

**Defense Health Program  
Operation and Maintenance  
Fiscal Year (FY) 2010 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 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.

**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 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) or through contractual services.

**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.

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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 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 9.3 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

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program for Reserve 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. All care is purchased in the civilian communities augmenting health care provided in the Military or non-DoD facilities.

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	FY 2009						FY 2010 Estimate
	FY 2008 Actuals	Budget Request	Congressional Action			Current Estimate	
<u>A. Subactivities</u>			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
1. Pharmaceuticals - Purchased Health Care	257,218	256,132	35,340	14%	291,472	291,472	358,693
2. National Retail Pharmacy	1,712,605	1,701,903	531,226	31%	2,233,129	2,233,129	1,985,527
3. Managed Care Support Contracts	5,516,306	5,155,205	474,777	9%	5,629,982	5,629,982	6,502,748
4. MTF Enrollees - Purchased Care	2,130,810	2,230,431	23,690	1%	2,254,121	2,254,121	2,387,642
5. Dental - Purchased Care	278,407	293,919	988	0%	294,907	294,907	327,448
6. Uniformed Services Family Health Program	326,011	374,339	(22,773)	-6%	351,566	351,566	394,243
7. Supplemental Care - Health Care	1,005,053	1,031,224	120,695	12%	1,151,919	1,151,919	1,260,235
8. Supplemental Care - Dental	196,454	108,067	54,604	51%	162,671	162,671	165,050
9. Continuing Health Education /Capitalization	264,521	252,958	35,585	14%	288,543	288,543	312,781
10. Overseas - Purchased Health Care	237,348	255,865	(12,700)	-5%	243,165	243,165	261,848
11. Miscellaneous Purchased Health Care	97,630	464,349	(224,646)	-48%	239,703	239,703	247,893
12. Miscellaneous Support Activities	<u>81,182</u>	<u>31,359</u>	<u>45,214</u>	<u>144%</u>	<u>76,573</u>	<u>76,573</u>	<u>51,864</u>
<b>Total</b>	12,103,545	12,155,751	1,062,000	9%	13,217,751	13,217,751	14,255,972

NOTES: (\$ in Thousands)

FY 2008 actual includes \$18.627 million from the Global War on Terrorism (GWOT) Bridge Supplemental, Consolidated Appropriations Act, 2008 (P.L. 110-161), Division L, Title V, and \$450.767 million from the Defense Supplemental Appropriations for Fiscal Year 2008, Title IX (P.L. 110-252).

FY 2009 Current Estimate excludes Supplemental funds.

Excluded from the figures above are the receipts from the DoD Medicare Eligible Retiree Health Care Fund, in the amount of \$6,235.650 (million) in FY 2008. Projections for MERHCF in FY 2009 are approximately \$6,998.866 (million) and in FY 2010 approximately \$7,301.729 (million) to pay for purchased health care.

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<b>B. <u>Reconciliation Summary</u></b>	<b><u>Change</u></b> <b><u>FY 2009/FY 2009</u></b>	<b><u>Change</u></b> <b><u>FY 2009/FY 2010</u></b>
<b>Baseline Funding</b>	<b>12,155,751</b>	<b>13,217,751</b>
Congressional Adjustments (Distributed)	-122,000	0
Congressional Adjustments (Undistributed)	0	0
Adjustments to Meet Congressional Intent	0	0
Congressional Adjustments (General Provisions)	1,184,000	0
<b>Subtotal Appropriated Amount</b>	<b>13,217,751</b>	<b>0</b>
War-Related and Disaster Supplemental Appropriations	0	0
Fact-of-Life Changes (CY to CY Only)	0	0
<b>Subtotal Baseline Funding</b>	<b>13,217,751</b>	<b>0</b>
Anticipated Supplemental	0	0
Reprogrammings	0	0
Less: War-Related and Disaster Supplemental Appropriations	0	0
<b>Revised Current Estimate</b>	<b>13,217,751</b>	<b>0</b>
Price Changes	0	1,003,506
Functional Transfers	0	-10,069
Program Changes	0	44,784
<b>Normalized Current Estimate</b>	<b>13,217,751</b>	<b>14,255,972</b>
<b>Current Estimate</b>	<b>13,217,751</b>	<b>14,255,972</b>

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<b><u>C. Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>
<b>FY 2009 President's Budget Request (Amended, if applicable)</b>		12,155,751
1. Congressional Adjustments		1,062,000
a. Distributed Adjustments	-122,000	
i) Reduction to baseline based on fiscal year 2008 reprogramming action.	-200,000	
ii) Reverses realignment to Direct Care for pharmacy workload migration.	78,000	
b. Undistributed Adjustments		0
c. Adjustments to meet Congressional Intent		0
d. General Provisions	1,184,000	
i) Additional funds in P.L. 110-329 to restore assumed savings associated with changes to the TRICARE benefit structure presented in the FY 2009 budget submission.	1,184,000	
e. Congressional Earmarks		0
<b>FY 2009 Appropriated Amount</b>		<b>13,217,751</b>
2. War-Related and Disaster Supplemental Appropriations		0
3. Fact of Life Changes		0
a. Functional Transfers		0
b. Technical Adjustments		0
1) Increases		
2) Decreases		
c. Emergent Requirements		0
<b>FY 2009 Baseline Funding</b>		<b>13,217,751</b>
4. Reprogrammings / Supplemental		0
a. Anticipated Supplemental		0
b. Reprogrammings		0
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings, Iraq Freedom Fund Transfers		0
<b>Normalized FY 2009 Current Estimate</b>		<b>13,217,751</b>

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
6. Price Change		1,003,506
7. Functional Transfers		-10,069
a. Transfers In	0	
b. Transfers Out	-10,069	
1) Transfers funding for software maintenance mission supporting Managed Care Contractors to Defense Manpower Data Center (DMDC.)	-10,069	
8. Program Increases		3,772,928
a. Annualization of New FY 2009 Program	0	
b. One-Time FY 2010 Costs	0	
c. Program Growth in FY 2010	3,772,928	
1) Reverses reduction to funding from congressional actions in P.L. 110-329 for FY 2009.	215,180	
2) Reverses adjustment to requirements for Federal Pricing reduction in FY 2009 President's Budget submission.	392,700	
3) Higher demands for healthcare and pharmaceuticals by eligible beneficiaries due to increased users and increased utilization of benefits.	1,834,788	
4) Additional funding provided by Department to restore unrealized savings from benefit reform proposals.	1,184,000	
5) Additional funding provided by Department for demonstration projects for preventive health, smoking cessation, military health risk assessment and adjustments to waive copayments for preventive care.	146,260	

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**C. Reconciliation of Increases and Decreases - continued**

	<u>Amount</u>	<u>Totals</u>
9. Program Decreases		-3,728,144
a. One-Time FY 2009 Costs	-2,580,725	
1) Reverses one year funding receipts from National Stockpile account.	-844,222	
2) Reverses one year Congressional funding action in P.L. 110-329 that restored assumed savings associated with changes to TRICARE benefit.	-1,357,786	
3) Reverses one year funding action by department to fund health benefits other than benefit reform.	-378,717	
b. Annualization of FY 2009 Program Decreases	0	
c. Program Decreases in FY 2010	-1,147,419	
1) Realignment of e-Commerce funding to RDT&E appropriation to reflect proper execution.	-4,099	
2) Decreased requirement in Retail Pharmacy for estimated savings at full implementation associated with Federal Pricing regulations for pharmaceuticals purchased at civilian pharmacies.	-760,716	
3) Adjusts requirement for savings associated with billings to TRICARE using Outpatient Prospective Payments Systems rates.	-314,610	
4) Reduces requirement for TRICARE Reserve Select program for first year implementation of the actuarial basis in determining monthly premium adjustments to be applied at the beginning of each calendar year.	-67,994	
<b>FY 2010 Budget Request</b>		<b>14,255,972</b>

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	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<b>Change</b> <b>FY 2009/ FY 2010</b>
<u>Uniformed Services Family Health Program</u>	93,861	96,061	98,827	2,766
Enrollees (Non-MERCHF, DoD only)	58,384	59,427	61,138	1,711
Enrollees (MERCHF, DoD only)	35,477	36,634	37,689	1,055
<b>V. <u>Personnel Summary</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2009/ FY 2010</u></b>
<u>Active Military End Strength (E/S) (Total)</u>				
Officer				
Enlisted				
<u>Active Military Average Strength (A/S) (Total)</u>				
Officer				
Enlisted				
<u>Civilian FTEs (Total)</u>				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
Total Civilians				
Memo: Reimbursable Civilians Included				
<u>Average Annual Civilian Salary (\$000)</u>				

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