

**Defense Health Program  
Fiscal Year (FY) 2019 Budget Estimates  
Operation and Maintenance  
Management Activities**

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

**Defense Health Agency** - Resources required for the Defense Health Agency's (DHA) operating costs supporting delivery of patient care world-wide for members of the Armed Forces, family members, and others entitled to DoD health care. Oversees and maintains DoD Unified Medical Program resources for all medical activities. The Defense Health Agency became the Operation of Record in FY 2015.

**Management Headquarters** - Resources required for the Army Medical Command, the Navy Bureau of Medicine and Surgery, the Air Force Medical Service, and the Defense Health Agency management headquarters operating costs to coordinate and oversee the provision of health care within the Military Health System.

**II. Force Structure Summary:**

Force Structure Summary: Management Activities includes resources necessary to support headquarters functions outlined in DoD Instruction 5100.73, Major Department of Defense Headquarters Activities. Within the Military Health System, this includes the cost of operating the acquisition, administration, audiovisual, audit, cost analysis, data automation, financial management, information and public affairs, legal and legislative affairs, logistics, management analysis, manpower and organization, personnel, and security programs at the Defense Health Agency, the Army Medical Command, the Navy Bureau of Medicine and Surgery, and the Air Force Medical Service.

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

	FY 2018							FY 2019 <u>Estimate</u>
	FY 2017 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Estimate</u>		
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>			
<b>A. <u>BA Subactivities</u></b>								
Defense Health Agency	137,087	145,748	0	0.0	145,748	145,748	141,165	
Management Headquarters	158,415	185,004	0	0.0	185,004	185,004	166,464	
<b>Total</b>	<b>295,502</b>	<b>330,752</b>	<b>0</b>	<b>0.0</b>	<b>330,752</b>	<b>330,752</b>	<b>307,629</b>	

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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>330,752</b>	<b>330,752</b>
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
<b>Subtotal Appropriated Amount</b>	<b>330,752</b>	
Fact-of-Life Changes (2018 to 2018 Only)		
<b>Subtotal Baseline Funding</b>	<b>330,752</b>	
Supplemental		
Reprogrammings		
Price Changes		3,646
Functional Transfers		
Program Changes		-26,769
<b>Current Estimate</b>	<b>330,752</b>	<b>307,629</b>
Less: Wartime Supplemental		
<b>Normalized Current Estimate</b>	<b>330,752</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>330,752</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>330,752</b>
2. OCO and Other Supplemental Enacted		
3. Fact-of-Life Changes		
<b>FY 2018 Baseline Funding</b>		<b>330,752</b>
4. Reprogrammings (Requiring 1415 Actions)		
<b>Revised FY 2018 Estimate</b>		<b>330,752</b>
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		
<b>FY 2018 Normalized Current Estimate</b>		<b>330,752</b>
6. Price Change		3,646
7. Functional Transfers		
8. Program Increases		
a. Annualization of New FY 2018 Program		
b. One-Time FY 2019 Increases		
c. Program Growth in FY 2019		
9. Program Decreases		-26,769
a. Annualization of FY 2018 Program Decreases		
b. One-Time FY 2018 Increases		
c. Program Decreases in FY 2019		
1) a. Military Health System Major Headquarters Reduction:	-8,056	
Reduction of (\$8,056K) associated with Section 702, Reform of the Administration of the Defense Health		

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**C. Reconciliation of Increases and Decreases**

	<u>Amount</u>	<u>Totals</u>
<p>Agency and Military Treatment Facilities in NDAA 2017. Savings are a result of initial efforts to eliminate duplicative activities carried out by the elements of the Defense Health Agency and the military departments. Reduces the Management Headquarters program element (\$8,056K) with decreases to civilian FTEs (-21) and associated funding (-\$2,856K), other medical care costs (-\$5,000K), and other services from Non-Federal sources (-\$200K). The FY 2018 Management Headquarters program element baseline funding request is \$185,004K. The FY 2018 Management Headquarters program element baseline civilian funding request is \$133,781K. The FY 2018 Management Headquarters program element baseline civilian staffing request is 952 FTEs. The Management Headquarters program element baseline contractor staffing request is 97 CMEs.</p>		
<p>2) b. Reduced Resource Requirements: Reduction of (\$6,400K) based on the incorporation FY 2017 actual execution into the FY 2019 budget estimate for management-related requirements. Incorporating this analysis into budgetary projections coupled with better pricing methodologies resulted in improved requirement identification and resource management. Funding reductions applied to contracts for other services from Non-Federal sources in the Defense Health Agency program element (-\$2,800K); and other medical care costs (-\$1,600K), other intra-government purchases (-\$632K), travel (-</p>	<p>-6,400</p>	

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<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
<p>\$599K), purchased communications (-\$469K), supplies and materials (-\$300K) in the Management Headquarters program element. The FY 2018 Management Activities Budget Activity Group baseline funding request is \$330,752K. The FY 2018 Defense Health Agency program element baseline funding request is \$145,748K. The FY 2018 Management Headquarters program element baseline funding request is \$185,004K. The FY 2018 Management Activities baseline contractor staffing request is 478 CMEs.</p>		
<p>3) c. 20% Management Headquarters Reduction: Incremental reduction to the Management Activities Budget Activity Group (-\$7,528K) in compliance with the Department of Defense July 31, 2013 memorandum, "20% Headquarters Reduction," signed by the Deputy Secretary of Defense. Indirect support contracts are reduced for the Defense Health Agency. The Defense Health Agency program element baseline funding request is \$145,748K. The FY 2018 Defense Health Agency baseline contractor staffing request is 381 CMEs.</p>	-7,528	
<p>4) d. Defense Agency and Field Activity Civilian Personnel Reduction: Incremental reduction to the Management Headquarters program element at the Defense Health Agency decreasing 18 civilian FTEs and associated pay (-\$2,864K) to implement the Secretary of Defense directed 25% Major Headquarters reduction. The FY 2018 Management Headquarters program element baseline</p>	-2,864	

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<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
<p>funding request is \$185,004K. The FY 2018 Management Headquarters program element baseline civilian funding request is \$133,781K. The FY 2018 Management Headquarters program element baseline civilian staffing request is 952 FTEs.</p>		
<p>5) e. Improve Financial Management - Deobligations: Reduction of (\$1,680K) as a result of the Military Health System (MHS) review of historical deobligation trends and associated financial management improvements. Reduced Management Activities (MA) requirements for equipment maintenance contracts, management and professional support services, studies, analysis and evaluations, contracts from non-federal sources and IT contracts support services. MA funds are reduced from the Management Headquarters (-\$296K) and Defense Health Agency (-\$1,384K) program elements. The FY 2018 Management Headquarters program element baseline funding request is \$185,004K. The FY 2018 Defense Health Agency program element baseline funding request is \$145,748K. The FY 2018 Management Activities baseline contractor staffing request is 478 CMEs.</p>	-1,680	
<p>6) f. Reduced Requirement for Contract Services: Reduced management and professional support services at the Defense Health Agency (-\$241K) based on best practices. Funds are reduced in the Defense Health Agency program element. The FY 2018 Defense Health Agency program element baseline funding request is \$145,748K. The FY 2018 Defense Health Agency program</p>	-241	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
element management and professional support services baseline funding request is \$51,823K. The FY 2018 Defense Health Agency program element baseline contractor staffing request is 381 CMEs.		
<b>FY 2019 Budget Request</b>		<b>307,629</b>



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

Refer to the Personnel Summary in Section V.

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<b>V. <u>Personnel Summary</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>Change FY 2017/ FY 2018</u></b>	<b><u>Change FY 2018/ FY 2019</u></b>
<u>Active Military End Strength (E/S) (Total)</u>	958	975	978	17	3
Officer	707	676	654	-31	-22
Enlisted	251	299	324	48	25
<u>Active Military Average Strength (A/S) (Total)</u>	837	967	977	130	10
Officer	629	692	665	63	-27
Enlisted	208	275	312	67	37
<u>Civilian FTEs (Total)</u>	1,448	1,316	1,254	-132	-62
U.S. Direct Hire	1,443	1,309	1,247	-134	-62
Total Direct Hire	1,443	1,309	1,247	-134	-62
Foreign National Indirect Hire	3	5	5	2	0
Reimbursable Civilians	2	2	2	0	0
Average Annual Civilian Salary (\$ in thousands)	140.2	145.3	146.1	5.1	.8
<u>Contractor FTEs (Total)</u>	377	478	436	101	-42

Explanation of changes in Active Military End Strength: The increase from FY 2017 to FY 2018 (+17) includes over-execution of FY 2017 military end strength (-27), internal realignments to the Defense Health Agency for Enterprise Support Activities (+64), realignments to meet emerging requirements (+27), and DOD directed Major Headquarters Activities reductions (-47). The increase from FY 2018 to FY 2019 (+3) reflects internal realignments to meet emerging requirements.

Explanation of changes in Civilian Personnel: The decrease from FY 2017 to FY 2018 (-132)

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includes manpower adjustments and internal reprogramming: The Defense Health Agency (+26), Army Medical Command (-78), Navy Bureau of Medicine and Surgery (-57), and Air Force Medical Service (-23). The decrease from FY 2018 to FY 2019 (-62) is an incremental reduction to shape a properly sized, efficient and highly capable Defense Health Program work force resulting from manpower adjustments and internal reprogramming: The Defense Health Agency (-21), Army Medical Command (-38), Navy Bureau of Medicine and Surgery (-4), and Air Force Medical Service (+1).

Explanation of changes in Contractor FTEs: The increase from FY 2017 to FY 2018 (+101) reflects actual execution adjustments and accounts for the computation of the Defense Health Agency contract funding for Tricare Regional Offices, Health Insurance Portability and Accountability Act (HIPAA), and Administration and Management support. The decrease from FY 2018 to FY 2019 (-42) is a reduction of management and professional services in the Defense Health Agency program element (-34) and Management Headquarters program element (-8) and is consistent with Secretary of Defense directed headquarters reductions.

Contractor FTE Footnote: FY 2018 contractors have been updated based upon actual execution and anticipated savings. The FY 2018 Budget Request reflected an estimate of 501 contractor FTEs in FY 2018.

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

<u>OP 32 Line</u>	Change			<u>FY 2018 Estimate</u>	Change		<u>FY 2019 Estimate</u>
	<u>FY 2017 Actuals</u>	<u>FY 2017/FY 2018 Price</u>	<u>FY 2017/FY 2018 Program</u>		<u>FY 2018/FY 2019 Price</u>	<u>FY 2018/FY 2019 Program</u>	
101 Exec, Gen'l & Spec Scheds	200,115	3,910	-15,694	188,331	960	-8,995	180,296
103 Wage Board	718	14	-229	503	3	-10	496
107 Voluntary Sep Incentives	1,619	0	0	1,619	0	0	1,619
<b>199 TOTAL CIV COMPENSATION</b>	<b>202,452</b>	<b>3,924</b>	<b>-15,923</b>	<b>190,453</b>	<b>963</b>	<b>-9,005</b>	<b>182,411</b>
308 Travel of Persons	8,355	142	610	9,107	164	-549	8,722
<b>399 TOTAL TRAVEL</b>	<b>8,355</b>	<b>142</b>	<b>610</b>	<b>9,107</b>	<b>164</b>	<b>-549</b>	<b>8,722</b>
412 Navy Managed Supply, Matl	2	0	0	2	0	0	2
417 Local Purch Supplies & Mat	311	5	376	692	12	2	706
<b>499 TOTAL SUPPLIES &amp; MATERIALS</b>	<b>313</b>	<b>5</b>	<b>376</b>	<b>694</b>	<b>12</b>	<b>2</b>	<b>708</b>
647 DISA Enterprise Computing Centers	270	5	-275	0	0	0	0
<b>699 TOTAL DWCF PURCHASES</b>	<b>270</b>	<b>5</b>	<b>-275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
771 Commercial Transport	162	3	91	256	5	-1	260
<b>799 TOTAL TRANSPORTATION</b>	<b>162</b>	<b>3</b>	<b>91</b>	<b>256</b>	<b>5</b>	<b>-1</b>	<b>260</b>
901 Foreign National Indirect Hire (FNIH)	295	6	200	501	3	0	504
914 Purchased Communications (Non-Fund)	0	0	468	468	8	-467	9
915 Rents (Non-GSA)	7	0	20	27	0	0	27
917 Postal Services (U.S.P.S)	0	0	414	414	7	1	422
920 Supplies & Materials (Non-Fund)	2,500	43	-609	1,934	35	-311	1,658
921 Printing & Reproduction	54	1	712	767	14	2	783
922 Equipment Maintenance By Contract	1	0	250	251	5	-6	250
925 Equipment Purchases (Non-Fund)	288	5	2,827	3,120	56	5	3,181
932 Mgt Prof Support Svcs	55,643	946	14,499	71,088	1,280	-4,996	67,372
933 Studies, Analysis & Eval	15,919	271	-8,156	8,034	145	-608	7,571
955 Other Costs (Medical Care)	665	23	7,554	8,242	313	-5,685	2,870
964 Other Costs (Subsistence and Support of Persons)	9	0	6	15	0	0	15

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<u>OP 32 Line</u>	<u>FY 2017</u> <u>Actuals</u>	<u>Change</u> <u>FY 2017/FY 2018</u>		<u>FY 2018</u> <u>Estimate</u>	<u>Change</u> <u>FY 2018/FY 2019</u>		<u>FY 2019</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
987 Other Intra-Govt Purch	4,976	85	8,548	13,609	245	-1,035	12,819
988 Grants	0	0	1	1	0	-1	0
989 Other Services	1,446	25	17,107	18,578	334	-4,058	14,854
990 IT Contract Support Services	2,147	36	1,010	3,193	57	-57	3,193
<b>999 TOTAL OTHER PURCHASES</b>	<b>83,950</b>	<b>1,441</b>	<b>44,851</b>	<b>130,242</b>	<b>2,502</b>	<b>-17,216</b>	<b>115,528</b>
<b>Total</b>	<b>295,502</b>	<b>5,520</b>	<b>29,730</b>	<b>330,752</b>	<b>3,646</b>	<b>-26,769</b>	<b>307,629</b>