

**Defense Health Program
Fiscal Year (FY) 2015 Budget Estimates
Operation and Maintenance
Management Activities**

I. Description of Operations Financed: This Budget Activity Group is comprised of Services' Medical Headquarters and Defense Health Agency's functions supporting Military Health System (MHS) worldwide patient care delivery:

Management Headquarters - Resources required for the U.S. Army Medical Command, the Navy Bureau of medicine and Surgery, the Air Force Medical Operations Agency, and the Defense Health Agency personnel identified as management headquarters staff the coordinate and oversee the provision of health care within the Military Health System.

Defense Health Agency - This program element contains funding for Defense Health Agency (DHA) operating costs supporting delivery of patient care worldwide for members of the Armed Forces, family members, and others entitled to DoD health care. Oversees and maintains DoD Unified Medical Program resources for all medical activities.

TRICARE Management Activity - Resources required for the operation of the TRICARE Management Activity. These operating costs support delivery of patient care worldwide for members of the Armed Forces, family members, and others entitled to DoD health care. This also includes the TRICARE Regional Offices (TROs), the Military Medical Support Office (MMSO), and the Pharmacoeconomic Center (PEC). FY 2014 is the last year this Operation will be financed. The Defense Health Agency will become the Operation of Record in FY 2015.

II. Force Structure Summary:

Force Structure Summary: Management Headquarters includes resources necessary to support headquarters functions outlined in DoD Directive 5100.73, Major Department of Defense

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II. Force Structure Summary (cont.)

Headquarters Activities. Within the Defense Health Program, this includes the cost of operating the Defense Health Agency, the U.S. Army Medical Command, the Navy Bureau of Medicine and Surgery, and the Air Force Surgeon Medical Operations Agency.

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III. Financial Summary (\$ in thousands)

	FY 2014						
	FY 2013	Budget	Congressional Action			Current	FY 2015
			Request	Amount	Percent		
<u>A. BA Subactivities</u>	<u>Actual</u>	<u>Request</u>	<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>	<u>Estimate</u>	<u>Estimate</u>
Defense Health Agency (Started FY 2014)	0	0	0	n/a	0	0	220,890
Management Headquarters	136,373	143,885	-5,333	-3.7	138,552	139,161	145,333
TRICARE Management Activity (Ended FY 2013)	177,624	224,363	-23,899	-10.7	200,464	199,855	0
Total	313,997	368,248	-29,232	-7.9	339,016	339,016	366,223

1. FY 2013 actuals include \$066.M for Overseas Contingency Operations (OCO).
2. FY 2014 estimate excludes \$0.46M for OCO.
3. FY 2015 request excludes OCO.

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2014/FY 2014</u>	<u>FY 2014/FY 2015</u>
Baseline Funding	368,248	339,016
Congressional Adjustments (Distributed)	-29,232	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	339,016	
Fact-of-Life Changes (2014 to 2014 Only)		
Subtotal Baseline Funding	339,016	
Supplemental	460	
Reprogrammings		
Price Changes		4,660
Functional Transfers		
Program Changes		22,547
Current Estimate	339,476	366,223
Less: Wartime Supplemental	-460	
Normalized Current Estimate	339,016	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2014 President's Budget Request (Amended, if applicable)		368,248
1. Congressional Adjustments		-29,232
a. Distributed Adjustments		
1) One-time FY 2014 Congressional Reduction: Program Decrease	-21,362	
2) One-time FY 2014 Congressional Reduction: Other Services Excess Growth	-6,914	
3) One-time FY 2014 Congressional Reduction: Defense Acquisition Workforce Excess Growth	-956	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2014 Appropriated Amount		339,016
2. OCO and Other Supplemental Enacted		460
a. OCO and Other Supplemental Requested		
1) OCO	460	
3. Fact-of-Life Changes		
FY 2014 Baseline Funding		339,476
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2014 Estimate		339,476
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		-460
FY 2014 Normalized Current Estimate		339,016
6. Price Change		4,660
7. Functional Transfers		
8. Program Increases		43,036
a. Annualization of New FY 2014 Program		
b. One-Time FY 2015 Increases		
1) Reversal of One-time FY 2014 Congressional Reductions.	29,632	
c. Program Growth in FY 2015		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
1) Financial Improvement and Audit Readiness Requirements: Supports the preparation of financial statements to comply with DoD Financial Improvement and Audit Readiness Requirements. FY 2014 Other Services baseline funding is \$39.6M.	8,198	
2) Civilian Pay Realignment: Realigns civilian pay resources from the Consolidated Health Support Budget Activity Group (BAG) to accommodate changes in mission priorities. FY 2014 Management Activities BAG Civilian Pay baseline funding is \$195.3M. FY 2014 DHP baseline staffing is 1,538 civilians FTEs.	3,315	
3) TRICARE Operations Center: Realigns funding from the Information Management Budget Activity Group supporting the operation of TRICARE Operations Center (TOC) to provide military treatment facility commanders and staffs with better decision support tools to maximize clinical capacity. FY 2014 DHP TOC baseline funding is \$1.2M. FY 2014 DHP TOC baseline staffing is 1 civilian FTE and 4 contractor FTEs. (FY 2014 Baseline \$0 thousand; +0 FTEs)	1,213	
4) Supplies and Materials: Increase in funding to support the Defense Health Agency and Shared Services concept by the realignment of supplies and equipment. FY 2014 Management Activities Budget Activity Group supplies and materials (Non-Fund) baseline funding is \$13.00M.	678	
9. Program Decreases		-20,489
a. Annualization of FY 2014 Program Decreases		
b. One-Time FY 2014 Increases		

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
c. Program Decreases in FY 2015		
1) 20% Headquarters Reduction: Implements an incremental 20% reduction to Defense Health Program headquarters in compliance with the Department of Defense 31 July 2013 memorandum, "20% Headquarters Reduction", signed by the Deputy Secretary of Defense. The reduction applies to the total headquarters budget and includes both civilian (-48 FTEs) and contract personnel (-61 FTEs) Reductions in this Budget Activity Group (BAG) includes military unique and other medical activities. FY 2014 Management Activities BAG funding baseline is \$339.0M. FY 2014 Management Activities BAG baseline staffing is 1,538 civilian FTEs and 512 contract FTEs.	-12,832	
2) Civilian Workload Analysis Adjustment: In compliance with the Secretary of Defense's direction to shape a properly sized and highly capable workforce in support of the Total Force, the Defense Health Program (DHP) is implementing a reduction of 54 civilian FTEs. FY 2014 Management Activities civilian pay baseline funding is \$195.3M. FY 2014 Management Activities baseline staffing 1,538 civilians FTEs.	-6,370	
3) Travel Reduction: Reduces travel funding to meet Congressional intent to change the Joint Federal Travel Regulations/Joint Travel Regulation in an effort to reduce travel costs. This reduction results in travel efficiencies achieved by using preferred government lodging, non-payment of state and local taxes and other travel efficiencies and limitations. FY 2014 Management Activities Budget	-1,287	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Activity Group travel baseline is \$5.8M. FY 2015 Budget Request		366,223

IV. Performance Criteria and Evaluation Summary:

Refer to the Personnel Summary in Section V.

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V. <u>Personnel Summary</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change FY 2013/ FY 2014</u>	<u>Change FY 2014/ FY 2015</u>
<u>Active Military End Strength (E/S) (Total)</u>	<u>864</u>	<u>790</u>	<u>729</u>	<u>-74</u>	<u>-61</u>
Officer	635	571	554	-64	-17
Enlisted	229	219	175	-10	-44
<u>Active Military Average Strength (A/S) (Total)</u>	<u>828</u>	<u>827</u>	<u>762</u>	<u>-1</u>	<u>-65</u>
Officer	608	603	565	-5	-38
Enlisted	220	224	197	4	-27
<u>Civilian FTEs (Total)</u>	<u>1,453</u>	<u>1,538</u>	<u>1,490</u>	<u>85</u>	<u>-48</u>
U.S. Direct Hire	1,448	1,533	1,485	85	-48
Total Direct Hire	1,448	1,533	1,485	85	-48
Foreign National Indirect Hire	5	5	5	0	0
Average Annual Civilian Salary (\$ in thousands)	125.0	127.3	128.4	2.3	1.1
<u>Contractor FTEs (Total)</u>	<u>593</u>	<u>512</u>	<u>451</u>	<u>-81</u>	<u>-61</u>

Explanation of changes in Military Personnel: the change from FY 2013 to FY 2014 of -74 is not a decrease. The change includes an adjustment of +81 to the FY 2013 programmed amount of 783 for FY 2013 actuals (864). The FY 2013 actuals adjustment reflects a 110% fill rate and is reflective of military personnel retention and distribution priorities. The change from FY 2014 to FY 2015 of -61 includes Navy internal realignment (+14) and Air Force reductions (-75) to meet requirements of the Budget Control Act.

Narrative Explanation of changes in Civilian Personnel: Reduction of civilian 48 FTEs to align with directed decreases in Headquarters support.

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Narrative Explanation of changes in Contractor FTEs: Reduction in contractor FTEs are a result of directed decreases in Headquarters support.

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

<u>OP 32 Line</u>	Change			Change			<u>FY 2015 Estimate</u>
	<u>FY 2013 Actual</u>	<u>FY 2013/FY 2014</u>		<u>FY 2014 Estimate</u>	<u>FY 2014/FY 2015</u>		
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
308 Travel of Persons	4,733	90	1,025	5,848	105	-131	5,822
399 TOTAL TRAVEL	4,733	90	1,025	5,848	105	-131	5,822
412 Navy Managed Supply, Matl	0	0	1	1	0	0	1
417 Local Purch Supplies & Mat	817	16	-188	645	12	0	657
499 TOTAL SUPPLIES & MATERIALS	817	16	-187	646	12	0	658
601 Army Industrial Operations	24	1	-25	0	0	0	0
633 DLA Document Services	20	0	13	33	2	-35	0
696 DFAS Financial Operation (Other Defense Agencies)	420	55	-475	0	0	0	0
699 TOTAL DWCF PURCHASES	464	56	-487	33	2	-35	0
771 Commercial Transport	44	1	192	237	4	0	241
799 TOTAL TRANSPORTATION	44	1	192	237	4	0	241
9xx Civ Pay Reimburs Host	181,139	1,359	12,770	195,268	1,953	-6,367	190,854
901 Foreign National Indirect Hire (FNIH)	425	3	0	428	4	0	432
902 Separation Liab (FNIH)	100	1	-1	100	1	-1	100
913 Purchased Utilities (Non-Fund)	0	0	655	655	12	-226	441
914 Purchased Communications (Non- Fund)	653	12	891	1,556	28	-51	1,533
915 Rents (Non-GSA)	7	0	22	29	1	-1	29
917 Postal Services (U.S.P.S)	0	0	384	384	7	0	391
920 Supplies & Materials (Non- Fund)	2,733	52	10,005	12,790	230	4,341	17,361
921 Printing & Reproduction	97	2	665	764	14	-54	724
922 Equipment Maintenance By Contract	0	0	265	265	5	147	417
923 Facilities Sust, Rest, & Mod by Contract	0	0	1	1	0	1	2
925 Equipment Purchases (Non-Fund)	572	11	1,306	1,889	34	-682	1,241
932 Mgt Prof Support Svcs	58,824	1,118	-12,018	47,924	863	1,059	49,846
933 Studies, Analysis & Eval	17,049	324	-10,546	6,827	123	1,515	8,465
934 Engineering & Tech Svcs	4,882	93	-4,780	195	4	-7	192

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<u>OP 32 Line</u>	FY 2013 <u>Actual</u>	Change <u>FY 2013/FY 2014</u>		FY 2014 <u>Estimate</u>	Change <u>FY 2014/FY 2015</u>		FY 2015 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
955 Other Costs (Medical Care)	448	17	5,926	6,391	236	4,162	10,789
960 Other Costs (Interest and Dividends)	79	2	-81	0	0	0	0
964 Other Costs (Subsistence and Support of Persons)	4	0	10	14	0	0	14
984 Equipment Contracts	37	1	-38	0	0	0	0
986 Medical Care Contracts	230	9	-232	7	0	1	8
987 Other Intra-Govt Purch	5,694	108	3,137	8,939	161	1,284	10,384
988 Grants	0	0	17	17	0	1	18
989 Other Services	31,620	601	7,363	39,584	713	10,322	50,619
990 IT Contract Support Services	3,346	64	4,815	8,225	148	7,269	15,642
999 TOTAL OTHER PURCHASES	307,939	3,777	20,536	332,252	4,537	22,713	359,502
Total	313,997	3,940	21,079	339,016	4,660	22,547	366,223