

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2011 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 TRICARE Retail Pharmacy (TRRx) Program. 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 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 healthcare 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 healthcare 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 reservists (IRR) and family members.

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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 healthcare services in the civilian sector and non-DoD facilities either referred or non-referred from the MTF including emergency care. This program also covers healthcare sought in the civilian sector or non-DoD facilities due to 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 System and Medicare.

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 TRICARE Overseas and Global Remote Overseas Programs. The program also includes healthcare provided to retiree and retiree family members residing overseas who are eligible under the TRICARE Standard option and Medicare programs. The Supplemental Care program which funds healthcare provided in the private sector to members and other designated eligible patients records costs for the overseas beneficiaries in this program element.

Miscellaneous Purchased Health Care: Provides for payments of healthcare services in civilian facilities by private practitioners not captured in other specifically defined elements. Includes administrative, management,

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and healthcare costs for Alaska claims, Custodial Care, Continuing Health Care Benefits Program, Dual-Eligible Beneficiaries Program, TMA managed demonstrations and congressionally directed healthcare programs, and the TRICARE Reserve Select program which is a premium based option available to Selected Reservists and their family members. The claims for qualifying dual-eligible beneficiaries are paid by the Medicare Eligible Retiree Health Care Fund (MERHCF).

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 9.5 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 2.1 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 Health Care Fund (MERHCF). The MCSCs provide a uniform, triple-option healthcare 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 (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 Active Duty and TRICARE Reserve Select premium based program for Selected Reservists and their family members. The Supplemental Care Program funds healthcare to active duty service members and other designated eligible patients receiving care 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 healthcare is by enrollment to one of the Uniformed Services Family Health Program facilities located in specific geographic markets. All care paid under this budget activity group is purchased in the civilian communities augmenting healthcare provided in the DoD Military facilities.

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III. Financial Summary (\$ in Thousands)

	FY 2010						
	FY 2009 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>		<u>Appropriated</u>	<u>Current Estimate</u>	FY 2011 <u>Estimate</u>
<u>Amount</u>			<u>Percent</u>				
A. Subactivities							
1. Pharmaceuticals - Purchased Health Care	264,037	358,693	(68,223)	-19%	290,470	290,470	320,885
2. National Retail Pharmacy	1,894,439	1,985,527	(299,457)	-15%	1,686,070	1,686,070	1,853,760
3. Managed Care Support Contracts	6,395,199	6,502,748	200,100	3%	6,702,848	6,702,848	7,376,503
4. MTF Enrollees - Purchased Care	2,328,413	2,387,642	371,024	16%	2,758,666	2,758,666	2,977,883
5. Dental - Purchased Care	306,826	327,448	3,821	1%	331,269	331,269	354,505
6. Uniformed Services Family Health Program	334,735	394,243	(16,694)	-4%	377,549	377,549	423,380
7. Supplemental Care - Health Care	1,244,343	1,260,235	90,774	7%	1,351,009	1,351,009	1,573,663
8. Supplemental Care - Dental	194,384	165,050	(36,589)	-22%	128,461	128,461	144,021
9. Continuing Health Education /Capitalization	266,852	312,781	(15,199)	-5%	297,582	297,582	336,156
10. Overseas - Purchased Health Care	240,088	261,848	20,025	8%	281,873	281,873	302,044
11. Miscellaneous Purchased Health Care	181,152	247,893	-9,886	-4%	238,007	213,007	261,825
12. Miscellaneous Support Activities	<u>72,335</u>	<u>51,864</u>	<u>67,304</u>	<u>130%</u>	<u>119,168</u>	<u>119,168</u>	<u>110,120</u>
Total	13,722,803	14,255,972	307,000	2%	14,562,972	14,537,972	16,034,745

NOTES: (\$ in Millions)

1. FY 2009 actuals includes \$38.354M from the FY 2009 Overseas Contingency Operations (OCO) Bridge Supplemental, Public Law 110-252, and \$492.253M from the Supplemental Appropriations Act of 2009, Public Law 111-32.

2. Excluded from the figures above are the receipts from the DoD Medicare Eligible Retiree Health Care Fund, in the amount of \$6,650.709M in FY 2009; projections for MERHCF in FY 2010 are approximately \$6,977.700M and in FY 2011 approximately \$7,640.621M to pay for purchased health care.

3. FY 2010 current estimate excludes \$530.567M appropriated for OCO under the Department of Defense Appropriations Act, FY 2010, Public Law 111-118.

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B. <u>Reconciliation Summary</u>	<u>Change</u> <u>FY 2010/FY 2010</u>	<u>Change</u> <u>FY 2010/FY 2011</u>
Baseline Funding	14,255,972	14,537,972
Congressional Adjustments (Distributed)	307,000	n/a
Congressional Adjustments (Undistributed)	0	n/a
Adjustments to Meet Congressional Intent	0	n/a
Congressional Adjustments (General Provisions)	0	n/a
Subtotal Appropriated Amount	14,562,972	n/a
OCO and Other Supplemental Appropriations	530,567	n/a
Fact-of-Life Changes (CY to CY Only)	-25,000	n/a
Subtotal Baseline Funding	15,068,539	n/a
Anticipated Supplemental	28,175	n/a
Reprogrammings	0	n/a
Less: OCO and Anticipated Supplemental Appropriations	-558,742	n/a
Revised Current Estimate	14,537,972	14,537,972
Price Changes	n/a	479,753
Functional Transfers	n/a	0
Program Changes	n/a	<u>1,017,020</u>
Current Estimate	14,537,972	16,034,745

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
FY 2010 President's Budget Request (Amended, if applicable)		14,255,972
1. Congressional Adjustments		307,000
a. Distributed Adjustments	307,000	
1.) Additional funding to support increasing healthcare costs and utilization	307,000	
b. Undistributed Adjustments		0
c. Adjustments to meet Congressional Intent		0
d. General Provisions		0
FY 2010 Appropriated Amount		14,562,972
2. OCO and Other Supplemental Appropriations		530,567
3. Fact of Life Changes		-25,000
a. Functional Transfers	-25,000	
1) Transfer to DoD/VA Joint Incentive Fund for FY 2010 portion of the IM/IT mission to be performed under the North Chicago Joint Venture.	-25,000	
b. Technical Adjustments		0
1) Increases		
2) Decreases		
c. Emergent Requirements		0
FY 2010 Baseline Funding		15,068,539
4. Reprogrammings / Supplemental		
a. Anticipated OCO Supplemental		28,175
b. Reprogrammings		0
5. Less: OCO and Anticipated Supplemental Appropriations		-558,742
a. OCO Supplemental Funding	-530,567	
b. OCO Anticipated Supplemental Appropriation	-28,175	
Revised FY 2010 Estimate		14,537,972
Current Estimate for FY 2010		14,537,972

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
6. Price Change		479,753
7. Functional Transfers		0
a. Transfers In	0	
b. Transfers Out	0	
8. Program Increases		1,182,546
a. Annualization of New FY 2010 Program	0	
b. One-Time FY 2011 Costs	0	
c. Program Growth in FY 2011	1,182,546	
1) Pharmacy: Cost increases are the result of 2.3% growth in new users and 4.13% increased utilization of the pharmacy benefits by all users. Increased users are a result of end-strength increase, additional retirees and their family members who are now using TRICARE as their primary healthcare plan.	203,007	
2) Utilization of Managed Care Support Contracts: Cost increases are the result of 1.05% growth in healthcare users and 5.23% increased utilization of healthcare benefits by all users. Increased users are a result of end-strength increase, additional retirees and their family members who are now using TRICARE as their primary healthcare plan.	962,313	
3) TRICARE Active Duty Family Member Dental Program: The renegotiated contract results in a 5.2% rate increase, beginning in February, 2011 to provide dental coverage to family members and survivors who enroll in the program and remit their premiums.	17,226	
9. Program Decreases		-165,526
a. One-Time FY 2010 Costs		
b. Annualization of FY 2010 Program Decreases		
c. Program Decreases in FY 2011		-165,526
1) Federal Ceiling Pricing: Additional incremental Federal Ceiling Pricing estimated cost savings over FY 2010 projections resulting from initiative enacted for achieving reimbursement paid to the government from prescriptions filled by civilian pharmacies.	-56,072	

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| 2) Outpatient Prospective Payment System (OPPS): Cost containment initiative from pricing hospital outpatient services at lower Medicare rate under Ambulatory Payment Classification (APC) groupings. | -41,454 |
| 3) Fraud, Waste and Abuse Activities: Projected savings from initiatives designed to improve identification, verification and prevention of waste, fraud and abuse within the TRICARE pharmacy and healthcare programs. | -68,000 |

FY 2011 Budget Request

16,034,745

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Change FY 2009/ FY 2010</u>	<u>Change FY 2010/ FY 2011</u>
<u>Uniformed Services Family Health Program</u>	97,281	101,190	105,286	3,909	4,096
Enrollees (Non-MERCHF, DoD only)	60,935	63,877	66,981	2,942	3,104
Enrollees (MERCHF, DoD only)	36,346	37,313	38,305	967	992

V. Personnel Summary

<u>Active Military End Strength (E/S) (Total)</u>	0	0	0	N/A	N/A
Officer					
Enlisted					
<u>Active Military Average Strength (A/S) (Total)</u>	0	0	0	N/A	N/A
Officer					
Enlisted					
<u>Civilian FTEs (Total)</u>	0	0	0	N/A	N/A
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) N/A</u>	N/A	N/A	N/A		

VI. Out-year Summary: N/A

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