
## All Things Financial Management

**Episode 16: Transformation of the Defense Health Program with COL John Lee**

**INTRO:** Welcome to All Things Financial Management, an ASMC podcast sponsored by Guidehouse, where we discuss all things under the auspices of the comptroller's office and address top-of-mind issues in the financial management community.

**TOM RHOADS:** Good morning. My name is Tom Rhoads. I'm a partner with Guidehouse, where I work with clients across the DOD and other government agencies to transform and optimize their financial management functions. I'll be your host for today's podcast.

For those of you who may be new to this podcast series, let me take just a moment to provide some background on the American Society of Military Comptrollers. The American Society of Military Comptrollers, or ASMC, is the nonprofit, educational, and professional organization for individuals, military, civilian, corporate, or retired, involved or interested in the field of defense financial management. ASMC promotes the education and training of its members and supports the development and advancement of the profession of defense financial management. The Society provides membership, education, and professional development and certification programs to keep members and the overall financial management community abreast of current issues and encourages the exchange of information, techniques, and approaches.

And with that, I'd like to introduce our government guest for today. Today we have with us Colonel John Lee. Colonel Lee is the Deputy Chief Financial Officer of the Defense Health Agency. The Defense Health Agency is a joint integrated combat support agency that enables the Army, Navy, and Air Force Medical Services to provide a medically-ready force to combatant commands in both peace, time and war time. As the Deputy CFO, Colonel Lee is responsible for budget, execution, accounting, audit facilities, private sector care and cost management analysis for a $52 billion hospital health system. He provides leadership over the business planning, decision support, analytics, and modeling functions for the J-8.

He is a native of Maryland and graduated from Auburn University with the microbiology degree. His degrees also include a Master's of Strategic Studies from the Army War College, a Masters of Business Administration from the University of Texas, a Masters of Healthcare Administration from Baylor University, and a Masters of Science from National Defense University.

Colonel Lee, thank you for being here with us today.

**COL JOHN LEE:** Thank you for inviting me to this incredible opportunity here.

**TOM RHOADS:** We're excited about it. We've been looking forward to this for a long time. And Colonel Lee, we'd like for you, if you're comfortable with this, to share with us your story. Maybe share with us a little bit about your background and what brought you to your current position at the Defense Health Agency.

**COL JOHN LEE:** Oh, great. Hey, thank you for allowing me to chat with the folks out there.

And so, one of the things that I realized, when I went to college, I was actually a microbiologist. And I didn't realize how far removed I was from what I truly enjoy in life and my strength, which is really

mathematics and accounting. I didn't understand until I got to be a military officer how much of a person that I am in the world of accounting and accountability.

So, I find things that are very fascinating when we look at the cost accounting for things. And basically, what I mean by that is, why the cost structure is what it is, and what caused it? And so that's like forensic science of basically finance, right?

And I realized that passion when I was knee deep in snow at Fort Drum, New York and I was a brand new lieutenant and trying to figure out, this is not the life I would like to live the rest of my life while I was in the military because it was cold and miserable, and I was not having fun. And of course, I met a comptroller or a budget person at while I was at Fort Drum. And I thought that job was very fascinating.

And ever since then, I really got to enjoy what I'm doing. And a lot of people talk about, "Hey, if you really love what you're doing, then you're not really working." Well, I don't think I've worked for the last 27 years of my life.

**TOM RHOADS:** That's fantastic, Colonel Lee. As you shared your story, I could feel that you really do love what you do and I think the passion really comes out that you have for your work.

With respect to your work supporting the Defense Health Programs, I feel like there's a perception that the VA funds the DOD healthcare. And for those of our listeners who may not be familiar with the Defense Health Program, can you share with us what it is and how it funds DOD healthcare?

**COL JOHN LEE:** Yeah, absolutely, Tom. And thank you for asking that question because one of the perceptions about healthcare is that our funds are really aligned to the services and that our fund is more tied to, for example, just like what you said, VA.

But could I go back and tell a little bit of story and how we got here? Because I think a lot of people missed that opportunity of how the Defense Health Program really came to be.

**TOM RHOADS:** I think that would be great.

**COL JOHN LEE**: All right. Well, I appreciate it.

A while back ago after the Korean War... By the way, that is probably where my history is really focused on because that fascinated me, the Korean War. They used to have this thing called the MASH unit. And I'm sure people heard of the MASH because of the TV series. It was very popular back in, I think, the sixties or seventies. Either way, I'm not really keen on the date. But after the Korean War, the MASH unit was disassembled. And when you disassemble something as big as the MASH unit, you had all these military doctors and they didn't have a platform to train. They didn't know what they called it back then, but they called it training. But today we call it readiness.

What happened was that all the folks, when I'm talking about providers, doctors, nurses, whomever, were aligned to the services, in other words, Army, Navy, Air Force. The problem with that is that you compete at the DOD level, defense level, to get resources to maintain their skillset. And as you know, we don't just go ahead and just get a provider or a doctor or a neurosurgeon right off the street and say, "You're now military." It takes time to develop those folks.

But the problem is when you're competing against tanks and weaponry, like for example, aircrafts and battleships, everybody loves battleships. How do you say to them, "No, you cannot have a battleship, but we need doctors?”

Because one of the fallacies of this is that military, in the Army, particularly quoted by men and generals, and I'm not going to name names here, but the reason why we are the most feared army in the entire

world is because our soldiers do not fear going into the rooms, to the case, because at the end of the day, they know they'll be taken care of. They'll pull out of battlefield, and the survivability rate is about 96%. That's the comfort they know. They take risk. No other army in the world does that.

But at the same time, we look at healthcare as a by-product, when that is the genesis of why the soldiers are so fearless in the U.S. Army.

And so where am I going with this?

The problem is that, a while back ago, before Defense Health Program, it was just part of O&M [operations and maintenance], which is Army, their funding. And we had to compete with all those great toys, the battleships, the aircraft carriers, and then the strategic bombers and the tanks, to say, "We need more money than you guys."

But their concept is, "I have to put these on the battlefield to win, regardless of what we do with the soldiers after the battle." So, the Defense Health Program came about and Health Affairs came about to protect the Defense Health Program so that we could train the doctors so that we could have the hospitals to train the providers. This is how we came to be.

Now that we established a program, one of the things, of course, in everybody's mind, is the accountability of it. Or we have to look at, what you call in the civilian sector, the profit and loss statements. And so, when we start developing these things in the healthcare world, in the under DHP, we design things called the statement of operation, which is basically their operating budget. And it's based on the mission set. The same in operation.

What we have today is a negotiation or a pact with the CEOs of the hospitals. The CEOs say, "We understand what our strategic plan is." And the statement of operation justifies the budget to get to that plan. So, basically this is what you need to get your providers, contract, military equipment, TDY, to support the beneficiaries in their catchment area. So, that's what the statement operation is.

And so, a lot of people ask, "Okay, so now that you got the money, what are you doing with it?" And that's your accountability piece.

And so, our Defense Health Program designed this thing called the IRIS. It's actually the Integrated Resource Incentivized System. The IRIS model is a metric that really breaks it down by product line. In other words, if you have women's health, which looks at the OB and how we take care of women, or we have physical performance, well, we look at a lot of soldiers get hurt, that musculoskeletal is one of the number one non-deployable items out there. And so, we have to address that because when soldiers are hurt, they can't deploy. And there's multiple product lines. Surgical service, we look at surgery.

But we're also asked, why do we break these product lines down? It's because we're looking at all the MTFs around the whole entire world because we have clinics all around the world, not just US. And so, this is what makes us different than any other healthcare organization like VA only does within the US. We have people everywhere, places where people don't even know exists. I have special forces there. And so, we have to look at what these product lines are doing.

And these IRIS metrics show you, based on the funding you have and how much workload is coming in, whether we're making money or not making money. And if it was not making money, then we had to invest our resource to it to ensure that we're capturing all the workload to support the beneficiaries. In other words, what are we doing to better that product line so that we could better serve our community?

That's the bottom line of the IRIS.

**TOM RHOADS:** Thank you, Colonel Lee, for sharing with us that background, and the impact of IRIS on the DOD healthcare system. There's a major transformation being undertaken right now within the military health system. Can you share with us what the role of the military health system is and the current transformation efforts?

**COL JOHN LEE:** Yes, there's a lot of folks who believe in it and a lot of folks who don't believe in it. But the bottom line is, we're here. We are almost done with transition. So, now we have to transition from our continuous strategic discussions to execution.

And one of our roles is to ensure that the hospitals and the people that work in the hospitals are supported with the one set criteria, which is the joint strategic messaging, this joint strategic execution. And so, DHA has put all its attentions to the MTF, which is the medical treatment facilities. Our sole purpose is to ensure that we invest the right capital or right resources for them to be successful in capturing workload to support all the beneficiaries out there. And a lot of decisions, lot of discussions revolves around, how can we better the direct care system to ensure that the beneficiaries do not have to travel too far from their homes? Or their access to care is limited because we cannot build capacity or capability in these MTFs.

And as you know, in the MHS, one thing that's different from what the service has done is that we have the contract for managed care, which is the private sector care, so we are able to see both sides of the data. So when we know that the private sector care contract claims go up, we know there's an issue with access to care or capability or capacity at the MTF, or the medical treatment facility. And it's our job to assess and to support to ensure that that does not happen. And the main objective is to get the help to the MTF so the MTF could open up their aperture to help the beneficiaries.

So, it is a tri-service effort to get to that end state. Over.

**TOM RHOADS:** What would be the role of the Military Health Service comptrollers in this transformation? And what is their strategic vision going forward?

**COL JOHN LEE:** That's a very interesting question. As you know, because we have three services, they all have different ways they brought up comptrollers. And one of the things that I'm kind of working on is making a service-agnostic certification. And I'm actually working with ASMC and PDI to see if we could have a CDFM healthcare certification.

Why is that so important?

Everything else comes up to point of operating company models, standardizing the process. So once we have the standardized processing that these comptrollers are certified in healthcare services, I think we could start moving on from there.

And one of the things that I see from the comptrollers, what they need to do, is they have to embrace the change. They now have to be part of the DHA military healthcare system and begin to think about service as an agnostic flavor, neutral. We no longer can think service-specific needs and their execution because when it comes down to healthcare, it really is not service-specific.

I think we continue to think that healthcare is different from service to service because at the end of the day, in healthcare, variance is very dangerous. So, you will see that the entire healthcare portfolio works around this, called the CPG, clinical practice guidelines. What that means is that, whenever you have a problem with a patient, there's a standard treatment for it. And so, healthcare is not different at the Army, Navy, Air Force.

And so, our comptroller has got to start embracing that. We cannot incorporate non joint thought process because, if we do, we're destined to fail. And we must be stronger collectively because there's no going back to what we did, the old way of doing business. That is not part of the COA. And Health Affairs will create and protect that healthcare readiness dollars. And so, we must ensure that we maintain healthcare dollars to continue to enhance the medical readiness.

And so, what I'm saying is that, in order for the medically ready force to really be at its most advantageous point in metrics, we all have to work together to get there. We just can't say because this is Air Force, this is because this is Navy. We should have a different way of doing business.

**TOM RHOADS:** Early in the spirit of moving forward, what are the DHA efforts to enhance financial operations?

**COL JOHN LEE:** These are kind of things that have some little pluses and minus. And this is probably the one time that I'll probably show a little bit of negativity in the way we do business because at the end of the day, we have to show our weakness as well as we show our strength.

And so, DHA's biggest hurdle is the requirements adjudication from the services. What I mean by that is that, when we consolidated all the healthcare under one roof, there are things outside the MTF, the operational units, such as SOCOM, such as the Delta force or such as the AMC, which is the Army Material Command. All these folks have healthcare needs. Whether they think they do or not, it all comes down to it.

Why?

Because at the end of the day, it's not just about people, but we also have pharmaceuticals, right? A line unit has these medics. That's our pointed spear. They go out with the fighting force. They require medications. But how do we streamline that? How do we ensure that what they're using is the most relevant data? How do we know that what they have is adequate? How do we know that what they have is effective? And the biggest part is, how do we ensure that they get more of it if they need it?

These are all system processes that have to be streamlined. And one of the challenges is that we just inherited all these different processes and how each of these services have conducted those business.

The DHA's mission is to make sure that we have an operating company model, a standard process that everybody could understand, a standard process that everybody could accept and execute. And so, that's one of the biggest challenges of what we do.

And for comptrollers, one of the biggest requirements is, how do we bring those requirements up to our level, make deliberate, prioritized decisions, and then adjudicate that, and then implement that across the board where everybody could adopt it?

Because we do have barriers in IT. We do have barriers in the system because there's a lot of homegrown systems that actually talk to each other but don't talk to services. And those are some of the challenges that we have to work through. We're not going to be able to solve it overnight, but by golly, this is what we're talking about when we say we need to get to execution because we have to fix it.

We have to solve that problem because our soldiers, airmen, and our Navy personnel need it. Not just required, but they need it because if you are going to make it in a very effective fighting force, they have to know that we are there for them. And we are the last stop in their healthcare, so if they're seriously injured, they come to us. And we have to ensure that they get to us.

**TOM RHOADS:** I know you're so busy and I appreciate the time that you've shared with us. And I can really feel the passion that you have for what you do and the passion that you have for our warfighters. And the question that we usually like to close with is, knowing what now Colonel Lee, what advice would you give to a new careerist who's just starting out in federal service?

**COL JOHN LEE:** Going back to how I got to be where I am today, some of them is by luck and some of them is just by sheer fact that you are very good at certain things. But knowing what I know now, I think that we have to design a platform where we understand that other people don't have the same information as you do. And so how do we get that information out there? How do we share that information out there?

And I think one of the biggest myths by a lot of young comptrollers, not just by comptrollers but a lot of service men and women and as well as junior officers who just getting in, is network. I think we have to build a network where mentors are available that they could reach out to any service because they are doing certain things that people find interesting. And also, we have to build some platform where those mentors could actually have people come to them.

And one of the things that I think, if I could do things over again knowing what I know, I would start encouraging people to reach out as a junior officer or a junior anybody. Because one of the things that they're scared of is that, just like you've mentioned a couple times already, "I'm too busy." We as senior officers have consultants for 70-Charlie, which is comptrollers when I was a consultant. We will make time. I would find it very hard to believe that senior officers would ever turn down an opportunity to mentor or even facilitate questions so that to guide young junior officers. And the junior officers at the same time are too shy or too scared or don't want to take away their time because they think they're too busy.

No one should be above that fray. Everyone should be available, accessible, any time of the day when it comes to development. Because at the end of the day, I am not going to be in the Army or the military healthcare system too long and I have to build a succession plan. And we have to go fish for talent. And in order to find that talent, we have to build relationships. And relationship is through networking.

I'm not sure if I answered your question, but that's how I think. That's how I know. And that's what I want.

**TOM RHOADS:** Now, Colonel Lee, thank you so much for sharing that. It's great counsel and great advice for our new careerists. And again, I want to thank you so much for your time today and being our guest. I know that you're very busy and appreciate all that you're doing and your service for our country. Thank you.

**COL JOHN LEE:** Well, thank you for this time and I really appreciate this. This is a very delight for me and I wish that a lot of other folks take some time to do this because information is powerful. And I think spreading the information out is even better.

All right, thank you all.

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