

**WRITTEN STATEMENT
OF
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BEFORE
THE HOUSE VETERANS AFFAIRS COMMITTEE**

**IMPROVING AND ENHANCING ACCESS TO QUALITY CARE FOR OUR NATION'S
VETERANS THROUGH CARE COORDINATION DEMONSTRATIONS – PROJECT HERO**

MARCH 29, 2006

**

Good morning, Mr. Chairman and other distinguished members of the Committee. I am honored to be here today to share with you the progress, advances and future direction of the Department of Veterans Affairs (VA) Project HERO (Healthcare Effectiveness through Resource Optimization) pilot program. Accompanying me today is Mr. C. Mark Loper, Veterans Health Administration's (VHA's) Chief Business Officer.

Project HERO is a pilot program aimed at improving the ability of VA's patient-focused health care system to care for the Department's 7.7 million enrolled veterans. Under the program, VA will improve its capacity to care for its veterans at the more than 1,400 sites of care it currently operates. The Department will take steps to ensure that community providers to whom it refers veterans meet VA's quality and service standards. The ultimate goal of Project HERO is to ensure that all care delivered by VA – whether through VA providers or through our community partners – is of the same quality and consistency for veterans, regardless of where care is delivered.

The overall goal is to maximize the care we provide directly. VA's care is high in quality and less costly when we deliver it directly. Only when we cannot provide care directly should we purchase care.

BACKGROUND

VA developed Project HERO in November 2005 in response to language in the Conference Report (H. Rep 109-305) associated with VA's 2006 Appropriations Act, Public Law 109-114. The Appropriations Conference Report directed the Department to implement care management

strategies that have proven valuable in the broader public and private sectors. Through Project HERO, the Department will ensure that care purchased for enrollees from community providers is cost-effective and complementary to the larger VHA system of care, while preserving and sustaining our partnerships with university affiliates. As requested in the Appropriations Conference Report, VA will establish at least three care management demonstration programs through competitive award and will collaborate with industry, academic and other organizations to incorporate a variety of public-private partnerships.

VA will develop specific regional action plans that focus on purchasing care in a manner that is cost effective, high-quality and complementary to the larger VA system of care. VA will develop relationships with community-based providers to fill any gaps that may exist in the Department's current provider base. These gaps may include geographic areas or specialties where the Department's provider base is limited or has insufficient capacity. Relationships also may be developed with community-based providers when specific medical expertise or technology is not available in the Department. Veterans will continue to have a range of choices, and will have greater clarity in decision-making because of the Department's commitment to partner *only* with high-value providers that meet or exceed the Department's standards of care.

KEY PARTNERSHIPS

Through Project HERO, VA will collaborate with industry, academic, and other organizations, engaging them both as thought leaders and potential vendors. VA's industry, academic, and other partners will bring fresh ideas and leading strategies, tools and capabilities to address specific objectives in each demonstration site.

VA will work with industry, academic, and other partners as thought leaders to explore care and business management strategies that have proven valuable in the broader public and private sectors. These innovative partnerships will enable strategic leadership for the design of care initiatives that are focused on cost, quality and service. VA will partner with industry, academic, and other organizations as contractors to provide solutions to address Project HERO's objectives and specific focus areas within our participating networks. Partners will be acquired through a competitive process based on best-value, and each partners' ability to offer solutions that are complementary to the VA system and that have proven valuable in the public and private sectors. Together, VA and our partners will collaborate to achieve specific and challenging health system objectives and provide better care for all veterans.

The VA care management approach and focus on value will allow VA to implement management systems and processes that foster quality and patient safety and make contracted providers virtual, high quality extensions of VA. Project HERO will control administrative costs and the rate of cost growth associated with care provided by community partners through performance based monitoring and evaluation of all contracts with partners.

To maintain high quality of care and veteran satisfaction, VA will ensure that its partners understand and abide by the mission of the Department. Partners selected to participate in this demonstration project will be required to demonstrate flexibility and adaptability to respond to diverse customer needs and a willingness to learn and accommodate VA's unique mission. Progress toward established goals and objectives will be measured using a performance-based evaluation methodology and framework that are under development by the Project HERO team. This program evaluation component will provide a rigorous and scientific means of measuring results relative to VA-established performance metrics.

This collaborative approach is anticipated to increase enrollee satisfaction through improved access and interfacing between the VA and community based outpatient clinics.

PROJECT HERO ACCOMPLISHMENTS

VA has started developing the Project HERO demonstrations, and significant progress has been made to reach our goal of funding objectives-oriented demonstrations at different sites around the country by the end of calendar year 2006. Objectives have been developed for Project HERO and four sites have been selected to pilot the demonstration. VA has established a management structure for the program and begun developing the approach, methodology, and performance criteria to measure the return on investment.

Objectives

Project HERO's demonstration objectives have been defined and communicated to a number of key stakeholders, including the VA's National Leadership Board, VSOs, industry, and academia. In addition, Congress soon will be briefed on these objectives. Project HERO objectives include the following:

- Increase the efficiency of VHA processes associated with purchasing care from commercial or other external sources;
- Reduce the rate of cost growth associated with purchased care;
- Implement management systems and processes that foster quality and patient safety and make contracted providers virtual, high quality extensions of the VHA;
- Control administrative costs and limit administrative cost growth;
- Increase net collections of medical care revenues where applicable;
- Increase enrollee satisfaction with VHA services;
- Sustain partnerships with university affiliates; and,
- Move toward the integration of the use of VA's electronic health record with the episode of care in the contracted setting. This is integral to our ability to manage care in contracted settings.

These objectives will continue to be refined to construct measurable outcomes as we gain additional input from industry and academia.

Selection of VISN Sites

After carefully considering feedback received from the National Leadership Board, VA staff and the Veterans Service Organizations, we are proud to announce that four Veterans Integrated Service Networks or VISNs have been chosen to pilot Project HERO demonstrations. Veterans in these VISNs will be among the first in the nation to benefit from Project HERO:

- Florida and Southern Georgia (VISN 8 -- VA Sunshine Healthcare Network);
- Oklahoma, Arkansas, Louisiana, Mississippi and portions of the states of Texas, Missouri, Alabama, and Florida (VISN 16 -- South Central VA Health Care Network);
- Washington state, Oregon, most of the state of Idaho, and one county each in Montana and California (VISN 20 -- Northwest Network); and
- Iowa, Minnesota, Nebraska, North Dakota, South Dakota, and portions of northern Kansas, Missouri, western Illinois, Wisconsin, and eastern Wyoming (VISN 23 -- VA Midwest Health Care Network).

The VISNs selected are among those with the highest expenditures for community-based care, particularly relative to the number of enrollees in the VISN. In addition, these VISNs are some of the larger VA networks, together representing 25% of total enrollment and 30% of annual out of network expenditures. These selection factors were used to ensure the demonstration results are

representative of the larger VA population and to facilitate measurement of proof of concept under Project HERO. While the Department initially will establish the demonstration in selected regions, positive results may lead to expansion of this program to additional regions.

VISN-level teams and management structures are being established to ensure the timely and successful implementation of Project HERO. VISN 16, the South Central VA Care Network, will hold its first team meeting on April 4, 2006. The other VISNs are expected to hold their initial team meetings shortly thereafter.

Establishment of Program Structure

We have created a Program Management Office that is led by a professional program manager. An acquisition team has also been appointed to oversee and manage the Project HERO procurement, in coordination with the Office of Acquisition & Material Management (OA&MM). VA field activities and headquarters have provided additional support to the Program Management Office and the acquisition teams. An Executive Leadership Board and Steering Committee have been chartered and convened to guide Project HERO's strategy and design. VISN-level teams and management structures are being formed in the demonstration sites, and additional specialized functional teams also have been established to support Project HERO.

Over the past two months, the Project HERO team has briefed a number of key stakeholders, including VA's National Leadership Board, VSOs, and representatives of Congress, industry and academia. A broad comprehensive communication strategy is being developed to ensure that all internal and external stakeholders are apprised of Project HERO's milestones and status.

Veterans Service Organizations

On March 2, 2006, VA met with VSO Leadership to discuss Project HERO's objectives and VSO concerns. Open dialogue occurred during this productive meeting. On March 24, 2006, VA again met with representatives from the VSO's. VA is aware that VSO's have raised some concerns with project HERO. We want to assure them that our goal is to provide the highest quality health care to America's veterans. This is in no way an effort to outsource VA care.

In an effort to sustain on-going communication, a member of VHA's Chief Business Office (CBO) leadership now attends the Under Secretary for Health's VSO Monthly Meeting to ensure that the VSOs are kept abreast of current project developments and informed about the potential impact of Project HERO on veterans' health care. We look forward to continued collaboration with our VSO partners throughout this demonstration project.

Program Collaboration with Key Partners

VA began the process of collaborating with others by conducting a forum for industry and academia on February 2, 2006 to introduce Project HERO and invite input on Project HERO's demonstration objectives. The CBO's communication plan included postings on the FedBizOpps web-site, advertisements in five major newspapers, invitations to VSOs, and handouts to 3,000 attendees at the Department of Defense's January 2006 TRICARE conference. Over 150 participants attended this forum, including representatives from health care companies, independent consulting companies, information technology companies, and Government, VSOs and academia. Organizations interested in partnering with VA on Project HERO have been invited to submit statements of corporate capabilities in response to a questionnaire posted to the Project HERO web site (<http://www.va.gov/hac/hero/>). Additional events are anticipated and follow-up communications are planned to encourage on-going involvement and collaboration throughout Project HERO.

In addition, because of the primary importance of preserving and sustaining our partnerships with academic affiliates, a VA executive with a strong health service administration background has been brought on board to ensure that our academic affiliates are aware of this new initiative and fully engaged in the process. We anticipate that our academic affiliates will play a pivotal role in designing Project HERO programs, and will serve as partners in delivering solutions. Each of our academic health system partners will be engaged in Project HERO and encouraged to participate by providing feedback and guidance.

NEXT STEPS

VA has made great progress regarding this important effort, positioning ourselves to implement a care demonstration program on schedule as outlined in the Appropriations Conference Report. Critical milestones have been identified for the program, and a strict timeline has been established to meet our end of the year deadline for a contract award. In anticipation of

the request for solutions release in late summer 2006, we have begun defining project sub-objectives and conducting market research to develop a statement of objectives and finalize the acquisition planning and pre-solicitation phase. We anticipate beginning the competitive phase in late summer for completion in early to mid fall of 2006. The evaluation and award phase will be a two part process. During the first phase, we will evaluate each of the sources based on established criteria and then select the best solution. Contract awards are planned to be issued by the end of 2006. Once the awards are issued, the performance management phase will begin and each awardee will be monitored according to established performance measures currently being developed.

CONCLUSION

In summary, Project HERO is an opportunity for entities to engage and partner in the transformation of VA health care. Project HERO is an innovative approach to health care that will bring together partners from industry, academia, the community and VSOs to optimize our use of VA resources and ensure that all care provided to veterans is also VA-managed.

VA looks forward to the collaborative partnerships this demonstration affords for enhancing our clinical and business operations for veterans. We are moving forward with the Project HERO demonstration and thank you for your continuing interest in this most important initiative.

This concludes my written statement, Mr. Chairman. I will be happy to answer any questions you or the Committee members may have.