

**Defense Health Program  
Fiscal Year (FY) 2007 Budget Estimates  
Operation and Maintenance  
Exhibit OP-5, Private Sector Care**

**I. Description of Operations Financed:** This subactivity 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 (MCS) contracts, the Uniformed Services Family Health Program (USFHP), the TRICARE Overseas Program, the Supplemental Care Program, TRICARE Mail Order Pharmacy and the National Retail Pharmacy and various support activities.

A restructuring of this subactivity to the following Programs Elements began in FY 2005.

**Pharmaceuticals:** Includes pharmaceutical costs associated with contractual pharmacy services provided 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 (TRRx) contract. TRRx provides network pharmaceutical prescription benefits for medications from civilian facilities beginning operations effective June 2004.

**TRICARE Managed Care Support Contracts (MCS):** The TRICARE Managed Care Support Program is 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 CHAMPUS benefits have been absorbed into the TRICARE MCS contracts. 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 personnel.

**Military Treatment Facility (MTF) Enrollees Purchased Care:** Includes underwritten costs for providing health care benefits to the Military Treatment Facility Prime enrollees in 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 (b) and 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. This program also covers health care sought in the civilian sector or non-DoD families due to active duty assignments in remote locations under TRICARE Prime Remote. Care to Active Duty members stationed overseas who receive healthcare in the private sector paid under this program appears 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).

**Continuing Health Education/Capitalization (CHE/CAP):** Provides for support of graduate medical education and capital investment within civilian facilities that provides services to DoD beneficiaries.

**Defense Health Program**  
**Fiscal Year (FY) 2007 Budget Estimates**  
**Operation and Maintenance**  
**Exhibit OP-5, Private Sector Care**

**Overseas Purchased Health Care:** Includes coverage for delivery of Military Health System Prime benefits in civilian facilities by private practitioners to eligible Active Duty and Active Duty Family Members through the Global Remote Overseas Contract and foreign claims for non-active duty beneficiaries including Medicare eligibles. The Medicare Eligibles claims are administered by the Medicare Eligible Health Care Fund (MERHCF). The Supplemental Care program paying for care provided overseas is included 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 Custodial Care, Special and Emergent Care Claims, Alaska Claims, Expanded Cancer, Dual-Eligible Beneficiaries Program, Transition Assistance Programs and TMA managed demonstration(s) and Congressionally directed health care programs.

**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 and the National Quality Monitoring Service are captured here.

**II. Force Structure Summary:** Approximately 9.2 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 1.9 million Medicare eligibles beneficiaries. All Medicare Eligible beneficiary healthcare and pharmacy services are administered under the Medicare Eligible Health Care fund which is not accounted for in the budget figures presented. FY 2005 concluded the transition of the seven Managed Care Support contracts which covered twelve Health Service Regions (HSRs) into three Regional TRICARE MCS contracts including a reduction to three operational regions referred to as the TRICARE Regions. The Managed Care Support contracts 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 plan (TRICARE Standard). This sub-activity group also includes the TRICARE Dental Program, Continuing Health Education/Capitalization of Assets program, the TRICARE Mail Order Pharmacy program, National Retail Pharmacy Program, TRICARE Overseas Program, and TRICARE Prime Remote for the Active Duty. Supplemental care includes all active-duty health care received in a civilian facility or non-DoD facilities, either referred or not referred by a military treatment facility (worldwide) including emergent care. Supplemental Care also provides a dental benefit available to Active Duty Service members. Another option for care is by enrollment in one of the six "commercial" or "civilian-operated" Uniformed Services Family Health Program facilities located in specific geographical markets.

Defense Health Program  
Fiscal Year (FY) 2007 Budget Estimates  
Operation and Maintenance  
Exhibit OP-5, Private Sector Care

III. Financial Summary (\$ in Thousands):

Beginning in FY 2005 Program Elements expanded into various categories of healthcare & support services as reflected below.

A. Sub-Activity Group

	FY 2005 <u>Actual</u>	FY 2006			FY 2007 <u>Estimate</u>
		Budget <u>Request</u>	<u>Appropriation</u>	Current <u>Estimate</u>	
1. Pharmaceuticals Purchased Health Care	163,214	182,133	180,312	204,028	232,378
2. National Retail Pharmacy	767,864	1,537,925	1,522,546	1,522,546	1,582,383
3. Managed Care Support Contracts	3,921,324	4,759,574	4,711,978	4,736,678	4,724,267
4. MTF Enrollee Purchased Care	1,412,843	1,655,830	1,639,272	1,683,316	1,811,865
5. Dental Purchased Care	242,258	252,449	249,925	249,925	260,022
6. Uniformed Services Family Health Program (USFHP)	245,989	278,307	275,524	275,524	315,829
7. Supplemental Care - Health Care	768,375	744,174	736,732	736,732	811,976
8. Supplemental Care - Dental	54,968	118,687	117,500	117,500	130,698
9. Continuing Health Education/Capitalization (CHE/C	172,461	186,782	184,914	184,914	228,713
10. Overseas Purchased Healthcare	177,203	207,025	204,955	204,955	227,959
11. Miscellaneous Purchased Health Care	58,987	270,770	268,062	268,062	293,087
12. Miscellaneous Support Activities	<u>40,567</u>	<u>18,771</u>	<u>18,583</u>	<u>18,583</u>	<u>19,607</u>
Total	8,026,053	10,212,427	10,110,303	10,202,763	10,638,784

**Note:**

FY 2005 actuals include \$131.539 million for the Global War on Terrorism (GWOT) (Public Law 108-324)

Does not include \$615 million in Title IX funds or \$298 million in carryover.

Excluded from the figures above are the receipts from the DoD Medicare Eligible Retiree Health Care Fund, in the amount of \$4,934.609 million in FY 2005. Projections for the Private Sector Care BAG in FY 2006 are approximately \$5,350.399 million and in FY 2007 approximately \$5,802.402 million to pay for purchased health care.

B. Reconciliation Summary:

	Change FY 2006/2006	Change FY 2006/2007
<b>Baseline Funding</b>	<b>10,212,427</b>	<b>10,202,763</b>
Congressional Adjustments (Distributed)	-102,124	n/a
Congressional Adjustments (Undistributed)	0	n/a
Adjustments to Meet Congressional Intent	0	n/a
Congressional Adjustments (General Provisions)	0	n/a
<b>Subtotal Appropriated Amount</b>	<b>10,110,303</b>	<b>10,202,763</b>
Fact-of-Life Changes	0	n/a
<b>Subtotal Baseline Funding</b>	<b>10,110,303</b>	<b>10,202,763</b>
Anticipated Supplemental	<b>92,460</b>	0
Reprogrammings	n/a	n/a
Price Changes	n/a	767,717
Functional Transfers	n/a	0
Program Changes	n/a	-331,696
<b>Current Estimate</b>	<b>10,202,763</b>	<b>10,638,784</b>

Defense Health Program  
Fiscal Year (FY) 2007 Budget Estimates  
Operation and Maintenance  
Exhibit OP-5, Private Sector Care

		(\$ in Thousands)	
<b>C. <u>Reconciliation of Increases and Decreases:</u></b>		<b>Amount</b>	<b>Totals</b>
<b>FY 2006 President's Budget Request</b>			<b>10,212,427</b>
<b>1. Congressional Adjustments</b>			<b>-102,124</b>
a. Distributed Adjustments		-102,124	
1) One percent across-the-board Congressional Reduction		-102,124	
b. Undistributed Adjustments		0	
c. Adjustments to Meet Congressional Intent		0	
d. General Provisions		0	
<b>FY 2006 Appropriated Amount</b>			<b>10,110,303</b>
<b>2. War-Related and Disaster Supplemental Appropriations</b>			<b>92,460</b>
a. Department of Defense Appropriations Act, 2006 (Public Law 109-148)			92,460
1) Hurricanes in the Gulf of Mexico		92,460	
<b>3. Fact-of-Life Changes</b>			<b>0</b>
a. Functional Transfers			0
1) Transfers In		0	
2) Transfers Out		0	
b. Technical Adjustments			0
1) Increases		0	
2) Decreases		0	
c. Emergent Requirements			0
1) Program Increases			0
a) One-Time Costs		0	
b) Program Growth		0	
2) Program Reductions		0	
a) One-Time Costs			
b) Program Decreases			
<b>Baseline Funding</b>			<b>10,202,763</b>
<b>4. Reprogrammings (Requiring 1415 Actions)</b>			<b>0</b>
a. Increases		0	
b. Decreases		0	
<b>Revised FY 2006 Estimate</b>			<b>10,202,763</b>
<b>5. Less: Item 2, War-Related and Disaster Supplemental Appropriations, and Item 4, Reprogrammings</b>			<b>-92,460</b>
<b>Normalizes Current Estimate for FY 2006</b>			<b>10,110,303</b>

Defense Health Program  
Fiscal Year (FY) 2007 Budget Estimates  
Operation and Maintenance  
Exhibit OP-5, Private Sector Care

		(\$ in Thousands)	
<b>C. Reconciliation of Increases and Decreases:</b>		<b>Amount</b>	<b>Totals</b>
<b>6.</b>	Price Change		767,717
<b>7.</b>	Functional Transfers		0
	a. Transfers In	0	
	b. Transfers Out	0	
<b>8.</b>	Program Increases		557,554
	a. Annualization of New FY 2007 Program	0	
	b. One-Time FY 2007 Costs	109,808	
	1) Reverse One percent Congressional Reduction	109,808	
	c. Program Growth in FY 2007	447,746	
	1) Higher demands for health care by beneficiaries using TRICARE as their primary provider due to increased user trends, increased utilization of benefits by users and supports enhanced benefits for Reserves.	271,979	
	2) Higher demands for Pharmaceuticals by beneficiaries using TRICARE as their primary provider due to increased user trends, increased utilization of benefits by users and supports new benefits including Reservist and Family Members.	157,767	
	3) Increased requirements for TRICARE Mail Order Pharmacy to sustain the benefit as the Department institutes cost containment measures, including a change in fees, co-pays and deductibles.	18,000	
<b>9.</b>	Program Decreases		-796,790
	a. One-Time FY 2007 Costs	0	
	b. Program Decreases in FY 2007	-796,790	
	1) Decreases Private Sector Care budget activity group to reflect anticipated savings above the FY 2006 amount associated with Federal Pricing in the retail pharmaceutical contract.	-19,790	
	2) Decreased requirements for TRICARE National Retail Pharmacy to sustain the benefit as the Department institutes cost containment measures by increasing co-payments.	-235,000	
	3) Decreased requirements for health care to sustain the benefit as the Department institutes cost containment measures, including a change in enrollment fees and deductibles.	-542,000	
<b>FY 2007 Budget Request</b>			<b>10,638,784</b>

Defense Health Program  
Fiscal Year (FY) 2007 Budget Estimates  
Operation and Maintenance  
Exhibit OP-5, Private Sector Care

**IV. Performance Criteria and Evaluation Summary:**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change FY 2006/2007</u>
Uniformed Service Family Health Services Enrollees	90,267	96,338	98,260	1,922

**V. Personnel Summary:**

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change FY 2006/2007</u>
<u>Active Military End Strength (E/S)</u>				
Officer	0	0	0	0
Enlisted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Military	0	0	0	0
<u>Civilian End Strength</u>				
US Direct Hire	0	0	0	0
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Hire	0	0	0	0
Foreign National Indirect Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Civilians	0	0	0	0
(Reimbursable Included Above - memo)	0	0	0	0
<u>Active Military Average Strength (A/S)</u>				
Officer	0	0	0	0
Enlisted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Military	0	0	0	0
<u>Civilian FTEs</u>				
US Direct Hire	0	0	0	0
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Hire	0	0	0	0
Foreign National Indirect Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Civilians	0	0	0	0
(Reimbursable Included Above - memo)	0	0	0	0
Annual Civilian Workyear Cost (\$000's)	0	0	0	
Average Civilian Salary (\$000's)	0.000	0.000	0.000	
Annual Civilian Workyear Cost (\$000's)	0	0	0	0
Average Civilian Salary (\$000's)	0.000	0.000	0.000	0.000

**VI. OP 32 Line Items as Applicable (Dollars in Thousands - see next page):**