

**Defense Health Program  
Fiscal Year (FY) 2019 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 Military Health System (MHS)-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 (TOP), the Supplemental Care Program, TRICARE Mail Order Pharmacy (TMOP), the National Retail Pharmacy, TRICARE Reserve Select (TRS), which is a premium based program for reservists and their family members, and various support activities.

**Pharmaceuticals - Purchased Health Care:** Includes expenses for the pharmaceutical costs associated with contractual pharmacy services providing authorized benefits to eligible beneficiaries via the TRICARE Mail Order Pharmacy (TMOP). Excludes manpower authorizations and all administrative costs of the Defense Health Agency to include regional offices and Defense Supply Center-Philadelphia's management of the TMOP. Other pharmacy elements include Base Realignment and Closure (BRAC) Medicare Pharmacy, Military Medical Support Office (MMSO) pharmacy costs and retail pharmacy costs.

**National Retail Pharmacy -** Includes expenses for the pharmaceutical costs associated with contractual pharmacy services providing authorized benefits to eligible beneficiaries via the TRICARE Retail Pharmacy Program. The TRICARE Retail Pharmacy Program provides network pharmaceutical prescription benefits for eligible beneficiaries from private sector retail pharmacies. Excludes all administrative costs for the management of the TRICARE Retail Pharmacy Program and all costs expensed under TRICARE Mail Order Pharmacy (TMOP).

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**I. Description of Operations Financed (cont.)**

**TRICARE Managed Care Support Contracts (MCSC)** - Includes expenses for the at-risk health care costs specifically for providing benefits identified in Title 32 United States Code of Federal Regulations 199 and measurable to the following for areas serviced by TRICARE Managed Care Support Contracts: healthcare authorized under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for the following beneficiaries: (a) retired military personnel and (b) for spouses and dependent children of active duty, retired, or deceased military personnel in civilian facilities and by private practitioners. Also includes costs for the Extended Care Health Option (ECHO) for disabled dependents of active duty personnel covered under the Program for Persons with Disabilities (PPPWD) Act. Includes healthcare costs for those programs that are considered at-risk to the TRICARE Managed Care Support Contracts, and external and internal resource sharing agreements when paid by the TRICARE Managed Care Support contractors. In addition, it includes underwritten costs for health care both for those beneficiaries enrolled with the contractors as well as those who are unenrolled. Underwritten costs for private sector care provided to Military Treatment Facility (MTF) enrollees are accounted for in program element (PE) 0807738. Excludes manpower authorizations and all administrative costs of the executive agents (Defense Health Agency) associated with the management of TRICARE Managed Care Support Contracts. Excludes claims processed by the TRICARE Overseas Contract (PE 0807749) and any not-at-risk/non-underwritten costs associated with the Managed Care Support Contracts (Supplemental Care-Health Care, PE 0807743 and Miscellaneous Purchased Health Care, PE 0807751).

**Military Treatment Facility (MTF) Enrollees Purchased Care** - Includes expenses for the underwritten costs for health care specifically for providing benefits for the MTF Prime enrollees as authorized under the Civilian Health and Medical Program of the Uniformed

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**I. Description of Operations Financed (cont.)**

Services (CHAMPUS). Excludes health care provided under the Supplemental Care Program and expensed in PE 0807743.

**Dental Purchased Care** - Includes expenses associated with the government paid portion of insurance premiums specifically for providing dental benefits in civilian facilities and by private practitioners for the beneficiaries who are enrolled in the TRICARE Dental Program. Beneficiaries eligible for enrollment are: (a) active duty family members (b) retired military personnel and family members (c) select reservist or individual ready reservist (IRR) and dependent family members. Also, includes administrative, management, and health care costs associated with these dental services. Excludes services and costs expensed in the Supplemental Care - Dental Care (PE 087745) and direct health care system (Dental Care - CONUS, PE 807715 and Dental Care - OCONUS, PE 807915).

**Uniformed Services Family Health Program (USFHP)** - Includes costs based on annual capitation rates for providing benefits authorized through contracts with designated civilian hospitals in selected markets to beneficiaries enrolled to the program. Beneficiaries eligible for enrollment into USFHP include active duty family members, retirees and their family members and survivors who live within the specially designated geographic area.

**Supplemental Care - Health Care** - Includes costs for providing the TRICARE Prime benefit to active duty service members and other designated eligible patients who receive health care services in the civilian sector or non-defense facilities either referred or non-referred from the Military Treatment Facility, emergent care and authorized non-emergent care. Includes members in travel status, Navy/Marine Corps service members enrolled to deployable units and referred by the unit primary care manager, eligible Reserve Component personnel, ROTC students, cadets/midshipmen, and eligible foreign military.

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This program also covers health care sought in the civilian sector due to active duty assignments in remote locations. The types of claims include health care under TRICARE Prime Remote, MTF referred care, emergency care, and authorized non-emergency/non-referred care. Includes the costs of sharing agreements that are not paid by the managed care support contractors. Excludes all costs associated with dental care expensed in Dental - Purchased Care and Dental - Supplemental Care.

**Supplemental Care - Dental** - Includes costs for a dental benefit for uniform dental care and administrative costs for active duty members including eligible mobilized select reserves or individual ready reserves (IRR), receiving services in the civilian sector to include Department of Veterans Affairs' facilities. This program also covers dental care sought in the civilian sector due to active duty assignments in remote locations. All Dental Claims are managed, paid and reported by the Military Medical Support Office (MMSO) or through contractual services.

**Continuing Health Education/Capitalization of Assets (CHE/CAP)** - Provides for support of graduate medical education and capital investment within civilian facilities which provide services to the Military Health System and Medicare. These facilities operate under the Diagnosis Related Group (DRG system) of payment providing federal inpatient services under TRICARE and Medicare.

**TRICARE Overseas Program (TOP)**- Includes costs specifically for delivery of Military Health System Prime benefits in civilian facilities by private practitioners to eligible active duty and active duty family member beneficiaries in the TRICARE Overseas Program (TOP) and foreign claims for non-active duty beneficiaries including Medicare eligibles (when Medicare Part B is purchased). Coverage includes Europe, the Pacific region, Latin America, Asia, Africa, Canada, and areas covered through TOP-Remote per the contract.

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**I. Description of Operations Financed (cont.)**

The scope of health care includes medical, dental, inpatient care, laboratory work, health care testing, and other health care services equivalent to the DoD TRICARE program. Benefits are exclusively pass-through costs. Excluded from the benefits program is custodial care claims, special and emergent care claims and Alaska claims. Also includes overseas health care provided under the Supplemental Care program. Excludes demonstrations, congressional mandates and other health care expensed in Miscellaneous Purchased Health Care, PE 0807751.

**Miscellaneous Purchased Health Care** - Includes costs specifically for providing benefits identified in Title 32 of the Code of Federal Regulations Part 199 (32 CFR 199) authorized under the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for the following beneficiaries: (a) retired military personnel and (b) spouses and dependent children of active duty, retired, or deceased military personnel in civilian facilities and by private practitioners. Also includes costs for special education and institutional care in civilian facilities for disabled dependents of active duty personnel covered under the Program for Persons with Disabilities (PPWD) Act. Includes administrative, management, and health care costs for Custodial Care, Special and Emergent Care Claims, Alaska Claims, Expanded Cancer, TRICARE/Medicare dual eligible beneficiaries program (e.g., TRICARE Dual Eligible Fiscal Intermediary Contract - TDEFIC) transition assistance programs and TRICARE Reserve Select (TRS).

**Miscellaneous Support Activities** - Includes the miscellaneous administrative costs and support contract expenses for various programs, demonstrations and other congressionally mandated programs or actions not directly providing health care. Programs financed include: the TRICARE Quality Monitoring Program (TQMP), marketing and education functions, printing, background checks, Defense Manpower Data Center/Defense Enrollment Eligibility Reporting System (DMDC/DEERS) support, long term Other Health Insurance (OHI)

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discovery, travel, case management, surveys, and many other small cost administrative support items.

**II. Force Structure Summary:**

Approximately 9.5 million Military Health System beneficiaries are eligible to receive care under the private sector care programs, including approximately 2.4 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). Until January 1, 2018, the Managed Care Support Contractors (MCSC) provided 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). Effective January 1, 2018, the TRICARE benefit structure transitions to a simpler system by providing beneficiaries two care alternatives. Tricare Prime will remain unaltered, while Tricare Standard and Extra are replaced by the new Preferred Provider Option styled plan, Tricare Select.

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**III. Financial Summary (\$ in thousands)**

|                                               | FY 2018               |                       |                             |                |                     |                        |                        |
|-----------------------------------------------|-----------------------|-----------------------|-----------------------------|----------------|---------------------|------------------------|------------------------|
|                                               | FY 2017               | Budget                | <u>Congressional Action</u> |                |                     | Current                | FY 2019                |
|                                               |                       |                       | <u>Amount</u>               | <u>Percent</u> | <u>Appropriated</u> |                        |                        |
| <b>A. <u>BA Subactivities</u></b>             | <b><u>Actuals</u></b> | <b><u>Request</u></b> |                             |                |                     | <b><u>Estimate</u></b> | <b><u>Estimate</u></b> |
| 1. Pharmaceuticals Purchased Health Care      | 889,825               | 841,590               | 0                           | 0.0            | 841,590             | 841,590                | 958,925                |
| 2. National Retail Pharmacy                   | 886,937               | 809,762               | 0                           | 0.0            | 809,762             | 809,762                | 878,946                |
| 3. Managed Care Support Contracts             | 6,526,126             | 6,838,409             | 0                           | 0.0            | 6,838,409           | 6,838,409              | 6,188,070              |
| 4. MTF Enrollee Purchased Care                | 2,744,707             | 2,799,907             | 0                           | 0.0            | 2,799,907           | 2,799,907              | 2,922,151              |
| 5. Dental Purchased Care                      | 323,779               | 355,493               | 0                           | 0.0            | 355,493             | 355,493                | 358,865                |
| 6. Uniformed Services Family Health Program   | 522,209               | 552,850               | 0                           | 0.0            | 552,850             | 552,850                | 561,386                |
| 7. Supplemental Care - Health Care            | 1,315,843             | 1,348,918             | 0                           | 0.0            | 1,348,918           | 1,348,918              | 1,373,075              |
| 8. Supplemental Care - Dental                 | 75,139                | 85,418                | 0                           | 0.0            | 85,418              | 85,418                 | 89,789                 |
| 9. Continuing Health Education/Capitalization | 395,177               | 358,500               | 0                           | 0.0            | 358,500             | 358,500                | 396,307                |
| 10. Overseas Purchased Health Care            | 308,290               | 314,555               | 0                           | 0.0            | 314,555             | 314,555                | 320,386                |
| 11. Miscellaneous Purchased Health Care       | 859,513               | 890,330               | 0                           | 0.0            | 890,330             | 890,330                | 925,250                |
| 12. Miscellaneous Support Activities          | 129,810               | 122,000               | 0                           | 0.0            | 122,000             | 122,000                | 130,585                |
| <b>Total</b>                                  | <b>14,977,355</b>     | <b>15,317,732</b>     | <b>0</b>                    | <b>0.0</b>     | <b>15,317,732</b>   | <b>15,317,732</b>      | <b>15,103,735</b>      |

1. FY 2017 actuals include \$233,073K for OCO.

2. FY 2017 actuals do not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF) of \$7,849,480.5(O&M Only).

3. FY 2018 current estimate excludes \$331,968K for OCO.

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4. FY 2018 current estimate does not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF)of \$8,347,986.7K (O&M Only).
5. FY 2019 estimate excludes \$277,066K for OCO.
6. FY 2019 estimate does not include Department of Defense Medicare-Eligible Retiree Health Care Fund(MERHCF)of \$8,797,609.1K(O&M Only).

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| <b>B. <u>Reconciliation Summary</u></b>        | <b>Change</b>                 | <b>Change</b>                 |
|------------------------------------------------|-------------------------------|-------------------------------|
|                                                | <b><u>FY 2018/FY 2018</u></b> | <b><u>FY 2018/FY 2019</u></b> |
| <b>Baseline Funding</b>                        | <b>15,317,732</b>             | <b>15,317,732</b>             |
| Congressional Adjustments (Distributed)        |                               |                               |
| Congressional Adjustments (Undistributed)      |                               |                               |
| Adjustments to Meet Congressional Intent       |                               |                               |
| Congressional Adjustments (General Provisions) |                               |                               |
| <b>Subtotal Appropriated Amount</b>            | <b>15,317,732</b>             |                               |
| Fact-of-Life Changes (2018 to 2018 Only)       |                               |                               |
| <b>Subtotal Baseline Funding</b>               | <b>15,317,732</b>             |                               |
| Supplemental                                   | 331,968                       |                               |
| Reprogrammings                                 |                               |                               |
| Price Changes                                  |                               | 658,102                       |
| Functional Transfers                           |                               |                               |
| Program Changes                                |                               | -872,099                      |
| <b>Current Estimate</b>                        | <b>15,649,700</b>             | <b>15,103,735</b>             |
| Less: Wartime Supplemental                     | -331,968                      |                               |
| <b>Normalized Current Estimate</b>             | <b>15,317,732</b>             |                               |

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| <b><u>C. Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                     | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>FY 2018 President's Budget Request (Amended, if applicable)</b>                                                                                                                                                                                                             |                      | <b>15,317,732</b>    |
| 1. Congressional Adjustments                                                                                                                                                                                                                                                   |                      |                      |
| a. Distributed Adjustments                                                                                                                                                                                                                                                     |                      |                      |
| b. Undistributed Adjustments                                                                                                                                                                                                                                                   |                      |                      |
| c. Adjustments to Meet Congressional Intent                                                                                                                                                                                                                                    |                      |                      |
| d. General Provisions                                                                                                                                                                                                                                                          |                      |                      |
| <b>FY 2018 Appropriated Amount</b>                                                                                                                                                                                                                                             |                      | <b>15,317,732</b>    |
| 2. OCO and Other Supplemental Enacted                                                                                                                                                                                                                                          |                      | 331,968              |
| a. OCO and Other Supplemental Requested                                                                                                                                                                                                                                        |                      |                      |
| 1) OCO Supplemental                                                                                                                                                                                                                                                            | 331,968              |                      |
| 3. Fact-of-Life Changes                                                                                                                                                                                                                                                        |                      |                      |
| <b>FY 2018 Baseline Funding</b>                                                                                                                                                                                                                                                |                      | <b>15,649,700</b>    |
| 4. Reprogrammings (Requiring 1415 Actions)                                                                                                                                                                                                                                     |                      |                      |
| <b>Revised FY 2018 Estimate</b>                                                                                                                                                                                                                                                |                      | <b>15,649,700</b>    |
| 5. Less: OCO and Other Supplemental Appropriations and<br>Reprogrammings (Items 2 and 4)                                                                                                                                                                                       |                      | -331,968             |
| <b>FY 2018 Normalized Current Estimate</b>                                                                                                                                                                                                                                     |                      | <b>15,317,732</b>    |
| 6. Price Change                                                                                                                                                                                                                                                                |                      | 658,102              |
| 7. Functional Transfers                                                                                                                                                                                                                                                        |                      |                      |
| 8. Program Increases                                                                                                                                                                                                                                                           |                      | 69,432               |
| a. Annualization of New FY 2018 Program                                                                                                                                                                                                                                        |                      |                      |
| b. One-Time FY 2019 Increases                                                                                                                                                                                                                                                  |                      |                      |
| c. Program Growth in FY 2019                                                                                                                                                                                                                                                   |                      |                      |
| 1) Medically Ready Armed Forces:                                                                                                                                                                                                                                               | 69,432               |                      |
| Incremental increase to fund Private Sector Care<br>requirements resulting from the increase in military<br>active duty end strength and family members. The FY<br>2018 Managed Care Support Contract baseline funding<br>request is \$6,838,409K and the FY 2018 MTF Enrollee |                      |                      |

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| <b>C. <u>Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Purchased Care baseline funding request is \$2,799,907K for a total FY 2018 baseline funding request of \$9,638,316K.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                      |                      |
| 9. Program Decreases                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                      | -941,531             |
| a. Annualization of FY 2018 Program Decreases                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                      |                      |
| b. One-Time FY 2018 Increases                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                      |                      |
| c. Program Decreases in FY 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                      |
| 1) a. Reduction in Funding Due to Updates to the TRICARE Contract Administration Fee Structure:<br>The TRICARE Managed Care Support Contracts (MCSC) will realize efficiencies due to improvements in the administration fee structure between the previous (T-3) MCSC and the new MCSC (T-17), that started on January 1, 2018. The reduction in administrative overhead costs is a result of the following initiatives: (1) consolidation of CONUS TRICARE regions from three to two, (2) implementation of stringent contractor financial incentives, and (3) retention of beneficiary enrollment fees by the Government and not the contractors under the new fee payment structure. The FY 2018 Managed Care Support Contract baseline funding request is \$6,838,409K. | -506,000             |                      |
| 2) b. Reduction in Funding Due to Updated Changes to Copayments As Per the Interim Final Rule (IFR):<br>Reduction for estimated savings associated with the updated retiree copayments under the TRICARE Prime and Select Health Plans, effective January 1, 2018, as promulgated in the interim final rule (IFR) published on September 29, 2017 (Volume 82, Number                                                                                                                                                                                                                                                                                                                                                                                                         | -299,000             |                      |

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| <b>C. <u>Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 188). For Select beneficiaries, the IFR, wherever practical--converts the current cost-shares, from a percentage to a fixed dollar amount. For TRICARE Prime retirees, the IFR restructures and updates copayment amounts. The simplicity of this approach will make participation in the TRICARE network more attractive to providers. The FY 2018 Managed Care Support Contract baseline funding request is \$6,838,409K.                                                                                                                                                                                                                                                                                                                                                                    |                      |                      |
| 3) c. Reduction for Estimated Savings Associated with the Adoption of CMS Rates for TRICARE Long Term Care and Inpatient Residential Facilities Reimbursement:<br>Reduction for estimated savings associated with the adoption of the Centers for Medicare and Medicaid Services' (CMS) reimbursement rates for Long Term Care Hospitals(LTCH) and Inpatient Rehabilitation Facilities(IRF) providing care to TRICARE beneficiaries. Previously, TRICARE paid LTCH and IRF billed charges minus individually negotiated discounts; ultimately paying an average of 70% of billed charges. This initiative is compatible with the private sector which reimburses based upon CMS standard discounted rates. The FY 2018 Managed Care Support Contract baseline funding request is \$6,838,409K. | -97,000              |                      |
| 4) d. Reduction to Private Sector Care Pharmacy Costs Due to the FY 2018 National Defense Authorization Act (NDAA):<br>Reduction to Private Sector Care pharmacy costs due                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -38,400              |                      |

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| <b>C. <u>Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| to the FY 2018 National Defense Authorization Act (NDAA) enactment of the revised 10-year pharmacy copayment ramp designed to fully incentivize the use of mail order and generic drugs. The FY 2018 Private Sector Care Retail and Mail Order Total Pharmacy baseline funding request is \$1,651,352K.                                                                                                                                                                                                                                                                                                            |                      |                      |
| 5) e. Improve Financial Management - Deobligations: Reduction of \$1,131K as the result of the Military Health System's review of historical deobligation trends and associated financial management improvements. Reductions were taken as follows: Defense Health Agency-Comptroller reductions in advisory and assistance services (OP32 line 932), studies, analysis and evaluations (OP32 line 933), IT contract support services (OP32 line 990) and very small amounts in other non-healthcare contracts. The FY 2018 baseline Private Sector Care non-medical care contracts funding request is \$49,648K. | -1,131               |                      |
| <b>FY 2019 Budget Request</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      | <b>15,103,735</b>    |

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

|                                        | <b>FY 2017</b>        | <b>FY 2018</b>         | <b>FY 2019</b>         | <b>FY 2017-2018</b>  | <b>FY 2018-2019</b>  |
|----------------------------------------|-----------------------|------------------------|------------------------|----------------------|----------------------|
|                                        | <b><u>Actuals</u></b> | <b><u>Estimate</u></b> | <b><u>Estimate</u></b> | <b><u>Change</u></b> | <b><u>Change</u></b> |
| <b>Private Sector Care Enrollment:</b> |                       |                        |                        |                      |                      |
| Private Sector Prime                   | 1,135,180             | 1,121,800              | 1,121,800              | -13,380              | 0                    |
| Uniformed Services Family              | 99,070                | 99,070                 | 99,070                 | 0                    | 0                    |
| TRICARE Dental Program                 | 682,846               | 682,119                | 686,020                | -727                 | 3,901                |
| <b>Private Sector Care System</b>      | <b>FY 2017</b>        | <b>FY 2018</b>         | <b>FY 2019</b>         | <b>FY 2017-2018</b>  | <b>FY 2018-2019</b>  |
| <b>Workload:</b>                       | <b><u>Actuals</u></b> | <b><u>Estimate</u></b> | <b><u>Estimate</u></b> | <b><u>Change</u></b> | <b><u>Change</u></b> |
| Outpatient-Visits                      | 35,351,916            | 34,998,397             | 34,893,403             | -353,519             | -104,994             |
| Outpatient-Weighted                    | 139,697,097           | 138,300,126            | 137,885,224            | -1,396,971           | -414,902             |
| Inpatient-Admissions                   | 332,635               | 329,309                | 328,319                | -3,326               | -990                 |
| Inpatient-Weighted                     | 356,669               | 353,102                | 352,042                | -3,567               | -1,060               |
| <b>Prescriptions:</b>                  |                       |                        |                        |                      |                      |
| Pharmacy-Retail                        | 21,155,361            | 20,097,593             | 19,092,713             | -1,057,768           | -1,004,880           |
| Pharmacy-Mail Order                    | 6,943,015             | 7,290,166              | 7,654,674              | 347,151              | 364,508              |
| Pharmacy-Total PSC                     | 28,098,376            | 27,387,759             | 26,747,387             | -710,617             | -640,371             |

NOTES: a) All data excludes MERHCF. (b) New contract (Jan 2018) has two regions and overseas. The benefit changed from: Prime, Standard, Extra and TRICARE Overseas to Prime, Select and Overseas, (c) Outpatient workload in OP setting only, used Total RVUs (d) Only workload generated from TRICARE Claim, (e) Inpatient workload used RWP-DRGs, included all Major Diagnostic Codes (e.g., surgical, mental health, internal medicine, etc.), (f) Outpatient and Prescriptions = FY 2017 Actual; Inpatient (due to claim lag) = FY 2017 Actual thru Q3, then estimate for Q4, (g) workload is all workload provided in Private Sector locations regardless of patient's enrollment status, (h) Retail pharmacy continues to decline due to changes in the benefit which incentivizes beneficiaries to use the much cheaper mail order benefit in lieu of the more expensive retail pharmacy, (i) enrollment is to PSC providers not to the Military Treatment Facilities.

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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 2017</u><br><u>Actuals</u> | <u>Change</u><br><u>FY 2017/FY 2018</u> |                 | <u>FY 2018</u><br><u>Estimate</u> | <u>Change</u><br><u>FY 2018/FY 2019</u> |                 | <u>FY 2019</u><br><u>Estimate</u> |
|----------------------------------------------|----------------------------------|-----------------------------------------|-----------------|-----------------------------------|-----------------------------------------|-----------------|-----------------------------------|
|                                              |                                  | <u>Price</u>                            | <u>Program</u>  |                                   | <u>Price</u>                            | <u>Program</u>  |                                   |
| 308 Travel of Persons                        | 742                              | 13                                      | -252            | 503                               | 9                                       | -2              | 510                               |
| <b>399 TOTAL TRAVEL</b>                      | <b>742</b>                       | <b>13</b>                               | <b>-252</b>     | <b>503</b>                        | <b>9</b>                                | <b>-2</b>       | <b>510</b>                        |
| 647 DISA Enterprise Computing Centers        | 11,128                           | 211                                     | -7,528          | 3,811                             | -229                                    | 273             | 3,855                             |
| <b>699 TOTAL DWCF PURCHASES</b>              | <b>11,128</b>                    | <b>211</b>                              | <b>-7,528</b>   | <b>3,811</b>                      | <b>-229</b>                             | <b>273</b>      | <b>3,855</b>                      |
| 921 Printing & Reproduction                  | 12,758                           | 217                                     | -7,258          | 5,717                             | 103                                     | 6               | 5,826                             |
| 924 Pharmaceutical Drugs                     | 1,704,878                        | 59,670                                  | -113,196        | 1,651,352                         | 89,173                                  | 97,346          | 1,837,871                         |
| 925 Equipment Purchases (Non-Fund)           | 11                               | 0                                       | -11             | 0                                 | 0                                       | 0               | 0                                 |
| 932 Mgt Prof Support Svcs                    | 38,643                           | 657                                     | -26,088         | 13,212                            | 238                                     | -427            | 13,023                            |
| 933 Studies, Analysis & Eval                 | 5,733                            | 97                                      | -3,893          | 1,937                             | 35                                      | -62             | 1,910                             |
| 959 Other Costs (Insurance Claims/Indmnties) | 3                                | 0                                       | -3              | 0                                 | 0                                       | 0               | 0                                 |
| 960 Other Costs (Interest and Dividends)     | 468                              | 8                                       | -476            | 0                                 | 0                                       | 0               | 0                                 |
| 986 Medical Care Contracts                   | 13,155,708                       | 460,450                                 | -35,009         | 13,581,149                        | 567,692                                 | -968,628        | 13,180,213                        |
| 987 Other Intra-Govt Purch                   | 23,934                           | 407                                     | 1,211           | 25,552                            | 460                                     | 26              | 26,038                            |
| 989 Other Services                           | 1,249                            | 21                                      | 1,827           | 3,097                             | 56                                      | -98             | 3,055                             |
| 990 IT Contract Support Services             | 22,100                           | 376                                     | 8,926           | 31,402                            | 565                                     | -533            | 31,434                            |
| <b>999 TOTAL OTHER PURCHASES</b>             | <b>14,965,485</b>                | <b>521,903</b>                          | <b>-173,970</b> | <b>15,313,418</b>                 | <b>658,322</b>                          | <b>-872,370</b> | <b>15,099,370</b>                 |
| <b>Total</b>                                 | <b>14,977,355</b>                | <b>522,127</b>                          | <b>-181,750</b> | <b>15,317,732</b>                 | <b>658,102</b>                          | <b>-872,099</b> | <b>15,103,735</b>                 |