

**STATEMENT OF
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VICE CHIEF OF NAVAL OPERATIONS
UNITED STATES NAVY
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BEFORE THE
SUBCOMMITTEE ON PERSONNEL
OF THE
SENATE ARMED SERVICES COMMITTEE
ON
MEDICAL ISSUES**

I appreciate the opportunity to address you in my capacity as Chairman of the Defense Medical Oversight Committee. I want to personally assure you that the senior leadership of the Department of Defense strongly believes that maximizing the health and wellness of our service members--and their families-- is a vital component of readiness. We are acutely aware of the problems our medical system and our beneficiaries face, and we are committed to working with the Congress to improve the Military Health System. Let me also assure you, we are committed to keeping the promise of providing quality medical care to our retiree population.

DMOC

Last year, the Deputy Secretary of Defense convened a Medical Summit to discuss problems faced by the military health care system. The summit concluded that greater Service oversight in the operation of the health program and in establishment of health care benefits and budget priorities was required. The Defense Medical Oversight Committee (DMOC) was formed in August, with membership consisting of the Under Secretary of Defense (Personnel and Readiness), the four service Vice Chiefs, the military department Under Secretaries, the Under Secretary of Defense (Comptroller), the Director for

Logistics from the Joint Staff, the Assistant Secretary of Defense for Health Affairs and the Surgeons General.

Since its inception, the DMOC has engaged senior military and civilian leadership in discussions and review of the health care benefit, Defense Health Program (DHP) funding requirements in the context of other service decisions, and management and reengineering initiatives. As Chairman of the DMOC, I am committed to ensuring that the Military Health System delivers a consistent, equitable benefit for all beneficiaries.

The DMOC has two primary responsibilities: ensuring adequate funding for a high quality military health care system, and strengthening the benefit we offer our military families.

Funding

In the past few months, the DMOC directed a thorough Budget Review of the Defense Health Program to determine the scope of current and projected funding requirements. This resulted in over \$250M being added to the Defense Health Program in the President's Budget proposal for Fiscal Year 2001.

The results of this review also highlighted a shortfall of over \$6 billion across the Future Year Defense Plan (FYDP). Since this \$6 billion shortfall cannot be managed away, our first priority is to fix the bottom line--without breaking the system.

One of the options the DMOC has discussed for financing retired military healthcare involves conversion from a pay-as-you-go system to an accrual financing system. The healthcare costs for retirees would be funded using the same system that DoD uses to fund their retirement pension. The healthcare retirement cost would be included in active duty programming rates based on actuarial estimates and would accrue to a new trust fund. This trust fund would then be used to finance retiree health benefits.

TRICARE Contracts

The DMOC also directed an analysis of the TRICARE 3.0 Request For Proposal (RFP). The Center for Naval Analysis completed a preliminary review of the RFP, making several recommendations regarding financing and performance criteria that were incorporated into the recently released RFP for TRICARE Region 11. Another, longer term and more rigorous evaluation will be conducted by an outside consulting firm, to ensure that we have the best possible vehicle for Contractor health care delivery - especially from the standpoint of our beneficiaries.

Readiness

In its role of integrating Service priorities with those of the health program, the DMOC also recently evaluated a Theater Medical Readiness strategy designed to integrate successful

deployment of the supporting Theater Medical Information Programs, to include a patient movement module, a defense medical logistics system, and a composite health care system used to track patient information within the military treatment facility.

Health Benefit

Secretary Cohen and the Chairman of the Joint Chiefs of Staff have expressed their strong commitment towards expanding health care access to all our beneficiaries--active duty, retirees, and members of their families. The DMOC has been working to identify ways to improve the health benefit, both the nature of the benefit and the manner in which it is delivered.

Included in the President's Budget proposal for Fiscal Year 2001 are two initiatives to improve the health care benefit for Active Duty Family Members. First, TRICARE Prime Remote would be extended to military families living in areas not serviced by TRICARE Prime, so these family members can enjoy the same benefit as that experienced by families living in Prime areas. Second, the DMOC supported elimination of copays for all Active Duty Family Members enrolled in TRICARE Prime, so that family members receiving care in the network have the same benefit as those receiving care in our Military Treatment Facilities.

Retiree Health Care

The DMOC leadership is also concerned that many older military retirees do not have full access to the Military Health Care System, and has been working with the Chairman of the Joint Chiefs of Staff to evaluate alternatives for enhancing and financing the health benefit for older retirees.

The President's budget includes funding for the demonstration programs for our Medicare-eligible retirees, their spouses, and survivors. To date, over 130,000 medicare-eligible retirees are qualified to participate in demonstrations, including TRICARE Senior Prime, the Federal Employee Health Benefit Plan (FEHBP), TRICARE Senior Supplement, and an Expanded Pharmacy Benefit. The DMOC supports these demonstration programs, and will continue to pursue the definition and financing of a stable, long term benefit for these retirees.

Best Business Practices

The DMOC also supports adoption of business practices that will improve billing and claims payment, telephone access, timely appointing, and provider network development. Our service members say they are very satisfied with the healthcare they receive, but they are often frustrated by administrative and customer service issues. The DMOC is committed to fixing

these problems to ensure the well being of our Service members and their families.

Conclusion

The challenges we face are substantial, but the senior line leadership within the Department is committed to ensuring that our Military Health Care System remains the best in the world. In closing, I would like to again thank you Mr. Chairman and all the members of this subcommittee for your continued strong support of the Military Health System.