



Written Statement for the Record of

THE US FAMILY HEALTH PLAN ALLIANCE

FOR

**THE HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON PERSONNEL**

March 16, 2011

Introduction

Mr. Chairman, Representative Davis, and distinguished members of the House Armed Services Personnel Subcommittee, thank you for the opportunity to provide you with testimony regarding the Uniformed Services Family Health Plan (US Family Health Plan) and our concern about a proposal contained in the President's Budget Request for Fiscal Year 2012 that, if enacted, would preclude us from caring for many of our nation's heroes and their families. As a longstanding partner with the Military Health System, the US Family Health Plan represents a stable and well-managed health care plan providing substantial value for uniformed services beneficiaries and for the Department of Defense (DoD).

The US Family Health Plan is a DoD-sponsored health plan, made available by nonprofit healthcare providers in six service areas across the country. The US Family Health Plan has over 30 years experience in providing healthcare to military beneficiaries. We offer the TRICARE Prime benefit to active duty family members, including activated Guard and Reserve family members, and retirees and their family members, including those age 65 and older. The six not-for-profit healthcare organizations administering the US Family Health Plan include:

- **Brighton Marine Health Center:** Serving Massachusetts and Rhode Island
- **CHRISTUS Health:** Serving southeastern Texas and western Louisiana
- **Johns Hopkins Medicine:** Serving Maryland, Washington DC, parts of Pennsylvania, Virginia, Delaware, and West Virginia
- **Martin's Point Health Care:** Serving Maine, New Hampshire, Vermont and Upstate and Western New York, and Northern Pennsylvania
- **Pacific Medical Centers:** Serving the Puget Sound area of Washington State
- **St. Vincent's Catholic Medical Centers of New York:** Serving New York City, Long Island, Southern Connecticut, Southeastern Pennsylvania, and New Jersey

Longstanding Partnership with DoD

The US Family Health Plan grew out of a longstanding relationship that DoD has had with several former U.S. Public Health Service facilities. The program had its origins in 1981 when Congress, in Section 987 of Public Law 97-34, authorized the transfer of ten US Public Service hospitals and clinics to public or private not-for-profit health care entities. Congress required at the time that these facilities continue to be used for health care purposes. Later that year, Congress adopted an amendment to the FY 1982 Military Construction Authorization Act (Public Law 97-99, Section 911) that designated these former Public Health Service facilities as "treatment facilities of the uniformed services." As a result, military beneficiaries who were eligible to receive care at military treatment facilities, including those age 65 and over, were entitled to care at what became known as the Uniformed Services Treatment Facilities (USTFs).

In 1993, the USTFs were mandated to provide services through a fully at risk managed care health plan.

With the introduction of the TRICARE Program, the FY 1997 Defense Authorization Act (the “Act”) made the entities that owned the USTFs, now described as TRICARE Designated Providers, a permanent part of the MHS. The Designated Providers were explicitly authorized to offer the TRICARE Prime option for military beneficiaries in their service areas, other than active duty, but including those aged 65 and older. The Act made the fully at risk managed care model of the program (now known as the US Family Health Plan) permanent as well.

The Act provided the basis on which the relationship of the Designated Providers and DoD has gone forward in a constructive partnership that has worked very successfully to promote high quality and effective care for uniformed services beneficiaries. Today, the US Family Health Plan provides the TRICARE Prime benefit to nearly 115,000 military beneficiaries in 16 states and the District of Columbia.

The US Family Health Plan is a fully at risk managed care program that receives payment from DoD on a per member-per month (capitated) basis. From a financial point of view, the US Family Health Plan represents for DoD a fixed and predictable annual budget, which varies only by the number and demographics (e.g., age, sex) of our enrolled population, not our cost of providing services. There are no retroactive adjustments. The US Family Health Plan carries the full liability of the beneficiaries’ care throughout their enrollment in the Plan.

Further, by statute, total capitation payments for health services to an enrollee of the US Family Health Plan cannot exceed an amount equal to the cost that the Government would have incurred if the enrollee had received such health care services through alternatives to US Family Health Plan, whether they be Military Treatment Facilities, TRICARE, or Medicare.

As a partner with the Military Health System, we have aligned ourselves with the stated goals of the System outlined in the Quadruple Aim strategy. The Quadruple Aim strategic imperatives focus on readiness, experience of care, population health, and per capita cost. The US Family Health Plan is doing its part to ensure these common goals are met in the following ways:

- **Readiness:** We understand the vital link between combat readiness and family readiness that has been espoused widely by DoD leadership. Keeping the military families we serve healthy is a key factor in family readiness, and we have actively engaged our beneficiaries in prevention and wellness programs designed to meet these family readiness needs. Further, we have a longstanding partnership with the National Military Family Association and together we created a series of public service announcements educating the general public on how they can support military families. These have reached over seven million people nationwide.
- **Experience of Care:** US Family Health Plan delivers accountable care through an integrated delivery system. It provides patient-centered and coordinated care with the overall goal of improving the patient’s experience of care. The US Family Health Plan

has embraced the Patient Centered Medical Home concept as outlined in DoD policy. We are providing patient-centric, coordinated and integrated health care in NCQA-certified medical home programs to almost 30,000 beneficiaries at four of our sites.

Our patient-centered approach is clearly successful from the beneficiary point of view. The US Family Health Plan has conducted enrollee satisfaction surveys via independent firms since 1994. Each year, US Family Health Plan members are surveyed by an independent, NCQA certified vendor. In this year's survey, 91% of those surveyed rated the US Family Health Plan overall as 8 or higher on a ten-point scale on which 10 is the highest or best. In comparison only 62% of members in commercial managed care plans rated their plans at 8 or higher. In addition to overall satisfaction, the US Family Health Plan scores significantly higher than this national benchmark in claims processing, customer service, courteous and helpful office staff, how well doctors communicate, getting care quickly and getting needed care, rating of doctor and rating of health care. Overall, the US Family Health Plan has a strong customer service focus and a network of member services functions designed to address member concerns and health care needs in a timely manner.

We realize that the US Family Health Plan is one of a series of options available to our beneficiary population and thus must continue to strive to meet our enrollees' expectations. We understand that member loyalty develops when health plans consistently meet or exceed the expectations of their members, and that loyal members remain with a health plan, allowing it to recoup its up-front investment in enrolling, orienting and transitioning members into care. In our 2010 survey, over 82% of our beneficiaries indicated that they did not plan on switching to another health plan, and would recommend the US Family Health Plan to family and friends.

- **Population Health:** With the patient as the focal point, US Family Health Plan is focused on quality and improved health outcomes. With over 40 active care and disease management programs available to our beneficiaries, we are providing the full spectrum of care from prevention and wellness to intensive case management. With prevention and wellness as a key focus, two of our plans, Martin's Point Health Care and CHRISTUS Health, were selected by DoD as demonstration sites for the Congressionally mandated Military Health Risk Management Demonstration Program. This demonstration project will assess the effects of providing incentives along with wellness programs and healthy behaviors and lifestyle practices among military beneficiaries. We are very proud to be part of this important project that will inform prevention strategies for the future.

For those beneficiaries requiring more targeted clinical interventions, approximately 21% of our enrollees are currently participating in a care or disease management program. These programs are having demonstrated beneficial clinical outcomes, including reducing inpatient admissions, emergency room visits, and keeping our members healthier. This contributes to the high enrollee rate of satisfaction we experience.

With approximately one-third of our beneficiaries being aged 65 and over, we have developed special expertise in addressing the health care needs of these beneficiaries. Based on our experience with our 65 and over enrollees, we believe that a structured care environment like US Family Health Plan works most effectively for the overall management of these beneficiaries.

- **Per Capita Cost:** With a focus on quality and a longitudinal approach to health and wellness over the lifespan of our beneficiaries, the US Family Health Plan creates value for the Military Health System by managing the total cost of care over time, not just the cost of an individual health care activity. Because we are capitated, our beneficiaries receive all of their care within the US Family Health Plan and we necessarily focus financial and human resources on the health needs and requirements of our enrollees in a structured care environment. The alignment of financial incentives and health care risk under capitation clearly impacts greatly on the effectiveness of the medical management of the beneficiaries we serve. The acceptance of full risk by the six Designated Providers requires each of us to develop and implement accurate measurements of outcomes, both clinical and financial, and continuously to monitor and improve the care of our enrollees.

DOD Budget Proposal

We understand the fiscal challenges our country is facing. We also understand the impact of ever increasing health care costs on the DoD budget. We have partnered with DoD for 30 years and evolved into a program that can and will support the needs of DoD and its beneficiaries into the future. The patient-centered, longitudinal health management approach utilized by our plan members will continue to maintain the health and well being of our beneficiaries and control long-term costs for DoD.

The FY 2012 President's Budget Request includes a proposal that, as we currently understand it, would shift future US Family Health Plan members to Medicare when they reach the age of 65. The proposal would not save the government money overall, but would merely shift financial liability from DoD to Medicare for these beneficiaries.

Section 726(b) of the Act, which originated in the House Armed Services Committee's Subcommittee on Personnel, states that the capitation payments for health care services to a Designated Provider (US Family Health Plan sponsor) shall not exceed an amount equal to the cost that would have been incurred by the Government if the enrollee had received such health care services through a military treatment facility, the TRICARE program, or the Medicare program, as the case may be. The rates calculated based on this statutory limit are referred to as the "ceiling rates."

Based on this statutory requirement, DoD annually sets the ceiling rates for US Family Health Plan enrollees, both those under 65 years of age and those aged 65 and over. Recently, US Family Health Plan representatives were advised by the TRICARE Management Activity (TMA) Program Office that an independent audit of the ceiling rate process and methodology conducted in 2010 affirmed that the ceiling rate methodology was determined to be actuarially sound and consistent with the statutory requirement of Section 726(b).

By law and through the annual rate setting process, as validated by the recent study, US Family Health Plan rates cannot exceed the costs the Government would otherwise incur, through TRICARE and Medicare, for health services provided to these beneficiaries. In simplest terms, then, the DoD budget proposal would save the Government no money. Its only accomplishments would be to undermine the US Family Health Plan, initially by denying access for a vulnerable population - beneficiaries aged 65 and over - to an effective and successful program, and, ultimately, by depriving our Plan of the critical mass of enrollees necessary to run viable at-risk health services programs.

The DoD budget estimates shift liability from TRICARE to Medicare but do not give proper recognition to the requirement of Section 726(b) of the Act. And, in any event, the estimates are inconsistent and misleading. Most notably the detailed budget tables show the pay as you go (PAYGO) savings for 2012-2016 for DoD to be \$84M, but in the budget estimate this amount is offset by an increase in Medicare costs of only \$50M. Under the ceiling rate methodology established pursuant to Section 726(b), any reduction in DoD's costs would be entirely offset by increases in Medicare costs.

Without even considering the budgetary implications, DoD's proposal included in the FY 2012 President's Budget request is inconsistent with DoD's stated priorities of population health, improved health management and continuity of care. The members of TMA's policy staff who are knowledgeable about US Family Health Plan were not involved in or familiar with this budget proposal prior to its submission. The proposal seems to represent an exercise designed to create the appearance of savings, but all it would do is shift responsibility to Medicare without generating any reduction in Government costs, while at the same time, however, disrupting a highly effective program that DoD should promote as a model toward which the entire health care system should aspire.

Impact on Beneficiaries and the Future of US Family Health Plan

The DoD proposal would end US Family Health Plan care for those beneficiaries who need it most and is designed to destroy a highly effective program. One third of US Family Health Plan members are age 65 and over. If, in the future, US Family Health Plan is not allowed to serve such beneficiaries, it would compromise our highly effective disease management programs, undermine several of our Plans, and ultimately eliminate this program as an option for military families and retirees. In fact, DoD has previously revealed its intent to eliminate the US Family Health Plan. At a public briefing on July 31, 2009, before the Board of the Medicare Eligible Retiree Health Care Fund, a DoD representative stated the intent to "reduce to zero" the number of enrollees in US Family Health Plan, and emphasized the objective to "cease and desist with the US Family Health Plan as soon as possible."

While it may be seen as more politically palatable for DoD to craft a proposal appearing to affect only future enrollees, over time erosion of enrollment would occur due to the lack of confidence in the long-term stability of the Plan. Why would beneficiaries enroll in a plan that is not supported by DoD? Currently, US Family Health Plan earns the highest member satisfaction ratings in the Military Health System and provides the kind of innovative coverage that health policy leaders say all Americans should be able to access to help lower health costs. The DoD

budget proposal undermines the very foundation of a well-managed, highly satisfying and longitudinal approach to providing quality health care.

We urge the Congress to reject this proposal and protect the quality care that military families and retirees like, need, and deserve. We understand the challenges DoD and the Congress face in needing to reduce costs but would suggest that expansion, not elimination, of US Family Health Plan is more likely to achieve this result.

Conclusion

The US Family Health Plan is proud to be a partner in providing a high quality health care option for military beneficiaries. Our commitment to their long-term health and well being is clearly evident and recognized by ratings of high level satisfaction from our plan members. We look forward to continuing to assist in supporting both DoD's readiness requirements and life-long health care support for those we serve. We stand ready to work with DoD to further incorporate the highly successful tenets of our program throughout the Military Health System. We appreciate the long standing recognition and support of our program by so many distinguished members of the Congress.