

**Defense Health Program
Fiscal Year (FY) 2014 Budget Estimates
Appropriation Highlights**

(\$ in Millions)

<u>Appropriation Summary</u>	<u>FY 2012 Actual</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2013 Estimate</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2014 Estimate</u>
Operation & Maintenance	30,437.8	925.4	-13.9	31,349.3	982.8	-678.4	31,653.7
RDT&E	1,272.4	24.2	-623.6	673.0	13.5	43.1	729.6
Procurement	632.5	15.6	-141.6	506.5	14.2	150.5	671.2
Continuing Resolution	<u>0.0</u>	<u>0.0</u>	<u>1,134.4</u>	<u>1,134.4</u>	<u>0.0</u>	<u>-1,134.4</u>	<u>0.0</u>
Total DHP	32,342.7	965.2	355.3	33,663.2	1,010.5	-1,619.2	33,054.5
MERHCF Receipts	<u>8,194.9</u>			<u>8,807.0</u>			<u>9,014.9</u>
Total Health Care Costs	40,537.6			42,470.2			42,069.4

1/ FY 2012 actuals include \$1,217.2 million for Overseas Contingency Operations (OCO) under the Consolidated Appropriation Act, FY 2012, Public Law 112-74.

2/ FY 2013 estimate excludes \$993.9 million for OCO.

3/ FY 2014 request excludes OCO.

4/ FY 2013 DHP annualized Continuing Resolution funding includes \$993.9 million for OCO.

5/ The Department of Defense projects O&M funding of \$135.6 million in FY 2012, \$139.2 million in FY 2013, and \$143.1 million in FY 2014 should transfer to the Joint Department of Defense - Department of Veterans Affairs Medical Facility Demonstration Fund established by section 1704 of Public Law 111-84 (National Defense Authorization Act for FY 2010).

6/ Reflects DoD Medicare-Eligible Retiree Health Care Fund (MERHCF) O&M Receipts for FY 2012, FY 2013, and FY 2014.

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Description of Operations Financed:

The medical mission of the Department of Defense (DoD) is to enhance DoD and our Nation's security by providing health support for the full range of military operations and sustaining the health of all those entrusted to our care. The Defense Health Program (DHP) Operation and Maintenance (O&M) appropriation funding provides for worldwide medical and dental services to active forces and other eligible beneficiaries, veterinary services, occupational and industrial health care, specialized services for the training of medical personnel, and medical command headquarters. Included are costs associated with the delivery of the TRICARE benefit which provides for the health care of eligible active duty family members, retired members and their family members, and the eligible surviving family members of deceased active duty and retired members. The FY 2014 budget request of \$33,054.5 million includes realistic cost growth for pharmacy, managed care support contracts, and other health care services either provided in the Military Treatment Facility (MTF) or purchased from the private sector. This budget includes funding for continued support of Traumatic Brain Injury and Psychological Health (TBI/PH) and Wounded, Ill and Injured (WII) requirements. It complies with the Congressional mandate related to support of Centers of Excellence (COE) and Department of Defense's initiative for operations efficiencies, including assumed savings for proposed military healthcare reform initiatives. Operation and Maintenance (O&M) funding is divided into seven major areas: In-House Care, Private Sector Care, Information Management, Education and Training, Management Activities, Consolidated Health Support, and Base Operations. The DoD Medicare Eligible Retiree Health Care Fund (MERHCF) is an accrual fund to pay for DoD's share of applicable Direct Care and Private Sector Care operation and maintenance health care costs for Medicare-eligible retirees, retiree family members and survivors.

The DHP appropriation also funds the Research, Development, Test and Evaluation (RDT&E) program for medical Information Management/Information Technology (IM/IT), medical research to reduce capability gaps, support to continental United States and (CONUS) and

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outside of contiguous United States (OCONUS) medical laboratory facilities, and the Armed Forces Radiobiological Research Institute (AFRRI).

The DHP appropriation Procurement program funds acquisition of capital equipment in Military Treatment Facilities (MTFs) and other selected health care activities which include equipment for initial outfitting of newly constructed, expanded, or modernized health care facilities; equipment for modernization and replacement of worn-out, obsolete, or uneconomically repairable items; equipment supporting programs such as pollution control, clinical investigation, and occupational/environmental health; and Military Health System (MHS) information technology (IT) requirements.

Narrative Explanation of FY 2013 and FY 2014 Operation and Maintenance (O&M) Changes:

The DHP O&M funding reflects an overall increase of \$304.5 million between FY 2013 and FY 2014, consisting of \$982.8 million in price growth and net program decrease of \$678.4 million. Program increases include:

- \$452.0 million for FY 2013 proposed benefit reform proposals denied by Congress
- \$131.3 million for net change in healthcare provided in military treatment facilities, including Occupational Health/Industrial Hygiene, Population Health, National Intrepid Center of Excellence (NiCoE) satellites and other centers
- \$100.8 million for increased Facilities Sustainment, Restoration and Modernization (FSRM) as a result of rebaselining medical military construction MILCON
- \$88.9 million for initial outfitting and transition requirements for programmed MILCON projects
- \$67.8 million for integrated Disability Evaluation System (iDES) staffing
- \$46.9 million for support of information systems such as Clinical Enterprise Intelligence, Theatre Medical information Program-Joint and Essentris
- \$27.4 million for Wounded Warrior Care Policy Office (WWCPO) and other functional transfers

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- \$21.1 million for Embedded Behavioral Health Centers
- \$4.8 million for sustaining Future's Group and Institute of Medicine oversight of health matters for ensuring best methods of organizing, training and equipping
- \$4.3 million for net change in education and training focused on industry standards, staff development and simulation
- \$3.5 million for various revolving fund adjustments
- \$1.0 million for Defense Acquisition Workforce

Program decreases include:

- \$847.4 million for re-pricing adjustment to purchased care programs
- \$324.0 million for FY 2014 proposed benefit reform proposals
- \$142.0 million for FY 2013 National Defense Authorization Act (NDAA) directed changes to retail pharmacy co-pays
- \$136.7 million for reversal of one-time enhancement for Temporary End Strength Army Medical (TEAM)
- \$89.6 million for efficient spending through reduced travel and printing costs
- \$87.6 million for rebaselined integrated Electronic Health Record (iEHR)
- \$0.9 million for civilian manpower realignment for mission priorities

Continuing in FY 2014, the Department projects \$143.1 million should transfer to the Joint Department of Defense (DoD) - Department of Veterans Affairs (VA) Medical Facility Demonstration Fund established by section 1704 of Public Law 111-84, (National Defense Authorization Act for FY 2010). This fund combines the resources of DoD and VA to operate the first totally integrated Federal Health Care Facility in the country by the total integration of the North Chicago VA Medical Center and the Navy Health Clinic Great Lakes.

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Narrative Explanation of FY 2013 and FY 2014 Research Development Test & Evaluation (RDT&E) Changes:

The DHP RDT&E Program reflects a net increase of \$56.7 million between FY 2013 and FY 2014. This includes price growth of \$13.5 million and a net program increase of \$43.2 million. Program increases include:

- \$25.5 million for medical/health Research to reduce capability gaps to include diagnosis and treatment of brain injury, psychological health (PH), polytrauma and blast injury, injury prevention and reduction, radiation health, and rehabilitation
- \$20.1 million associated for initial outfitting and transition (IO&T) for the US Army Medical Research Institute of Infectious Disease (USAMRIID), the US Army Medical Research Institute of Chemical Defense (USAMRICD), and the US Army Research Institute of Environmental Medicine (USARIEM) Maher Memorial Altitude Laboratory located at Pikes Peak MILCON projects
- \$16.0 million associated with the transfer of the Military HIV Research Program (MHRP) from the Assistant Secretary of the Army for Acquisition, Logistics, and Technology (ASA(ALT)) to the DHP
- \$3.9 million for an integration effort to replace two major Commercial-Off-The-Shelf (COTS) components within the existing Health Artifact and Image Management Solution (HAIMS) application
- \$3.8 million to support enhancements to Neurocognitive Assessment Tool (NCAT) for the following user requirements: making the Proctor Console (PC) occupy the full end user's screen, provide a link to the Master Web Server (MWS) on the PC Graphical User Interface (GUI) to avoid multiple User ID input requests, and add a 'Select All' option to the Audit Log review from the MWS capability from PC to cancel log off after message of assessment ready for transmission
- \$3.5 million increase to Executive Information/Decision Support (EI/DS) associated with a one-time funding add to modify the TRICARE Encounter Data (TED) provider file for the

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National Provider Identifier (NPI) in FY 2014, as well as development of priority 1 requirements for ESSENCE to include an integrated dashboard, fused detection algorithm and enhanced system administration, and begin development of priority 2 requirements to include processing and analyzing laboratory results, update to calculate population at risk rates rather than counts, and provide ability to allow users to perform custom queries

- \$2.6 million increase development efforts for the Federated Registries Framework which will be used to support organizational and departmental level alignment of the Centers of Excellence mission through the application of standard processes, standardized language, and a common framework
- \$2.4 million for continued development of the e-Commerce system
- \$1.3 million to enhance Navy Medicine laboratory management support
- \$1.2 million for development of the Clinical Enterprise Intelligence (CEI) system by Air Force
- \$0.5 million associated with the transfer of the Wounded Warrior Care Program Office (WWCPO) from the Defense Human Resource Activity (DHRA) to DHP for the development of the Disability Mediation Service (DMS) system which will facilitate the improvement of non-medical case management tracking and integrated Disability Evaluation System (IDES) data management
- \$1.2 million in miscellaneous enhancements/realignments (net of increases and decreases)

Program decreases include:

- \$10.7 million decrease related to clinical trial infrastructure support at MTFs
- \$7.0 million to Defense Occupational and Environmental Health Readiness System - Industrial Hygiene (DOEHRS-IH) associated with planned completion of the HazMat Product Hazard Data - Material Safety Data Sheets (MSDS), the fundamental and authoritative

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resource for accessing standardized information related to materials and products used in the workplace

- \$5.0 million in Theater Medical information Program - Joint (TMIP-J) due to planned completion of integration efforts supporting Public Key Infrastructure/Common Access Card (PKI/CAC) and interfaces for the Theater Medical Data Store associated with ICD-10 requirements in FY 2013
- \$4.3 million in Defense Medical Logistics Standard Support (DMLSS) associated with the planned completion of efforts to improve the ordering and cataloging functionality of the Medical Master Catalog, including Real-Time Information services to increase the frequency of connections from the DMLSS servers located at each MTF to the central DMLSS database
- \$3.8 million in Theater Enterprise Wide Logistics System (TEWLS) associated with the planned completion of applying Item Unique Data (IUD) to applicable end items and components with FY 2013 funding
- \$3.1 million due to planned decreases/enhancement schedule for a clinical case management tool
- \$3.0 million in Hyperbaric Oxygen Therapy (HBO₂) for Traumatic Brain Injury (TBI) clinical trial support
- \$1.9 million in miscellaneous enhancements/realignments (net of increases and decreases)

Narrative Explanation of FY 2013 and FY 2014 Procurement Changes:

The DHP Procurement Program has a net increase of \$164.7 million between FY 2013 and FY 2014. This consists of \$14.1 million in price growth and increased program growth of \$150.6 million. Program increases include:

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- \$97.8 million increase within iEHR due to a rebase-lining in Procurement as a result of revised requirements derived from the establishment of a new joint DoD/VA effort in January 2012.
- \$50.3 million for initial outfitting of medical MILCON and restoration and modernization (R&M) projects
- \$3.6 million for the refresh of Healthcare Artifact and Image Management Solution (HAIMS) hardware, as well as, continued deployment and training of the HAIMS product to the user community
- \$2.4 million increase for Local Area Network (LAN) upgrade project planning 6 more site surveys in FY 2014 compared to FY 2013 and the cyclical End User Device (EUD) replacement schedule based on Service requirements and site surveys
- \$2.0 million in Joint Electronic Health Record Interoperability (JEHRI) funding for hardware refresh for Clinical Health Data Repository, Bi-directional Health Information Exchange and Federal Health Information Exchange
- \$0.5 million for the realignment from CIO O&M for the proper execution of the Veterinary Services Systems Management (VSSM), Veterinary Service Information Management System (VSIMS), Spectacle Request and Transmission System (SRTS) and Defense Medical Surveillance System (DMSS) systems
- \$.5 million in miscellaneous enhancements/realignments (net of increases and decreases)

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Program decreases include:

- \$2.9 million decrease associated with deployment of Secure Messaging to all Clinical Information System (CIS) site
- \$3.6 million in miscellaneous decreases/realignments (net of increases and decreases)

President's Management Plan - Performance Metrics Requirements:

The DHP continues to refine existing performance measures and develop specific criterion to determine and measure outputs/outcomes as compared with initial goals. Over the past year the DHP has transitioned to the Quadruple Aim that is focused on a balanced approach to overall performance to include not only production but outcome measures related to medical readiness, a healthy population, positive patient experiences and responsible management of health care costs.

- **Individual Medical Readiness** - This measure provides operational commanders, Military Department leaders and primary care managers the ability to monitor the medical readiness status of their personnel, ensuring a healthy and fit fighting force medically ready to deploy. This represents the best-available indicator of the medical readiness of the Total Force, Active Components and Reserve Components prior to deployment.
- **TRICARE Prime Enrollee Preventive Health Quality Index** - The National Committee for Quality Assurance (NCQA) established the Healthcare Effectiveness Data and Information Set (HEDIS) to provide the health care system with regular statistical measurements to track the quality of care delivered by the nation's health plans with a goal of improving the overall health of the population. This composite index scores Prime enrollee population for compliance with HEDIS like measures on selected measures to support an evidence-based approach to population health and quality assessment. It also provides a direct comparison with civilian health plans and a

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means of tracking improvements in disease screening and treatment. Improved scores in this measure should translate directly to a healthier beneficiary population, reduced acute care needs, and reduced use of integrated health system resources.

- **Beneficiary Satisfaction with Health Plan** - An increase in the satisfaction with the Health Plan indicates that actions being taken are improving the overall functioning of the plan from the beneficiary perspective. Improvements represent positive patient experiences with the health care benefit and services they receive through the system. The goal is to improve overall satisfaction level to that of civilian plans using a standard survey instrument.

- **Medical Cost Per Member Per Year** - Annual Cost Growth - The medical cost per member per year looks at the overall cost of the Prime enrollees for the DHP. This tracks all costs related to care delivered to enrollees. The objective is to keep the rate of cost growth for the treatment of TRICARE enrollees to a level at or below the civilian health care plans rate increases at the national level. Currently the measure provides insight to issues regarding unit cost, utilization management, and purchased care management. The metric has been enhanced to properly account for differences in population demographics and health care requirements of the enrolled population. Since enrollment demographics can vary significantly by Service, and across time, it is important to adjust the measure. For example, as increasing numbers of older individuals enroll, the overall average medical expense per enrollee would likely increase. Conversely, as younger, healthy active duty enroll, the overall average would likely decrease. Through the use of adjustment factors, a comparison across Services and across time is made more meaningful.

Output related measures that influence Medical Cost Per Member Per Year:

- **Inpatient Production Target** (Medicare Severity Adjusted Relative Weighted Products, referred to as MS-RWPs) - Achieving the production targets ensures

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that the initial plan for allocation of personnel and resources are used appropriately in the production of inpatient workload.

- **Outpatient Production Target** (Relative Value Units, referred to as RVUs) - Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of outpatient workload.

Below is reporting for FY 2012 related to the prior performance measure goals. The next reporting period will focus on the measures related to the Quadruple Aim, and two output measures related to production plan targets. The overall success of each area measured is discussed below along with information related to continuation of reporting in future documents:

- **Individual Medical Readiness** - The Military Health System achieved the goal for the Total Force Medical Readiness for FY 2012 with a score of 84% compared to the goal of 82%. This is the first time the MHS has reported this high of an overall performance level for the measure, and will have to take significant step to ensure that performance can be sustained at this level. Overall one of the major reasons for the improvement is related to the focused care related to Guard and Reserve individuals where performance increased by 11% from the prior year. This measure will continue to be reported in support of the Quadruple Aim.
- **TRICARE Prime Enrollee Preventive Health Quality Index** - The Prevention index is made up of three specific areas for Direct Care related to nationally recognized evidenced based screening measures compared to the national norms. Where scores are indexed to a value from 1-5 depending on whether or not the Direct Care system has managed to surpass the 90th percentile for a score of 5, to achieving a level better than the 50th percentile for a score of 3. For FY 2012, the Direct Care system achieved a score of 10 points compared to the goal of 12 points, and failed to

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achieve the goal. While not achieving the goal, the score did improve by 2 points from the prior year reporting. Cervical cancer screening is above the 90th percentile for the nation, and progress was made on improving Well Child Visits for the TRICARE Prime enrollees. Overall progress is slower with this metric, but improvements continue and must be maintained to be comparable to the constant improvement within the private sector. This measure will continue to be reported in support of the Quadruple Aim.

- **Beneficiary Satisfaction with Health Plan** - Satisfaction with Health Care Plan performance for FY 2012 exceeded the goal of 56 percent during each quarter for the year, with an aggregate score of 65 percent for the year. Continuous increases in enrollment and improvement in the score demonstrates real progress for the program with respect to satisfying our beneficiaries. While progress on this metric demonstrates success with the program, changes to the number individuals covered by the TRICARE Prime benefit over the next couple of years may result in a decreased overall satisfaction with the Health Plan. This measure will continue to be reported in support of the Quadruple Aim.

- **Inpatient Production Target** (MS-RWPs) - For the most recent reported monthly data for FY 2012, the MHS produced 208 thousand MS-RWPs against a target of 217 thousand MS-RWPs slightly below the target. These numbers are based on the records reported to date, and will increase slightly as all records are completed. With the continued focus on early ambulatory care to prevent inpatient admissions, there was a drop in the overall inpatient utilization from prior years. Additionally, with the consolidation of inpatient services in the San Antonio and National Capital Region, there is a temporary decrease in inpatient workload for the year. The long term impact of the potential furloughs may have some impact on future operations which cannot be predicted at this time. This measure will continue to be reported as an output measure for the DHP.

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- **Outpatient Production Target** (RVUs) - With an increased emphasis on paying for performance, the system has seen a renewed focus on production of outpatient care. For FY 2012, the system produced 80 million relative value units versus a goal of 72 million relative value units. The MHS achieved the goal for the year; however, the long term impact of the potential furloughs may have some impact on future operations which cannot be predicted at this time. This measure will continue to be reported as an output measure for the DHP.

Medical Cost Per Member Per Year - Annual Cost Growth - The Year to Date performance estimate for FY 2012 is 2.6% versus goal of 9.5%. While final claims data is still lagging, the system was able to achieve the goal during the fiscal year. A significant reason for achieving the growth rate is related to the extremely high growth experienced in the private sector in advance of the implementation of the Accountable Care Act. While the high goal was a significant reason for achievement, we continue to see improvements related to changes made with respect to the outpatient prospective payments in Purchased Care and Patient Centered Medical Home. Performance improved with each quarter, and should continue into FY 2013 where the measure will continue to be reported.