

**Defense Health Program
Fiscal Year (FY) 2016 Budget Estimates
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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 Service, and the Defense Health Agency personnel identified as management headquarters staff that 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. The Defense Health Agency became the Operation of Record in FY 2015.

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 was the last year this Activity was financed.

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 Headquarters Activities. Within the Military Health System, 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 Medical Service.

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III. Financial Summary (\$ in thousands)

	FY 2015						
	FY 2014	Budget	Congressional Action			Current	FY 2016
			<u>Actual</u>	<u>Request</u>	<u>Amount</u>		
A. <u>BA Subactivities</u>							
Defense Health Agency (Started FY 2015)	0	220,890	-1,278	-0.6	219,612	219,612	186,750
Management Headquarters	130,747	145,333	-753	-0.5	144,580	144,580	141,217
TRICARE Management Activity (Ended FY 2014)	194,258	0	0	n/a	0	0	0
Total	325,005	366,223	-2,031	-0.6	364,192	364,192	327,967

1. FY 2014 actuals include \$1.5M for Overseas Contingency Operations (OCO).

2. FY 2015 estimate and FY 2016 request exclude OCO.

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2015/FY 2015</u>	<u>FY 2015/FY 2016</u>
Baseline Funding	366,223	364,192
Congressional Adjustments (Distributed)	-2,031	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	364,192	
Fact-of-Life Changes (2015 to 2015 Only)		
Subtotal Baseline Funding	364,192	
Supplemental		
Reprogrammings		
Price Changes		5,444
Functional Transfers		
Program Changes		-41,669
Current Estimate	364,192	327,967
Less: Wartime Supplemental		
Normalized Current Estimate	364,192	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2015 President's Budget Request (Amended, if applicable)		366,223
1. Congressional Adjustments		-2,031
a. Distributed Adjustments		
1) One-time FY 2015 Congressional Adjustment: Travel Reduction.	-1,261	
2) One-time FY 2015 Congressional Adjustment: Reduction in Civilian FTEs (Not Properly Accounted For).	-770	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2015 Appropriated Amount		364,192
2. OCO and Other Supplemental Enacted		
3. Fact-of-Life Changes		
FY 2015 Baseline Funding		364,192
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2015 Estimate		364,192
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		
FY 2015 Normalized Current Estimate		364,192
6. Price Change		5,444
7. Functional Transfers		
8. Program Increases		20,940
a. Annualization of New FY 2015 Program		
b. One-Time FY 2016 Increases		
1) Reversal of FY 2015 One-time Congressional Decrease: Travel Reduction.	1,278	
2) Reversal of FY 2015 One-time Congressional Decrease: Reduction in Civilian FTEs (Not Properly Accounted For).	781	
c. Program Growth in FY 2016		

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C. Reconciliation of Increases and Decreases

	<u>Amount</u>	<u>Totals</u>
1) Defense Health Program Contract Support Realignment: Realigns funding within the Management Activities BAG from IT Contract Support Services to Management and Professional Support Services and Engineering and Technical Services in support of the Health Facilities Shared Service and Pharmacy Shared Service. The Health Facility Shared Service will streamline the process through which facility requirements are identified and prioritized, new facilities are planned and designed, older facilities are restored/modernized, and all facilities are maintained and operated. The Pharmacy Shared Service will provide a collaborative process with Army Medicine, Navy Medicine and Air Force Medicine that will focus on pharmacy standardization across the enterprise, accountability and performance measures, increased utilization of cost-effective points of service and how to best allocate resources for proper execution. The FY 2015 Management Activities BAG baseline funding is \$364.2M. The FY 2015 baseline staffing is 1,490 civilian FTEs and 680 contractots.	7,851	
2) Support for Defense Health Agency Shared Services Operations: Realigns funding from various Budget Activity Groups (BAGs) to support 44 civilian FTEs (\$6.0M) and contracts, supplies and travel (\$0.1M) in support of the following Shared Services: Contracting, Facilities, Health Information Technology and Health Plan. The FY 2015 Management Activities baseline funding is \$364.2M.	6,051	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
3) Wounded Ill and Injured (WII) Realignment: Realigns funding from the Consolidated Health Support (CHS) Budget Activity Group (BAG) to Management Activities BAG for the comprehensive oversight for all Rehabilitation and Reintegration (R2R) Programs and Policies for the Wounded Ill and Injured. This institutes the strategic planning, guidance and standard of care for injury prevention, physical performance, optimization, rehabilitation and transition of soldiers with a plethora of diagnoses. The FY 2015 Management Activities BAG baseline funding is \$364.2M. The FY 2015 baseline staffing is 1,490 civilian FTEs and 680 contractors.	2,650	
4) Equipment: Funds increased office equipment requirements to support the realignment of organizations to the Defense Health Agency. The FY 2015 Management Activities BAG equipment baseline funding is \$1.2M.	859	
5) One More Civilian Paid Day: Adjusts civilian payroll for one additional paid day for FY 2016. The FY 2015 Management Activities BAG baseline funding is \$364.2M. The FY 2015 baseline civilian staffing is 1,490 civilian FTEs.	755	
6) Travel: Funds travel for emerging world-wide healthcare oversight requirements to include AF Unit Environmental Inspections and Flight Medicine Initiatives to Implement and Standardize health assessments and workflows. Funding also supports continuing education for readiness and currency of	715	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
DoD mission and MHS staff credentialing requirements. The FY 2015 Management Activities BAG travel baseline funding is \$4.6M.		
9. Program Decreases		-62,609
a. Annualization of FY 2015 Program Decreases		
b. One-Time FY 2015 Increases		
c. Program Decreases in FY 2016		
1) Warrior Care Program Office Realignment: Realigns funding for the Warrior Care Program Office from Management Activities Budget Activity Group (BAG), to Consolidated Health Support BAG to accurately capture civilian pay and contract support where it will execute. Warrior Care Program Office was transferred to Defense Health Program (DHP) in 2014. This program office provides policy and oversight of the Department of Defense's Integrated Disability Evaluation System and Warrior Care Program. The FY 2015 baseline funding for the Warrior Care Program Office is \$30.8M. The FY 2015 baseline staffing is 7 civilian FTEs and 148 contractors.	-29,784	
2) 20% Management Headquarters Reduction: Continuation of incremental 20% reduction to Defense Health Program (DHP) headquarters in compliance with the Department of Defense July 31, 2013 memorandum, "20% Headquarters Reduction," signed by the Deputy Secretary of Defense. The reduction applies to the total headquarters budget and includes civilian FTEs, contract personnel and supplies and materials. Reduction in the Management Activities Budget Activity Group (BAG) include Management Headquarters	-14,802	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
and Defense Health Agency (DHA). The FY 2015 Management Activities BAG baseline funding is \$364.2M. The FY 2015 baseline staffing is 1,490 civilian FTEs and 680 contractors.		
3) Defense Health Program Contract Support Realignment: Realigns funding within the Management Activities BAG from IT Contract Support Services to Management and Professional Support Services and Engineering and Technical Services in support of the Health Facilities Shared Service and Pharmacy Shared Service. The Health Facility Shared Service will streamline the process through which facility requirements are identified and prioritized, new facilities are planned and designed, older facilities are restored/modernized, and all facilities are maintained and operated. The Pharmacy Shared Service will provide a collaborative process with Army Medicine, Navy Medicine and Air Force Medicine that will focus on pharmacy standardization across the enterprise, accountability and performance measures, increased utilization of cost-effective points of service and how to best allocate resources for proper execution. The FY 2015 Management Activities BAG baseline funding is \$364.2M. The FY 2015 baseline staffing is 1,490 civilian FTEs and 680 contractors.	-7,851	
4) Audit Readiness Realignment: Realigns funding to Department of Defense for central execution of the Audit Readiness program for select Defense Agencies and Activities.	-5,700	
5) Financial Improvement and Audit Readiness (FIAR)	-2,589	
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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Initiative:		
Reduces one-time funding requirement from FY 2015 to FY 2016 for FIAR initiative preparation work in support of the Secretary of Defense's DoD FIAR goals and timelines. Funding supported the Independent Public Auditor contract issued to provide examination of the Statement of Budgetary Activity for all FY 2015 DHP appropriations.		
6) Support for Defense Health Agency Shared Services Operations:	-1,883	
Realigns funding to various Budget Activity Groups (BAGs) to support 11 civilian FTEs (+\$1,378K) and contracts, supplies and travel (+505K) in support of the following Shared Services: Health Facilities, Health Information Technology, Medical Logistics, and Public Health. The FY 2015 Management Activities BAG funding baseline is \$364.2M		
FY 2016 Budget Request		327,967

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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 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>Change FY 2014/ FY 2015</u>	<u>Change FY 2015/ FY 2016</u>
<u>Active Military End Strength (E/S) (Total)</u>	<u>901</u>	<u>729</u>	<u>731</u>	<u>-172</u>	<u>2</u>
Officer	671	554	554	-117	0
Enlisted	230	175	177	-55	2
<u>Active Military Average Strength (A/S) (Total)</u>	<u>883</u>	<u>816</u>	<u>730</u>	<u>-67</u>	<u>-86</u>
Officer	653	613	554	-40	-59
Enlisted	230	203	176	-27	-27
<u>Civilian FTEs (Total)</u>	<u>1,400</u>	<u>1,490</u>	<u>1,409</u>	<u>90</u>	<u>-81</u>
U.S. Direct Hire	1,396	1,485	1,404	89	-81
Total Direct Hire	1,396	1,485	1,404	89	-81
Foreign National Indirect Hire	4	5	5	1	0
Average Annual Civilian Salary (\$ in thousands)	130.0	132.2	134.7	2.2	2.5
<u>Contractor FTEs (Total)</u>	<u>699</u>	<u>680</u>	<u>483</u>	<u>-19</u>	<u>-197</u>

Narrative Explanation of changes in Military Personnel: the change from FY 2014 to FY 2015 of (-117) includes Navy internal realignments (+14) and Air Force reductions (-75) to meet requirements of the Budget Control Act. The change from FY 2015 to FY 2016 includes Navy internal realignments (+4) and Air Force internal realignments (-1).

Narrative Explanation of changes in Civilian Personnel: Change from 2014 - 2015 reflects lower execution in FY 2014 due to lingering effects of hiring freeze and sequestration. Change from 2015 - 2016 is associated with reduction of 74 FTEs to align with directed decreases in Headquarters support and the realignment of 7 FTEs to the Consolidated

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Health Support BAG as part of the realignment of Warrior Care Policy Office.

Narrative Explanation of changes in Contractor FTEs: Change from FY 2014 - 2015 associated with phased Management Headquarters indirect support contract reductions. Change from FY 2015 - 2016 decrease resulting from the realignment of the Warrior Care Program Office to the Consolidated Health Support BAG.

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

<u>OP 32 Line</u>	Change			Change			<u>FY 2016 Estimate</u>
	<u>FY 2014 Actual</u>	<u>FY 2014/FY 2015 Price</u>	<u>FY 2014/FY 2015 Program</u>	<u>FY 2015 Estimate</u>	<u>FY 2015/FY 2016 Price</u>	<u>FY 2015/FY 2016 Program</u>	
101 Exec, Gen'l & Spec Scheds	181,470	1,815	13,101	196,386	2,406	-9,653	189,139
199 TOTAL CIV COMPENSATION	181,470	1,815	13,101	196,386	2,406	-9,653	189,139
308 Travel of Persons	5,673	102	-1,214	4,561	78	1,898	6,537
399 TOTAL TRAVEL	5,673	102	-1,214	4,561	78	1,898	6,537
412 Navy Managed Supply, Matl	1	0	0	1	0	1	2
417 Local Purch Supplies & Mat	288	5	364	657	11	0	668
499 TOTAL SUPPLIES & MATERIALS	289	5	364	658	11	1	670
601 Army Industrial Operations	364	11	-375	0	0	0	0
634 Navy Base Support (NAVSEC)	8	0	-8	0	0	0	0
647 DISA Enterprise Computing Centers	156	-1	-155	0	0	0	0
699 TOTAL DWCF PURCHASES	528	10	-538	0	0	0	0
771 Commercial Transport	84	2	155	241	4	1	246
799 TOTAL TRANSPORTATION	84	2	155	241	4	1	246
901 Foreign National Indirect Hire (FNIH)	344	3	87	434	5	1	440
902 Separation Liab (FNIH)	154	2	-2	154	2	-2	154
912 Rental Payments to GSA (SLUC)	604	11	-615	0	0	0	0
913 Purchased Utilities (Non-Fund)	0	0	439	439	7	-67	379
914 Purchased Communications (Non-Fund)	474	9	1,050	1,533	26	-40	1,519
915 Rents (Non-GSA)	4	0	25	29	0	0	29
917 Postal Services (U.S.P.S)	0	0	391	391	7	-1	397
920 Supplies & Materials (Non-Fund)	3,074	55	10,129	13,258	225	-5,963	7,520
921 Printing & Reproduction	34	1	689	724	12	0	736
922 Equipment Maintenance By Contract	0	0	417	417	7	-12	412
923 Facilities Sust, Rest, & Mod by Contract	4	0	-2	2	0	-1	1
925 Equipment Purchases (Non-Fund)	1,605	29	-393	1,241	21	986	2,248
932 Mgt Prof Support Svcs	82,799	1,490	-34,443	49,846	847	3,358	54,051

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<u>OP 32 Line</u>	FY 2014 <u>Actual</u>	Change <u>FY 2014/FY 2015</u>		FY 2015 <u>Estimate</u>	Change <u>FY 2015/FY 2016</u>		FY 2016 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
933 Studies, Analysis & Eval	14,257	257	-6,049	8,465	144	264	8,873
934 Engineering & Tech Svcs	1,578	28	-1,414	192	3	4,493	4,688
955 Other Costs (Medical Care)	61	2	9,516	9,579	354	2,859	12,792
960 Other Costs (Interest and Dividends)	33	1	-34	0	0	0	0
964 Other Costs (Subsistence and Support of Persons)	7	0	7	14	0	0	14
986 Medical Care Contracts	469	17	-478	8	0	-1	7
987 Other Intra-Govt Purch	7,538	136	-184	7,490	127	3,383	11,000
988 Grants	0	0	18	18	0	0	18
989 Other Services	17,798	320	34,352	52,470	892	-27,265	26,097
990 IT Contract Support Services	6,124	110	9,408	15,642	266	-15,908	0
999 TOTAL OTHER PURCHASES	136,961	2,471	22,914	162,346	2,945	-33,916	131,375
Total	325,005	4,405	34,782	364,192	5,444	-41,669	327,967