

DEFENSE HEALTH PROGRAM
Operation and Maintenance
Fiscal Year (FY) 2008/2009 Budget Estimates
Exhibit OP-5, Private Sector Care

I. Description of Operations Financed: This Budget Activity Group provides for all medical and dental care plus pharmaceuticals received by DoD-eligible beneficiaries in the private sector. This includes the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) Program, the TRICARE Managed Care Support Contracts (MCSC), the Uniformed Services Family Health Program (USFHP), the TRICARE Overseas Program, the Supplemental Care Program, TRICARE Mail Order Pharmacy, the National Retail Pharmacy and various support activities.

Pharmaceuticals - Purchased Health Care: Includes pharmaceutical costs associated with contractual pharmacy services providing authorized benefits to eligible beneficiaries via the TRICARE Mail Order Pharmacy Program (TMOP).

National Retail Pharmacy: Includes Pharmaceutical costs associated with contractual pharmacy services providing authorized benefits to eligible beneficiaries via the TRICARE Retail Pharmacy (TRRx) contract. TRRx provides network pharmaceutical prescription benefits for medications from local economy establishments.

Managed Care Support Contracts (MCSC): The TRICARE Managed Care Support Contracts provides a managed care program which integrates a standardized health benefits package with military medical treatment facilities and civilian network providers on a regional basis. With the full deployment of TRICARE, all but a small portion of the standard Civilian Health and Medical Program of the Uniformed Services benefits have been absorbed into the MCSC. Includes health care costs provided in civilian facilities and by private practitioners to retired military personnel and authorized family members of active duty, retired, or deceased military service members.

MTF Enrollees - Purchased Care: Includes underwritten costs for providing health care benefits to the Military Treatment Facility Prime enrollees in the private sector as authorized under the Civilian Health and Medical Program of the Uniformed Services.

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Dental - Purchased Care: Includes the government paid portion of insurance premiums which provides dental benefits in civilian facilities and by private practitioners for the beneficiaries who are enrolled in the Dental Program. Beneficiaries eligible for enrollment are: (a) Active Duty family members (b) and select reservists or individual ready reservist (IRR) and family members.

Uniformed Services Family Health Program (USFHP): Provides TRICARE-like benefits authorized through contracts with designated civilian hospitals in selected geographic markets to beneficiaries that reside in one of these markets and who are enrolled in the program.

Supplemental Care - Health Care: This program provides the TRICARE Prime benefit to Active Duty Service Members and other designated eligible patients who receive health care services in the civilian sector and non-DoD facilities either referred or non-referred from the MTF including emergency care. This program also covers health care sought in the civilian sector or non-DoD facilities due to active duty assignments in remote locations under TRICARE Prime Remote. Care to Active Duty members stationed Overseas who receive healthcare in the private sector paid under this program will appear in the Overseas program element.

Supplemental Care - Dental: Provides for uniform dental care and administrative cost for Active Duty members receiving dental care services in the civilian sector to include Veteran Administration facilities. All dental claims are managed, paid and reported by the Military Medical Support Office (MMSO).

Continuing Health Education/Capitalization of Assets (CHE/CAP): Provides for support of graduate medical education and capital investment within civilian facilities that provides services to the Military Health Care System and Medicare.

Miscellaneous Purchased Health Care: Provides for payments of health care services in civilian facilities by private practitioners not captured in other specifically defined elements. Includes administrative, management, and health care costs for Custodial Care, Special and Emergent Care Claims, Alaska Claims, Expanded Cancer, Dual-Eligible Beneficiaries

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Program, Transition Assistance Programs and TMA managed demonstration's and Congressionally directed health care programs.

Miscellaneous Support Activities: Provides for payments of costs for functions or services in support of health care delivery not actual health care. Contracts for marketing and education functions, claims auditing, e-Commerce and the National Quality Monitoring Service are reflected in this program element.

II. Force Structure Summary: Approximately 9.1 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 1.9 million Medicare eligible beneficiaries. Healthcare costs for Medicare Eligible Retirees, Retiree Family Members and Survivors are paid from the Medicare Eligible Retiree Healthcare Fund (MERHCF); these amounts are not included in the budget figures presented. The MCSCs provide a uniform, triple-option health care plan to eligible beneficiaries, allowing them to enroll in the health maintenance organization (HMO) type plan known as TRICARE Prime, or utilize a civilian preferred provider network (TRICARE Extra), or remain with the Standard Civilian Health and Medical Program of the Uniformed Services benefit plan (TRICARE Standard). This budget activity group also includes the TRICARE Dental Program, Continuing Health Education /Capitalization of Assets Program, the TRICARE Mail Order Pharmacy Program, National Retail Pharmacy Program, TRICARE Overseas Program, and TRICARE Prime Remote for the Active Duty. Supplemental care includes all active-duty health care received in a civilian facility or non-DoD facilities, either referred or not referred by a military treatment facility (worldwide) including emergent care. Supplemental Care also provides coverage for the dental benefit available to Active Duty Service Members. Another option for health care is by enrollment to one of the Uniformed Services Family Health Program facilities located in specific geographic markets.

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III. Financial Summary (\$ in thousands)

	FY 2007							
	FY 2006 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>	FY 2008 <u>Estimate</u>	FY 2009 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
A. <u>Subactivities</u>								
1. Pharmaceuticals - Purchased Health Care	185,284	232,378		0%	232,378	232,378	222,934	256,132
2. National Retail Pharmacy	1,469,283	1,582,383		0%	1,582,383	1,582,383	1,278,169	1,349,903
3. Managed Care Support Contracts	4,487,116	4,724,267		0%	4,724,267	4,724,267	4,245,743	4,789,359
4. MTF Enrollees - Purchased Care	1,909,443	1,811,865		0%	1,811,865	1,811,865	2,088,724	2,230,431
5. Dental - Purchased Care	245,626	260,022		0%	260,022	260,022	277,867	293,919
6. Uniformed Services Family Health Program	264,856	315,829		0%	315,829	315,829	337,045	374,339
7. Supplemental Care - Health Care	842,414	811,976		0%	811,976	811,976	938,079	1,031,224
8. Supplemental Care - Dental	96,238	130,698		0%	130,698	130,698	95,601	108,067
9. Continuing Health Education /Capitalization	197,113	228,713		0%	228,713	228,713	308,768	252,958
10. Overseas - Purchased Health Care	208,932	227,959		0%	227,959	227,959	243,030	255,865
11. Miscellaneous Purchased Health Care	65,844	293,087		0%	293,087	293,087	435,067	620,297
12. Miscellaneous Support Activities	32,926	19,607		0%	19,607	19,607	37,286	39,570
Total	10,005,075	10,638,784	0	0%	10,638,784	10,638,784	10,508,313	11,602,064

Reflects FY 2007 President's Budget Request which is equal to the Continuing Resolution.

FY 2006 estimate includes \$579,637 in O&M funding to address the Global War on Terrorism, Hurricanes, and Pandemic Influenza as follows:

-P.L. 109-148, Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006 provides DHP O&M \$136,070 for emergency hurricane and other related expenses.

Excluded from the figures above are the receipts from the DoD Medicare Eligible Retiree Health Care Fund, in the amount of \$5,503,713 thousands in FY 2006. Projections for MERHCF in FY 2007 are approximately \$5,912,806 thousands and in FY 2008 approximately \$6,415,751 thousands to pay for purchased health care.

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III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2007/FY 2007</u>	<u>Change</u> <u>FY 2007/FY 2008</u>	<u>Change</u> <u>FY 2008/FY 2009</u>
Baseline Funding	10,638,784	10,638,784	10,508,313
Congressional Adjustments (Distributed)	0	n/a	n/a
Congressional Adjustments (Undistributed)	0	n/a	n/a
Adjustments to Meet Congressional Intent	0	n/a	n/a
Congressional Adjustments (General Provisions)	0	n/a	n/a
Subtotal Appropriated Amount	10,638,784	n/a	n/a
Fact-of-Life Changes (CY to CY Only)	0	n/a	n/a
Subtotal Baseline Funding	10,638,784	n/a	n/a
Anticipated Supplemental	0	n/a	n/a
Reprogrammings	0	n/a	n/a
Price Changes	0	800,973	782,116
Functional Transfers	n/a	0	0
Program Changes	n/a	-931,444	311,635
Current Estimate	10,638,784	10,508,313	11,602,064
Less: Wartime Supplemental	0	0	0
Normalized Current Estimate	10,638,784	10,508,313	11,602,064

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
FY 2007 President's Budget Request (Amended, if applicable)		10,638,784
1. Congressional Adjustments		0
a. Distributed Adjustments	0	
b. Undistributed Adjustments	0	
c. Adjustments to meet Congressional Intent	0	
d. General Provisions	0	
e. Congressional Earmarks	0	
FY 2007 Appropriated Amount		10,638,784
2. War-Related and Disaster Supplemental Appropriations		0
3. Fact of Life Changes		0
a. Functional Transfers	0	
b. Technical Adjustments	0	
c. Emergent Requirements	0	
FY 2007 Baseline Funding		10,638,784
4. Reprogrammings (requiring 1415 Actions)		0
a. Increases	0	
b. Decreases	0	
Revised FY 2007 Estimate		10,638,784
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings, Iraq Freedom Fund Transfers		0
FY 2007 Normalized Current Estimate		10,638,784
6. Price Change		800,973
7. Functional Transfers		0
a. Transfers In	0	
b. Transfers Out	0	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
8. Program Increases		1,228,556
a. Annualization of New FY 2007 Program	0	
b. One-Time FY 2008 Increases	0	
c. Program Growth in FY 2008	1,228,556	
1) Higher demands for health care and pharmaceuticals by eligible beneficiaries due to increased users and increased utilization of benefits by all users.	125,860	
2) Reverse savings assumptions for TRICARE benefit reform initiative that was not approved.	735,000	
3) Reverse savings assumptions for pharmacy procurement initiative that was not approved.	251,000	
4) Increased resources for expansion of benefits for TRICARE Reserve Select program eligibility to all Reserves and family members.	73,682	
5) Increased resources supporting Ground Forces Augmentation to new line military end strength figures.	43,014	
9. Program Decreases		-2,160,000
a. Annualization of FY 2007 Program Decreases	0	
b. One-Time FY 2007 Increases	0	
c. Program Decreases in FY 2008	-2,160,000	
1) Savings resulting from benefit reform legislative proposals accompanying the FY 2008 President's Budget submission and estimated savings based on recommendations on additional benefit modification to be provided by the Department of Defense Task Force on the Future of Military Health Care established by P.L. 109-452.	-1,862,000	
2) Additional estimated savings resulting from recommendations provided by the Department of Defense Task Force on the Future of Military Health Care established by P.L. 109-452.	-298,000	
FY 2008 Budget Request		10,508,313
10. Price Change		782,116
11. Functional Transfers		0
a. Transfers In	0	
b. Transfers Out	0	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
12. Program Increases		657,004
a. Annualization of New FY 2008 Program	0	
b. One-Time FY 2009 Increases	0	
c. Program Growth in FY 2009	654,004	
1) Higher demands for health care and pharmaceuticals by eligible beneficiaries due to increased users and increased utilization of benefits by all users.	159,391	
2) Realigns resources from In House Care and Base Operations due to reductions in line military end strength impacting demand in the Military Treatment Facilities.	19,483	
3) Increased resources supporting expansion of benefits for TRICARE Reserve Select program eligibility to all Reserves and family members.	81,111	
4) Increased resources supporting Ground Forces Augmentation to new line military end strength figures.	397,019	
13. Program Decreases		-345,369
a. Annualization of FY 2008 Program Decreases	0	
b. One-Time FY 2008 Increases	0	
c. Program Decreases in FY 2009	-345,369	
1) Savings resulting from benefit reform legislative proposals accompanying the FY 2008 President's Budget submission and estimated savings based on recommendations on additional benefit modification to be provided by the Department of Defense Task Force on the Future of Military Health Care established by P.L. 109-452.	-321,467	
2) Additional estimated savings resulting from recommendations provided by the Department of Defense Task Force on the Future of Military Health Care established by P.L. 109-452.	-23,902	
FY 2009 Budget Request		11,602,064

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<u>IV. Performance Criteria and Evaluation:</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2006/ FY 2007</u>	<u>FY 2007/ FY 2008</u>	<u>FY 2008/ FY 2009</u>
<u>Uniformed Services Family Health Services</u>	95,081	97,000	98,958	100,956	1,919	1,958	1,998
<u>Enrollees</u>							

<u>V. Personnel Summary</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2006/ FY 2007</u>	<u>Change FY 2007/ FY 2008</u>	<u>FY 2008/ FY 2009</u>
<u>Active Military End Strength (E/S) (Total)</u>							
Officer							
Enlisted							
<u>Active Military Average Strength (A/S)</u>							
<u>(Total)</u>							
Officer							
Enlisted							

Civilian FTEs (Total)
 U.S. Direct Hire
 Foreign National Direct Hire
 Total Direct Hire
 Foreign National Indirect Hire
 Memo: Military Technician Included
 Memo: Reimbursable Civilians Included

Average Annual Civilian Salary (\$000)

VI. OP 32 Line Items as Applicable (Dollars in thousands - see next page):