

**Defense Health Program
Fiscal Year (FY) 2015 Budget Estimates
Operation and Maintenance
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) which is a premium based program for Reserves 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 program (TTRx). TRRx provides network pharmaceutical prescription benefits for medications from local economy establishments.

TRICARE 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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I. Description of Operations Financed (cont.)

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 health care 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) or through contractual services.

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I. Description of Operations Financed (cont.)

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.

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 health care 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 health care provided in the private sector to Active Duty members and other designated eligible patients records costs for the overseas beneficiaries 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 Alaska claims, Custodial Care, Continuing Health Care Benefits Program, Dual-Eligible Beneficiaries Program, TMA managed demonstrations and congressionally directed health care programs, and the TRICARE Reserve Select program which is a premium based option available to Selected Reservists and their family members. The qualifying Dual-Eligible Beneficiaries claims 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.

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II. Force Structure Summary:

Approximately 9.3 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 2.2 million Medicare eligible beneficiaries. Excluded from the budget figures presented are health care 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 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 (TRICARE standard).

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III. Financial Summary (\$ in thousands)

	FY 2013 <u>Actual</u>	Budget <u>Request</u>	FY 2014 <u>Congressional Action</u>			Current <u>Estimate</u>	FY 2015 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
A. <u>BA Subactivities</u>							
1. Pharmaceuticals Purchased Health Care	505,741	972,439	-403,252	-41.5	569,187	569,187	1,003,970
2. National Retail Pharmacy	1,314,885	1,233,994	492,959	39.0	1,726,953	1,726,953	1,172,830
3. Managed Care Support Contracts	6,793,409	6,958,656	-716,604	-10.3	6,242,052	6,242,052	6,940,240
4. MTF Enrollee Purchased Care	2,316,687	2,524,474	12,731	.5	2,537,205	2,537,205	2,352,436
5. Dental Purchased Care	318,149	339,049	-12,335	-3.6	326,714	326,714	334,322
6. Uniformed Services Family Health Program	422,972	445,085	9,181	2.1	454,266	454,266	475,973
7. Supplemental Care - Health Care	1,477,258	1,641,936	-150,251	-9.2	1,491,685	1,491,685	1,494,016
8. Supplemental Care - Dental	162,886	218,266	-61,271	-28.1	156,995	156,995	163,431
9. Continuing Health Education/Capitalization	374,384	413,439	2,335	.6	415,774	415,774	453,721
10. Overseas Purchased Health Care	307,496	337,614	-12,170	-3.6	325,444	325,444	357,867
11. Miscellaneous Purchased Health Care	577,084	628,787	-61,338	-9.8	567,449	567,449	533,021
12. Miscellaneous Support Activities	80,573	128,993	-2,461	-1.9	126,532	126,532	130,772
Total	14,651,524	15,842,732	-902,476	-5.7	14,940,256	14,940,256	15,412,599

1. FY 2013 actuals include \$377.0M for OCO.

2. FY 2014 estimate excludes \$377.1.6M for OCO.

3. FY 2015 request excludes OCO.

4. Does not reflect Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) for FY 2013 of \$6,510.4M, FY 2014 of \$7,402.9 and FY 2015 of \$7941.7M for O&M only.

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2014/FY 2014</u>	<u>FY 2014/FY 2015</u>
Baseline Funding	15,842,732	14,940,256
Congressional Adjustments (Distributed)	-902,476	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	14,940,256	
Fact-of-Life Changes (2014 to 2014 Only)		
Subtotal Baseline Funding	14,940,256	
Supplemental	377,060	
Reprogrammings		
Price Changes		551,165
Functional Transfers		
Program Changes		-78,822
Current Estimate	15,317,316	15,412,599
Less: Wartime Supplemental	-377,060	
Normalized Current Estimate	14,940,256	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2014 President's Budget Request (Amended, if applicable)		15,842,732
1. Congressional Adjustments		-902,476
a. Distributed Adjustments		
1) Congressional Adjustments	-902,476	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2014 Appropriated Amount		14,940,256
2. OCO and Other Supplemental Enacted		377,060
a. OCO and Other Supplemental Requested		
1) OCO Supplemental	377,060	
3. Fact-of-Life Changes		
FY 2014 Baseline Funding		15,317,316
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2014 Estimate		15,317,316
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		-377,060
FY 2014 Normalized Current Estimate		14,940,256
6. Price Change		551,165
7. Functional Transfers		
8. Program Increases		298,272
a. Annualization of New FY 2014 Program		
b. One-Time FY 2015 Increases		
c. Program Growth in FY 2015		
1) New Programs/Extended Healthcare Coverage	121,936	
Amounts added to program for expected increases to TRICARE Reserve Select participation due to the mandates from the Patient Protection and Affordable Care Act and expected increases from the recent Supreme Court ruling on the Defense of Marriage Act		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
provisions. FY 2014 DHP Managed care Support Contracts baseline funding is \$6,242.1M.		
2) Other Healthcare Programs	118,336	
Increase to requirement includes costs associated with contractually embedded rate increases in the active duty dental program, projected increase in Continuing Health Education (CHE)/Capitalization of Assets (CAP) payments, USFHP enrollment increases, and TRICARE Overseas program growth. FY 2014 DHP Managed Care Support Contracts baseline funding is \$6,242.1M.		
3) FY 2015 Benefit Reform Proposal - Consolidated TRICARE Plan:	58,000	
Assumed initial costs to consolidate the TRICARE health plan into a single plan to replace the current TRICARE Prime, Standard, and Extra health insurance-like products that will better manage costs by building a shared commitment to health care while offering beneficiaries more flexibility and choice. FY 2014 DHP Managed Care Support Contracts baseline funding is \$6,242.1M.		
9. Program Decreases		-377,094
a. Annualization of FY 2014 Program Decreases		
b. One-Time FY 2014 Increases		
c. Program Decreases in FY 2015		
1) FY 2015 Benefit Reform Proposal - Pharmacy Co-Pays:	-206,715	
Assumed savings resulting from additional increases to Retail Pharmacy Co-Pays and mandatory use of mail order or MTF pharmacies for maintenance drugs. FY 2014 DHP Retail Pharmacy Baseline is \$1,727.0M		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
2) Defense Health Agency (DHA) Shared Services Savings associated with closing CONUS Tricare Service Centers; increased effort to collect third-party health care insurance payments; and a projected reduction in private sector care usage due to reduced redeployment assessment appointments that will allow for an increase in other beneficiary appointments. FY 2014 Managed Care Support Contracts baseline funding is \$6,242.1M.	-87,017	
3) MHS Modernization Study In FY 2013, the ASD(HA) established the Military Health System (MHS) modernization study to assess if changes are needed at military treatment facilities to improve readiness, enhance quality of care, and reduce health care costs. This study includes personnel productivity benchmarks, an assessment of beneficiary demands for care, and business practices to facilitate efficient and effective health care delivery. The savings identified in FY 2015 reflect implementation of the first round of recommendations to reconfigure MHS inpatient capabilities to better serve our beneficiaries and warfighters and maintain provider wartime skills at lower costs. In this Budget Activity Group, the reductions are from Private Sector Care costs that will be recaptured in the Direct Care system. By reconfiguring inpatient resources, the MHS plans to increase provider productivity and ability to increase workload in the Direct Care system. FY 2014 DHP Managed Care Support Contract baseline finding is \$6,242.1M	-83,362	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2015 Budget Request		15,412,599

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change FY 2013/2014</u>	<u>Change FY 2014/2015</u>
Uniformed Service Family Health Services:					
DoD Enrollees (Non-MERHCF)	122,165	124,131	126,145	1,966	2,014
DoD Enrollees (MERHCF)	78,622	80,588	82,602	1,966	2,014
	43,543	43,543	43,543	0	0
Workload for Medical Care and Pharmacy:					
Admissions	372,282	366,128	361,950	-6,154	-4,178
Weighted Workload - Inpatient RWP's	354,185	349,416	346,656	-4,769	-2,760
Visits	42,269,375	43,070,625	44,953,128	801,250	1,882,503
Weighted Workload - Outpatient RVU's	113,124,767	115,280,792	120,346,279	2,156,025	5,065,487
				-	
Retail Pharmacy Prescriptions	31,439,015	30,219,715	30,062,553	1,219,300	-157,162
Mail Order Prescriptions	4,030,360	4,224,463	4,229,604	194,103	5,141

V. Personnel Summary

N/A

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VI. OP 32 Line Items as Applicable (Dollars in thousands):

<u>OP 32 Line</u>	<u>FY 2013</u> <u>Actual</u>	<u>Change</u> <u>FY 2013/FY 2014</u>		<u>FY 2014</u> <u>Estimate</u>	<u>Change</u> <u>FY 2014/FY 2015</u>		<u>FY 2015</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
308 Travel of Persons	520	10	-59	471	8	-15	464
399 TOTAL TRAVEL	520	10	-59	471	8	-15	464
601 Army Industrial Operations	147	6	-153	0	0	0	0
614 Space & Naval Warfare Center	17	0	-17	0	0	0	0
647 DISA Enterprise Computing Centers	5,526	185	662	6,373	-47	196	6,522
679 Cost Reimbursable Purchase	12,196	232	-12,428	0	0	0	0
699 TOTAL DWCF PURCHASES	17,886	423	-11,936	6,373	-47	196	6,522
912 Rental Payments to GSA (SLUC)	193	4	-197	0	0	0	0
921 Printing & Reproduction	8,482	161	-5,843	2,800	50	2,555	5,405
924 Pharmaceutical Drugs	1,820,626	71,004	404,510	2,296,140	84,957	-204,297	2,176,800
925 Equipment Purchases (Non-Fund)	1,516	59	-1,575	0	0	0	0
932 Mgt Prof Support Svcs	6,369	121	6,402	12,892	232	86	13,210
933 Studies, Analysis & Eval	1,340	25	524	1,889	34	12	1,935
986 Medical Care Contracts	12,768,098	497,956	-698,841	12,567,213	464,987	122,158	13,154,358
987 Other Intra-Govt Purch	2,952	56	20,572	23,580	424	151	24,155
989 Other Services	6,963	132	-4,071	3,024	54	18	3,096
990 IT Contract Support Services	16,579	315	8,980	25,874	466	314	26,654
999 TOTAL OTHER PURCHASES	14,633,118	569,833	-269,539	14,933,412	551,204	-79,003	15,405,613
Total	14,651,524	570,266	-281,534	14,940,256	551,165	-78,822	15,412,599