



HEALTH AFFAIRS

THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D C 20301-1200

APR 07 2004

The Honorable John Warner
Chairman, Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

This letter provides information requested in the House Appropriations Committee (HAC) Report 108-187 on the Department's utilization of optimization funding to support facility and equipment upgrades at Walter Reed Army Medical Center (WRAMC), Bethesda National Naval Medical Center (NNMC), and the Landstuhl Regional Medical Center (LRMC).

In 2003 my office became aware of questions about the referenced military treatment facilities' equipment and facility requirements, particularly concerning WRAMC. Our research found that WRAMC was not plagued by defective healthcare equipment or the lack of funding for healthcare technology. Subsequently, we asked each of the Military Medical Departments to identify funding requirements for patient care technology at the referenced military treatment facilities. They responded that there were no unfinanced priority requirements for patient care technology or service and facility upgrades at NNMC, WRAMC or LRMC. Therefore, the seventy million dollars identified in the HAC language were utilized to fund other Military Department optimization projects and critical medical needs.

I trust this information will be of assistance to you. Thank you for your continued support of the Military Health System.

Sincerely,

A handwritten signature in black ink that reads "William Winkenwerder, Jr." in a cursive script.

William Winkenwerder, Jr., MD

Enclosures:
As stated

cc:
Senator Carl Levin

Report to Congress



**Department of Defense
Medical Treatment Facilities Optimization**

Background

The House Appropriations Committee Report (107-102) accompanying the Fiscal Year 2001 Emergency Supplemental Appropriations Act directed the Army, Navy, and Air Force Surgeons General to provide a report to the congressional committees on what projects and activities were funded with \$150 million in congressionally added investment funds. Congress added \$30 million for each Surgeon General to undertake optimization projects (for a total of \$90 million), \$30 million for Advances in Medical Practice, and \$30 million for additional direct care requirements. These funds do not expire and are intended to improve the efficiency and effectiveness of health care delivery in military treatment facilities (MTFs). This report responds to the congressional reporting requirement for the Surgeons General, and provides additional information on the Department's optimization efforts during Fiscal Year 2002.

In general, optimization projects, as stipulated in House Appropriations Committee Report 107-102, may include increased staffing, facility repairs and maintenance, expansion of services, equipment modernization, pharmacy upgrades, or other activities that will improve health care services and/or reduce overall cost to the government. The Department is required to have business case models for these projects to show that they will be "self-financing" within at least three years of project initiation, in the sense that they save more overall cost to the government (to include TRICARE contractor cost) than is invested. Language accompanying Public Law 107-20 also gives the ability to the Surgeons General to undertake other activities that may not technically meet the cost savings criteria, if they deem it necessary to meet a critical medical need that threatens health care outcomes.

Overview

Funding from the Fiscal Year 2001 Emergency Supplemental Appropriations Act was not received until late in the fiscal year. Thus, by the time Service projects were ready for execution, Fiscal Year 2002 had already begun. Since the \$90 million in emergency supplemental funds do not expire, the Department decided to fund optimization projects from within available Fiscal Year 2002 resources. The Department plans on using the no-year optimization funds during Fiscal Year 2003 to initiate new projects or fund the continuation of projects started this fiscal year. The \$30 million in no-year funds provided for direct care system requirements have all been expended and \$13.9 million of the \$30 million for advances in medical practice have also been expended. In total, during Fiscal Year 2002, the Department expended \$246.7 million on projects which will improve the efficiency and effectiveness of health care delivery in MTFs.

Service Projects

During Fiscal Year 2002, a total of eighty-three projects have been identified, validated and funded. Due to the urgency of ensuring the MTFs receive optimization funds in a timely manner, each project is reviewed for sufficiency as soon as a Service is ready to present it for consideration. Additional projects are reviewed when forwarded by the Services and funding is released on an incremental basis for those that are approved. These investments provide value to the Military Health System (MHS) and the American taxpayer in a variety of ways. Some of the projects promote a transfer of workload from the more expensive private sector care system back into the direct care system. Others present opportunities to invest in infrastructure that will allow commanders to increase military readiness by returning active duty personnel to duty faster and in a state of improved health. Finally, some of the projects present opportunities to invest in modern equipment and techniques that will advance military medicine and improve productivity.

Project Review

A formal panel reviews, validates and recommends projects for funding. The panel is comprised of representatives from the offices of the three Service Surgeons General, the Under Secretary of Defense (Comptroller), Assistant Secretary of Defense (Health Affairs), and the TRICARE Management Activity. The results of the panel and its recommendations for funding approval by categories of optimization projects (self-financing, critical medical needs, advances in medical practice, and other direct) are summarized below.

Optimization

The Army identified twenty-five optimization projects that were reviewed, validated and funded. These projects cover a broad range of medical services that will recapture workload back into the direct care system from the private sector. Among the Army projects are optimization efforts applicable to same-day surgery, satellite pharmacy services and primary care clinics.

The Air Force identified seven optimization projects that were also reviewed, validated, and funded. These projects cover a broad range of medical services that will recapture workload back into the direct care system from the private sector. Among the Air Force projects are optimization efforts applicable to Targeted Staffing Backfill, Specialty Care Optimization, and Pharmacy Automation/Refill. The Pharmacy Automation initiative will allow the recapture of retail pharmacy workload back to the direct care system by providing prescription refill capability at nine refill centers. Additionally, refill capability will be expanded at remaining Air Force MTFs.

The Navy identified twenty-seven optimization projects that were also reviewed, validated and have been funded. These projects cover a broad range of medical services that will recapture workload back into the direct care system from the private sector. Among the Navy projects are optimization efforts applicable to muscular skeletal injury prevention and treatment, primary care, pharmacy and personnel stabilization initiatives aimed at improving the health care of MHS beneficiaries.

The Services continue to work to identify other possible project candidates. As these projects are received they will be reviewed and funded if they are determined to be viable business initiatives or if they meet a critical medical need.

Additionally, the Department identified other optimization initiatives that will be implemented on behalf of the three Services and afford opportunities to recapture workload in the MTFs or support ongoing MTF initiatives that affect patient health care delivery. The Health Insurance Portability and Accountability Act project ensures TRICARE Management Activity's implementation of efforts to support this legislation to ensure compliance with the requirements for health insurance portability provisions, including standard data transaction sets. Also, e-Health and Patient Appointment, and Scheduling and Enrollment System capabilities are being implemented in MTFs to improve the information flow process for MHS beneficiaries, increase access to care to achieve optimized clinical and business processes critical to total force protection.

Advances in Medical Practice

The Navy identified four advances in medical practice (AMP) projects. A total of \$1.4 million was funded to support the utilization of a new technology, Virtual Colonoscopy, at

the National Naval Medical Center, Bethesda, Maryland, and the Navy Medical Center, San Diego, California. Additionally, AMP initiatives have been validated for implementation at various Navy MTF's for Pap Smears, Advances in Neurosurgical Procedures and Advances in Intravascular Devices.

The Air Force identified four AMP projects that were validated and funded: Lightweight Epidemiology Advanced Detection and Emergency Response System (LEADERS); Teleradiology Deployment; Chemical Warfare Concept of Operations (CONOPS); and PRK/LASIK/LASEK Corneal Refractive Surgery Project. LEADERS and Chemical Warfare CONOPS will provide the Air Force with the ability to detect an infectious disease outbreak or bio-terrorist attack at selected locations and warn the appropriate authorities. The Teleradiology Deployment and PRK/LASKIK/LASEK Corneal Refractive Surgery Project enables the Air Force to offer a state-of-the-art capability to MHS beneficiaries via these new capabilities.

The Army identified ten AMP projects that were funded: Remote Pathology, Tele-Echocardiology, Cochlear Implantation, Colposcopy and Ultrasound, Continuous Glucose Monitoring, Deep Brain Stimulation, 3-D Rapid Protoyping, Endovascular Abdominal Aortic Aneurysm Repair, Virtual Colonoscopy, and Xenon Computed Tomography.

Other Direct Care

The Navy and Air Force each identified one project aimed at addressing personnel staffing shortfalls for strengthened access and the availability of care. These two initiatives are: Baseline Personnel Stabilization Program (Navy); and Health Professions Loan Repayment Program (Air Force).

The \$16 million Outcomes Management Demonstration at Walter Reed Army Medical Center was funded from this category as directed by Congress.

Project Summary

The following tables provide up-to-date information on Army, Navy and Air Force optimization and AMP projects by location and investment cost and Department efforts to establish optimization projects on behalf of the three Military Departments' Surgeons General.

The project summary information is accurate as of September 26, 2002.

Service Optimization Projects

	Service	Location	Project	Investment Cost (\$000)	Total Savings (\$000)
1.	Navy	NH 29 Palms, CA	Expand Birth Product Line	66.0	N/A
2.	Navy	NH Camp Pendleton, CA	Nurse Advice Line	191.0	1,386.0
3.	Navy	NH Camp Pendleton, CA	Pharmacy	funding in FY 03	3,670.0
4.	Navy	NH Camp Pendleton, CA	Primary Care	626.0	2,400.0
5.	Navy	NMC San Diego, CA	Children's Health Center	695.4	2,476.0
6.	Navy	NMC San Diego, CA	Hospital Corpsmen Reassignment	329.0	2,745.0
7.	Navy	NMC San Diego, CA	Muscular Skeletal	804.0	N/A
8.	Navy	NMC San Diego, CA	Sleep Lab	364.0	1,200.0
9.	Navy	NH Jacksonville, FL	Pharmacy	funding in FY 03	7,104.0
10.	Navy	NH Jacksonville, FL	Primary Care	340.0	3,426.0
11.	Navy	NH Pensacola, FL	Pharmacy	funding in FY 03	600.0
12.	Navy	NNMC Bethesda, MD	Sleep Lab	110.0	1,960.0
13.	Navy	NSHS Bethesda, MD	Clinic Management Course	400.0	N/A
14.	Navy	NH Camp Lejeune, NC	Muscular Skeletal	134.0	N/A
15.	Navy	NH Camp Lejeune, NC	Pharmacy	funding in FY 03	7,690.0
16.	Navy	NH Camp Lejeune, NC	Primary Care	funding in FY 03	970.0
17.	Navy	NMC Portsmouth, VA	Cardio-thoracic Surgery	2,685.0	36,435.0
18.	Navy	NMC Portsmouth, VA	Mental Health	155.0	1,559.5
19.	Navy	NMC Portsmouth, VA	Muscular Skeletal	1,007.0	N/A
20.	Navy	NMC Portsmouth, VA	Radiology Residency	4,398.0	N/A
21.	Navy	NMC Portsmouth, VA	Sleep Lab	112.0	645.0
22.	Navy	NH Bremerton, WA	Muscular Skeletal	78.0	N/A
23.	Navy	NH Oak Harbor, WA	Expand Birth Product Line	312.0	N/A
24.	Navy	Various Locations	Advances in Intravascular Devices	1,030.0	N/A
25.	Navy	Various Locations	Advances in Neurosurgical Procedures	5,220.0	N/A
26.	Navy	Various Locations	Baseline Personnel Stabilization Program	7,000.0	N/A
27.	Navy	Various Locations	Case Management	8,100.0	N/A
28.	Navy	Various Locations	e-Health	2,015.0	N/A
29.	Navy	Various Locations	Pap Smears	3,750.0	N/A
30.	Navy	Various Locations	Population Health	438.0	N/A
31.	Navy	Various Locations	Virtual Colonoscopy (NNMC Bethesda, NMC San Diego)	1,388.6	N/A
32.	Navy	Various Locations	Web Development	1,232.0	N/A
	Sub-Total	Navy		42,980.0	74,266.5

Service Optimization Projects

	Service	Location	Project	Investment Cost (\$000)	Total Savings (\$000)
1.	Air Force	Air Force Academy, CO	Specialty Care Opt Project	5,000.0	N/A
2.	Air Force	Nellis AFB, NV	Energy Saving Project	1,000.0	1,336.2
3.	Air Force	Various Locations	Business Process Re-engineering	2000	N/A
4.	Air Force	Various Locations	Chemical/Biological Warfare Trng	400.0	N/A
5.	Air Force	Various Locations	Health Professions Loan Repay	12,000.0	Cost Avoidance
6.	Air Force	Various Locations	LEADERS	5,119.0	N/A
7.	Air Force	Various Locations	Medical Coding	2,300.0	N/A
8.	Air Force	Various Locations	Pharmacy Automation	25,519.0	61,859.5
9.	Air Force	Various Locations	PRK/LASIK/LASEK (Ophthalmology) Initiatives	250.0	N/A
10.	Air Force	Various Locations	Targeted Staffing Backfill	16,000.0	N/A
11.	Air Force	Various Locations	Telephony	3,707.0	N/A
12.	Air Force	Various Locations	Teleradiology Deployment	300.0	N/A
	Sub-Total Air Force			73,595.0	63,195.7
1.	A, N, AF	Various (Service-wide)	e-Health	6,000.0	N/A
2.	A, N, AF	Various (Service-wide)	HIPPA	42,600.0	N/A
3.	A, N, AF	Various (Service-wide)	Patient Appointment, Scheduling, and Enrollment System	27,000.0	N/A
	Sub-Total A, N, AF (Service-wide)			75,600.0	-
	Total All Projects			246,681.7	218,971.7

The Service-wide projects listed at the bottom of the previous table complement the Department's effort in implementing MTF optimization projects for the MHS.

Conclusion

The Department is committed to optimization project investments in the MHS that yield both MTF and system-wide improvements. These initiatives ultimately provide more effective and efficient use of the Defense Health Program resources. Additional projects are being developed by the Services and will be reviewed for funding consideration upon submission. The Department is committed to continue funding in the outyears for those projects that have demonstrated continued medical need.