

**Defense Health Program
Fiscal Year (FY) 2014 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).

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 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 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 the private sector as authorized under the Civilian Health and Medical Program of the Uniformed Services.

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I. Description of Operations Financed (cont.)

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 Veteran Administration facilities. All dental claims are managed, paid and reported by the Military Medical Support Office (MMSO) or through contractual services.

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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 Care System and Medicare.

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 patients records costs for the overseas beneficiaries 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 Alaska claims, Custodial Care, Continuing Health Care Benefits Program, Dual-Eligible Beneficiaries Program, TMA 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.

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II. Force Structure Summary:

Approximately 9.6 million DoD beneficiaries are eligible to receive care under private sector care programs, including approximately 2.2 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 (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).

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III. Financial Summary (\$ in thousands)

	FY 2013						
	FY 2012	Budget	Congressional Action			Current	FY 2014
			Actual	Request	Amount		
A. BA Subactivities							
1. Pharmaceuticals Purchased Health Care	462,997	492,783	0	0.0	492,783	492,783	972,439
2. National Retail Pharmacy	1,497,064	1,599,512	0	0.0	1,599,512	1,599,512	1,233,994
3. Managed Care Support Contracts	6,874,295	6,893,201	0	0.0	6,893,201	6,893,201	6,958,656
4. MTF Enrollee Purchased Care	2,418,746	2,978,107	0	0.0	2,978,107	2,978,107	2,524,474
5. Dental Purchased Care	338,658	337,368	0	0.0	337,368	337,368	339,049
6. Uniformed Services Family Health Program	401,368	459,518	0	0.0	459,518	459,518	445,085
7. Supplemental Care - Health Care	1,531,137	1,686,782	0	0.0	1,686,782	1,686,782	1,641,936
8. Supplemental Care - Dental	180,352	260,605	0	0.0	260,605	260,605	218,266
9. Continuing Health Education/Capitalization	331,109	395,002	0	0.0	395,002	395,002	413,439
10. Overseas Purchased Health Care	323,121	320,404	0	0.0	320,404	320,404	337,614
11. Miscellaneous Purchased Health Care	501,701	568,350	0	0.0	568,350	568,350	628,787
12. Miscellaneous Support Activities	102,118	156,631	0	0.0	156,631	156,631	128,993
Total	14,962,666	16,148,263	0	0.0	16,148,263	16,148,263	15,842,732

1. FY 2012 actuals include \$451.9M for Overseas Contingency Operations (OCO) under the Consolidated Appropriations Act, (Division A), Public Law 112-74.
2. FY 2013 current estimate excludes \$377.0M for OCO.
3. FY 2014 estimate excludes OCO.

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4. Does not reflect Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) for FY 2012 of \$6,858.7M, FY 2013 of \$7,449.4M and FY 2014 of \$7,607.1M only.

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2013/FY 2013</u>	<u>FY 2013/FY 2014</u>
Baseline Funding	16,148,263	16,148,263
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	16,148,263	
Fact-of-Life Changes (2013 to 2013 Only)		
Subtotal Baseline Funding	16,148,263	
Supplemental	376,981	
Reprogrammings		
Price Changes		629,783
Functional Transfers		
Program Changes		-935,314
Current Estimate	16,525,244	15,842,732
Less: Wartime Supplemental	-376,981	
Normalized Current Estimate	16,148,263	

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	Amount	Totals
C. Reconciliation of Increases and Decreases		
FY 2013 President's Budget Request (Amended, if applicable)		16,148,263
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2013 Appropriated Amount		16,148,263
2. OCO and Other Supplemental Enacted		376,981
a. OCO and Other Supplemental Requested		
1) OCO Supplemental	376,981	
3. Fact-of-Life Changes		
FY 2013 Baseline Funding		16,525,244
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2013 Estimate		16,525,244
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		-376,981
FY 2013 Normalized Current Estimate		16,148,263
6. Price Change		629,783
7. Functional Transfers		
8. Program Increases		529,991
a. Annualization of New FY 2013 Program		
b. One-Time FY 2014 Increases		
c. Program Growth in FY 2014		
1) FY 2013 Benefit Reform Proposals Restoral (TRICARE Fees):	273,000	
Restores savings associated with FY 2013 proposed TRICARE Prime, Extra, and Standard Fees denied by Congress.		
2) FY 2013 Benefit Reform Proposals Restoral (Pharmacy Co-Pays):	202,599	

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C. Reconciliation of Increases and Decreases	Amount	Totals
Restores savings associated with FY 2013 proposed pharmacy benefit reform denied by Congress.		
3) TRICARE Reserve Select (TRS) - Healthcare Mandate: The increase to requirement provides for a projected increase in enrollment above previous projections driven by TRS eligibles seeking to comply with the Affordable Care Act mandate to obtain health insurance.	54,392	
9. Program Decreases		-1,465,305
a. Annualization of FY 2013 Program Decreases		
b. One-Time FY 2013 Increases		
1) Temporary End-Strength Army (TEAM)	-47,841	
c. Program Decreases in FY 2014		
1) Repricing Adjustment to Purchased Care Programs: The decrease to requirement reflects the current slow growth healthcare cost profile. The revision incorporates the impact of assumed volume changes driven by a declining beneficiary population and a slower growth in individual utilization trends. Cost growth is suppressed to account for the cumulative effect of Outpatient Prospective Payment System cost containment initiative. The decrease also includes cost savings associated with revised enrollment and rate changes for the family members and active duty dental contracts as well as those related to the TRICARE Overseas program, and several other miscellaneous purchased healthcare programs.	-869,381	
2) FY 2014 Benefit Reform Proposal - TRICARE Fees: Assumed savings resulting from proposed changes to TRICARE Prime enrollment fees and office visit co-	-197,000	

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C. Reconciliation of Increases and Decreases	Amount	Totals
pays and instituting an enrollment fee and increasing deductibles for TRICARE Standard/Extra for working retirees. After FY 2017, the enrollment fees will be indexed to annual retiree cost-of-living (COLA) increases.		
3) FY 2013 NDAA Pharmacy Co-Pay Changes: Assumed savings resulting from FY 2013 National Defense Authorization Act (NDAA) directed changes to Retail Pharmacy Co-Pays.	-187,833	
4) FY 2014 Benefit Reform Proposal - Pharmacy Co-pays: Assumed savings resulting from additional increases to Retail Pharmacy Co-Pays and mandatory use of mail order or MTF pharmacies for maintenance medications.	-130,895	
5) Uniformed Services Family Health Plan: The decrease to requirement reflects successful capitated rate negotiations to include secondary effect of the retail pharmacy rebate program and OPPS.	-32,355	
FY 2014 Budget Request		15,842,732

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>Change FY 2012/2013</u>	<u>Change FY 2013/2014</u>
Uniformed Service Family Health Services:	112,693	116,704	120,772	4,011	4,068
DoD Enrollees (Non-MERHCF)	71,752	75,871	80,245	4,119	4,374
DoD Enrollees (MERHCF)	40,941	40,833	40,527	-108	-306
Workload for Medical Care and Pharmacy:					
Admissions	394,471	390,711	382,834	-3,760	-7,877
Weighted Workload - Inpatient RWP's	369,588	368,110	362,701	-1,478	-5,408
Visits	43,443,096	45,665,823	47,592,353	2,222,727	1,926,530
Weighted Workload - Outpatient RVU's	116,347,398	122,326,051	127,508,000	5,978,653	5,181,949
Retail Pharmacy Prescriptions	33,760,116	33,771,640	33,621,512	11,524	-150,128
Mail Order Prescriptions	3,656,663	3,856,478	3,937,724	199,815	81,247

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V. Personnel Summary

N/A

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

<u>OP 32 Line</u>	<u>FY 2012</u> <u>Actual</u>	<u>Change</u> <u>FY 2012/FY 2013</u>		<u>FY 2013</u> <u>Estimate</u>	<u>Change</u> <u>FY 2013/FY 2014</u>		<u>FY 2014</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
308 Travel of Persons	432	9	-441	0	0	471	471
399 TOTAL TRAVEL	432	9	-441	0	0	471	471
633 DLA Document Services	2,000	125	-2,125	0	0	0	0
647 DISA Enterprise Computing Centers	6,098	104	-6,202	0	0	6,373	6,373
699 TOTAL DWCF PURCHASES	8,098	229	-8,327	0	0	6,373	6,373
912 Rental Payments to GSA (SLUC)	257	5	-262	0	0	0	0
921 Printing & Reproduction	2,800	56	-2,856	0	0	5,276	5,276
924 Pharmaceutical Drugs	1,960,061	78,402	53,832	2,092,295	81,600	32,538	2,206,433
932 Mgt Prof Support Svcs	7,511	150	-7,661	0	0	12,892	12,892
933 Studies, Analysis & Eval	5,169	103	-5,272	0	0	1,889	1,889
986 Medical Care Contracts	12,944,785	517,791	593,392	14,055,968	548,183	-1,047,231	13,556,920
987 Other Intra-Govt Purch	14,487	290	-14,777	0	0	23,580	23,580
989 Other Services	4,034	81	-4,115	0	0	3,024	3,024
990 IT Contract Support Services	15,032	301	-15,333	0	0	25,874	25,874
999 TOTAL OTHER PURCHASES	14,954,136	597,179	596,948	16,148,263	629,783	-942,158	15,835,888
Total	14,962,666	597,417	588,180	16,148,263	629,783	-935,314	15,842,732