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Research Brief

The Military Health System

How Might It Be Reorganized?

Since the end of World War II, the issue of whether to create a unified military health system has arisen repeatedly. Some observers have suggested that a joint organization could potentially lead to reduced costs, better integrated health care delivery, a more efficient administrative process, and improved readiness.

A recent RAND study done for the Under Secretary of Defense (Personnel and Readiness) developed organizational alternatives for the military health system and outlined trade-offs inherent in choosing among them. This analysis—as reported in *Reorganizing the Military Health System: Should There Be a Joint Command?* by Susan D. Hosek and Gary Cecchine—concluded that careful consideration should be given to reorganizing TRICARE, the military's health care program for active and retired military members and their families, but that the additional benefits of a joint command are more difficult to assess.

THE DoD'S DUAL MEDICAL MISSIONS

The Department of Defense (DoD) operates one of the largest and most complex health care organizations in the nation. Including their overseas facilities, the Army, Navy, and Air Force operated about 450 military treatment facilities (MTFs) in 1999, including 91 hospitals and 374 clinics. The MTFs serve just over 8 million active-duty personnel, retirees, and dependents. This care is provided through TRICARE, which offers both managed-care and fee-for-service options. TRICARE managed-care providers include the MTFs and a network of civilian providers administered through regional contracts with civilian managed-care organizations. The fee-for-service option also covers care provided by civilian providers that have not joined the network.

On the surface, the military health system resembles a fairly typical U.S. managed-care organization. However, as a *military* health system, it has unique responsibilities arising from dual missions:

- ***Readiness***: To provide, and to maintain readiness to provide, medical services and support to the armed forces during military operations.
- ***Benefits***: To provide medical services and support to members of the armed forces, their dependents, and others entitled to DoD medical care.

The readiness mission involves deploying medical personnel and equipment as needed to support military forces throughout the world in wartime, in peacekeeping and humanitarian operations, and in military training. Activities that ensure the readiness of medical and other military personnel to deploy also contribute to the medical readiness mission. The benefits mission is designed to provide a health benefit to military personnel and their family members, during active service and after retirement. Historically, MTFs have supplied about two-thirds of the health care used by TRICARE beneficiaries overall (as measured by the number of visits) and almost all of the health care used by active-duty personnel. Civilian providers have supplied the rest of the care.

The two missions are linked in two ways. First, the health care provided under TRICARE also contributes to readiness; it keeps active-duty personnel at the peak health needed for military effectiveness and ensures that their families are taken care of while they are away from home. Second, the same medical personnel are used for both missions.

CURRENT ORGANIZATION

The organizational structure that implements TRICARE today is shown in Figure 1. It involves four hierarchies: the Office of the Secretary of Defense (OSD) and the three military services with medical departments. Each oversees a set of providers that deliver health care to TRICARE beneficiaries (the darker-shaded boxes in the figure). Responsibility for the TRICARE contracts resides

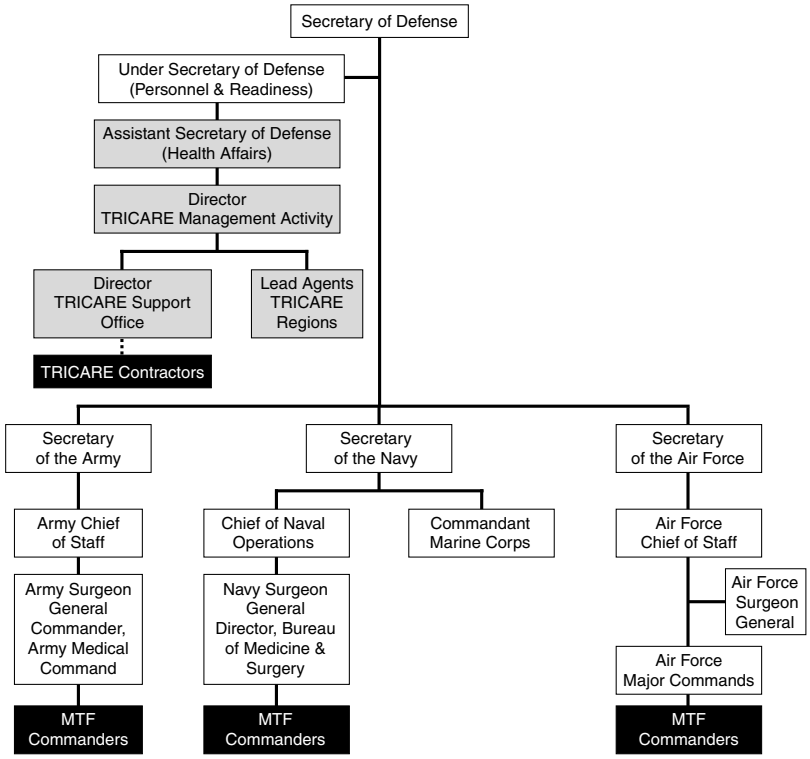

Figure 1—Current TRICARE Organization

in OSD's Health Affairs office (the lighter-shaded boxes). Health-care resources and management authority are fragmented because they flow through all branches of the system.

The RAND study team compared the structure illustrated in Figure 1 with organizational approaches described in the health management literature and used by four large private-sector managed-care companies: Kaiser Permanente, UnitedHealthcare, Sutter Health System, and Tenet Healthcare. The study team also reviewed prior military-health studies and conducted interviews with key government personnel to better understand the particular needs that derive from the military system's readiness mission.

FOUR ALTERNATIVE ORGANIZATIONAL STRUCTURES

The analysis pointed to the critical need for reorganization of TRICARE management. To address this need, the *Reorganizing the Military Health System* report presents four alternative organizational structures, outlined in the table, for the DoD to consider. One alternative would be a modification of the current structure. Three others would rely on a joint command, which, as defined by Title 10, is a unified combatant command having broad, continuing missions and involving forces from two or more military departments. All four management structures consolidate authority over TRICARE resources and establish clear accountability for outcomes.

Alternative 1 would retain much of the current organizational structure but would call for several changes designed to clarify management responsibilities for TRICARE and facilitate resource management and integration of health services. TRICARE would administer the health plan, supported by local market managers.

The three joint medical command alternatives illustrate important organizational differences. Alternative 2 would organize all medical activities in service component

Four Alternative Military Health System Organizational Structures

Alternative Number	Structure	Components
1	Modification of current organization	Same as today
		TRICARE would administer the health plan, supported by local market managers in each region
2	Joint Medical Command	Army Component Command
		Navy Component Command
		Air Force Component Command
3	Joint Medical Command	Army Component Command
		Navy Component Command
		Air Force Component Command
		TRICARE Component Command
4	Joint Medical Command	Medical Readiness Component Command
		TRICARE Component Command

commands. MTF commanders would also serve as local TRICARE managers, a dual operational structure that has not worked well in the private sector. Alternative 3, while similar to Alternative 2, would follow the more common private-sector practice of separating responsibility for health-plan management from provider management by adding a TRICARE component. Alternative 4, depicted in Figure 2, involves more-radical change: It would structure medical activities functionally under a readiness component (organized by service) and a TRICARE component (organized geographically).

A joint command is unlikely to succeed without more fundamental reorganization of the system. TRICARE is now testing in its Pacific Northwest facilities whether strengthening TRICARE regional management, a version of Alternative 1, would improve authority and accountability for TRICARE. If the test succeeds, the DoD should consider implementing the more comprehensive changes envisioned in Alternative 1. If the test does not substantially improve authority and accountability, the study suggests that the DoD should consider a joint command and reorganization along the lines of Alternatives 3 or 4.

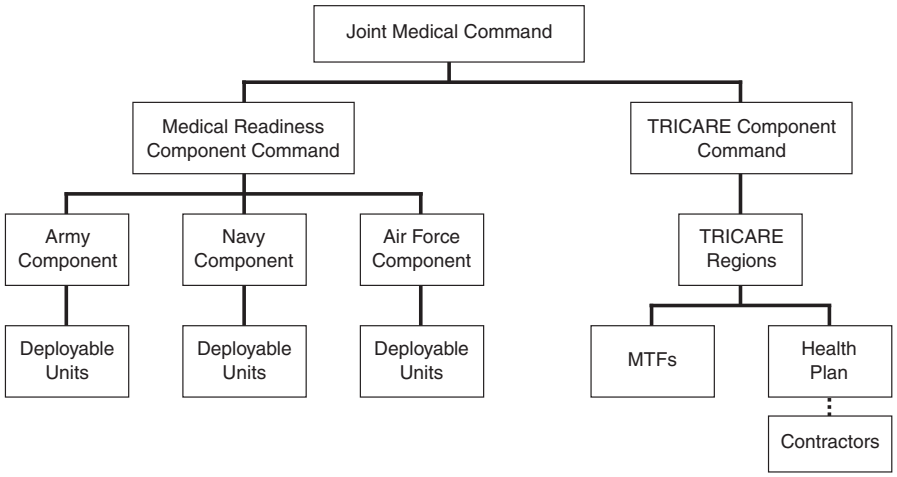

Figure 2—Joint Command with Readiness and TRICARE Components

RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for the National Defense Research Institute; it is documented in Reorganizing the Military Health System: Should There Be a Joint Command? *by Susan D. Hosek and Gary Cecchine, MR-1350-OSD, 2001, 111 pp., $15.00, ISBN: 0-8330-3013-2, available from RAND Distribution Services (Telephone: 310-451-7002; toll free 877-584-8642; FAX: 310-451-6915; or email: order@rand.org). Abstracts of RAND documents may be viewed at www.rand.org. Publications are distributed to the trade by NBN. RAND® is a registered trademark. RAND is a nonprofit institution that helps improve policy and decisionmaking through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.*

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