



**Written Testimony of**

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## Introductory Comments

Chairman McHugh and distinguished members of the House Armed Services Committee Military Personnel Subcommittee, I am David McIntyre, President and CEO of TriWest Healthcare Alliance. It is an honor to appear before you today to discuss what we are doing in partnership with the uniformed services direct care facilities and the Department of Veterans Affairs facilities to meet the health care needs of a most deserving population... the more than 2.7 million beneficiaries of the 21-state TRICARE West Region.

TriWest Healthcare Alliance and our 16 non-profit Blue Cross Blue Shield plans and two University Hospital System owners have one goal: to honor the service and sacrifice of those who serve all of us, their families and those who preceded them, by supporting the uniformed services in delivery of the highest quality health care services and customer service. Since 1996, when we were awarded our first TRICARE contract, our single focus has been developing and maintaining responsive programs and services that meet the needs of these most deserving Americans. That mission remains the same today and our commitment to this mission has never been stronger.

We are now into the second year of the West Region contract, and even though the transition into the new contract brought with it its share of challenges—to which my colleagues speaking today can similarly attest—it also brought opportunities for change, for innovation, and for a more collaborative approach to improving health care services. While work remains to be done to get our operation to a well-oiled state, we have not backed off the pace and we will not rest until we are convinced that we have reached that goal. On balance, however, we have much about which to be proud.

Ladies and gentlemen, I can't imagine a more noble health care business in which to be engaged than TRICARE. We have the privilege of supporting our uniformed colleagues in the provision of care for those who serve all of us, their families, and those who have gone before them. It demands our best, and it has never been more important than at this time in history.

## Maturing of TRICARE

As you all know, TRICARE has been a work in progress. And, while I would not say that we have yet reached the perfection for which we yearn, we are gaining on it.

We are fine tuning our measurement and reporting techniques. We are working through governance issues. We are working together to develop an effective approach to business planning. Budgeting processes for the uniformed services' direct care system are being moved to a place where there will be incentives for efficient management. The new performance-based contracts, containing both incentives and penalties, have provided the government with an enhanced set of tools to keep the contractors focused on what matters. And, to enhance our quality improvement, we in the West Region have developed an open-architecture and transparent process that is aiding us in identifying

and tracking those areas most in need of improvement. Eventually, I expect this tool to be used across the enterprise in our region—so that the waterline of performance rises across all parts of the system.

While we work collectively on these issues, I agree with Dr. Winkenwerder's request that the one thing Congress can do to most help this virtually-integrated system flex where necessary, is to take down the artificial wall that was erected so that the funds will be able to follow the care that is provided in the environment—whether it be in a military treatment facility (MTF) or in the private sector. To not do so will result in health care spending that is artificially high because it is not reflective of the true need and the output of the various components of the system.

The effect of not doing so is that we end up in the situation where we are now—having the direct care system be the beneficiary of substantial, unanticipated end-of-the-year funds that it seeks to spend while at the same time the downtown provision of care has had to increase due to increased demand and the constrained access to care in the MTFs. This is not a good situation for either the taxpayer or the overall amount we spend on health care for the system because the money is being spent hastily rather than targeted toward those things that can yield maximum savings and efficiency for the system.

What's more, while all of this is going on, we are amassing a greater bill than anticipated due to the effect of the Global War on Terror. And, when the bill is submitted in its final form, and the check is written, I will guarantee you that there will be those in the system who will complain because it is drawing against other funds—funds which were there originally, but ended up being spent for other purposes due to the artificial wall.

As we continue to work at refining the performance of this large system, the question is: How are our customers feeling about how things are coming along? While we have yet to achieve perfection, I believe the news is good.

As Dr. Winkenwerder indicated, a national comparative survey has again rated TRICARE as the number-one health plan in America.

In my role, I spend about 85 percent of my time on the road interfacing with our customers. Everywhere I go, people voice their gratitude for the benefit that you and your colleagues have provided in exchange for the service provided by those who wear the uniform of the United States, their families and those who have gone before them. No stronger or more meaningful expression of this gratitude has been encountered than what I found in the Middle East.

Several months ago, I had the incredible experience of being able to walk among those whom we all admire... those serving in defense of freedom in the far away lands of Iraq and Afghanistan. I accepted the invitation to hear from the troops how they felt things were going back home for their families, and to learn how we could improve our preparation for their return from combat. Everywhere we went, I encountered a common refrain... gratitude for the phenomenal health care benefit you have provided and the way

in which their families were being cared for back home. To a person, they said it allowed them to stay focused on the job at hand! I will tell you, that was music to my ears, because there was a time when that was not the case. I don't have to tell you that it wasn't too many years ago that we were losing people from the military because of concerns about the insufficiency of the health care benefit and/or its execution. We've all come a long way in delivering on the promise of health care for these great Americans!

### A Changing Military Force Means a Change in Approach

With the advent of our West Region contract came a new wrinkle in the delivery of health care as, simultaneous to our start-up, our nation intensified military operations in the Middle East—leading to the increased deployment of active duty troops and their National Guard and Reserve counterparts. Earlier this summer, we estimated more than 200,700 Reserve Component members and their families among our West Region customers, a number which no doubt has increased with the continued military operations in Iraq and Afghanistan. Because some of the needs of Guard and Reserve members and their families are unique to this segment of our TRICARE population, we determined that distinctive programs and services—as well as a new outreach approach—were needed to ensure that we could provide these beneficiaries with the attentive and specialized support they so greatly deserved.

In conjunction with the Department of Defense (DoD), the TRICARE Regional Office-West (TRO-West), and national, state and local Guard and Reserve leadership, we at TriWest have worked aggressively to develop programs and processes specifically designed to meet the health care needs of these service members and their families. In particular, we have made great strides in educating these men and women about their TRICARE entitlement—available to them through the recently implemented TRICARE Reserve Select (TRS) option—as, prior to deployment orders, most were unfamiliar with the program and its utilization requirements.

Working with the DoD, we helped bring the Department's experts to various areas within our region to help train the local family support units, whose primary focus is to assist the regional National Guard and Reserve members and their families in making use of their new TRICARE benefits. With the help of our TRO-West partners, we also launched a comprehensive TRS education campaign which—through literature, Reserve Component unit visits throughout the West Region, and electronic materials available via our web site at [www.triwest.com](http://www.triwest.com)—has reached a large number of these beneficiaries and their families. In a given month, TriWest also hosts approximately three briefings for Guard and Reserve members and their families every day—educating more than 150 attendees daily. As part of these efforts, we also partner with local media outlets (civilian and on-base) to reach beneficiaries with educational and informational articles about their new benefit through yet another medium.

Additionally, by leveraging our relationships with the TRO-West and our locally based owners/network subcontractors, TriWest has also worked diligently to encourage our region's providers not only to participate in TRICARE, but to welcome into their

practices their community's Guard and Reserve members and their families. During a Guard/Reserve unit tour to Oregon in late April to celebrate the launch of TRS, former TRO-West Regional Director Rear Admiral James Johnson even went so far as to personally pay an impromptu visit to an important Salem-area provider who is not participating in the program. Noting that, "when you refuse to take care of the National Guard, you are refusing to serve someone you served yesterday when they had private insurance," RADM Johnson enthusiastically recommended that the provider join the network, which created an entrée for discussion of possible contracting with the practice.

I am extremely fortunate to be working now with Rear Admiral Nancy Lescavage, who was recently named TRO-West regional director, as she too shares my commitment (and that of her predecessor) to community outreach and a willingness to go to bat in areas of the West Region where support from the provider community is needed. The most recent example of this outreach was a trip that RADM Lescavage and I took to Spokane, Wash., and Couer d'Alene, Idaho, to meet with a wide variety of military, provider and community leaders, as well as to greet returning troops and talk to them about the value of their TRICARE health benefits.

Recognizing that the unique needs of Reserve Component members and their families do not end with deployment, but continue and change upon return to civilian life, we have also made considerable progress in helping these men and women and their families manage their post-service emotional and medical challenges. Because, on average, our region's MTFs are anticipating at least 44 percent of Guard/Reserve troops needing behavioral health follow-up—based on service member remarks in their Post Deployment Health Reassessments—our work in the behavioral health arena has been extremely aggressive and effective, setting the standard for the TRICARE community's response system-wide.

For instance, TriWest has collaborated with local Guard/Reserve units to serve as a liaison for beneficiary education about eligibility and benefits for their personnel. Further, we are establishing points of contact with the Department of Veterans Affairs (VA) and the National Guard in order to coordinate access and the delivery of behavioral health services. Along these same lines, we are developing a pilot program with the National Guard in northern California, which involves placing trained behavioral health providers with units that have recently returned from Iraq and Afghanistan. These providers are tasked with working with service members on deployment-related behavioral health issues, as well as providing training and individual consultation and referral to those members needing additional services.

In other collaborative efforts, we are working to integrate the resources of existing government programs and educate beneficiaries about the various services available to them over and above their TRICARE entitlement. To that end, we are focused on education and services to meet their psychosocial needs. These include the Military OneSource, Family Readiness Groups, chaplains, childcare resources, financial counseling, employment assistance, as well as the behavioral health services available through the direct care system of the military treatment facilities (MTF), the VA hospitals

and veteran centers, state vocational rehabilitation agencies, state employment agencies, TriWest's network, and the community. Our goal is to connect these individuals with state agencies whose services (such as resources related to employment, housing and job training) may assist them with transitioning to civilian life—and our current initiatives in such areas as Washington state and Oregon are doing just that.

In various areas throughout our 21-state region, we have worked hand-in-hand with the DoD, the VA, the National Guard and the Reserves to establish responsive programs and services for beneficiaries suffering from post-traumatic stress disorder (PTSD). Knowing that this is and will continue to be a growing concern for our Military Health System (MHS) customers nationwide, as military operations continue and service members return home from the front lines, we have dedicated time and human and budgetary resources to developing internal programs and external outreach efforts that will help address PTSD. TriWest has also co-sponsored seminars in El Paso, Boise, San Diego and Honolulu to educate MTF and community providers on the diagnosis and treatment of PTSD. Our joint efforts have been widely praised throughout the TRICARE community, for they are proof positive that we are dedicated to being on the solution forefront, and to providing our returning military heroes with a service and support network that is committed to easing their rehabilitation and re-acclimation back into their homes and communities as much as possible.

While our efforts internally and with our partners to expand assistance to the Reserve Component have been of primary focus, we have also realized the importance of “shining the light” on this issue for those outside of the military community. Therefore, we have spent a significant amount of time on outreach to local, state and federal officials to make them aware of the unique challenges faced by the Guard and Reserve population, and have solicited support from these officials to improve access to care for these service members and their families. One example of this effort is the work done in the state of Idaho with Governor Dirk Kempthorne. Together with the Governor and his staff, who have been a shining example of how a whole state can work together to support the broad range of its citizens during such times, we crafted a package of information for all Idaho providers urging them to open their practices to the National Guard families in their state. Additionally, Senator Larry Craig held a field hearing in August to highlight the needs of his constituents who have put their lives and careers on hold to serve their country. TriWest appreciates the efforts of both of these individuals, and many other Members of Congress, who have joined with us to raise awareness of the needs of the Guard and Reserve families in their states.

Additionally, on a daily basis we work in tandem with the TRO-West staff to identify those communities where numbers of Guard or Reserve members are mobilized, often in areas outside the traditional MTF locations where networks have been long-established. We coordinate that information with our provider support teams and work to add to our network additional providers where we know Guard or Reserve families will be in need of further options for care. In those areas some distance from military facilities, we've been working with local, state and congressional offices to coordinate outreach to the provider community. These efforts have included communication partnerships with the

medical associations in some states, and we're working to follow-up on outreach by Dr. Winkenwerder to include medical organizations in this effort across our region.

As I noted earlier, I joined several senior officials from our region and from the DoD on a trip to Afghanistan and Iraq in late April to walk among the men and women of our nation's armed forces and find out, for myself, if we are doing everything possible to respond to their health care needs and to the needs of their families back in the states—especially for those who were there as a result of their commitment to the Guard or Reserves. It was abundantly clear from the encounters I had with the troops, that there is a deep sense of gratitude for all that we and our colleagues in the MHS have done to respond to their needs so they can stay focused on the task at hand. In this time of conflict, as the face of the TRICARE program changes to meet the needs of these service members, it was encouraging and reassuring to know that our work on their behalf is, indeed, making a difference.

### Integrating and Collaborating for Optimal Program Effectiveness

In our nearly 10 years as a TRICARE contractor, we at TriWest have learned that, to be effective leaders in the Military Health System (MHS) marketplace—and, more importantly, to provide the quality and quantity of services and support our customers deserve—the keys to our success are integration and collaboration. For that reason, we have established our organization and our position in the TRICARE community on the single philosophy that collaboration is the means by which we as a system will find innovation, effective solutions and customer-service success.

Above all, we recognize that the Defense Health Program requires an *integrated* approach: linking the health care resources of the direct care system—our partner military treatment facilities (MTF)—and the health services and support contractors and their regional offices, to ensure that we provide our beneficiaries with a well-rounded network of service and support. To do that, we need to leverage the best business practices and core competencies of each of these important entities to respond directly to the unique health care and social needs of our military families.

In the West, we are fortunate to be led by an active duty flag officer at the helm of our regional office. With Rear Admiral Nancy Lescavage serving as Regional Director of the TRICARE Regional Office-West (TRO-West), TriWest is afforded access into the active duty military environment—giving us a personal “seat at the table” with our customers so we can actively, effectively and appropriately plan and execute solutions that meet their health care needs. In partnership with RADM Lescavage and the TRO-West, we work daily to meet that objective.

For example, we have established a robust advisory group—the TRICARE Regional Advisory Committee (TRAC), chaired by RADM Lescavage—that counts as its members representatives from major West Region direct care components, TriWest and the TRO-West. The TRAC meets regularly to discuss regional and national challenges faced by the program—and by our customers—and, together, develop collective solutions that best

respond to these concerns. Our organization also collaborates with the TRO-West on a Customer Service Committee, which, likewise, brings leaders from TriWest and TRO-West together to identify customer-service issues in our region, so that we might respond with a consolidated approach to improving on our commitment to service excellence.

One example of a customer-service initiative that resulted from discussion in our integrated committee was the need for outreach and education to our beneficiaries and providers about the TRICARE Standard benefit. While it is TriWest's commitment that all beneficiaries and providers receive the same level of service, we determined that it was invaluable for customer satisfaction, provider retention and cost savings to reach out to TRICARE Standard beneficiaries to discuss the merits and limitations of this program option—and to communicate with providers that all TRICARE patients deserve access to the same quality and quantity of care.

To that end, we work in cooperation with the TRO-West to conduct beneficiary and provider informational briefings throughout the region, during which our provider and beneficiary education representatives explain the utilization requirements for the Standard option, the benefits of being a participating provider, and the beneficiary cost-savings associated with utilizing a network provider under the Extra option. Our outreach encourages beneficiaries to consider enrolling in Prime, where available; and encourages providers to recognize that all TRICARE beneficiaries deserve the same level of service. As an organization—and as a region—we believe our efforts have been effective, particularly notable in the fact that we receive very few customer grievances related to Standard usage and our participating-provider rate (region-wide) is approximately 56 percent.

Among our most effective—and far-reaching—integrative efforts to date has been the development and deployment of the Joint Strategic and Operational Planning Process (JSOPP), which provides a blueprint for helping optimize federal resources throughout the MHS. This dynamic tool, which is exclusive to TriWest and the West Region, gives us a means by which to work with the TRO-West and the Department of Veterans Affairs (VA) to develop plans for our regional MTFs and VA facilities to help them better utilize their federal funding and resources. By advising these entities, helping them project demands on their staff and health care delivery, and developing joint programs between these facilities and TriWest, we are growing our relationships with our regional military health partners and making health care availability more comprehensive for our TRICARE families.

Among other successes, our cooperative JSOPP efforts have helped the West Region prepare for increases and adjustments in demand as a result of Base Realignment and Closure (BRAC) activities, allowing us to shift care based on troop movement by joining forces with the MTFs in our region to ensure our customers have access to care no matter where the realignment process may take them. Additionally, the Surgeons General have voiced their support for TriWest's JSOPP initiative to develop integrated business plans between TriWest and each of the Service branches which will help optimize use of federal resources in these specific arenas. Thus far, we have established such business

plans for the Navy (at Balboa/Pendleton), the Air Force (in the I-25 Corridor/Colorado Springs/Denver), and the Army (at Madigan).

In other efforts of late, we have had the great privilege of joining our colleague contractors for a number of important sessions with MHS leadership to discuss continued system-wide collaboration. Recently, Dr. Winkenwerder hosted a summit on disease management, giving TriWest and the other contractors the opportunity to weigh in on how we, as a system, can appropriately and effectively manage the unique disease states affecting our collective customer. Drawing on best practices of each contractor—and looking for means of addressing these issues within the MTF community and downtown—TriWest is extremely optimistic about the MHS' ability to find innovative enhancements to disease management.

Similarly, we recently had the honor of joining Dr. Jonathan B. Perlin, VA Under Secretary for Health, for a joint meeting with the other contractors focused on identifying the challenges that lie ahead for the VA and how, as a partnership, we can help plan for and address those challenges as they present themselves. We were eager to participate in these discussions, for TriWest has been focusing a tremendous amount of effort this year on determining how we as an organization can join forces with local and national VA entities to optimize health care delivery for returning service members.

While the unique and directed efforts of the VA are irreplaceable—with its vast system of hospitals, teaching programs, veteran-focused clinical research capabilities, and expertise in prosthetics, brain and spinal cord injuries, amputee rehabilitation and care for combat-related behavioral health disorders—I believe that by working at their side, and by supplementing the VA's service and support, TriWest can be of great assistance as the VA continues to work on behalf of these honorable veterans. Specifically, there may be areas where our established operations can minimize costs for the VA while maximizing benefit to the veteran—particularly in regard to patient appointing, advice lines, referral and case management, and, most importantly, utilization of our extensive network of primary and specialty providers.

We have had much success with our joint VA efforts throughout the region, but most specifically in Idaho where our JSOPP initiative helped us formalize the Boise/Mountain Home Market Area Executive Management Team, which has not only been responsible for a variety of health care improvements for both VA and TRICARE beneficiaries, but also has served as an example of how joint VA-DoD planning can be applied in a number of locales across our region. In Idaho, we have seen VA facilities team with MTFs to optimize capacity and health care delivery, particularly in such areas as pathology and behavioral health; we have seen the two entities partner in the preparation of a Joint Incentive Fund project that would allow for the procurement of a mobile MRI van that would serve both facilities; and we have watched the partnership grow with intentions to share radiologists, responsibilities for interpretation of cardiac echo cardiograms, and the use of one another's beds in cases of overflow or emergency. It is incredibly gratifying to see how JSOPP has helped these entities bind together to optimize resources—and, ultimately, benefit our joint customers.

Thanks to the success of these collaborative efforts, we believe there may be additional areas where TriWest can partner with the local VA entities to maximize the availability of resources and services for TRICARE and veteran beneficiaries. Opportunities for consideration include the following:

#### *Robust Provider Network*

TriWest is responsible for establishing, maintaining and growing a network of primary and specialty providers in our West Region territory—just as our colleague TRICARE contractors are responsible for doing the same in their regions. I believe it would make good business sense for the federal government to have the VA take advantage of our network of providers, particularly in places where large geographic distances and relatively few VA facilities can hinder access to care for those in need and eligible for services.

In short, by partnering with TriWest (and, in the same manner, with the other TRICARE contractors), the VA could leverage our network providers to address access challenges for those individuals who are not near VA medical centers or community-based outpatient clinics, or when specific VA care is not locally available; to refer patients to specialty care at VA facilities or within the TRICARE network if travel would impose an unnecessary and avoidable burden on the veteran; and to coordinate (in conjunction with our Disease and Case Management teams) community-based care for veterans with such illnesses as post-traumatic stress disorder.

#### *Best Federal Pricing*

Overall, I believe that by collaborating to address issues related to veteran health care delivery, not only can we improve the availability of services and support for these most-deserving men and women and their families, but we can help minimize and contain the VA's financial burden as well.

As a TRICARE contractor, we have proprietary network agreements and preferred provider agreements with network discounts; our provider partners are required to submit claims electronically for beneficiaries; and, most importantly, their billed charges are capped. These contractual requirements mean significant cost savings and best federal pricing for us, the DoD, and the MHS, and could potentially do the same for the VA and its beneficiaries.

#### The TRICARE Equation: Providing for Our Providers

We at TriWest believe that TRICARE is an exemplary program that, though with room for enhancement, succeeds in providing our nation's active duty, retired, Guard and Reserve service members and their families with access to quality, best-value health care. However, we recognize that one of the most significant obstacles the program faces is its ability to attract and retain providers due to the aggressive reimbursement rate structure—

which, as you know, is tied to Medicare—as well as its both perceived and real administrative “hassles.” Determined to replace this perception in our provider partners, TriWest goes to great lengths to reach out to our region’s health care professionals to discuss the social and financial merits of accepting TRICARE, to educate them on refinements to utilization processes to help eliminate unnecessary paperwork burdens, and to express our sincere appreciation for their willingness to help us serve this most deserving population.

Within the current reimbursement rate structure, ensuring that providers get paid on time is the most important tool at our disposal. In that regard, TriWest has made timely claims payment our highest priority—and we are paying 99.5 percent of claims in less than 30 days. As the son of a now-retired surgeon, who counted as most of his patients those on Medicare, I know personally how important it is to make sure that providers are paid for their services on an accurate and timely basis. To do any less is money from their pocket in an already aggressive reimbursement environment. Therefore, I am pleased to hear so often from providers in our region that we are the fastest and easiest payer with whom they work.

In the somewhat related area of electronic claims filing, while the provider community has yet to catch up to your desired goal of 100-percent electronic submission and processing of claims, we are even gaining in that critical area—which reduces spend and increases accuracy. It is, however, going to be some time before all providers in our vast and often rural region submit their claims electronically.

To further our responsiveness to providers, we have become involved with regional medical associations—giving us the ability to sit side-by-side with our provider partners to address concerns and develop a unified approach to health care delivery. We have publicly applauded the generosity and patriotism of providers who agree to accept TRICARE patients by placing paid advertisements in local newspapers to thank and commend them for their willingness to serve the men and women who, in turn, serve all of us. We’ve paid personal visits to our existing provider facilities, as well as to potential providers, to help them see that TriWest is not simply TRICARE’s health care delivery team in the West Region—but, rather, that we are their advocates, their partners and their teammates in making TRICARE work most efficiently and cost-effectively for them and for their military patients.

We’ve consulted with the government to reconsider pricing strategies in areas where change has been necessary; we’ve developed processes that eliminate some of the paperwork hassle associated with aspects of the program; we’ve ramped up our staffing, developed an online portal for provider education and communication, and increased our provider outreach via media and onsite briefings.

Having said all of this, there are two specific reimbursement items that are currently of concern to providers. The first is the substantially negative effect on providers were Congress to allow the current proposed Medicare rate reductions to go into effect in January of 2006. The second is the fact that in many communities across our region the

rates for obstetric (OB) and pediatric service appear to not only be lagging the private sector market but also lagging Medicaid.

In fact, a study we just concluded of just 11 of our states indicated that CHAMPUS maximum allowable charge rates for OB services in five of the states are only 69-91 percent of the Medicaid rates. Vaccines administered in pediatrician offices are also a challenge, in almost all 11 states, as Medicaid plans have increasingly abandoned a reimbursement methodology in favor of simply supplying the vaccine at no cost to the provider for administration to the Medicaid patients as a way to reduce childhood illnesses and save money. Yet, we have become uncompetitive as we still reimburse at 95 percent of the average wholesale price.

We began this study a couple of months ago out of a concern for the fact that it was becoming harder and harder to contract for OB and pediatric services in some communities. Now we see why. I have brought this issue to Dr. Winkenwerder's attention and expect to work these issues through in the near future so that we can right this deteriorating situation. However, we may collectively need your encouragement as any fix is certain to lead to increased spending.

#### The Cost of Quality: Health Care Spending Concerns

At TriWest, we consider ourselves tremendously fortunate to be a part of the Military Health System (MHS)—to have the opportunity to work alongside some of the most influential, dedicated and patriotic professionals in the military health community to ensure that some of the most deserving members of the American community, our customers, have access to quality, cost-effective care. We recognize that providing a comprehensive health entitlement to military families is no simple task—nor is it one that doesn't bring with it substantial spending.

While we share the concerns articulated by the Department of Defense (DoD) leadership about the rising cost of the Defense Health Program, we believe it is important to recognize that the influx of beneficiaries (due, in large part, to the activation and mobilization of Reserve Component members and their families) and the addition of important new benefits over the past few years by the DoD and Congress, particularly for those aged 65 and over, have led to the increase in the amount we spend on health care. The rising expense, therefore, is not simply a result of unrelated increases in spending on health care, but rather a direct result of improvements, enhancements and program expansions—all, we believe, valid and much-deserved advancements that, in the long run, will benefit our customers significantly.

Having said all of that, I believe that there are reasonable targets for reduced health care spending without negatively impacting the benefits that have been created. First, as Dr. Winkenwerder stated, is the ability to leverage the federal pricing schedule for pharmaceuticals much like the Department of Veterans Affairs (VA). This is the reason why the provision of pharmaceuticals was carved out from the core TRICARE program in the first place. Second, is the optimal management of disease states. As I indicated, Dr.

Winkenwerder pulled us all together for a summit on this topic to determine how we can optimally leverage these programs to the benefit of both the patients and the taxpayer. Third, I believe that there is still much ground to be covered in the optimal make-buy decisions between the direct care system and the private sector. I am hopeful that the prototype integrated business plans we are working on in our region, drawing on the JSOPP tool, will bear fruit in this area.

At the end of the day, we have to see the cost of the program for what it is. When you provide services, it costs money. And, when you add more services and populations served, it costs more money. While we certainly need to do our utmost to wring out inefficiency, if you are to pursue substantial reductions in spending you may be talking about a reduction in services or the populations served—and I believe this will adversely impact recruitment and retention at a time when we as a country cannot afford any further deterioration of troop strength.

I believe partnerships between the DoD and organizations like TriWest can positively affect and capably result in controlled health care spending. TriWest is committed to being an effective, efficient and rational steward of the taxpayer's money—and it is this concentrated and diligent use of funds that has allowed us to help spending on the TRICARE program rise at a much slower and more even pace in our West Region than might otherwise have occurred.

The TRICARE program, which we have seen grow and progress during our tenure as a DoD contractor, is a unique animal: a health care program that is not only tasked with meeting general health needs, but simultaneously being prepared to “go to war” and support an entire nation's military population (service members and their families) in a time of conflict. In this regard, we believe it is important for increases in health care spending to be weighed against the advancements in benefits—recognizing that those who serve all of us deserve a health plan that is equal to their sacrifice, and that giving them such a plan certainly involves a considerable financial commitment.

By acting jointly, leveraging our relationships and working in tandem to meet our military families' needs, we in the MHS can keep the program strong without incurring dramatic spend increases program-wide. At TriWest, we are focusing our efforts on that objective through VA sharing initiatives; collaboration with local congressional delegations to ensure that all stakeholders in our region are committed to the betterment of MHS beneficiaries; implementing disease management programs designed to help people maintain their health status and decrease facility and hospital utilization; and outreach programs focused on seeing to it that Guardsmen and Reservists receive the care they need when they return from combat.

Together, I believe the MHS community can find a way to address the ongoing challenge of health care spending, while remaining focused on maintaining a benefit that meets the beneficiaries' needs and provides them with exemplary care appropriate to their commitment to this nation. After all, their service warrants and deserves a health plan that can capably and completely respond to their needs.

## Concluding Remarks

At TriWest, we've developed a business model founded on collaboration and focused on leveraging the knowledge, expertise and commitment of our invaluable partners to make TRICARE work optimally in the West Region and beyond. We extend this philosophy to our relationship with our colleague contractors, our partners in the Military Health System, our civilian provider network, our leaders in Congress and, ultimately, our beneficiaries. That's because we believe that a unified team approach is the most effective way to make TRICARE the comprehensive, dynamic and valuable health care program it was intended to be.

I appreciate the Committee offering the opportunity to share with you how things are progressing with TRICARE in the West Region. At TriWest, our motto is "Do Whatever It Takes." We seek to do that every day to meet the needs of the men and women of our nation's armed forces, their service member predecessors, and their families. Our customers not only deserve that level of commitment, service and support—they have earned it.

Again, it is an honor to be with you today. I hope that I have provided you and your colleagues with an adequate sense of how things are progressing in the West Region. Thanks for your support of the troops and of this program. I believe that if we stay the course, we will soon hit the well-oiled state for which we all strive.

I would now be happy to address any questions or concerns.