member's deployment, occupational exposures, and health conditions should follow the service member throughout his or her career. As the Task Force has noted, information systems coordination is the critical link between the two Departments.

DoD and VA are moving forward jointly to improve the efficiency and accuracy of enrollment information through the creation of integration points that will permit VA to access the Defense Enrollment and Eligibility Reporting System (DEERS) in real time by the end of 2005, a key objective in the President's Management Agenda. As a result, we expect that a service member's transition from active duty to veteran status will be simplified significantly while improving the process of accurately informing the veteran of all potential benefits for which they may be eligible.

Another key information technology initiative in the President's Management Agenda addresses the sharing of individual health care information between the two systems. We believe that VA and DoD are making substantial progress towards deployment of electronic medical records that are interoperable, bi-directional, and standards-based by the end of 2005. Our Departments have formed a close collaborative partnership, to include the development of a joint business case for electronic health records, under the Federal Health Information Exchange (FHIE) and HealthePeople (Federal) projects. In addition, we have signed formal Memoranda of Understanding on development of additional joint activities under both FHIE and HealthePeople (Federal).

As a result of the implementation of FHIE, VA clinical staff have access to information that was collected in DoD's Composite Health Care System (CHCS) on veterans who have been discharged since that system was implemented in 1989. Information available up to the time of their separation includes laboratory

results, radiology reports, outpatient pharmacy prescription information, admission/disposition/transfer, discharge summaries, and in the near future allergy information, consult reports, and summary outpatient appointment information. VBA staff will have access to this information to assist them in benefits determination starting next month (July 2003).

The joint VA/DoD Interoperable Electronic Medical Record Plan goes much further by committing our two Departments to implementing compatible IT enterprise architectures and adopting common standards, both of which serve as the essential technical foundation to achieve interoperable electronic health records. The end result will be interoperable electronic health records that will serve the needs of our nation's veterans and service members and that could potentially serve as a model for the U.S.

We are working with DoD to ensure that when we share medical information, we fully protect the privacy of individuals. We intend to be in complete compliance with all applicable confidentiality requirements, including the Standards for the Privacy of Individually-Identifiable Health Information promulgated by the Department of Health and Human Services under the Health Insurance Portability and Accountability Act of 1996. We will keep the Committee posted as to developments in this area.

While we are committed to interoperability, and have established an interagency oversight and milestone structure, we should be careful not to overstate our current progress. Before we realize a fully electronic, bi-directional patient medical record, significant challenges remain due to the complexities inherent in coordinating multiple layers of activities within two large bureaucracies with extensive and independently developed IT support structures.

Goal 3 of the Joint Strategic Plan mirrors the PTF recommendation to provide for a seamless transition from active duty to veteran status through a streamlined benefits delivery process. This goal includes the PTF recommendation to develop a physical examination protocol that is valid and acceptable for all military service separation requirements. Additionally, the Joint Strategic Plan requires the development of an online benefits application process

that allows service members to submit applications directly to the appropriate federal agency; enhancing collaborative efforts to educate active duty, reserve, and National Guard personnel on VA and DoD benefits programs, eligibility criteria and application processes; and the seamless transfer of beneficiary data between VA and DoD to expedite all benefit and entitlement processes.

To that end, VA and DoD recently cooperated in a pilot expansion of the Benefits Delivery at Discharge program and the development and distribution of a pamphlet that outlines the VA benefits available to National Guard and Reserve personnel. This reference tool provides information on eligibility, a summary of VA benefits and services and contact information to assist with specific inquiries.

The PTF Final Report recommends that VA and DoD expand collaboration to identify, collect, and maintain the specific data needed by both departments to recognize, treat, and prevent illness and injury resulting from occupational exposures and hazards experienced while serving in the armed forces. We agree. For example, Goal 2 of the Joint Strategic Plan contains specific objectives designed to enhance collaborative activities in health research, provider training and information sharing.

The HEC has designated 10 work groups to address specific issues of common interest to the VA and Military Health System. One of these, the Deployment Health Work Group, is charged with examining clinical issues and research related to Deployment Health, and recently worked to enhance the DoD post-deployment assessment tool for troops returning from the combat theater. Additionally, the Clinical Practice Guidelines Work Group has jointly developed clinical practice guidelines for use by clinicians in both Departments, including a focus on Post-Deployment Health. Highlights in this area include guidelines for Screening Health Exams and Medically Unexplained Symptoms: Chronic Fatigue and Pain.

Remove Barriers to Collaboration

As the PTF noted, VA and DoD have a mixed record in carrying out mandates, both statutory and administrative, to improve coordination and

sharing. To improve collaboration, the PTF recommended that VA and DoD review the following areas: organizational structures; business practices; clinical pharmacy initiatives; joint contracting; interoperable IM/IT systems; facility lifecycle management; joint venture sites; and human capital and credentialing systems.

VA and DoD beneficiaries share many similarities. VA and DoD care for the same individuals at different points in their lives. Frequently, these individuals are eligible for services in both Departments when they retire from the military. In spite of this fact, and largely due to the differences in mission, health care delivery policies and structures have historically been organized on a departmental basis to meet specific needs and requirements, with generally very little accommodation given to interests outside the immediate purview of a particular Department. Over the past two decades VA and DoD have made attempts -- with some success -- to improve coordination of services between our two departments. But, as the PTF has noted, we can do a better job on behalf of our beneficiaries and our Nation's taxpayers. We agree that there is substantial opportunity for VA and DoD to improve quality, access, and efficiency of health care delivery by pooling resources, eliminating administrative barriers, and implementing change. Not only do we agree, we are committed. Our Secretary has pledged that we will fulfill the President's often-stated goal that the walls will come down between VA and DoD. As part of our joint strategic planning process, we have developed specific goals whose fulfillment is directly designed to overcome institutional barriers through integrated information sharing and efficiency of operations. We have committed to jointly improve management of capital assets, procurement, logistics, financial transactions, and human resources.

The PTF recognizes that the most successful collaborative initiatives are usually those in which each business partner receives a benefit from the arrangement. In reviewing financial barriers to improved coordination through sharing agreements, it became clear that the proliferation of rate setting mechanisms only complicated the billing process and called into question the

financial efficacy of agreements. Facilities focused their attention on the negotiation of rates rather than collaboration. Once the rates were set, they were often not reviewed for several years. To remove this financial barrier, we signed a Memorandum of Agreement to establish and implement a standardized, national billing rate for local sharing agreements. This new rate, commonly referenced as CMAC minus 10%, provides a mechanism to streamline local negotiations and a reliable method for calculating value and financial benefit.

To further address efficiency in financial transactions between the departments, we have begun implementation planning for the DoD-VA Health Care Sharing Incentive Fund, created in the FY 2003 National Defense Authorization Act to provide incentives for creative coordination and sharing initiatives at the facility, intra-regional, and nationwide levels.

In addition to serving as a DoD health care provider through the TRICARE Managed Care Support Contractor, VA supports policies that provide incentives for direct sharing between VA medical facilities and military treatment facilities (MTFs). We negotiated a change in the solicitation for the next generation of TRICARE contracts that allows greater flexibility for military commanders to enter into direct sharing agreements with local VA facilities for care provided to their prime enrollment population. Additionally, earlier this month we encouraged local VA medical centers to become TRICARE providers to expand the set of tools available for VA/DoD collaboration in direct care delivery. VA is revising its policy to provide clear, updated guidance for more interaction between VA medical facilities and MTFs.

VA and DoD continue to experience remarkable success in our joint pharmaceutical related efforts through the HEC Pharmacy Work Group. As the PTF noted, joint contracting for pharmaceuticals has been one of the bright spots in the VA/DoD partnership over the last several years. We are maximizing cost savings through our cooperative pharmaceutical acquisition strategy. As pharmaceuticals become an ever increasing and integral component of health care delivery, both Departments are committed to providing more coordinated clinical care. The bi-directional electronic access to complete pharmaceutical

profiles is an important step towards answering the PTF call for a seamless transition from DoD medical care to VA medical care and improving the continuity of care. We are working together to identify a clinical data-screening tool, which ensures electronic access to complete pharmaceutical profiles.

Both Departments have noted success with the VA/DoD Consolidated Mail Order Pharmacy (CMOP) Pilot Program, designed to test the feasibility and desirability of processing MTF refill prescriptions through the VA CMOP while maintaining high quality service to DoD beneficiaries. The pilot is being conducted through three designated MTFs at Naval Medical Center, San Diego CA; Darnell Army Community Hospital, Fort Hood, TX; the 377th Medical Group, Kirtland Air Force Base, Albuquerque NM; and the VA CMOP in Leavenworth, KS. Although VA and DoD continue to coordinate pharmacy-related issues between the Departments through the Federal Pharmacy Executive Steering Committee, substantial challenges remain.

The PTF recommended that VA and DoD identify opportunities for joint acquisition in all areas of products and services. The JEC has incorporated planning for additional joint procurement in Goal 5 of the Joint Strategic Plan. Since 1999, VA and DoD have been working to combine the purchasing power of the two departments and eliminate redundancies. We have signed two appendices to the Memorandum of Agreement governing pharmaceuticals and medical and surgical supplies. As a result, VA and DoD are working to establish a searchable database through the conversion of DoD's Medical-Surgical Distribution and Pricing Agreements to VA's Federal Supply Schedule Contracts. Approximately 35,000 of 200,000 items have been converted and cooperation is ongoing. Additionally, the HEC is reviewing a third appendix covering high-tech medical equipment that we anticipate will be completed this summer, allowing for increased efficiencies and cost savings in this arena. This, like other areas, will require both committed leadership and due diligence to ensure the desired outcomes.

The PTF recommended that the interagency leadership identify those functional areas where the departments have similar information requirements,

so that they can work together to re-engineer business processes and information technology in order to enhance interoperability and efficiency. Goal 4 of the Joint Strategic Plan provides a framework for the development of an interoperable information technology architecture that will enable the efficient and secure interchange of records and information to support the delivery of benefits and services. As recommended by the PTF, the operational emphasis will be on improved business processes, reduced redundant applications and procedures, and increased access to services and benefits.

As part of the Joint Strategic Plan, VA and DoD have agreed to improve our coordination in planning and managing capital assets in order to enhance long-term partnering and achieve cost savings. This goal is compatible with the PTF intent that VA and DoD implement facility lifecycle management practices. A JEC task force is currently working to develop a Capital Coordination Process that will provide joint policy recommendations and monitor capital asset planning to ensure an integrated approach to capital coordination between VA and DoD, including identifying high-priority sites that represent the best opportunities for potential VA/DoD partnerships in facility sharing.

Additionally, as VA moves through the Capital Asset Realignment for Enhanced Services (CARES) review process, DoD is participating with VA in identifying appropriate sharing opportunities and serves as a member of our clinical advisory team. The DoD Assistant Secretary for Health Affairs, Dr. Winkenwerder, assigned three key members of his staff to coordinate participation by the military health care system, including the military services, in development of CARES options.

VA agrees with the Task Force that support of joint ventures is integral to our collaboration with DoD for health care delivery. Through the HEC Joint Facilities Utilization and Resource Sharing Work Group, VA and DoD are in the process of developing models for joint facilities designed to improve access and quality of care for both VA and DoD beneficiaries. Additionally, we are working with DoD to assess the feasibility of demonstration projects for the joint federal facility concept. We expect to identify pilot sites later this year that will test the

coordination of budget and financial managements systems; staffing and personnel assignment; and medical information and information technology systems. Further, we are in the final stages of identifying pilot sites to evaluate the merits of integrating the VA and DoD healthcare provider credentialing systems.

The National Defense Authorization Act of 2003 requires that VA and DoD better coordinate the benefits and services they provide to our military and their dependents, either while on active duty or after they have served our Nation. In order to accomplish this formidable task, the bill requires that the Departments establish three pilots where services, manpower and facilities will be shared (using common IT systems) to provide seamless care to our veterans and their dependents. We are actively working to identify sites, and developing our approach to accomplish this priority effort and will submit this information to the Congress by September 30, 2003.

These are extremely important initiatives to remove barriers to collaboration. As I discussed earlier, the JEC structure is specifically designed to ensure that senior leadership of both Departments be directly involved in the oversight of joint initiatives and be in a position to respond to any issues impeding successful collaboration. Again, we recognize that while the leadership and commitment are there, we still face significant implementation challenges.

Fully Funding VA Medical Care

The PTF stated that the government should ensure that enrolled veterans in Priority Groups 1 through 7 are provided current comprehensive benefits in accordance with VA's established access standards, and suggested that full funding should occur through modifications to the current budget and appropriations process, by using a mandatory funding mechanism, or by some other changes in the process that achieve the desired goal. The PTF agreed that the FY 2004 President's Budget fully funds enrolled veterans in Priority Groups 1 through 7. Our budget also fully funds those Priority Group 8 veterans already in the system – ensuring that no veteran currently in the system will be denied care.

In addition, the funding levels in the President's Budget will allow VA to eliminate the waiting lists of veterans seeking medical care by January 2004. With our FY 2004 VA medical care budget request of \$27.5 billion, President Bush has requested the largest medical care increase ever - \$2.1 billion (8.1%). It is more than 30% greater than the FY 2001 budget which was in effect when the President took office. The Administration's record in this area is unprecedented, and we would strongly oppose any form of mandatory funding – including formulas set in statute and independent bodies directing budget levels.

Conclusion

While I did not specifically address every individual recommendation offered by the Task Force, I believe that VA and DoD are committed to the President's goals and realizing the desired outcome -- improving health care delivery to veterans and military retirees by removing the barriers that exist between our two departments. We fully or conceptually support the actions proposed by the PTF. We are already addressing many of the recommendations either directly or indirectly with our DoD partners.

Remembering that the PTF final report was presented to the President less than three weeks ago, some of the specific recommendations will require additional analysis and we will be working together with our colleagues in the coming days to address each of the recommendations. Over the last several months, DoD and VA have re-emphasized ongoing collaborative efforts to maximize sharing of health resources, to increase efficiency, and to improve access for the beneficiaries of both Departments. The focus of our efforts is moving from a relationship of simply sharing to one of a proactive partnership benefiting veterans, military beneficiaries, and the taxpayer. The President has established the vision for a mutually beneficial partnership that optimizes the use of resources and infrastructures to improve access to quality health care and increase the cost-effectiveness of each department's operations, while at the same time respecting the unique missions of VA and DoD. While the challenges to realizing that vision are great, we are on the threshold of success in many areas and these victories are rewarding.

Mr. Chairman, this completes my testimony. My colleagues and I will now be happy to answer any questions that you or other members of the Committee might have.