

TIM S. McCLAIN, PRESIDENT AND CEO, HUMANA VETERANS HEALTH CARE SERVICES, INC.

## STATEMENT OF

TIM S. McCLAIN  
PRESIDENT AND CEO  
HUMANA VETERANS HEALTH CARE SERVICES, INC.

BEFORE THE  
SENATE COMMITTEE ON VETERANS' AFFAIRS

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## INTRODUCTION

Chairman Akaka, Ranking Member Burr, and distinguished committee members, thank you for the opportunity to address the Committee on Project HERO (Health Care Effectiveness through Resource Optimization) and the supporting role Humana Veterans Healthcare Services plays in the delivery of excellent health care to our nation's Veterans.

On behalf of the dedicated men and women of Humana Veterans, I appreciate the opportunity to provide information to the Committee on the three hallmarks of Project HERO: 1) Quality health care services for Veterans; 2) timely Access to care; and, 3) Cost effective care.

I am President and CEO of Humana Veterans, the contractor responsible for providing health care services for the Veterans Affairs Project HERO demonstration and welcome this opportunity to discuss the objectives, successes and efficiencies of Project HERO, that make it a clear benefit to the Department, and most importantly, to the Veterans relying on VA for excellent medical care.

## HUMANA VETERANS BACKGROUND

Humana Veterans, headquartered in Louisville, Kentucky and incorporated in 2007, was established to develop and implement solutions for Veterans' health care issues. It provides an organizational structure that is flexible, agile, and responsive to the emerging requirements of the Department of Veterans Affairs and the Veterans who rely on VA services.

## OVERVIEW OF PROJECT HERO CONTRACT

Project HERO is a demonstration project (pilot) currently implemented in four Veteran Integrated Service Networks (VISNs). The project is congressionally inspired and has developed into a partnership between the U.S. Department of Veterans Affairs, Veterans Health Administration (VHA) and Humana Veterans.

Humana Veterans was awarded the contract for medical/surgical, mental health, diagnostics and dialysis for Project HERO on October 1, 2007. Delta Dental Federal Services (Delta Dental) was awarded the contract for dental services. My testimony today addresses only the partnership between the VA and Humana Veterans and does not intend to address the contract awarded to Delta Dental.

The purpose of the project is to determine how a personalized services approach to care provided outside the VA (traditionally termed “fee-based care”) can improve and complement timely access to care, quality of care, and preserve the fiscal integrity of VA health care expenditures, while maintaining high customer satisfaction. Project HERO has succeeded in all of these areas.

As displayed in the map in the attached Appendix, HERO is currently a four-VISN demonstration including the Sunshine Healthcare Network (VISN 8); South Central Healthcare Network (VISN 16); Northwest Healthcare Network (VISN 20); and the Midwest Healthcare Network (VISN 23). We understand VA selected these four VISNs for Project HERO based on their considerable fee-based populations and the significant amount of health care funds expended on Veterans care through the VA’s regular fee-basis program.

## OBJECTIVES

The Project HERO solicitation, sent out to bid in late December 2006, clearly identified a number of overall objectives for the demonstration. These objectives remain steadfast today and are objectives Humana Veterans strives to attain as we collaborate with VA to improve the level of care provided to our nation’s Veterans outside VA facilities. The objectives outlined in the solicitation included:

- Cost – providing cost-effective, consistent, and competitive pricing
- Quality of Care – ensuring the quality of community care provided
- Patient Satisfaction – achieving high patient satisfaction
- Clinical Information – improving the exchange of patient care information between community providers and the VA
- Patient Safety – fostering high quality care and patient safety
- Transparency – improving care coordination so all care, including care provided outside of the VA, is perceived by the patient as VA care
- Clinical Coordination – ensuring efficiency in the VA referral process and timely appointments for patients
- Coverage – providing health services to Veterans where and when the VA does not have capacity or capability to deliver services internally.

It is important to highlight that we believe Humana Veterans has met or exceeded each of the contract objectives to date. The result is better health care services to Veterans. While these objectives are crucial in providing services for the men and women who have honorably served our nation, there is a more implicit goal of Project HERO. That goal is to combine all of these elements and create a standardized method of providing fee-basis care to ensure eligible Veterans gain timely access to care, in a manner that is cost-effective to the VA, and most importantly, preserves the level of service Veterans have come to rely on inside the VA. After nearly eighteen months of working diligently with our partners at VA, we believe we are delivering on these objectives.

## CONTRACT PERFORMANCE REQUIREMENTS

The following are the specific performance metrics enumerated in the Project HERO contract:

### Access

Appointments with specialists and routine diagnostics are scheduled for patients within 30 days of receipt of the referral by the provider and the provider will see patients within 20 minutes of their scheduled appointment.

### Accreditation

Unless a waiver exists, all network providers must be accredited by the Joint Commission (JCAHO), the Commission on Accreditation of Rehabilitation Facilities (CARF), the Intersocietal Commission on the Accreditation of Vascular Laboratories (ICAVL), or the American Osteopathic Association (AOA). Humana Veterans must provide proof of accreditation to the VA for providers.

### Clinical Information

All routine clinical information and test results must be returned within 30 days from the day of care. For inpatient care, clinical information must be returned within 30 days of the patient's discharge.

### Credentialing

Humana Veterans provides written certification to the VA validating network providers are credentialed, including physician assistants, registered professional nurses, nurse practitioners, and other personnel in the network providing health care services to Veterans. The VA conducts random inspections of our credentialing files guaranteeing this compliance.

### Patient Safety

Humana Veterans reports all patient safety reports/incidents to the VA and Contracting Officer Technical Representative (COTR). All patient safety events are investigated, confirmed, and resolved and we keep the VA informed of the progress in resolving patient safety events.

### Patient Satisfaction

Humana Veterans designated a Patient Advocate with the responsibility of receiving patient grievances. We submit all patient complaints regarding quality of care to the VISN Patient Advocate and COTR. We developed materials outlining the grievance process and we assist patients with complaints.

### Reporting Requirements

Humana Veterans submits a monthly report to the VA including metrics on contract performance standards plus a variety of other metrics. We maintain a data repository (Data Mart) and provide unlimited access to the VA. Anyone in the PMO or Fee Office at the VAMC level has access to the data and may pull reports on the metrics, after they have been granted access by the Contracting Officer Technical Representative.

## MISCONCEPTIONS

Mr. Chairman, now that I have established the rationale for the development of the demonstration, at this point I feel it is also very important to address some serious, ongoing misconceptions regarding Project HERO. I firmly believe the perpetuation of these misconceptions is a disservice to Veterans enjoying the many benefits of Project HERO, to VA as it executes this demonstration project, and to Humana Veterans as we continue serving Veterans through our HERO Model. I will address two misconceptions that emerged early on in the demonstration project and continue to linger to some degree today. It is a “Myth vs. Fact” phenomenon.

### Myth Number 1

Project HERO seeks to undermine the care currently provided inside VA facilities, leading to greater levels of care in the community, and ultimately diminishing the VA health care delivery system as a national treasure for Veterans.

### Fact

VA and Humana Veterans are clearly in agreement that is false. I want to explain why we think this claim is erroneous. As you know, traditional VA fee-basis care, and care now provided through Project HERO, are authorized and provided only when the requisite capacity inside VA does not support the timely access to care or a specialty is not available in VA. Simply translated, this means the VA retains ultimate control over who enters the community for care, including which patients are referred to HERO for personalized services. We understand the statutory mandate that the VA must provide care inside its’ proverbial four walls whenever possible. HERO, and the processes developed under it, was created to serve as an effective complement to the high quality care VA provides internally, not an initiative to supplant it.

Having said that, we are also aware the VA spends more than three billion dollars per year nationally on care outside VA facilities. We recognize that the demand for services is often times beyond the control of the VA – in such instances as Veterans residing in rural areas or the lack of specialty providers available to the VA in a given geographic area. HERO could serve as an effective backstop at times when the VA’s internal capacity is limited and the Veterans’ needs temporarily exceed the VA’s ability to deliver services in a timely fashion. This is a clear advantage to the veteran.

### Myth Number 2

Project HERO reduces the need for the VA’s current fee-basis offices and staff due to services being “outsourced.”

### Fact

Mr. Chairman, we have heard this concern for some time, and while at face value it may sound like a reasonable suggestion, there is one major reason it is not accurate. The reason is the way referrals or authorizations for care outside VA are provided to Humana Veterans under the HERO

Model. All referrals provided to Humana Veterans are generated out of the fee-basis offices at local VA facilities. Once a VA physician sends a referral to the fee office, it has already been determined that the VA does not have the capacity to provide for the care of the veteran. In response, the fee office determines what specific services are required for a veteran, and then decides what avenues are available to the veteran for care rendered outside the VA. In contrast to the myth, and based on these well-established, long-standing processes, the fee office becomes indispensable in the process of generating HERO referrals or authorizations, not endangered by it.

Humana Veterans supports the Veterans Health Administration (VHA) in achieving delivery of high quality, accessible, seamless, and cost efficient health care services to our nation's Veterans.

## PROJECT HERO MODEL

Humana Veterans, in collaboration with VA, coordinates quality, timely health care services through Project HERO. VA refers patients to civilian health care providers when there is a need for specialty care or other treatment that is not readily available at the VA facility. This is accomplished through a model developed by both VA and Humana Veterans, with contract metrics tracked and reported on a monthly basis.

The Project HERO Model includes a personalized service process for Veterans and is outlined below.

- (1) First, the veteran receives authorization for care from the VA. Before issuing an authorization, the VA determines if the specialty or other care is available at a VA facility, if the veteran lives a significant distance from that facility, or makes a determination based on other medical reasons. The VA then determines whether to send the authorization directly to the veteran, send it to the Project HERO office at Humana Veterans, or refer the veteran directly to a civilian provider.
- (2) When an authorization is sent to Project HERO, the veteran receives personal assistance and specialized services. Initial contact with the veteran is made by a Customer Care Representative (CCR) at Humana Veterans. This appointment specialist provides an explanation of the HERO process and determines when the veteran is available for the medical appointment.

In terms of making the encounter more veteran friendly, we developed our personalized services approach for three reasons: (a) to ensure the veteran is comfortable with what the medical appointment will entail; (b) the veteran understands where the civilian provider is located; and, (c) ensure maximum reliability in terms of the appointment date established between the veteran and HERO contract provider.

- (3) The CCR then conducts a three-way conference call with the veteran and a Humana Veterans network provider's office. This call occurs within five days of receiving the authorization form from the VA. As part of the Humana Veterans network agreement, network providers must schedule appointments within 30 days of the conference call. In any event, the veteran must agree to the scheduled date.

- (4) The veteran receives a letter confirming the provider's name, address, telephone number, date and time of appointment, including how to obtain directions to the provider's office and Humana Veterans customer service number should questions or problems arise. The referring VA facility is also informed of the appointment details.
- (5) The veteran goes to the scheduled appointment. An agreement with our network providers limits the veteran's wait time to no longer than 20 minutes when they are in the office for their scheduled appointment. If a copy of the veteran's medical records is required, we contact the VA to inform them of the provider's request.
- (6) After the appointment, we actively track the provider's written consult report and ensure it is returned to the VA for inclusion in the veteran's electronic health record. The average time for a consult report to be returned to VA is 15 days.
- (7) If the provider recommends the veteran have additional tests, procedures or services, Humana Veterans communicates the recommendation to the VA for review and action. When providers submit their claims to us, we pay the provider directly within 30 days of receipt of the claim. We then submit the claim for services under the contract and VA pays Humana Veterans.
- (8) Finally, we are committed to a seamless "hand-off" of the veteran back into the VA system and their primary care providers. This personalized approach is beneficial to the veteran. The return of clinical information in a timely manner ensures quality and continuity of care.

## COST SAVINGS AND EFFICIENCIES

### Efficiencies

The topic of efficiencies as it relates to health care for Veterans generally results in a discussion about timeliness of the care provided. While that is undeniably one of the most important metrics and successes of HERO to date, efficiencies go well beyond how quickly a veteran is seen in a clinician's office.

A great deal of work goes into scheduling an appointment and making the veteran comfortable with the nature and location of his or her appointment. Having a reliable, credentialed network of providers sufficient to handle the care required in the community and providing a smooth clinical transition of the veteran back to their primary care provider at the VA is equally important.

The Humana Veterans provider network has grown to include over 27,000 providers across the four VISNs. A greater concentration of potential VA providers exists today than at any time in the past— for both urban and rural areas—because of Project HERO.

### Cost Savings

Although we are not able to make a direct comparison to VA's costs for fee-based care, we nonetheless believe VA is benefiting from cost savings through Project HERO. Health care services provided under HERO are priced as a percentage of the applicable Medicare Fee Schedule. Under the current contract, 92% of all contract line items for health care services are priced below the corresponding Medicare Fee Schedule.

A comparison of our network costs to Medicare rates shows significant savings. Subjectively speaking, reimbursement rates under HERO are generally more favorable than the traditional fee-based structure at the VA, and commonly below Medicare reimbursement rates in the geographic regions where HERO is operational. We attribute this to:

- (1) Humana Veterans is respected in the civilian community and has developed a reputation for on-time payments to providers; and,
- (2) Even with the indefinite delivery/indefinite quantity (IDIQ) nature of the contract, Humana Veterans is successful in garnering deeper discounts, across the four VISNs, due to corporate presence, reputation and ongoing relationships with provider groups.

It is important to state at this point that even if the cost was the same for VA between Project HERO and the regular fee-based program, the advantage to Veterans through the HERO Model ensures personalized service, quality, timely access, and convenience resulting in superior value to the VA and Veterans. There is a clear advantage in the HERO Model, which should be extended beyond the four VISNs and institutionalized nationally across VA facilities.

## WHAT IS QUALITY HEALTH CARE?

I am sure that if you asked 10 Veterans for their definition of quality health care in VA you would receive many different answers. The answers may differ significantly from a medical professional's definition. There are certain attributes, however, that would be common in most responses from Veterans and form elements of quality health care. The elements would likely include:

1. Respect for the individual veteran and her or his service to our nation.
2. State-of-the-art services from the health care provider
3. A level of comfort that the provider is licensed and credentialed for the services provided.
4. Timely and convenient access to the provider.
5. Assurance that the civilian provider has access to the veteran's medical records, if needed, to ensure excellent continuity of care and to avoid the need for multiple incidents of the same test or procedure.
6. Timely return of the clinical information to the VA primary provider and inclusion in the electronic health record.

We at Humana Veterans believe the Project HERO Model delivers on each of these quality indicators.

Humana Veterans works tirelessly with VA to ensure care provided through our HERO networks reflect the level of quality provided inside VA facilities, but our goal and the real goal of the demonstration, is to raise the bar compared to VA's traditional fee-basis care. A number of existing initiatives undertaken in the Project HERO Model contribute to this goal including personalized appointment services, timely access to care and the return of vital clinical information to VA.

### Return of Clinical Information

Accurate accounting for outside consult reports and other clinical information is a critical component of quality health care. VA's decentralized approach to its normal fee-based care

makes it difficult to track metrics on the timeliness of outside provider consult reports. Humana Veterans, in partnership with VA, has established a benchmark requirement for the return of clinical information to VA. Humana Veterans expends considerable administrative effort in tracking clinical consult reports and has established a standard for reports to be returned to VA within 30 days. This ensures that treatment information and test results contained in the clinical consult reports are available to the primary care VA providers. This is simply another indication of the quality that Project HERO brings to care delivered outside of VA facilities.

Currently, the process of entering clinical consult reports into VA's electronic health record is a manual process. In the future, the Project HERO Model could be institutionalized across VA, electronic consult records could be contractually required, entered directly into the system, and directed to the VA primary provider's desktop.

I would like to share some metrics associated with this largely electronic exchange. Based on our latest data extraction, reporting all data from the beginning of HERO in January 2008 through the end of August 2009 shows:

- Seventy-two percent (72%) of clinical information is returned within 15 days.
- Eighty-eight percent (88%) return of routine clinical information to the VA within 30 days of the HERO encounter;
- Ninety-two percent (92%) return of routine clinical information within 45 days
- On average, clinical information is returned to VA within 15 days.

More needs to be done to facilitate an increasingly electronic, workable exchange with Veterans Health Information Systems and Technology Architecture (VistA)/ Computerized Patient Record System (CPRS), the VA's electronic health record. However, we are convinced efforts made to date represent significant progress in enhancing the continuum of care for Veterans outside of VA facilities through this project.

## MANAGEMENT OF QUALITY CARE

### Clinical Quality Management Committee (CQMC)

Humana Veterans understands the importance of ensuring quality health care delivery to our nation's Veterans. As a result, we initiated the Humana Veterans Clinical Quality Management Committee (CQMC).

The CQMC is an interdisciplinary committee that meets at least quarterly and comprised of Humana associates, VA representatives, and representatives of delegated CQM and Credentialing services. The CQMC oversees and directs activities of the Clinical Quality Management Program (CQMP) on behalf of the Humana Veterans Executive Committee. The CQMC acts as an interface between the VA and delegated subcontractors and ensures compliance with the VA contract. The findings of the CQMC are reported quarterly to the Humana Veterans Executive Committee.

### Credentialing Committee (CC)

Credentialing of Humana Veterans providers is performed by the Credentialing Committee. The



Credentialing Committee is responsible for evaluating the qualifications of professional health care practitioners based on appropriate industry standards. Evaluations may include data related to alleged misconduct, performance or competence of a provider. The committee reviews credentialing reports and makes final determinations on all provider applicants and delegated groups. The re-credentialing of contracted providers is conducted at least every three years. The decision to accept, retain, deny or terminate a provider shall be at the discretion of the committee, which meets as often as necessary to fulfill its responsibilities.

#### Patient Safety Peer Review Committee (PSPRC)

The Humana Veterans PSPRC provides peer review for any potential clinical quality of care issue identified and delineates steps to resolve problems and the ongoing monitoring of these issues. The committee performs peer review of patient safety and quality of care issues identified through the Potential Quality Indicator (PQI) process and provides input for communicating and educating providers of concerns related to patient safety or clinical improvement. Upon confirmation of a quality issue the PSPRC will assign an appropriate severity level, determine intervention(s) to address the issue, and review and monitor intervention(s) to completion.

The levels of severity utilized by Humana Veterans include:

##### Level Adverse Effect On Patient

- 1 Quality issue is present with minimal potential for significant adverse effects on the patient.
- 2 Quality issue is present with the potential for significant adverse effects on the patient.
- 3 Quality issue is present with significant adverse effects on the patient.
- 4 Quality issue with the most severe adverse effect(s) and warrants exhaustive review.

Quality issues with minimal potential for significant adverse effects on the patient are assigned a Severity Level 1 by the Chief Medical Officer. This information is entered into the Provider Trend Database (PTD) for tracking and trending purposes. Cases assigned a Severity Level 2 are presented in summary to the committee for informational purposes and entered into the PTD. Cases recommended as a Severity Level 3 or 4 are presented to the committee for peer review and final determination.

#### FUTURE OF THE HERO MODEL

Given the attributes mentioned in my testimony, Project HERO has the potential to go beyond its current form. However, the Model has not been adequately tested under conditions of a full-load of referrals. The numbers of Project HERO referrals continue to steadily decline and have for the past six months. It would be difficult to draw many conclusions on the ultimate future of

HERO without a true test of its capabilities. The current monthly volume of referrals has fallen below 6,000 total from all four VISNs. A minimum number of referrals per month should be 10,000-12,000 in order to validate the HERO Model.

We encourage the Committee to recommend VA utilize the services offered in Project HERO to the greatest extent practicable to enhance the demonstration project and validate the HERO Model.

In addition to increasing usage of the current HERO contract, we see other potential areas of benefit to Veterans. These include:

(1) Humana Veterans has established networks in areas VA might consider rural or highly rural. Given the emerging demographics as it relates to new Veterans from Operations Iraqi and Enduring Freedom, our rural footprint could be advantageous as VA seeks to provide care closer to where the veteran population.

(2) Women's health is another example of where we can positively affect the emerging requirements of the VA. Women are among the fastest growing segment of eligible Veterans and expected to double over the next five years. The VA may be at a disadvantage when it comes to building the requisite infrastructure to meet the emerging demands and requirements of women depending on the VA for care. Humana Veterans, due to our large reach into the provider community, could be an effective "backstop" for the VA when they lack the capacity to deliver this care.

(3) Finally, we have made great progress ensuring Veterans' clinical information is returned in a timely fashion to the VA after a clinical encounter with a HERO provider. It would be more effective if we could provide it electronically through VistA and have it compatible with CPRS as the VA is at the forefront of enterprise-wide electronic health records. We want to partner with the VA to ensure clinical information associated with the more than three billion dollars spent in clinical care provided outside of VA facilities, is increasingly available to providers inside the VA, thus improving the clinical continuum of care for our Veterans.

## CONCLUSION

Mr. Chairman and Ranking Member Burr, I would again like to thank you for the opportunity to come before the committee today to discuss, for the first time, the value Project HERO brings to Veterans, and the value Humana Veterans adds through the HERO Model. I am confident at this early stage in the demonstration contract that Project HERO has delivered, and will continue to deliver, value on its three hallmarks: Quality, Access and Cost effectiveness. Our nation's heroes deserve quality health care services and that is our ultimate mission at Humana Veterans.

Thank you, Mr. Chairman. I would be glad to answer any questions from the Committee.