Defense Health Program
Fiscal Year (FY) 2020 President's Budget
Operation and Maintenance
Introductory Statement

($ in Millions)

Appropriation Summary:	FY 2018[1] Actuals	Price Growth	Program Growth	FY 2019[2] Estimate	Price Growth	Program Growth	FY 2020[3] Estimate
Operation & Maintenance[4]	30,818.1	845.5	-578.4	31,085.2	859.7	-132.8	31,812.1
RDT&E	2,038.6	36.7	104.4	2,179.6	14.2	-1,461.6	732.3
Procurement	652.0	13.7	207.4	873.1	19.8	-438.6	454.3
Total, DHP	**33,508.7**	**895.9**	**-266.6**	**34,137.9**	**893.7**	**-2,033.0**	**32,998.7**
MERHCF Receipts	10,066.1			10,760.8			11,204.4
Total Health Care Costs	**43,574.8**			**44,898.7**			**44,203.1**

1/ FY 2018 actuals **includes** $405.856 million for OCO and excludes funds transferred to VA for Lovell FHCC and the Joint Incentive Fund ($131 million).
2/ FY 2019 estimate reflects updates based upon the current forecast, **excludes** $352.068 million for OCO, and includes both $113.000 million for transfer to VA for Lovell FHCC and $15 million for transfer to Joint Incentive Fund. FY 2019 O&M Enacted of $31,315.5 million **includes** $352.068 million for OCO; $113.000 million for transfer to VA for Lovell FHCC and; $15 million for transfer to Joint Incentive Fund.
3/ FY 2020 request **excludes** $347.746 million for OCO and **includes** $127 million for transfer to VA for Lovell FHCC and $15 million for transfer to Joint Incentive Fund.
4/ Reflects DoD Medicare-Eligible Retiree Health Care Fund (MERHCF) O&M transfer Receipts for FY 2018, FY 2019 and FY 2020 that support 2.5 million Medicare-eligible retirees and their family members.

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Description of Operations Financed:

The Military Health System (MHS) is a comprehensive, integrated system responsible for the delivery of operational medicine to enhance the lethality of our military forces and provide peacetime health care to active duty and retired U.S. military personnel and their families. The MHS leverages a $33.0 billion budget to support more than 125 thousand military and civilian personnel to support delivery of services in 49 hospitals, 427 medical clinics, and 246 dental clinics around the globe to support our 9.6 million beneficiaries. Our readiness mission spans a broad portfolio of operational requirements, such as combat casualty care, disaster relief, global health engagement, and humanitarian assistance. Key enablers of the system include Department of Defense (DoD) medical school, the Uniformed Services University of health Sciences (USUHS), plus a full spectrum of graduate medical education programs, and training platforms.

Directed in the National Defense Authorization act (NDAA) for Fiscal Years 2017 and 2019, the MHS is undergoing its most significant transformation in decades. The reforms set forth in the NDAA change the structure of the health care benefit and the management of the MHS. Centralization for the management and administration of the Military Treatment Facilities (MTFs) under the Defense Health Agency (DHA) transform the MHS into an integrated readiness and health system, eliminate redundancies, and create a common high quality experience for our beneficiaries. The FY 2020 Budget demonstrates continued progress towards this transformation through the realignment of resources supporting headquarters functions from the Medical Services of the Army, Navy, and Air Force to the DHA to support is increased responsibilities.

In early 2017, the DHA began preparing to assume responsibility for the administration and management of MTFs worldwide. The assumption of these responsibilities commenced on October 1, 2018 with the transition of 31 facilities scattered throughout the south eastern portion of the United States. The remaining MTFs will transition in three subsequent phases. The second phase, executing in FY 2020, will transition an additional 241 MTFs, essentially all treatment facilities in the eastern portion of the United States, and result in 53% of facilities under the management control of the DHA. The third phase will execute in FY 2021 and will transition the remaining

CONUS based MTFs to the DHA representing a total of 83% of the MHS. The final phase will execute FY 2022 and consist of the remaining 17% of the MHS.

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. The MHS purchases more than 65 percent of the total care provided for beneficiaries through tailored contracts, such as Managed Care Support contracts responsible for the administration of the TRICARE benefit. 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), research to reduce medical capability gaps, and support to both Continental United States (CONUS) and Outside the Continental United States (OCONUS) medical laboratory facilities.

The DHP appropriation Procurement program funds acquisition of capital equipment in 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 uneconomically reparable items; and MHS information technology (IT) requirements.

The DoD and Department of Veterans Affairs (VA) are collaboratively analyzing approaches, processes, organizational designs, governance, and management structures in support of gaining efficiencies and optimizing the use of resources in pursuit of deploying a seamless integrated electronic health record. At this time, our initial analysis indicates that existing statutes, funding levels, and contractual authorities provide the Departments the flexibility and resources needed to support the full range of organizational design options.

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Narrative Explanation of FY 2019 and FY 2020 Operation and Maintenance (O&M) Changes:

The DHP O&M funding reflects an overall increase of $726.9 million between FY 2019 and FY 2020, consisting of $859.7 million in price growth and a net program decrease of $132.8 million. Program **increases** include:

- $252.4 million for the DoD Healthcare Management System Modernization (DHMSM) program element to fund required MHS GENESIS electronic health record (EHR) enhancements, sustain field operations in accordance with revised Joint Operational Medicine Information System (JOMIS) program life cycle estimate, and support for Information Management/Information Technology programs
- $250.0 million required to mitigate potential access to care issues caused by the reduction in military providers
- $70.0 million increases the Air Force Medical Service's funding for Patient Movement Item (PMI) medical equipment and supplies to mitigate a shortfall identified in the 2017 Aeromedical Evacuation Requirements Analysis (AERA) study
- $28.0 million for DHA Readiness Programs emphasizing the integrating of systems that includes combat medical services and force health readiness through integrated education and training to strengthen our Ready Medical Forces
- $18.3 million for continued sustainment operation costs ensuring no loss of critical capability for the Medical Components' medical systems at the Army Medical Command, the Navy Bureau of Medicine and Surgery, and Air Force Medical Services
- $14.0 million due to workload in the Department of Defense share for the James A. Lovell Health Care Center DoD-VA Medical Facility Joint Demonstration Fund
- $12.2 million required to support increased recruitment of Medical and Dental Corps officers
- $10.0 million to improve oversight of resources and effectiveness of contractual actions by implementing an automation tool for management of contracts across the DHA
- $8.0 million supporting Readiness for the U. S. Army Medical Research and Materiel Command (USAMRMC) to meet increased demands for medical materiel readiness and support of Army and

Joint Forces actively engaged in three Combatant Commands and the restoration of Consolidated Health Support funding for supplies and materials to maintain the continuity of operations in the Optical Fabrication Enterprise and Blood Donor Testing Program

- $8.0 million funds the Urine Drug Testing for Beneficiaries Long-Term Opioid Therapy Pilot program
- $7.7 million for the incremental increase to the expansion of the Military Health System Virtual Health Program (VHP)
- $3.9 million supporting civilian FTEs and associated pay at the U. S. Military Entrance Processing Command (USMEPCOM) to meet additional manpower requirements validated by the U.S. Army Manpower Analysis Agency to support medical workload growth
- $3.9 million for the Individual Longitudinal Exposure Record (ILER) web based application that establishes an easily accessible and searchable electronic record of a Service member's occupational and environmental exposures (Garrison- and deployment-related) from initial active duty entry to end of service
- $2.0 million required for the Knowledge, Skills and Abilities Program Office (KSA) for the Initial Operational Capability of contractor-supported tri-service discovery of the KSAs in 62 deployable/operational enlisted and officer common specialties
- $1.3 million to establish the DoD Medical Ethics Center to develop and implement a coordinated plan for Military Health System education and training, including how to interpret and apply existing laws and guidelines regarding communication of personal health information

Program **decreases** include:

- $231.5 million due to the reduction to the Information Management/Information Technology (IM/IT) requirements based on military health information technology management reforms and the consolidation of the Military Health System's IT support activities at the DHA Health Information Technology (HIT) Directorate
- $144.4 million transfer of civilian Full- Time Equivalent (FTEs) and associated funding from DHP Army, Navy, and Air Force services to the Military Departments in accordance with Section

702 of the FY 2017 NDAA, Reform of the DHA and the MTFs, and the transfer of manpower to the Office of the Assistant Secretary of Defense Health Affairs (OASD HA)

- $133.2 million reduced Private Sector Care Healthcare requirement based on administrative and health benefit reforms, program changes to the TRICARE Pharmacy benefit, and increase in anticipated pharmacy refunds
- $77.2 million due to incorporating FY2018 actual execution and better pricing methodologies resulting in improved requirement identification and resource management.
- $72.9 million reduces the Risk Management Framework (RMF) funding in accordance with the MHS cybersecurity implementation strategy for transition to the RMF from the Defense Information Assurance Certification and Accreditation Process (DIACAP)
- $51.7 million associated with Section 702, Reform of the Administration of the DHA and MTFs in NDAA 2017; eliminating duplicative activities carried out by the elements of the DHA and the Military Medical Services improving outcomes for readiness, health, quality and cost
- $32.7 million continues the reduction of IM/IT requirements achieved through the removal of duplicative Queuing, Medical Logistics, Data Reuse/Registries, and computational performance management applications within the Tri-Service IM/IT, JOMIS, DoD Medical Information Exchange and Interoperability, and Service Medical IM/IT program elements
- $31.0 million resulting from improvements of metering of utility services combined with alignment of resources to historical consumption and reduces rental costs for discontinued occupancy in leased spaces
- $21.3 million Desktop to Data Center (D2D) reduction due to the centralization of helpdesk support (Global Service Center), network security, data computation and data storage, global directory services, and network management services
- $10.0 million due to the reversal of one-time Congressional general provision Sec. 8086 for Fisher House funding
- $9.5 million due to the incorporation of FY 2018 actual execution into the FY 2020 budget estimate for management related requirements and the reduced requirement for Defense Health Program funded Learning Management System contracts to consolidate acquisition requirements for education and training through USALearning for assisted acquisition of learning management technologies

- $7.1 million for transition of communication to voice over internet protocol (VOIP) at US Army MEDCOM Headquarters and reduction in Defense Information Systems Network (DISN) Subscription Services (DSS)

Continuing in FY 2020, the Department projects that up to $127.0 million should transfer to the Joint DoD -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 Center in the country by the total integration of the North Chicago VA Medical Center and the Navy Health Clinic Great Lakes, IL.

Continuing in FY 2020, the Department will transfer $15 million to the DoD-VA Health Care Joint Incentive Fund (JIF). Authority for the JIF is established by Section 8111, Title 38, of the United States Code (USC) and Section 721 of Public Law 107-314(National Defense Authorization Act for 2003. This fund combines the resources of the DoD and VA to implement, fund, and evaluate creative coordination and sharing initiatives at the facility, intraregional, and nationwide levels.

Narrative Explanation of FY 2019 and FY 2020 Research Development Test & Evaluation (RDT&E) Changes:

The DHP RDT&E Program reflects a net decrease of $1,447.3 million between FY 2019 and FY 2020. This includes a price growth of $14.2 million and a program decrease of $1,461.6 million.

Program **increases** include:

- $9.3 million to support the development of the updated Acquisition Program, Baseline (APB) systems based on changes to strategy and fielding of MHS GENESIS, approved by the DoD Acquisition Board in late 2018. The increase is the result of the closing out of product improvement engineering and a one-time Follow on Test and Engineering Evaluation (FOTE) of multiple sites under Wave 1

- $2.5 million due to the return of right-sizing funding profiles after the FY 2019 completion of a 3-year decrement to Guidance for Development of the Force (GDF) programs like Pre-hospital Tactical Combat Casualty Care, Traumatic Brain injury (TBI) Neurotrauma & Brain Dysfunction, Behavioral Health, Wellness & Resilience
- $0.7 million increase to support remaining development requirements for the ILER to reach full operating capability

Program **decreases** include:

- $1,468.9 million in FY 2019 one-time Congressional adjustments and General Provisions.
- $2.5 million realignment to O&M for Defense Occupational and Environmental Health Readiness System - Industrial Hygiene (DOEHRS-IH) to offset effects of departmentally directed reductions to IT and sustain enduring systems which will remain in existence after the deployment of MHS GENESIS.
- $1.5 million to Clinical Enterprise Intelligence Program (CEIP) functionality realignment to O&M, transferring into an Enterprise Services approach.
- $0.7 million realignment to O&M for Joint Disability Evaluation System - Information Technology (JDES-IT). The JDES-IT requirements have been rationalized into Health Artifact and Image Management Solution (HAIMS). Funding was realigned to support the HAIMS sustainment contract.
- $0.5 million for completion of the IO&T program associated with the US Army Military Research Institute of Infectious Diseases (USAMRIID) military construction project in FY 2019. No funding programmed for FY 2020.

Narrative Explanation of FY 2019 and FY 2020 Procurement Changes:

The DHP Procurement Program has a net decrease of $418.8 million between FY 2019 and FY 2020. This consists of $19.8 million in price growth and a net program decrease of $438.6 million. Program **increases** include:

- $4.1 million to add the HealthIntent capability to MHS GENESIS. HealthIntent is a clinical application platform for population health and analytic tools that enable advanced decision support, predictive algorithms, and population identification to achieve healthier populations to help reduce the rising costs of health care while improving the quality of care
- $2.0 million for the MHS VHP to support additional hardware for additional locations, expanded storage capacity and potential cloud computing expansion based on enhanced capacity in order to comply with NDAA 2017 Section 718 as well as combatant commanders' requirements
- $0.3 million for JOMIS. During the FY 2019, the JOMIS Program anticipates being baselined which leads to the need for a minimal amount of Procurement funding being required in FY 2020

Program **decreases** include:

- $376.3 million realignment of Procurement funding to O&M and RDT&E for DHMSM GENESIS in preparation for Full Deployment Decision based on the updated deployment schedule
- $38.4 million realignment to O&M within the Infrastructure Operations Division. Procurement funding previously identified as new procurement actions in support of D2D have been determined to be technical refreshes more appropriately funded via the O&M appropriation
- $11.3 million in Legacy Data Repository (LDR) due to software and hardware purchases accomplished in FY 2019
- $8.7 million associated with the purchase of Oracle Real Application Testing licenses and additional Clinical Data Repository storage space for the Armed Forces Health Longitudinal Technology Application (AHLT)A in FY 2019
- $7.3 million realignment to O&M for Health Artifact and Image Management Solution (HAIMS) and Clinical Information System (CIS) to offset effects of departmentally directed reductions to IM/IT and sustain enduring clinical systems which will remain in existence after the deployment of MHS GENESIS
- $3.0 million realignment to other appropriations in support of General Fund Enterprise Business System (GFEBS) deployment across the MHS

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President's Management Plan – Performance Metrics Requirements:

The Military Health System (MHS) continues to refine existing performance measures and develop specific criteria to determine and measure outputs/outcomes as compared with initial goals. The Quadruple Aim provides a focused and balanced approach to overall performance. This approach includes not only production but outcome measures related to medical readiness, a healthy population, positive patient experiences and the responsible management of health care costs.

- **Individual Medical Readiness** – This measure provides operational commanders, Military Department leaders and primary care managers use this measure 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 Component and Reserve Component) prior to deployment.

- **Beneficiary Satisfaction with Health Plan** – Satisfaction is measured using a standard survey instrument comparable to those used by civilian plans. The goal is to improve MHS beneficiary overall satisfaction with TRICARE to a level at or above benchmark satisfaction with civilian plans. Increasing satisfaction with the Health Plan indicates that actions being taken are improving the overall functioning of the health plan from the beneficiary perspective.

- **Medical Cost Per Member Per Year** – This measure focuses on the annual overall cost growth for the Prime enrollees and includes all costs related to health care delivered to enrollees. The objective is to keep the rate of cost growth for the TRICARE Prime enrollees to a level at or below the increases for the Civilian health care plans 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 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 2018 performance measures related to the Quadruple Aim, and two output measures related to production plan targets. The overall success of each measured is discussed below:

- **Individual Medical Readiness** – The Military Health System achieved the goal for the Total Force Medical Readiness as of FY 2018 4th quarter reporting with a score of 86.5 percent compared to the goal of 85 percent. This represents the fifth year in a row that the MHS has surpassed the performance goal for the measure. Based on this achievement, a higher performance goal of 90 percent will be gradually phased in for future years.

- **Beneficiary Satisfaction with Health Plan** – Satisfaction with Health Care Plan performance for FY 2018 was 65%, which exceeded the goal of 57 percent for the fiscal year. Satisfaction levels met or exceeded the goal for all beneficiary categories and enrollment status. This has been a continuous process to maintain and improve performance to levels comparable with the civilian sector, and performance must be maintained. Major performance drivers for this measure are related to claims processing timeliness, interaction during health care encounter, and access to health care. During the recent contract conversion, claims

processing timeliness didn't suffer, and the MHS focus continues with health care interactions and access.

- **NOTE: Due to the deployment of MHS GENESIS, sites in the Puget Sound Enhanced Multi-Service Market Area are excluded from the following three measures and the goals have been adjusted accordingly for the two production measures related to Inpatient and Outpatient Care.**

- **Medical Cost Per Member Per Year – Annual Cost Growth** – The Year to Date performance estimate for FY 2018 is 1.7 percent vs goal of 3.4 percent. While final claims data are still lagging, the system currently is achieving the goal during the fiscal year. Overall the growth rate is well below historical levels, and may increase as medical claims data are finalized.

- **Inpatient Production Target** (MS-RWPs) – Based on workload reported through the 4th fiscal quarter of FY 2018, the MHS produced 173 thousand MS-RWPs, slightly below the annual adjusted target of 177 thousand MS-RWPs. These numbers are based on the records reported to date, and should increase slightly as all records are completed.

- **Outpatient Production Target** (RVUs) – Based on workload reported through the 4th fiscal quarter of FY 2018, the MHS produced 75.4 million relative value units in line with the annual adjusted goal of 75.2 million. Initiatives related to improved specialty and primary care efficiency for the Military Treatment Facilities resulted in a renewed focus on production of outpatient care.