

**Defense Health Program
Fiscal Year (FY) 2017 Budget Estimates
Operation and Maintenance
Management Activities**

I. Description of Operations Financed: This Budget Activity Group is comprised of the Army, Navy and Air Force's Medical Headquarters and Defense Health Agency's functions supporting Military Health System (MHS) world-wide 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 world-wide 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.

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 2016							FY 2017 <u>Estimate</u>
	FY 2015 <u>Actual</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>		
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
A. <u>BA Subactivities</u>								
Defense Health Agency (Started FY 2015)	184,272	186,750	482	.3	187,232	187,232	133,814	
Management Headquarters	137,119	141,217	-2,541	-1.8	138,676	138,676	177,566	
Total	321,391	327,967	-2,059	-0.6	325,908	325,908	311,380	

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2016/FY 2016</u>	<u>FY 2016/FY 2017</u>
Baseline Funding	327,967	325,908
Congressional Adjustments (Distributed)	-2,059	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	325,908	
Fact-of-Life Changes (2016 to 2016 Only)		
Subtotal Baseline Funding	325,908	
Supplemental		
Reprogrammings		
Price Changes		5,554
Functional Transfers		
Program Changes		-20,082
Current Estimate	325,908	311,380
Less: Wartime Supplemental		
Normalized Current Estimate	325,908	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2016 President's Budget Request (Amended, if applicable)		327,967
1. Congressional Adjustments		-2,059
a. Distributed Adjustments		
1) Removal of one-time Fiscal Year 2016 increases.	-2,059	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2016 Appropriated Amount		325,908
2. OCO and Other Supplemental Enacted		
3. Fact-of-Life Changes		
FY 2016 Baseline Funding		325,908
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2016 Estimate		325,908
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		
FY 2016 Normalized Current Estimate		325,908
6. Price Change		5,554
7. Functional Transfers		
8. Program Increases		47,592
a. Annualization of New FY 2016 Program		
b. One-Time FY 2017 Increases		
c. Program Growth in FY 2017		
1) Realign DHA Major Headquarters Activities and Resources (MEMO ENTRY): Realigns \$39.995 million DHA funding and civilian FTEs between the Management HQs and DHA PEs to provide visibility of the Major Headquarters and execution of the directed resource reductions. The Management Activities FY 2016 civilian personnel baseline funding is \$188.6M. The FY 2016 baseline	39,995	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
staffing is 1,409 civilian FTEs and 452 contractors.		
2) Management Activities Travel: Travel for audit readiness, shared service planning, and Financial Accountability and Recovery Missions (FARM) at Army military treatment facilities, and for the Defense Health Agency audit readiness. Audit readiness travel is necessary for conducting full scope financial audits, training, and documentation of processes and systems validation will require resources that were not in previous budget submissions. Shared service planning and FARM visits will focus on gaining efficiencies within both Army Medicine and the Military Health System. The FY 2016 Management Activities travel baseline funding is \$4.5M.	4,464	
3) Contract Support Services for Defense Health Agency: Provides funding for contract support services to sustain mission requirements for the Defense Health Agency organizations. Funds the Business Support, Health Information Technology, and Special Staff Directorates at the Defense Health Agency . The FY 2016 IT Contract Support Services baseline funding is \$0.0M.	3,133	
9. Program Decreases		-67,674
a. Annualization of FY 2016 Program Decreases		
b. One-Time FY 2016 Increases		
c. Program Decreases in FY 2017		
1) Realign DHA Major Headquarters Activities and Resources (MEMO ENTRY): Realigns \$39.995 million of DHA funding and civilian	-39,995	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FTEs between the Management HQs and DHA PEs to provide visibility of the Major Headquarters and execution of the directed resource reductions. The Management Activities FY 2016 civilian personnel baseline funding is \$188.6M. The FY 2016 baseline staffing is 1,409 civilian FTEs and 452 contractors.		
2) 20% Management Headquarters Reduction: Continuation of the 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 Military Health System headquarters budget and includes civilian FTEs, contract personnel, and direct and indirect support to Headquarters. The FY 2016 Management Headquarters Activities baseline funding is \$326.0M. The FY 2016 baseline staffing is 1,409 civilian FTEs and 452 contractors.	-13,324	
3) Consolidation of Supplies: Consolidation of supplies and materials to reduce the funding requirement and sustain the inventory required to support Management Headquarters operations. The FY 2016 Management Activities supplies and materials baseline is \$8.2M.	-5,924	
4) Secretary of Defense Efficiency: Secretary of Defense efficiency to reduce funding requirements for contracts. The Management Activities baseline for Management and Professional Support Services is \$54.1M.	-2,234	
5) 25% Major Headquarters Reduction:	-1,798	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Adjusts DHA civilian FTEs and associated pay (\$1.798 million) to implement the Secretary of Defense directed 25% Major Headquarters reduction. The Management Activities FY 2016 civilian personnel baseline funding is \$188.6M. The FY 2016 baseline staffing is 1,409 civilian FTEs and 452 contractors.		
6) Delay in Hiring Civilian Personnel: Reduces the Management Activities civilian funding by 15 FTEs due to a hiring lag for medical executives during the past two fiscal years. The FY 2016 Management Activities civilian compensation baseline funding is \$188.6M. The FY 2016 baseline civilian staffing is 1,409 FTEs.	-1,571	
7) Two Fewer Civilian Paid Days: In accordance with OMB Circular A-11, Section 85.5C, reduces civilian pay to account for two fewer paid days in FY 2017 (260 paid days) than in FY 2016 (262 paid days). FY 2016 Management Activities civilian compensation baseline funding is \$188.6M. FY 2016 baseline civilian staffing is 1,409 FTEs.	-1,443	
8) Military Health System (MHS) Civilian Workforce Reduction: Further reduces civilian personnel requirements in accordance with the Secretary of Defense's direction to shape a properly sized and highly capable civilian workforce that complements the military and provides sufficient oversight and management of the contract support elements of the Total Force. The Management Activities FY 2016 civilian personnel baseline funding is \$188.6M. The FY 2016 baseline staffing is	-1,385	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
1,409 civilian FTEs and 452 contractors. FY 2017 Budget Request		311,380

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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 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	Change FY 2015/ <u>FY 2016</u>	Change FY 2016/ <u>FY 2017</u>
<u>Active Military End Strength (E/S) (Total)</u>	834	730	927	-104	197
Officer	654	555	653	-99	98
Enlisted	180	175	274	-5	99
<u>Active Military Average Strength (A/S) (Total)</u>	867	783	829	-84	46
Officer	662	605	604	-57	-1
Enlisted	205	178	225	-27	47
<u>Civilian FTEs (Total)</u>	1,441	1,409	1,283	-32	-126
U.S. Direct Hire	1,438	1,404	1,278	-34	-126
Total Direct Hire	1,438	1,404	1,278	-34	-126
Foreign National Indirect Hire	3	5	5	2	0
Average Annual Civilian Salary (\$ in thousands)	131.7	134.2	142.5	2.5	8.3
<u>Contractor FTEs (Total)</u>	560	452	424	-108	-28

Narrative Explanation of changes in Military Personnel: The change from FY 2015 to FY 2016 (-104) includes Air Force (38), Army (-134), and Navy (-8) internal realignments. The change from FY 2016 to FY 2017 (197) includes Army (-2), Air Force (44) and Navy (155) internal realignments. The FY 2017 increase in Air Force's military personnel is due to the realignment of military billets to the Defense Health Agency for Shared Services, the Defense Medical Readiness Training Institute, and the Armed Forces Medical Examiners program. The FY 2017 increase in Navy's military personnel is due to the realignment of military billets to the Defense Health Agency for Shared Services, the Tricare Regional Office, and the Armed Forces Medical Examiners program.

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Narrative Explanation of changes in Civilian Personnel: The change from FY 2015 to FY 2016 is due to the reduction of 32 FTEs to align with directed decreases in Headquarters structure. Change from FY 2016 to FY 2017 reflects actions from a civilian workforce analysis based on Department of Defense guidance to shape a properly sized and highly capable workforce, reduction in the civilian pay baseline, and the 25% Management Headquarters reductions.

Narrative Explanation of changes in Contractor FTEs: The change from FY 2015 to FY 2016 (-108) is due to the realignment of the Warrior Care Program Office to the Consolidated Health Support Budget Activity Group for proper execution. The change from FY 2016 to FY 2017 is attributed to directed reduction in management headquarters support.

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

<u>OP 32 Line</u>	<u>FY 2015 Actual</u>	<u>Change FY 2015/FY 2016</u>		<u>FY 2016 Estimate</u>	<u>Change FY 2016/FY 2017</u>		<u>FY 2017 Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	189,050	2,316	-3,027	188,339	2,861	-9,057	182,143
103 Wage Board	49	1	-50	0	0	0	0
106 Benefit to Fmr Employees	100	0	0	100	0	0	100
107 Voluntary Sep Incentives	45	0	-27	18	0	-1	17
111 Disability Compensation	146	0	-146	0	0	0	0
121 PCS Benefits	111	0	0	111	0	0	111
199 TOTAL CIV COMPENSATION	189,501	2,317	-3,250	188,568	2,861	-9,058	182,371
308 Travel of Persons	8,413	143	-4,078	4,478	81	4,464	9,023
399 TOTAL TRAVEL	8,413	143	-4,078	4,478	81	4,464	9,023
412 Navy Managed Supply, Matl	1	0	1	2	0	0	2
417 Local Purch Supplies & Mat	239	4	425	668	12	0	680
499 TOTAL SUPPLIES & MATERIALS	240	4	426	670	12	0	682
601 Army Industrial Operations	166	13	-179	0	0	0	0
680 Building Maint Fund Purch	618	14	-632	0	0	0	0
696 DFAS Financial Operation (Other Defense Agencies)	98	5	-103	0	0	0	0
699 TOTAL DWCF PURCHASES	882	32	-914	0	0	0	0
771 Commercial Transport	113	2	131	246	4	1	251
799 TOTAL TRANSPORTATION	113	2	131	246	4	1	251
901 Foreign National Indirect Hire (FNIH)	277	3	187	467	7	0	474
913 Purchased Utilities (Non-Fund)	0	0	375	375	7	-382	0
914 Purchased Communications (Non- Fund)	121	2	328	451	8	0	459
915 Rents (Non-GSA)	10	0	19	29	1	-2	28
917 Postal Services (U.S.P.S)	0	0	397	397	7	1	405
920 Supplies & Materials (Non- Fund)	2,376	40	5,805	8,221	148	-6,487	1,882
921 Printing & Reproduction	45	1	690	736	13	3	752
922 Equipment Maintenance By Contract	168	3	241	412	7	-173	246
923 Facilities Sust, Rest, & Mod	1	0	0	1	0	1	2

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<u>OP 32 Line</u>	FY 2015	Change		FY 2016	Change		FY 2017
		<u>Actual</u>	<u>FY 2015/FY 2016</u>		<u>Estimate</u>	<u>FY 2016/FY 2017</u>	
by Contract		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
925 Equipment Purchases (Non-Fund)	95	2	2,151	2,248	40	572	2,860
932 Mgt Prof Support Svcs	84,632	1,439	-32,020	54,051	973	-168	54,856
933 Studies, Analysis & Eval	14,210	242	-5,579	8,873	160	-434	8,599
934 Engineering & Tech Svcs	0	0	4,688	4,688	84	-2,409	2,363
955 Other Costs (Medical Care)	3,159	117	7,919	11,195	425	-643	10,977
964 Other Costs (Subsistence and Support of Persons)	11	0	3	14	0	0	14
987 Other Intra-Govt Purch	11,179	190	-369	11,000	198	-846	10,352
989 Other Services	2,074	35	26,679	28,788	518	-7,655	21,651
990 IT Contract Support Services	3,884	66	-3,950	0	0	3,133	3,133
999 TOTAL OTHER PURCHASES	122,242	2,140	7,564	131,946	2,596	-15,489	119,053
Total	321,391	4,638	-121	325,908	5,554	-20,082	311,380