

Quarterly Meeting Board Meeting December 1, 2005

Defense Business Board

SUMMARY OF MEETING

December 1, 2005

The Defense Business Board (DBB) held its quarterly meeting on December 1, 2005 in Room 2C554 (Conference Room #7) of the Pentagon.

In accordance with the provisions of Public Law 92-463, the public session was conducted from 9:15 AM to 12:00 PM. In addition, DBB members received background briefings and conducted an administrative session.

DBB members present:

Gus Pagonis, Chairman
Michael Bayer, Vice Chairman
Neil Albert
Barbara Barrett
Fred Cook
Henry Dreifus
Bob Hale
Jim Haveman
Madelyn Jennings
Jim Kimsey
Jerry Lindauer
John Madigan
Bill Phillips
Dov Zakheim

DBB Staff and guests also in attendance:

Kelly Van Niman, Executive Director
Lynne Schneider, Deputy Director
Stephan Smith, Staff Assistant
Anne Schmidt, Special Assistant to the Acting Deputy Secretary of Defense

Others present for all or portions of the meetings on 12/1/2005:

Donald Rumsfeld, Secretary of Defense*
Gordon England, Acting Deputy Secretary of Defense*
Dino Aviles, Under Secretary of the Navy*
Dr. David Chu, Under Secretary of Defense (Personnel & Readiness (P&R))*

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Tina Jonas, Under Secretary of Defense (Comptroller)*
Ken Krieg, Under Secretary of Defense (AT&L)*
Francis Harvey, Secretary of the Army*
Mike Wynne, Secretary of the Air Force*

Jack Bell, Deputy Under Secretary of Defense (Logistics and Materiel Readiness)*
Brad Berkson, Director for Program Analysis & Evaluation (PA&E)*
Joseph Bernabucci, Office of the Under Secretary of Defense (Comptroller)
Earl Boyanton, Office of the Under Secretary of Defense (AT&L)
Paul Brinkley, Deputy Under Secretary of Defense (Business Transformation)
Ben Bruce, Siemens
Jeff Burger, United States Postal Service (USPS)
Bill Carr, Office of the Under Secretary of Defense (Acquisition, Technology & Logistics (AT&L))
Robert Earl, The Special Assistant to the Acting Deputy Secretary of Defense*
COL David Ernst, Military Postal Service Agency (MPSA)
Carolyn Franz, Siemens
BG Frank Helmick, Office of the Acting Deputy Secretary of Defense*
Lt. Col. Donna Johnson, Office of the Under Secretary of Defense (AT&L)
Steve Jones, Principal Deputy Assistant Secretary of Defense (Health Affairs)*
Danielle Kaplan, Office of the Under Secretary of Defense (Comptroller)
John Kokulis, Office of the Assistant Secretary of Defense (Health Affairs)*
COL Thom Kurlmel, Office of the Assistant Secretary of Defense (Health Affairs)
Lt. Col. Roseann Lynch, Office of the Assistant Secretary of Defense (Public Affairs)
CDR Claudia McKnight, Office of the Under Secretary of Defense (P&R)
Elaine Mancino, Office of the Director for Program Analysis & Evaluation (PA&E)
Christopher M. Lehman, Commonwealth Consulting
Tom Modly, Deputy Under Secretary of Defense (Financial Management)
David Nassef, Pitney Bowes
Bob Opsut, Office of the Assistant Secretary of Defense (Health Affairs)
David Patterson, Principal Deputy Under Secretary of Defense (Comptroller)
James Pierce Myers, Pitney Bowes
BG Rick Porter, MPSA*
Hawthorne "Peet" L. Proctor, INNOLOG
Jeff Steinhoff, Managing Director (Financial Management and Assurance), GAO
Lt. Gen. Peach Taylor, Surgeon General of the Air Force*
William Thresher, Office of Surgeon General of the Army
David Tollotson, Office of the Secretary of the Air Force*
Beverly Van Soest, USPS
Bill Winkenwerder, Assistant Secretary of Defense (Health Affairs)*
Donald Winter, Secretary of the Navy Confirnee*

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Dan Wise, Siemens

*Only attended the sessions with the Secretary of Defense and the Acting Deputy Secretary of Defense.

EXECUTIVE REPORT

Mr. Gus Pagonis (DBB Chairman) began the DBB's meeting at 8:10 AM by providing an overview of the agenda for the day.

From 8:30 AM to 8:40 AM the DBB discussed its 2006 meeting dates and approved its By-Laws. Please see the "ANNOUNCEMENTS AND ITEMS OF INTEREST" section for details.

The Chairman explained that in accordance with the Federal Advisory Committee Act and the rules of the Department all DBB's members are up for renewal at the end of this year.

ANNOUNCEMENTS AND ITEMS OF INTEREST

The Defense Business Board's 2006 meeting schedule is as follows:

- March 8, 2006
- May 31, 2006
- September 6, 2006
- December 6, 2006

The DBB voted unanimously to approve the proposed By-Laws with one minor edit to the language in paragraph one of Section II. The final, approved version of the DBB's By-Laws will be in the DBB's public files (hard copy).

PUBLIC SESSION

Business Management Modernization Program (BMMP)

The Public Session of the DBB's December 1, 2005 meeting began at 9:50 AM with an update by Tom Modly and Paul Brinkley regarding the Business Management Modernization Program (BMMP). Mr. Modly explained that BMMP has two primary objectives: business alignment to the warfighter needs and accountability to the tax-payer. He went on to explain that tiered accountability throughout the BMMP's governance structure has greatly contributed to progress in establishing the Business Enterprise Architecture (BEA) and Enterprise Transition Plan (ETP). Regarding governance, Mr. Modly told the DBB about the establishment of the Defense Business Transformation Agency (BTA), which is currently co-led by Mr. Brinkley and Mr. Modly. Mr. Modly and Mr. Brinkley explained that the ETP is important for many reasons, but one of these reasons is that it establishes a timeline for implementation of the various capabilities-based systems. However, they did note that there may be some dates that may not be met, but the establishment of the dates provides a driving force behind the work of BMMP. Mr. Brinkley stated that a corporate headquarters—the unit responsible for the overall management

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of DOD—needs to be accountable for DOD-wide programs (i.e. a component cannot be an executive agent when the corporate HQ is implementing a DOD-wide program). BMMP is establishing a thin “backbone” layer of common services required for full Departmental operability so that the components can design and implement their own business solutions within the framework established by the DOD Enterprise (corporate HQ).

Mr. Modly and Mr. Brinkley’s briefing concluded with a brief and open discussion about the program. Mr. Modly pointed out that the Government Accountability Office (GAO) recently stated that BMMP has made progress, but much more work remains. This is important because the GAO did not provide positive feedback to prior work done regarding the BMMP. Mr. Brinkley also stated that the BTA is seeking a well respected and qualified business leader to lead the BTA. He explained that since he and Mr. Modly have been leading BMMP, the gap between financial and materiel management has been bridged. This makes hiring a BTA head difficult because the agency needs someone who also can bridge this gap.

Healthcare Task Group

At 10:20 AM Henry Dreifus presented the Task Group Final Report on Healthcare for Military Retirees. He explained that the Task Group observed that the current framework is unsustainable, but there are actions that DOD can take to provide the best healthcare to the warfighter and its military retirees as well as keep the promises that were made by Congress and DOD when the current system was developed. The Task Group provided seven (7) recommendations to the DBB to consider; however, there were some key recommendations that were emphasized. Mr. Dreifus stated that DOD should engage Congress and stakeholders to refresh and innovate the Military Health System (MHS) plan design and delivery to reflect 21st century industry best practices. Also, the Task Group recommended that DOD should aggressively pursue wellness initiatives and disease management programs by rewarding good behavior (and mandate as necessary), and unify the medical command structure in a way that would streamline health delivery without compromising readiness. The final key recommendation that the Task Group presented to the DBB was that DOD should invest in health information technology and case management strategies.

Below is the full list of the Task Group’s recommendations. The DBB did not make any changes to these recommendations.

1. Mitigate ‘corporate welfare’ through establishing TRICARE parity with industry for retirees:
 - Index existing client participation to industry deductibles, co-payments, and premiums.
 - Position TRICARE as secondary provider to “fill the gap” for retirees with access to corporate healthcare.

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- Provide individuals with easy-to-use/understand comprehensive health decision tools to optimize medical visits, encourage use of generic pharmaceuticals toward decreasing provider and individual costs.
 - Empower and reward clients to make decisions about their own health (consumer-driven health care).
 - Increase the enterprise's flexibility in plan design, management, funding, and delivery of healthcare services for retirees and dependents between military and 3rd party facilities.
 - Incorporate industry best practices in plan design including smoker's policy premiums, health savings accounts (HSA) and other rewards for wellness.
2. Mirror industry best practices to pursue and mandate early disease detection and life management:
- Move clients to defined best evidence-based healthcare path which will concomitantly increase satisfaction, quality and predictability, and lower total overall costs & shift acute treatment toward long-term management.
 - Develop a system-wide data warehouse to track and identify potential risks and schedule patient intervention before, not after disease onset.
 - Utilize specially trained care managers to proactively attend to/assist high-risk population.
 - Customize a comprehensive communications strategy to drive participation by all stakeholders – key to achieving cost savings.
3. Aggressively implement wellness initiatives (*exempli gratia*):
- Promote smoking cessation incentives for the entire community, not just active duty.
 - Provide alcohol and substance abuse education and interventions.
 - Educate and encourage prenatal and early childhood care and early nutrition (improving birth weights, etc.)
 - Health-for-life Diet/Nutrition, Lifestyle (i.e. health club and exercise) education promoting wellness.
 - Educate, Empower and Endower (E3) patients to take responsibility to improve their health.
 - Customize wellness programs to target specific age and risk groups.
4. Invest in health information technology and case management strategies:
- Focus on patient safety to increase efficiency and reduce medical errors.
 - Fully deploy and more aggressively implement electronic medical records for the *entire* care delivery infrastructure.
 - Implement and reward efforts toward better predictive health v. acute treatment.

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- Provide client with information, education, and resources on alternatives; engage the clients in the healthcare decision process.
- Adapt design of healthcare services to clients as they age, including strategies that focus on amounts spent in the last 6 months of life.
 - ❖ Strategic source specific care needs for most effective and appropriate delivery
- 5. Unify the command structure and authority to streamline health decision-making for the enterprise without compromising readiness.
 - Eliminate duplication of efforts, reduce costs, increase efficiencies.
- 6. Enhance the cross-agency commitment between HHS, Veterans Affairs and Defense Health.
 - Increase integration and intersection points including legislative and medical policy, infrastructures, scale economics and market power (*exempli gratia*: formularies), shared facilities and medical records and other resources.
- 7. Outreach to private industry best practice healthcare management efforts, interest groups, resources and initiatives.
 - Engage with key stakeholders (including Congress, interest groups, etc.) to increase dialogue to bring through new ideas and best practices to improve outcomes.
 - Defense health success is interdependent with private industry success.

Military Postal Service Task Group

At 11:10 AM Barbara Barrett presented the Military Postal Service Task Group's final recommendations to the DBB. Below is the full list of the Task Group's recommendations. The DBB did not make any changes to these recommendations.

- Issue an open-ended RFP to allow the private sector to provide an innovative, end-to-end (not piecemeal) solution for the processing and delivery of military mail
- Seek to achieve most efficient business model that capitalizes on economies of scale and organizational efficiencies
 - Require compatibility with current supply chain management policies directed by the Business Transformation Agency
 - After RFP is awarded, address and re-negotiate the mail services contract with the USPS – i.e. Transportation costs (U.S./foreign carriers or other methods)
- Develop a common strategy to address management and policies issues:
 - Organizational interests and resistance to change
 - Budget and organic staff capability
 - Marine Corps enlisted mail clerk could be only remaining primary service MOS

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- USPS pensions and training
- Congressionally mandated preference to use domestic carriers to transport mail

Ms. Barrett explained that outsourcing is a strategic decision that creates strategic relationships to support business goals, and the primary business reason to outsource is the ability it gives you to concentrate on strategic initiatives and core competencies. The Task Group concluded that the current mail process is disjointed, disparate and not auditable.

Additionally, based on private sector research, piecemeal approaches to outsourcing make matters worse by increasing complexity and costs. Outsourcing an end-to-end solution would unify the processes, technology, training, procedures and funding for military mail. This allows DoD to achieve economies of scale, efficiencies, cost savings (studies show 30% + cost savings from outsourcing mail services). Also, DoD will be able to establish measures of performance, trace-ability and accountability.

DBB MEETING WITH DOD LEADERSHIP

The Board met with the following DOD leaders to discuss the results of the public session:

Donald Rumsfeld, Secretary of Defense
Gordon England, Acting Deputy Secretary of Defense
Dino Aviles, Under Secretary of the Navy
Dr. David Chu, Under Secretary of Defense (Personnel & Readiness (P&R))
Tina Jonas, Under Secretary of Defense (Comptroller)
Ken Krieg, Under Secretary of Defense (AT&L)
Francis Harvey, Secretary of the Army
Mike Wynne, Secretary of the Air Force

ADJOURNMENT

The meeting adjourned at 4:00 PM with the DBB's annual photo with the Secretary of Defense.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

//signature//
William "Gus" Pagonis
Chairman
Defense Business Board

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