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UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

BEFORE THE
SUBCOMMITTEE ON MILITARY QUALITY OF LIFE, VETERANS AFFAIRS AND
RELATED AGENCIES
HOUSE APPROPRIATIONS COMMITTEE,
U.S. HOUSE OF REPRESENTATIVES

JOINT INCENTIVE FUND
MARCH 28, 2006

NOT FOR PUBLIC RELEASE
UNTIL
1:30 PM ON MARCH 28, 2006

Mr. Chairman, distinguished members of this committee, thank you for the opportunity to discuss the Military Health System (MHS) and our collaborative efforts with the Department of Veterans Affairs (VA) using the Joint Incentive Fund (JIF) to improve health care for both DoD and VA beneficiaries. As co-chairman of the Joint Executive Council, I am pleased to report on the endeavors and accomplishments of the program.

We continuously explore new avenues of partnership with the VA through our Executive Council and associated sub-councils and work groups. This formal structure provides the setting in which the Departments jointly address issues, set priorities and strategic goals, as well as monitor the implementation of these priorities and ensure that accountability is incorporated into all joint initiatives.

For many years, the two Departments have worked hard to generate increases in joint efficiency and associated cost avoidances. The partnership has weathered several rounds of military hospital closures and a dynamic and fluid health care environment. We have been successful by looking toward the future, not the past. The inauguration of the Joint Executive Council February 2002 strengthened this partnership and facilitated several critical initiatives.

In that regard, we in the Department of Defense together with the Department of Veterans Affairs have developed a strategic view of our partnership. As a companion to the Annual Report, the VA/DoD Joint Strategic Plan (JSP) for 2006-2008 was published. The VA/DoD JSP, initially approved in April 2003, was a way to articulate a shared vision for collaboration. This roadmap was recently reviewed and updated, in order to accommodate additional focus on the collection of lessons learned as well as to set more concrete milestones and performance measures. Progress on the Joint Strategic Plan objectives, strategies, key milestones, and performance measures are reported to the Joint Executive Council and higher on a regularly scheduled basis. As projects go through the Joint Incentive Fund selection process, we are careful to ensure that they support the goals of the Joint Strategic Plan.

Joint Incentive Fund

Since the passing of the FY 2003 National Defense Authorization Act, we have been working with VA to implement the provision which established a joint fund for the purpose of identifying and providing incentives for creative health care coordination and sharing initiatives between DoD and the VA. Annually each Department has contributed \$15 million, and I am pleased to report that to date, we have funded 33 projects totaling approximately \$58 million, across 15 states. The scope of these projects varies widely, ranging from hiring one psychiatrist at the VA Medical Center in Syracuse, NY, to performing telepsychiatry for patients at Ft. Drum, to opening a jointly staffed Federal Outpatient Clinic in San Antonio, TX. My testimony today will focus on the process, financial status, and the noteworthy projects and results of this program.

Process and Financial Status

In 2003, DoD and VA worked through the Health Executive Council, and its Financial Management Working Group, to develop the process of gathering and selecting JIF projects. A Memorandum of Agreement was signed governing the Joint Incentive Fund, and a proposal format and financial analysis tool was developed to ensure proposals are comparable and address the selection criteria. For DoD, proposals are submitted through the Surgeons General for their endorsement, then forwarded to the Financial Management Working Group (FMWG), which has representation from each of the Services, TRICARE Management Activity, ASD (Health Affairs) and Veterans Health Administration. Proposals are reviewed and scored against the following criteria:

- Support for the VA/DoD Joint Strategic Plan
- Congruent with mission priority and corporate direction
- Improved access to care
- Size and scope of impact
- Return on investment
- Improved quality of care
- Measurable performance data identified
- Intangible benefits

A financial analysis tool that displays anticipated return on investment was developed to determine if projects will be self-financing after the JIF funding ends. We want to ensure that projects started under the JIF program will continue, whether through the ability to recapture private sector care, other types of savings, or through a commitment from the Services to continue to fund the project after JIF funding is exhausted.

Recommended projects are forwarded to the Health Executive Council for final approval. Once approved by the HEC, funding is released to the sites. Each site submits a quarterly progress report which is reviewed by the Financial Management Working Group who gives the HEC periodic updates. As outlined above, \$90 million has been deposited in the JIF to date, and \$58 million has been distributed. We expect to distribute the remaining \$32 million this summer after the next round of projects is reviewed in June.

Noteworthy Projects and Results

North San Antonio Federal Clinic As the city of San Antonio grew over the last two decades, shifts in population prompted the need for additional outpatient services in the northern area of the city for both DoD and VA populations. The JIF project between Wilford Hall Medical Center and the South Texas Veterans Health Care System will consist of a jointly staffed clinic featuring eight primary care providers, associated support staff and shared ancillary services. It will address identified gaps in primary care, mental health and optometry services. The clinic will be housed in leased space that is now under construction, and is projected to open this October. In addition to this extensive project, this site was approved in 2005 for an additional project in which San Antonio will become a test site for transferring digital images between our electronic health information systems.

North Chicago As you know, DoD and VA are working toward the establishment of the first Federal healthcare facility with a single management structure in North Chicago where the Veterans Affairs Medical Center (VAMC) and the Naval Hospital Great Lakes will provide increased access to the veteran and DoD populations. The ambulatory care facility that will be built adjacent to the VA inpatient facility is planned to be completed in 2010, but while that long term effort is under way we are pursuing several sharing

initiatives under the Joint Incentive Fund. Two of the projects approved in 2004 involve provision of women's health services. By installing state of the art equipment at the Naval Hospital, we have increased access to mammograms and stereotactic biopsies for female veterans as well as DoD beneficiaries. This project has reduced purchased care costs while increasing patient satisfaction, and VA patients have complimented the new services, especially in the areas of privacy and comfort. In 2005, we approved projects to fund an open MRI at the VA medical center that will serve both populations, and created a hematology-oncology program to provide a range of services to both VA and DoD patients. Last month, we also approved a hospitalist program to provide greater access to inpatient services for both DoD and VA beneficiaries within the North Chicago VAMC. The JIF projects are helping lay the foundation for the eventual merger, as our staff and patients in the Chicago area become accustomed to care in both systems.

Northern California/Travis AFB The David Grant Medical Center on Travis Air Force Base and the Northern California Health Care System used JIF funding to expand and jointly staff the dialysis unit at David Grant. The joint unit has been operating for over a year and currently cares for 14 veterans, four of whom have chronic renal end-stage disease. The unit is saving the VA health system thousands of dollars each month in purchased care costs.

South Carolina – Open MRI The Moncrief Army Medical Center joined with the Dorn VA Medical Center in Columbia, SC and 20th Medical Group, Shaw AFB to establish a state of the art imaging center with an open MRI to serve their combined populations. Patient services started in November, 2005 and the facilities estimate that they have saved over \$100,000 in the first two months of operation from performing these MRIs in-house instead of sending them out to the private sector.

Alaska – Radiology Services The Alaska Health Care System joined with the 3rd Medical Group, Elmendorf AFB to provide CT and MRI diagnostic exams by purchasing additional radiology staff to utilize more fully existing equipment to serve both VA and DoD beneficiaries in the Anchorage area. Services began in October, 2005 and utilization has been more than projected. Yearly savings are estimated to be over one million dollars for this project by bringing care in-house.

DoD/VA Information Sharing Initiatives

In addition to the partnering we are doing through the Joint Incentive Fund initiatives, we continuously explore new avenues of partnership with the VA through our Executive Council and associated sub-councils and work groups. This is clearly seen in the information technology area. I would like to take this opportunity to share with you a few examples of the information technology sharing occurring between our Departments today.

DoD and VA share an increasing amount of health information today. The Departments continue to pursue enhancements to information management and technology initiatives to improve significantly the secure sharing of appropriate health information. These initiatives enhance health care delivery to beneficiaries and improve the continuity of care for those who have served our country.

The Federal Health Information Exchange (FHIE) supports the monthly transfer of electronic health information from DoD to VA at the point of a Service member's separation. VA providers and benefits specialists access this data daily for use in the delivery of health care and claims adjudication. Data transferred includes laboratory and radiology results; outpatient pharmacy data from military treatment facilities, retail network pharmacies, and DoD mail order pharmacy; allergy information; discharge summaries; admission, disposition, and transfer information; standard ambulatory data record and patient demographic information.

The Bidirectional Health Information Exchange (BHIE) enables the real-time sharing of allergy, outpatient pharmacy, demographic, laboratory and radiology data between DoD BHIE sites and all VA Treatment Facilities for patients treated in both DoD and VA. BHIE is operational at seven DoD facilities. Site selection was based on support to returning members of Operation Enduring Freedom and Operation Iraqi Freedom, number of visits for VA beneficiaries treated in DoD facilities, current FHIE usage, number and types of DoD medical treatment facilities, local sharing agreements, retiree population, and local site interest. Deployment to additional DoD sites is planned in FY 2006.

DoD is sending electronic pre- and post-deployment health assessment information to the FHIE data repository at the VA Austin Automation Center. The

historical data extraction was completed in July 2005 and monthly transmission of electronic pre- and post-deployment health assessment data to the FHIE data repository began in September 2005 for the months of August and September, and has continued monthly since then. In March 2006, the historical data extraction of pre- and post-deployment health assessments for the demobilized Reserve and National Guard was completed and the data transferred to the FHIE Data Repository. This included over 703,000 pre- and post- deployment health assessments on over 250,000 Reserve and National Guard members who have been deployed and are now demobilized. Currently, more than 1.2 million pre- and post-deployment health assessments on over 512,000 individuals are available to VA. DoD plans to add post-deployment health reassessment information in FY 2006.

The Laboratory Data Sharing Initiative (LDSI) facilitates the electronic sharing of laboratory order entry and results retrieval between DoD, VA and commercial reference laboratories. The LDSI for laboratory chemistry tests is available for use throughout DoD, and actively being used daily between DoD and VA at several sites where one Department uses the other as a reference lab. Either Department may function as the reference lab for the other with electronic orders and results retrieval depending on the local business case. LDSI is operational in several DoD/VA sites.

The DoD Clinical Data Repository/VA Health Data Repository (CHDR) establishes interoperability between DoD's Clinical Data Repository and VA's Health Data Repository. The Departments successfully tested the exchange of computable outpatient pharmacy and allergy data in a laboratory environment in September 2004. This test demonstrated the ability to do drug-drug and drug-allergy checking using outpatient pharmacy and allergy information from both Departments. DoD and VA are working on the ability to exchange outpatient pharmacy and medication allergy data on shared patients in the DoD Clinical Data Repository and the VA Health Data Repository in FY 2006. This data will be computable allowing the DoD and VA systems to perform drug interaction checking and drug allergy checking. The outpatient pharmacy data being exchanged utilizes DoD's Pharmacy Data Transaction Service. Following implementation of pharmacy and allergy domains and the supporting infrastructure, the work necessary to exchange laboratory data between the repositories will be completed.

Conclusion

Mr. Chairman, my testimony highlighted just a few of the successful projects that have been initiated through the use of the Joint Incentive Fund. Together with our VA partners, we have implemented new business case-based programs that will benefit our service members and veterans every day. It is important to note that we continually seek areas of improvement in capability, improved access and cost effective delivery of care. We have worked with our VA partners to support the goals and meet the milestones outlined in the Joint Strategic Plan.

DoD is, as always, fully committed to continued collaboration with the VA, continued support to our service members who keep this nation safe and secure, and continued care for their families. The Departments' shared commitment to strong DoD and VA collaboration in the area of information technology places us in the forefront of health information sharing technology across the federal government. Much has been accomplished in a short period of time and the ground work has been laid for even greater progress in the future.

Thank you again for this opportunity to describe our partnership.