

DEFENSE HEALTH PROGRAM
Operation and Maintenance
Fiscal Year (FY) 2009 Budget Estimates
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, TRICARE Reserve Select (TRS) premium based program for Guard/Reservists and their family members 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 provide 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.

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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.

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 and (b) 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 costs 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 provide services to the Military Health Care System and Medicare.

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Overseas - Purchased Health Care: Includes coverage for delivery of TRICARE Prime benefits in civilian facilities by private practitioners to eligible Active Duty and Active Duty Family Members through the Global Remote Overseas Contract and foreign claims for non-active duty beneficiaries including Medicare eligibles. The Medicare Eligibles claims are administered by the Medicare Eligible Retiree Health Care Fund (MERHCF). The Supplemental Care program paying for care provided overseas to active duty members is included in this program element.

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 Program, Transition Assistance Programs, the TRICARE Reserve Select premium based program for Guard/Reservists and their family members, TMA managed demonstrations 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.

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II. Force Structure Summary: Approximately 9.2 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 2.0 million Medicare eligible beneficiaries. Excluded from the budget figures presented are healthcare costs for Military Retirees, Retiree Family Members and Survivors who qualify and receive benefits through the Medicare program. These costs are paid from the Medicare Eligible Retiree Healthcare Fund (MERHCF). 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, TRICARE Prime Remote for the Active Duty and TRICARE Reserve Select premium based program for Guard/Reservists and their family members. Supplemental care includes all active-duty health care received in a civilian facility or non-DoD facilities. 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 Actuals ^{1,2}	Budget Request	FY 2008 Congressional Action				FY 2009 Estimate ²
			Amount	Percent	Appropriated	Current Estimate ²	
A. <u>Subactivities</u>							
1. Pharmaceuticals - Purchased Health Care	218,441	222,934		0%	222,934	222,934	256,132
2. National Retail Pharmacy	1,485,151	1,278,169	297,000	23%	1,575,169	1,575,169	1,701,903
3. Managed Care Support Contracts	5,081,175	4,245,743	1,535,973	36%	5,781,716	5,781,716	5,155,205
4. MTF Enrollees - Purchased Care	1,998,758	2,088,724		0%	2,088,724	2,088,724	2,230,431
5. Dental - Purchased Care	266,859	277,867		0%	277,867	277,867	293,919
6. Uniformed Services Family Health Program	286,097	337,045		0%	337,045	337,045	374,339
7. Supplemental Care - Health Care	946,584	938,079		0%	938,079	938,079	1,031,224
8. Supplemental Care - Dental	140,845	95,601		0%	95,601	95,601	108,067
9. Continuing Health Education /Capitalization	246,352	308,768		0%	308,768	308,768	252,958
10. Overseas - Purchased Health Care	223,935	243,030		0%	243,030	243,030	255,865
11. Miscellaneous Purchased Health Care	74,782	435,067		0%	435,067	435,067	464,349
12. Miscellaneous Support Activities	<u>39,674</u>	<u>37,286</u>		0%	<u>37,286</u>	<u>37,286</u>	<u>31,359</u>
Total	11,008,653	10,508,313	1,832,973	0%	12,341,286	12,341,286	12,155,751

NOTES: (\$ in Thousands)

¹FY 2007 actuals include \$461,769 in O&M funding from P.L. 110-28 - U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriation Act, 2007 to address the Global War on Terror and other related expenses as follows:

-P.L. 110-28 Title I, Emergency Supplemental Appropriation Act for Defense, The Global War on Terror 2007, provides DHP O&M \$362,569 for Global War on Terror.

-P.L. 110-28 Title III, Department of Defense, Emergency Supplemental Appropriations to Address DHP O&M \$99,200 for other related expenses.

²Excluded from the figures above are the receipts from the DoD Medicare Eligible Retiree Health Care Fund (MERHCF) in the amount of \$5,942,806 in FY 2007. Estimated receipts from MERHCF in FY 2008 are approximately \$6,669,660 and in FY 2009 approximately \$7,237,021.

³P.L. 110-116 limits funding available for TRICARE Contracts to \$11,424,799.

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III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2008/FY 2008</u>	<u>Change</u> <u>FY 2008/FY 2009</u>
Baseline Funding	10,508,313	12,341,286
Congressional Adjustments (Distributed)	0	n/a
Congressional Adjustments (Undistributed)	0	n/a
Adjustments to Meet Congressional Intent	-29,027	n/a
Congressional Adjustments (General Provisions)	1,862,000	n/a
Subtotal Appropriated Amount	12,341,286	n/a
Fact-of-Life Changes (CY to CY Only)	0	n/a
Subtotal Baseline Funding	12,341,286	n/a
Anticipated Supplemental	0	n/a
Reprogrammings	0	n/a
Price Changes	0	919,631
Functional Transfers	n/a	786,000
Program Changes	n/a	-1,813,166
Current Estimate	12,341,286	12,155,751
Less: Wartime Supplemental	0	0
Normalized Current Estimate	12,341,286	12,155,751

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
FY 2008 President's Budget Request (Amended, if applicable)		10,508,313
1. Congressional Adjustments		1,832,973
a. Distributed Adjustments	0	
b. Undistributed Adjustments	0	
c. Adjustments to meet Congressional Intent	-29,027	
1) Move funds to In-House Care for Ground Forces Augmentation as directed by Congress in P.L. 110-116.	-29,027	
d. General Provisions		1,862,000
1) Additional funds in P.L.110-116 to restore assumed savings associated with changes to the TRICARE benefit structure presented in the FY2008 budget submission.	1,862,000	
FY 2008 Appropriated Amount		12,341,286
2. Fact of Life Changes		0
a. Functional Transfers	0	
b. Technical Adjustments	0	
c. Emergent Requirements	0	
FY 2008 Baseline Funding		12,341,286
3. Reprogrammings/Supplementals		0
a. Anticipated War-Related and Disaster Supplemental Appropriations	0	
b. Reprogramming Actions	0	
Revised FY 2008 Estimate		12,341,286

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C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Totals</u>
4. Less: War-Related and/or Disaster Supplemental Appropriations.		0
Normalized Current Estimate for FY 2008		12,341,286
5. Price Change		919,631
6. Functional Transfers		786,000
a. Transfers In		786,000
1) Additional funds to adjust savings associated with benefit reform as recommended by the Department of Defense Task Force on the Future of Military Health Care.	786,000	
b. Transfers Out		0
7. Program Increases		1,535,526
a. Annualization of New FY 2008 Program		0
b. One-Time FY 2009 Increases		0
c. Program Growth in FY 2009		1,535,526
1) Higher demands for health care and pharmaceuticals by eligible beneficiaries due to increased users and increased utilization of benefits (including funds from InHouse Care and Base Operations BAGs).	1,448,623	
2) Increased resources supporting Ground Forces Augmentation.	86,903	

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C. Reconciliation of Increases and Decreases

	<u>Amount</u>	<u>Totals</u>
8. Program Decreases		-3,426,692
a. Annualization of FY 2008 Program Decreases	0	
b. One-Time FY 2008 Increase	-2,000,533	
1) Reverses one year Congressional funding action in P.L. 110-116 that restored assumed savings associated with changes to the TRICARE benefit.	-2,000,533	
c. Program Decreases in FY 2009		-1,426,159
1) Revised estimated 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. 109-364.	-1,184,000	
2) Realigns funding to In-House Care BAG for migrating pharmacy workload due to beneficiary co-payment structure based on recommendations from the Department of Defense Task Force on the Future of Military Health Care.	-78,000	
3) Realigns funding to DHP RDT&E and Procurement to support the electronic commerce program.	-8,211	
4) Realigns funding to DHP BRAC account supporting Base Realignment and Closure action plans.	-155,948	
		12,155,751

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IV. Performance Criteria and Evaluation Summary

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2007/ FY 2008</u>	<u>FY 2008/ FY 2009</u>
<u>Uniformed Services Family Health Services</u>	97,000	98,958	100,956	1,958	1,998
<u>Enrollees</u>					

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2007/ FY 2008</u>	<u>FY 2008/ FY 2009</u>
V. <u>Personnel Summary</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):