

**Defense Health Program
Fiscal Year (FY) 2016 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 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.

Military Treatment Facility (MTF) Enrollees Purchased Care - Includes underwritten costs for providing health care benefits to the Military Treatment Facility Prime enrollees in

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

I. Description of Operations Financed (cont.)

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 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 Veterans' Affairs 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.

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

I. Description of Operations Financed (cont.)

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 beneficiaries.

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, Defense Health Agency (DHA) 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.%3

II. Force Structure Summary:

Approximately 9.2 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 2.4 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

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

II. Force Structure Summary (cont.)

(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).

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

III. Financial Summary (\$ in thousands)

	<u>FY 2015</u>						
	<u>FY 2014</u> <u>Actual</u>	<u>Budget</u> <u>Request</u>	<u>Congressional Action</u>		<u>Appropriated</u>	<u>Current</u> <u>Estimate</u>	<u>FY 2016</u> <u>Estimate</u>
<u>Amount</u>			<u>Percent</u>				
A. <u>BA Subactivities</u>							
1. Pharmaceuticals Purchased Health Care	489,682	1,003,970	-519,687	-51.8	484,283	484,283	852,493
2. National Retail Pharmacy	1,733,743	1,172,830	612,827	52.3	1,785,657	1,785,657	1,125,025
3. Managed Care Support Contracts	6,465,955	6,940,240	-750,352	-10.8	6,189,888	6,189,888	6,493,776
4. MTF Enrollee Purchased Care	2,497,389	2,352,436	-28,786	-1.2	2,323,650	2,323,650	2,524,033
5. Dental Purchased Care	320,268	334,322	-20,518	-6.1	313,804	313,804	356,647
6. Uniformed Services Family Health Program	460,480	475,973	14,750	3.1	490,723	490,723	514,464
7. Supplemental Care - Health Care	1,282,333	1,494,016	-227,270	-15.2	1,266,746	1,266,746	1,282,120
8. Supplemental Care - Dental	161,069	163,431	-25,281	-15.5	138,150	138,150	142,315
9. Continuing Health Education/Capitalization	341,621	453,721	-52,125	-11.5	401,596	401,596	429,909
10. Overseas Purchased Health Care	270,055	357,867	-39,096	-10.9	318,771	318,771	303,711
11. Miscellaneous Purchased Health Care	626,071	533,021	104,766	19.7	637,787	637,787	713,048
12. Miscellaneous Support Activities	98,196	130,772	21,932	16.8	152,704	152,704	155,142
Total	14,746,862	15,412,599	-908,840	-5.9	14,503,759	14,503,759	14,892,683

1. FY 2014 actuals include \$288.3M for Overseas Contingency Operations (OCO).
2. FY 2014 actuals do not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF) of \$7,394.6M (O&M Only).
3. FY 2014 actuals include Defense Health Program, 13/14 (O&M) Carryover (\$308M) pursuant to PL 113-6, Title VI, 127 STAT. 293-294.
4. FY 2014 Omnibus Reprogramming -\$411.7M: PSC (Base) -\$165.8M to Research, Development, Test and Evaluation (RDT&E); PSC (Base) - \$157.1M to Department of Defense (DoD); PSC (Base)-\$0.009M to TMIP-J (RDT&E); and, PSC (OCO)-\$88.8M to DoD.

Private Sector Care
PSC-5

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

III. Financial Summary (\$ in thousands)

5. FY 2015 estimate excludes \$214.3M for OCO.
6. FY 2015 estimate does not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF) of \$7,220.0M (O&M Only).
7. FY 2016 request excludes OCO.
8. FY 2016 request does not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF) of \$8,036.6M (O&M Only).

Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care

III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2015/FY 2015</u>	<u>FY 2015/FY 2016</u>
Baseline Funding	15,412,599	14,503,759
Congressional Adjustments (Distributed)	-908,840	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	14,503,759	
Fact-of-Life Changes (2015 to 2015 Only)		
Subtotal Baseline Funding	14,503,759	
Supplemental	214,259	
Reprogrammings		
Price Changes		534,299
Functional Transfers		
Program Changes		-145,375
Current Estimate	14,718,018	14,892,683
Less: Wartime Supplemental	-214,259	
Normalized Current Estimate	14,503,759	

Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care

III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2015 President's Budget Request (Amended, if applicable)		15,412,599
1. Congressional Adjustments		-908,840
a. Distributed Adjustments		
1) FY 2015 One-Time Congressional Adjustment: Restoration of benefit proposals.	148,715	
2) FY 2015 One-Time Congressional Adjustment: Historical under-execution and excess growth.	-1,057,555	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2015 Appropriated Amount		14,503,759
2. OCO and Other Supplemental Enacted		214,259
a. OCO and Other Supplemental Requested		
1) OCO Supplemental	214,259	
3. Fact-of-Life Changes		
FY 2015 Baseline Funding		14,718,018
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2015 Estimate		14,718,018
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		-214,259
FY 2015 Normalized Current Estimate		14,503,759
6. Price Change		534,299
7. Functional Transfers		
8. Program Increases		1,259,812
a. Annualization of New FY 2015 Program		
b. One-Time FY 2016 Increases		
1) Reversal of one-time Congressional decrease (historical under-execution and excess growth).	1,102,598	
c. Program Growth in FY 2016		
1) Other Healthcare Programs:	101,933	

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Increase to baseline requirements includes costs associated with family member dental program contract transition, Continuing Health Education/Capitalization of Assets (CHE/CAP), TRICARE Reserve Select (TRS) Program, and Uniformed Services Family Health Program (USFHP). The FY 2015 Private Sector Care Family Member Dental Program, Miscellaneous Purchased Health Care (TRS), CHE/CAP, and USFHP baseline funding is \$1,843.9M.		
2) FY 2016 Health Benefit Reform - Consolidated Health Plan: 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. The FY 2015 Private Sector Care Managed Care Support Contract baseline funding is \$6,189.9M.	55,281	
9. Program Decreases		-1,405,187
a. Annualization of FY 2015 Program Decreases		
b. One-Time FY 2015 Increases		
c. Program Decreases in FY 2016		
1) Eligible Beneficiary Population Downsizing: Savings generated from planned reductions to the Total Force end-strength and associated family members. The FY 2015 Private Sector Care Managed Care Support Contracts, Military Treatment Facility Enrollee Purchased Care, Pharmaceuticals Purchased Health Care and National Retail Pharmacy baseline	-901,315	

Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
funding is \$10,783.5M.		
2) FY 2016 Health Benefit Reform - Pharmacy Co-Pays: Assumed savings resulting from additional increases to retail pharmacy co-pays and mandatory use of mail order or Military Treatment Facility (MTF) pharmacies for maintenance drugs. The FY 2015 Private Sector Care Retail Pharmacy baseline funding is \$1,785.7M.	-374,018	
3) Savings from Defense Health Agency (DHA) Shared Service-Health Plan Savings associated with the Health Plan Shared Service. Savings come from the closure of the Continental United States (CONUS) TRICARE Service Centers; increased efforts 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 more availability of Military Treatment Facilities' appointments to beneficiaries who previously used the Private Sector Care network. The FY 2015 Private Sector Care Managed Care Support Contracts and MTF Enrollee Purchased Care baseline funding is \$8,513.5M	-129,854	
FY 2016 Budget Request		14,892,683

Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care

IV. Performance Criteria and Evaluation Summary:

	<u>FY 2014 Estimate</u>	<u>FY 2015 Estimate</u>	<u>FY 2016 Estimate</u>	<u>Change FY 2014/2015</u>	<u>Change FY 2015/2016</u>
Uniformed Service Family Health Services:					
DoD Enrollees (Non-MERHCF Eligible)	78,622	80,588	82,602	1,969	2,014
Workload for Medical Care and Pharmacy:					
Admissions	345,788	324,084	312,782	-21,704	-11,302
Weighted Workload-Inpatient RWPs	325,349	304,814	294,088	-20,535	-10,726
Visits	47,237,883	47,549,308	49,124,862	311,425	1,575,554
Weighted Workload-Outpatient RVUs	107,765,566	108,515,578	112,124,850	750,012	3,609,272
Retail Pharmacy Prescriptions	29,913,983	28,298,628	27,987,343	-1,615,355	-311,285
Mail Order Prescriptions	4,109,533	3,990,357	4,002,328	-119,176	11,971

Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care

V. Personnel Summary

N/A

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
Operation and Maintenance
Private Sector Care**

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

<u>OP 32 Line</u>	<u>FY 2014</u> <u>Actual</u>	<u>Change</u> <u>FY 2014/FY 2015</u>		<u>FY 2015</u> <u>Estimate</u>	<u>Change</u> <u>FY 2015/FY 2016</u>		<u>FY 2016</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
308 Travel of Persons	418	8	38	464	8	13	485
399 TOTAL TRAVEL	418	8	38	464	8	13	485
634 Navy Base Support (NAVSEC)	58	3	-61	0	0	0	0
647 DISA Enterprise Computing Centers	5,291	-39	1,270	6,522	-653	777	6,646
671 DISA DISN Subscription Services (DSS)	40	1	-41	0	0	0	0
699 TOTAL DWCF PURCHASES	5,389	-35	1,168	6,522	-653	777	6,646
771 Commercial Transport	15	0	-15	0	0	0	0
799 TOTAL TRANSPORTATION	15	0	-15	0	0	0	0
912 Rental Payments to GSA (SLUC)	193	3	-196	0	0	0	0
921 Printing & Reproduction	5,100	92	-2,342	2,850	48	2,612	5,510
924 Pharmaceutical Drugs	2,223,425	82,266	-35,751	2,269,940	83,988	-376,410	1,977,518
925 Equipment Purchases (Non-Fund)	46	1	-47	0	0	0	0
932 Mgt Prof Support Svcs	8,698	157	4,355	13,210	225	29	13,464
933 Studies, Analysis & Eval	2,474	45	-584	1,935	33	6	1,974
934 Engineering & Tech Svcs	380	7	-387	0	0	0	0
986 Medical Care Contracts	12,455,807	460,865	-761,739	12,154,933	449,733	227,381	12,832,047
987 Other Intra-Govt Purch	17,862	322	5,971	24,155	411	60	24,626
989 Other Services	1,918	35	1,143	3,096	53	9	3,158
990 IT Contract Support Services	25,137	452	1,065	26,654	453	148	27,255
999 TOTAL OTHER PURCHASES	14,741,040	544,245	-788,512	14,496,773	534,944	-146,165	14,885,552
Total	14,746,862	544,218	-787,321	14,503,759	534,299	-145,375	14,892,683