

**Defense Health Program
Fiscal Year (FY) 2020 President's Budget
Operation and Maintenance
In-House Care**

I. Description of Operations Financed:

This Budget Activity Group provides for the delivery of medical and dental care plus pharmaceuticals received by Department of Defense eligible beneficiaries in Military Treatment Facilities and Dental Treatment Facilities in the Continental United States (CONUS) and Outside the Continental United States (OCONUS). This program includes the following:

Care in Department of Defense Medical Centers, Hospitals and Clinics - Includes resources for the provision of healthcare in DoD-owned and operated CONUS and OCONUS Military Treatment Facilities which are staffed, and equipped to provide inpatient care for both surgical and medical patients and/or outpatient care for ambulatory patients.

Dental Care - Includes resources for the provision of dental care and services in CONUS and OCONUS to authorized personnel through the operation of hospital departments of dentistry and installation dental clinics, and the operation of Regional Dental Activities.

Pharmaceuticals - Includes pharmaceuticals specifically identified and provided by Pharmacy Services in DoD owned and operated CONUS and OCONUS facilities. Excludes the cost of operating Pharmacy Services in the Military Treatment Facilities.

Between FY 2019 and FY 2020, there is minimal program growth within the In-House Care Budget Activity. Healthcare funding was net-zero reprioritized to provide better healthcare and improve medical readiness which subsequently controls growth and enables more accurate alignment of resource allocation with historical execution. In addition, resources supporting the Phase 1 Military Treatment Facilities were net-zero realigned from the Medical Services to the Defense Health Agency. Realignment include: Womack

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I. Description of Operations Financed (cont.)

Army Medical Center (includes Pope Medical Squadron), Keesler Medical Center, Seymour-Johnson Clinic, Charleston Clinics, and Naval Hospital Jacksonville.

II. Force Structure Summary:

The In-House Care Budget Activity Group includes staffing in Military Treatment Facilities to provide the full range of inpatient and ambulatory medical and dental care services. In addition to medical and dental care, this Budget Activity Group also includes medical center laboratories, substance abuse programs, facility on-the-job training/education programs and federal health care sharing agreements. This Budget Activity Group excludes operation of management headquarters, TRICARE Regional Offices, deployable medical and dental units and health care resources devoted exclusively to teaching organizations.

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III. Financial Summary (\$ in thousands)

	FY 2019						
	FY 2018	Budget	<u>Congressional Action</u>			Current	FY 2020
			<u>Actuals</u>	<u>Request</u>	<u>Amount</u>		
A. <u>BA Subactivities</u>							
1. MEDCENS, Hospitals & Clinics (CONUS)	6,745,102	6,858,146	-191,022	-2.8	6,667,124	6,704,315	6,998,228
2. MEDCENS, Hospitals & Clinics (OCONUS)	442,212	500,973	-41,844	-8.4	459,129	419,300	392,609
3. Pharmaceuticals (CONUS)	1,487,081	1,659,644	-226,517	-13.7	1,433,127	1,512,432	1,563,687
4. Pharmaceuticals (OCONUS)	140,735	163,609	-27,833	-17.0	135,776	138,215	151,030
5. Dental Care (CONUS)	409,804	506,274	-14,079	-2.8	492,195	417,267	424,803
6. Dental Care (OCONUS)	43,736	49,923	-1,178	-2.4	48,745	44,567	40,258
Total	9,268,670	9,738,569	-502,473	-5.2	9,236,096	9,236,096	9,570,615

1. FY 2018 actual includes \$69,857K for OCO.
2. FY 2018 actual does not include Department of Defense (DoD) Medicare-Eligible Retiree Health Care Fund (MERHCF) of \$1,661,000K (O&M only).
3. FY 2019 estimate excludes \$72,627K for OCO.
4. FY 2019 estimate does not reflect anticipated DoD MERHCF receipts of \$1,742,665K (O&M only).
5. FY 2020 estimate excludes \$57,459K for OCO.
6. FY 2020 estimate does not reflect anticipated DoD MERHCF receipts of \$1,800,211K (O&M only).
7. Pharmacy Footnote: The FY 2019 projected requirement of \$1,823.2M exceeds the current estimate of \$1,650,647K by \$172.7M. Current execution shows a 19% increase in the average cost per script over the same period in FY 2018. Current execution shows increased fill of specialty drugs targeted for very specific conditions. Although these drugs have low usage, the costs of the therapies are extremely high at thousands of dollars per treatment. The increase is the result of new, more expensive, brand named medications entering the market with no generics. The DHA Pharmacy Operations Division will continue to monitor execution to determine if additional funding is required.

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2019/FY 2019</u>	<u>FY 2019/FY 2020</u>
Baseline Funding	9,738,569	9,236,096
Congressional Adjustments (Distributed)	-225,400	
Congressional Adjustments (Undistributed)	-277,073	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	9,236,096	
Fact-of-Life Changes (2019 to 2019 Only)		
Subtotal Baseline Funding	9,236,096	
Supplemental	72,627	
Reprogrammings		
Price Changes		173,692
Functional Transfers		-21,990
Program Changes		182,817
Current Estimate	9,308,723	9,570,615
Less: Wartime Supplemental	-72,627	
Normalized Current Estimate	9,236,096	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2019 President's Budget Request (Amended, if applicable)		9,738,569
1. Congressional Adjustments		-502,473
a. Distributed Adjustments		
1) Medical Contracts Excess Growth	-80,000	
2) Other Costs Excess Growth	-16,000	
3) Pharmacy Program Excess Growth	-120,000	
4) Printing Excess Growth	-4,100	
5) Travel Excess Growth	-5,300	
b. Undistributed Adjustments		
1) Undistributed Adjustment	-277,073	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2019 Appropriated Amount		9,236,096
2. OCO and Other Supplemental Enacted		72,627
a. OCO and Other Supplemental Requested		
1) Overseas Contingency Operations	72,627	
3. Fact-of-Life Changes		
FY 2019 Baseline Funding		9,308,723
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2019 Estimate		9,308,723
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		-72,627
FY 2019 Normalized Current Estimate		9,236,096
6. Price Change		173,692
7. Functional Transfers		-21,990
a. Transfers In		
b. Transfers Out		
1) Civilian Transfers to the Military Departments of the Army and Navy:	-21,990	

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Transfer due to the implementation of the Military Health System organizational reforms required by Section 702 of the National Defense Authorization Act of FY 2017 which focuses on efforts to reduce redundant and unnecessary headquarters overhead by eliminating duplicative activities carried out by the elements of the Defense Health Agency and the military departments. Specifics included: Army Medical Command Transferred 37 Civilian FTEs and associated funding to the Department of the Army (-\$3,798K) and a transfer from Navy Bureau of Medicine and Surgery of 168 civilian FTEs and associated funding (-\$18,192K).		
8. Program Increases		277,228
a. Annualization of New FY 2019 Program		
b. One-Time FY 2020 Increases		
c. Program Growth in FY 2020		
1) a. Transfer Price to Replace Military Medical End Strength:	250,000	
Resources required to mitigate potential access to care issues caused by the reduction in military providers. Funding will be used to increase throughput and expand patient mixes to create a more currency rich environment to improve the knowledge, skills and abilities of practitioners in both the battlefield and beneficiary care setting. Funds will also be used to better prioritize resourcing for critical career fields needed for operational requirements to improve readiness of the medical		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
force. The FY 2019 In-House Care baseline funding is \$9,236,096K. The FY 2019 In-House Care baseline contractor staffing is 14,144 CMEs.		
2) b. Air Force Integrated Operational Support Team: The Operational Support Team (OST) Initiative embeds mental health and physical therapist providers in support of the National Defense Strategy and Secretary of the Air Force's priorities to restore readiness and create a more resilient force. The initiative focuses on preventive medicine and patient education, providing expedient, focused mental health and musculoskeletal expertise in higher risk Air Force squadrons to optimize mission performance while lowering military occupational related risk, mitigating down-time and ensuring a medically ready force. The FY 2019 In-House Care baseline funding is \$9,236,096K.	6,629	
3) c. Access to Care Management: Funds required for the Air Medical Service investments to fortify set Access to Care (ATC) initiatives intended to sustain a systematic, proactive, programmatic, and responsive access program. ATC Management initiatives ensure access to healthcare services within access standards, enhance patient and staff satisfaction, and provide a patient-centered, first-call resolution appointment system. The FY 2019 In-House Care baseline funding is \$9,236,096K.	5,923	
4) d. Virtual Health Expansion:	2,000	

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Resources required to fund the incremental increase for the Military Health System Virtual Health Program expansion. Provides funds to contract program office support and additional providers to provide beneficiaries with expanded access to care through the use of Virtual Health Carts staffed by trained nurses. The FY 2017 National Defense Authorization Act, Section 718 provision to enhance the use of virtual health services for provider consultations, patient monitoring, and healthcare delivery in the Military Health System and leverage technology to improve access to care for beneficiaries wherever they are located. The FY 2019 In-House Care baseline funding is \$9,236,096K. The FY 2019 In-House Care baseline contractor staffing is 14,144 CMEs.		
5) e. Navy Medical Readiness Initiatives: Realigned funding to support five key readiness initiatives prioritized by the Surgeon General: Readiness Cost Reporting Program (RCRP), USMC Medical Home Physical Therapy Services, Sports Medicine And Rehabilitation Team (SMART) Clinic Staffing, Naval Expeditionary Health Services Support (NEHSS) Capability Requirements Analysis, and Contract Chiropractic Staff Augmentation at Naval Health Clinic (NHC) Quantico (NHCQ). The FY 2019 In-House Care baseline funding is \$9,236,096K.	6,576	
6) f. Holistic Health and Fitness (H2F): Realigned funding to support medical services provided by contract Registered Dietitians (RD) and	6,100	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Certified Athletic Trainers (AT) aligned to Army Brigades (BDE). The integration of RDs into BDEs reduces the number of Soldiers enrolled in the Army Body Composition Program (ABCP), thus increasing BDE health and readiness of the force. The addition of the AT compliments the integration of active duty Physical Therapists (PTs) into BDE formations, to reduce Musculoskeletal (MSK) injuries which are among the most common factors medically disqualifying Soldiers assigned to FORSCOM units for deployments or training operations. The FY 2019 In-House Care baseline funding is \$9,236,096K.		
9. Program Decreases		-94,411
a. Annualization of FY 2019 Program Decreases		
b. One-Time FY 2019 Increases		
c. Program Decreases in FY 2020		
1) a. Military Health System Administration: Realigns 73 civilian FTEs and associated support funding from the In-House Care Budget Activity Group to the Management Activities Budget Activity Group. Also reduce requirements for travel, supplies and other contract costs to implement reforms in support of the FY 2017 National Defense Authorization Act, Section 702, Reform of the Administration of the Defense Health Agency and Military Treatment Facilities and to eliminate duplicative activities carried out by the elements of the Defense Health Agency and the Military Medical Services. The FY 2019 In-House Care baseline funding is \$9,236,096K.	-55,997	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
The FY 2019 Dental Care contractor staffing is 1061 CMEs.		
2) b. Desktop to Datacenter (D2D): Reduces funding for the Desktop to Datacenter (D2D) Program through centralization of helpdesk support (Global Service Center), network security, data computation and data storage, global directory services, and network management services that were formerly provided by the individual Military Health System (MHS) components or the Military Departments, and are now provided by Defense Health Agency (DHA) Health Information Technology (HIT). Reduction also includes decrease for Functional Area Applications that were found to be redundant or no longer required as the Military Health System (MHS) GENESIS is deployed. The FY 2019 In-House Care baseline funding is \$9,236,096K.	-9,849	
3) c. Realign Army and Navy Historical Under Execution: Internally realigned historical under-execution to support Navy Readiness initiatives and Army Holistic Health and Fitness (H2F). The FY 2019 In-House Care baseline funding is \$9,236,096K.	-12,676	
4) d. Air Force Medical Service Contracts: Realigned Air Force Medical Service internal contract funding based on three internal efficiency studies: Contract Efficiency Review, Inpatient Bed Study, and Wing Efficiency Review to support Operational Support Teams and Access to Care Management requirements. The FY 2019 In-House Care baseline funding is	-12,552	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
\$9,236,096K.		
5) e. Vision Center of Excellence: Realigns Executive Agency of the Vision Center of Excellence (VCoE) to the Defense Health Agency from Navy Bureau of Medicine and Surgery. Funds realigned to support the VCOE Information Management/ Information Technology Budget Activity requirement for local area network, wide area network contract support, and Informatics and Information Management programs/projects. Funds also realigned to Consolidated Health Support Budget Activity Group to support contract requirements for data abstraction. The FY 2019 In-House Care baseline funding is \$9,236,096K. The FY 2019 In-House Care baseline contractor staffing is 14,144 CMEs.	-3,337	
FY 2020 Budget Request		9,570,615

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IV. Performance Criteria and Evaluation Summary:

				<u>Change</u>	
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2018 -</u>	<u>FY 2019 -</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 2019</u>	<u>FY 2020</u>
Population - Eligible Beneficiaries, CONUS					
Active Duty (**)	1,401,018	1,416,129	1,427,837	15,111	11,709
Active Duty Family Members	1,832,573	1,855,098	1,872,592	22,525	17,494
Retirees	1,022,121	1,016,288	1,010,268	-5,833	-6,020
Family Members of Retirees	2,465,190	2,457,963	2,450,865	-7,227	-7,098
Subtotal Eligible	6,720,902	6,745,477	6,761,562	24,575	16,085
Medicare Eligible Beneficiaries (***)	2,366,119	2,389,056	2,410,731	22,937	21,675
Total Average Eligible Beneficiaries	9,087,021	9,134,534	9,172,293	47,513	37,760

				<u>Change</u>	
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2018 -</u>	<u>FY 2019 -</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 2019</u>	<u>FY 2020</u>
Population - Eligible Beneficiaries, OCONUS					
Active Duty (**)	162,901	164,547	165,769	1,646	1,222
Active Duty Family Members	131,442	132,681	133,579	1,239	898
Retirees	21,922	21,808	21,691	-114	-117
Family Members of Retirees	56,880	56,754	56,636	-126	-118
Subtotal Eligible	373,145	375,790	377,675	2,645	1,885
Medicare Eligible Beneficiaries (***)	39,968	40,323	40,660	355	337
Total Average Eligible Beneficiaries	413,113	416,113	418,335	3,000	2,222

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	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Change</u>	
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 2018 -</u>	<u>FY 2019 -</u>
				<u>FY 2019</u>	<u>FY 2020</u>
Population - Eligible Beneficiaries, Worldwide					
Active Duty (**)	1,563,919	1,580,675	1,593,606	16,756	12,931
Active Duty Family Members	1,964,015	1,987,779	2,006,171	23,764	18,392
Retirees	1,044,043	1,038,096	1,031,959	-5,947	-6,136
Family Members of Retirees	2,522,070	2,514,717	2,507,501	-7,353	-7,216
Subtotal Eligible	7,094,047	7,121,266	7,139,237	27,219	17,971
Medicare Eligible Beneficiaries (***)					
Active Duty Family Members	5,145	5,185	5,214	40	29
Guard/Reserve Family Members	1,516	1,555	1,588	39	33
Eligible Retirees	1,162,720	1,175,593	1,187,424	12,873	11,831
Eligible Family Members of Retirees ****	745,769	753,973	761,505	8,204	7,532
Survivor	488,706	490,842	493,429	2,136	2,587
Other	2,231	2,231	2,231	-	-
Total Medicare Eligible Beneficiaries	2,406,087	2,429,379	2,451,391	23,292	22,012
Total Average Eligible Beneficiaries Worldwide	9,500,134	9,550,645	9,590,628	50,511	39,983

Notes:

1. (*) FY 2019 and FY 2020 Estimates are projected numbers of MHS eligible beneficiaries and are based on (a) future Budget End Strengths of Active Duty and Active Guard/Reserve members and (b) the DoD's Actuary's projection of retirees.
2. (**) Active Duty and Active Duty Guard/Reserve beneficiaries were excluded from being counted as Medicare Eligible.
3. (***) The US "Medicare Eligible Beneficiaries" are defined as MERHCF beneficiaries: Active Duty Family Members, Guard/Reserve Family Members, Eligible Retirees, Eligible Family Members of Retirees, Inactive Guard/Reserve, Inactive Guard/Reserve Family Members, Survivors, and Others.
4. (****) The Worldwide "Eligible Family Members of Retirees" are defined as MERHCF beneficiaries: Family Members of Retirees, Inactive Guard/Reserves, and Inactive Guard/Reserve Family Members.
5. USFHP enrollees who are also Medicare Eligible are shown in Eligible Beneficiaries, not under Medicare Eligible

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	<u>FY 2018</u> Actual	<u>FY 2019</u> Estimate	<u>FY 2020</u> Estimate	<u>Change</u>	
				<u>FY 2018 -</u> FY 2019	<u>FY 2019 -</u> FY 2020
Enrollees - Direct Care					
TRICARE Region - East	1,892,033	1,891,682	1,892,151	-351	469
TRICARE Region - West	1,038,307	1,037,429	1,038,107	-878	678
TRICARE Region - Europe	72,914	72,914	72,914	0	0
TRICARE - Pacific	148,411	147,651	147,660	-760	9
TRICARE Region - Latin America	2,358	2,358	2,358	0	0
Alaska	58,157	58,707	58,765	550	58
Subtotal CONUS Regions	<u>2,988,497</u>	<u>2,987,818</u>	<u>2,989,023</u>	<u>-679</u>	<u>1,205</u>
Subtotal OCONUS Regions	<u>223,683</u>	<u>222,923</u>	<u>222,932</u>	<u>-760</u>	<u>9</u>
Total Direct Care Enrollees	<u>3,212,180</u>	<u>3,210,741</u>	<u>3,211,955</u>	<u>-1,439</u>	<u>1,214</u>

Source: Service Medical Departments Business Plans

Enrollees are only TRICARE PRIME Enrollees enrolled to a military treatment facility.

Excludes "Plus" empaneled and other TRICARE space available users.

Effective January 1, 2018, TRICARE North and South Regions combined to form TRICARE East in accordance with the 2017 National Defense Authorization Act.

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	<u>FY 2018</u> <u>Actual</u>	<u>FY 2019</u> <u>Estimate</u>	<u>FY 2020</u> <u>Estimate</u>	<u>Change</u>	
				<u>FY 2018 -</u> <u>FY 2019</u>	<u>FY 2019 -</u> <u>FY 2020</u>
<u>Direct Care System Workload (from M2 and Business Planning Tool)</u>					
Inpatient Admissions, Non-Weighted (SIDR Dispositions-All)	215,053	214,328	211,499	-725	-2,829
Inpatient Admissions, Weighted (MS-DRG RWPs, Non Mental Health)	179,784	178,985	177,476	-799	-1,509
Inpatient Admissions, Occupied Bed Days (Mental Health Only)	98,524	98,622	98,947	98	325
Average Length of Stay (ALL Bed Days/All Dispositions)	2.72	2.68	2.68	0	0
Ambulatory Visits, Non-Weighted (Encounters, CAPER)	40,724,795	40,592,169	40,529,733	-132,626	-62,436
Ambulatory Visits, Weighted (Adj Provider Aggregate RVUs, CAPER)	90,637,352	90,534,532	90,784,139	-102,820	249,607
Ambulatory Procedures, Weighted (Aggregate Weight APCs, CAPER)	10,408,110	10,419,414	10,437,351	11,304	17,937
Number of Outpatient Pharmacy Prescriptions "Scripts"	44,744,909	45,062,181	45,300,915	317,272	238,734

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	<u>FY 2018</u> Actual	<u>FY 2019</u> Estimate	<u>FY 2020</u> Estimate	Change	
				<u>FY 2018 -</u> FY 2019	<u>FY 2019 -</u> FY 2020
Infrastructure					
Inpatient Facilities	50	50	49	0	-1
Medical Clinics	426	426	427	0	1
Dental Clinics	246	246	246	0	0
Veterinary Clinics	251	251	251	0	0

Notes:

1. Inpatient Facilities (-1): Air Force transitioned the 31st Medical Group (DMIS 0808) hospital in Aviano, Italy to a medical clinic.
2. Medical Clinics (+1): Air Force transitioned the 31st Medical Group (DMIS 0808) hospital in Aviano, Italy to a medical clinic.

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	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Change</u>	
				<u>FY 2018 -</u>	<u>FY 2019 -</u>
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 2019</u>	<u>FY 2020</u>
<u>Dental Workload (Dental Weighted Values</u>					
<u>(DWVs)</u>					
CONUS	11,453,105	11,420,164	11,545,670	-32,941	125,506
OCONUS	2,632,906	2,640,777	2,670,916	7,871	30,139
Total DWVs	14,086,011	14,060,941	14,216,586	-25,070	155,645
CONUS					
Active Duty	10,555,730	10,516,068	10,626,525	-39,662	110,457
Non-Active Duty	897,375	904,096	919,144	6,721	15,048
Total CONUS	11,453,105	11,420,164	11,545,669	-32,941	125,505
OCONUS					
Active Duty	1,600,214	1,599,915	1,618,058	-299	18,143
Non-Active Duty	1,032,693	1,040,862	1,052,858	8,169	11,996
Total OCONUS	2,632,907	2,640,777	2,670,916	7,870	30,139

Note: The FY 2018 to FY 2019 CONUS decrease is due to an anticipated decrease in available providers. The FY 2019 to FY 2020 increase is due to service component performance plan projections.

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V. <u>Personnel Summary</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	Change FY 2018/ <u>FY 2019</u>	Change FY 2019/ <u>FY 2020</u>
<u>Active Military End Strength (E/S) (Total)</u>	55,111	56,333	39,518	1,222	-16,815
Officer	18,555	19,649	13,364	1,094	-6,285
Enlisted	36,556	36,684	26,154	128	-10,530
<u>Active Military Average Strength (A/S) (Total)</u>	55,677	55,722	47,926	45	-7,796
Officer	19,352	19,102	16,507	-250	-2,595
Enlisted	36,325	36,620	31,419	295	-5,201
<u>Civilian FTEs (Total)</u>	47,463	46,159	45,873	-1,304	-286
U.S. Direct Hire	45,659	44,572	44,286	-1,087	-286
Foreign National Direct Hire	804	678	678	-126	0
Total Direct Hire	46,463	45,250	44,964	-1,213	-286
Foreign National Indirect Hire	868	777	777	-91	0
Reimbursable Civilians	132	132	132	0	0
Average Annual Civilian Salary (\$ in thousands)	95.1	95.6	97.1	.5	1.5
<u>Contractor FTEs (Total)</u>	14,546	14,144	13,328	-402	-816

Explanation of changes in Active Military End Strength: The net increase from FY 2018 to FY 2019 (+1,222) reflects FY 2018 medical military end strength execution adjustments (+1,495: Army 668, Navy 89 and AF 738), mission transfers to the Military Departments for Medical Readiness Programs (-45: Navy -24, AF -21), Air Force reduction to military medical end strength (-250) and internal realignments to meet emerging requirements (+22). The net decrease from FY 2019 to FY 2020 (-16,815) includes transfer to the military department for reductions to medical military end strength (-14,117: Army

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-6,414; Navy -3,019; Air Force -4,684); reductions in support of Section 702 of the FY 2017 National Defense Authorization Act, Reform of Administration of the Defense Health Agency and military medical treatment facilities to include 10% reduction for Major Headquarters Activities (-4:Army -2; Navy -2); transfer to the Defense Health Agency for Major Headquarters Activities Budget Activity Group (-31: Army -11; Navy -12; Air Force -8); mission transfers to the Military Departments for Medical Readiness Programs (-2,222: Army -1,645; Navy -80; Air Force -497); and internal Navy Bureau of Medicine and Surgery Defense Health Program realignments to support emerging requirements (-441).

Explanation of changes in Civilian FTEs: The net decrease from FY 2018 to FY 2019 (-1,304) reflects FY 2018 over execution of civilian FTEs adjustment to FY 2019 authorized levels (-1,420), Army MEDCOM's realignment of FTEs (+65) from Consolidated Health Support (+60) and Information Management/Information Technology (+5) to In-House Care for sustained operations at United States Medical Material Center, Korea. Additional FTEs were internally realigned within the Army program to support ongoing requirements at OCONUS medical and dental treatment facilities (+9). The increase also results from adjustment for full year execution of FTEs which under-executed in prior fiscal year. (+42). The decrease from FY 2019 to FY 2020 (-286) reflects adjustment for full year execution of FTEs which under-executed in prior fiscal year (+31), civilian FTE transfers to the military departments from the Defense Health Program (-205: Army -37, Navy -168); transfer of civilian FTEs from In-House Care Budget Activity to the Defense Health Agency Management Activities (-113: Army 16, Navy 97).

Explanation of changes in Contractor FTEs: The decrease from FY 2018 to FY 2019 (-402) is attributed to reduction taken as part of the Military Service Headquarters decrease associated with efficiencies gained through elimination of duplicative headquarters functions outlined in the FY 2017 National Defense Authorization Act, Section 702. The decrease from FY 2019 to FY 2020 (-286) is a result of reduced contract requirements in

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In-House Care to align funds in support of Defense Health Agency Strategy for MHS-wide priorities.

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

<u>OP 32 Line</u>	<u>FY 2018</u> <u>Actuals</u>	<u>Foreign</u> <u>Currency</u> <u>Rate Diff</u>	<u>Change</u>		<u>FY 2019</u> <u>Estimate</u>	<u>Foreign</u> <u>Currency</u> <u>Rate Diff</u>	<u>Change</u>		<u>FY 2020</u> <u>Estimate</u>
			<u>FY 2018/FY 2019</u> <u>Price</u>	<u>Program</u>			<u>FY 2019/FY 2020</u> <u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	4,311,507	0	21,989	-120,092	4,213,404	0	0	44,795	4,258,199
103 Wage Board	120,458	0	614	1,421	122,493	0	0	-6,335	116,158
104 FN Direct Hire (FNDH)	36,668	0	187	-5,880	30,975	0	0	0	30,975
105 Separation Liability (FNDH)	953	0	0	0	953	0	0	0	953
107 Voluntary Sep Incentives	3,818	0	0	0	3,818	0	0	0	3,818
199 TOTAL CIV COMPENSATION	4,473,404	0	22,790	-124,551	4,371,643	0	0	38,460	4,410,103
308 Travel of Persons	77,759	0	1,399	6,250	85,408	0	1,708	-18,059	69,057
399 TOTAL TRAVEL	77,759	0	1,399	6,250	85,408	0	1,708	-18,059	69,057
401 DLA Energy (Fuel Products)	226	0	-1	143	368	0	-2	-37	329
402 Service Fund Fuel	0	0	0	9	9	0	0	0	9
412 Navy Managed Supply, Matl	628	0	-2	15	641	0	13	0	654
416 GSA Supplies & Materials	7,178	0	129	826	8,133	0	163	11	8,307
417 Local Purch Supplies & Mat	51,838	0	933	104	52,875	0	1,058	879	54,812
422 DLA Mat Supply Chain (Medical)	17,895	0	21	1,104	19,020	0	-51	402	19,371
499 TOTAL SUPPLIES & MATERIALS	77,765	0	1,080	2,201	81,046	0	1,181	1,255	83,482
502 Army Fund Equipment	592	0	2	10	604	0	-1	13	616
503 Navy Fund Equipment	210	0	0	5	215	0	4	0	219
505 Air Force Fund Equip	51,703	0	0	-51,703	0	0	0	0	0
506 DLA Mat	216	0	-4	8	220	0	-1	4	223

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	FY 2018 <u>Actuals</u>	Foreign Currency <u>Rate Diff</u>	Change		FY 2019 <u>Estimate</u>	Foreign Currency <u>Rate Diff</u>	Change		FY 2020 <u>Estimate</u>
			FY 2018/ <u>Price</u>	FY 2019/ <u>Program</u>			FY 2019/ <u>Price</u>	FY 2020/ <u>Program</u>	
OP 32 Line									
Supply Chain (Const & Equip)									
507 GSA Managed Equipment	9,315	0	168	18	9,501	0	190	500	10,191
599 TOTAL EQUIPMENT	62,036	0	166	-51,662	10,540	0	192	517	11,249
PURCHASES									
611 Navy Surface Warfare Ctr	861	0	7	10	878	0	14	3	895
614 Space & Naval Warfare Center	165	0	2	-167	0	0	0	0	0
633 DLA Document Services	1,020	0	19	861	1,900	0	10	28	1,938
677 DISA Telecomm Svcs - Reimbursable	0	0	0	71	71	0	1	0	72
699 TOTAL DWCF PURCHASES	2,046	0	28	775	2,849	0	25	31	2,905
706 AMC Channel Passenger	53	0	-1	-52	0	0	0	0	0
719 SDDC Cargo Ops-Port hndlg	0	0	0	22	22	0	8	-9	21
771 Commercial Transport	8,330	0	150	305	8,785	0	176	-1	8,960
799 TOTAL TRANSPORTATION	8,383	0	149	275	8,807	0	184	-10	8,981
901 Foreign National Indirect Hire (FNIH)	27,333	0	139	2,137	29,609	0	0	-22	29,587
902 Separation Liab (FNIH)	241	0	1	-1	241	0	0	-241	0
912 Rental Payments to GSA (SLUC)	400	0	7	-378	29	0	1	-1	29
913 Purchased Utilities (Non- Fund)	339	0	6	-345	0	0	0	0	0
914 Purchased Communications	4,082	0	73	-3,002	1,153	0	23	-368	808

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<u>OP 32 Line</u>	<u>FY 2018</u> <u>Actuals</u>	<u>Foreign</u> <u>Currency</u> <u>Rate Diff</u>	<u>Change</u>		<u>FY 2019</u> <u>Estimate</u>	<u>Foreign</u> <u>Currency</u> <u>Rate Diff</u>	<u>Change</u>		<u>FY 2020</u> <u>Estimate</u>
			<u>FY 2018/FY 2019</u> <u>Price</u>	<u>Program</u>			<u>FY 2019/FY 2020</u> <u>Price</u>	<u>Program</u>	
(Non-Fund)									
915 Rents (Non-GSA)	15,659	0	282	-4,625	11,316	0	226	39	11,581
917 Postal Services (U.S.P.S)	1,341	0	24	-256	1,109	0	22	-2	1,129
920 Supplies & Materials (Non-Fund)	496,474	0	18,866	33,973	549,313	0	20,874	-49,768	520,419
921 Printing & Reproduction	4,265	0	77	280	4,622	0	92	4,918	9,632
922 Equipment Maintenance By Contract	155,012	0	2,790	-9,610	148,192	0	2,964	-321	150,835
923 Facilities Sust, Rest, & Mod by Contract	133,345	0	2,400	3,917	139,662	0	2,793	1,923	144,378
924 Pharmaceutical Drugs	1,627,816	0	61,857	-39,026	1,650,647	0	64,375	-305	1,714,717
925 Equipment Purchases (Non-Fund)	289,653	0	11,007	146,197	446,857	0	16,981	-5,785	458,053
932 Mgt Prof Support Svcs	37,477	0	675	-16,328	21,824	0	436	-6,530	15,730
933 Studies, Analysis & Eval	113,365	0	2,041	-97,718	17,688	0	354	-296	17,746
934 Engineering & Tech Svcs	797	0	14	-811	0	0	0	0	0
937 Locally Purchased Fuel (Non-Fund)	195	0	-1	221	415	0	-3	10	422
955 Other Costs (Medical Care)	368,664	0	14,009	-35,682	346,991	0	13,533	15,553	376,077
957 Other Costs (Land and Structures)	3,073	0	55	-3,128	0	0	0	0	0
959 Other Costs (Insurance)	1,491	0	27	-1,518	0	0	0	0	0

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<u>OP 32 Line</u>	<u>FY 2018</u>	<u>Foreign</u>	<u>Change</u>		<u>FY 2019</u>	<u>Foreign</u>	<u>Change</u>		<u>FY 2020</u>
	<u>Actuals</u>	<u>Currency</u>	<u>FY 2018/FY 2019</u>		<u>Estimate</u>	<u>Currency</u>	<u>FY 2019/FY 2020</u>		<u>Estimate</u>
		<u>Rate Diff</u>	<u>Price</u>	<u>Program</u>		<u>Rate Diff</u>	<u>Price</u>	<u>Program</u>	
Claims/Indmnties)									
960 Other Costs (Interest and Dividends)	14	0	0	-14	0	0	0	0	0
964 Other Costs (Subsistence and Support of Persons)	3,315	0	60	-986	2,389	0	48	0	2,437
986 Medical Care Contracts	974,708	4,729	37,218	120,599	1,137,254	0	44,353	223,335	1,404,942
987 Other Intra- Govt Purch	150,983	0	2,718	-103,972	49,729	0	995	996	51,720
988 Grants	10,788	0	194	-6,713	4,269	0	85	17	4,371
989 Other Services	90,719	5,878	1,739	-24,218	74,118	0	1,482	-33,813	41,787
990 IT Contract Support Services	54,760	0	986	-17,370	38,376	0	768	-10,706	28,438
991 Foreign Currency Variance	968	0	19	-987	0	0	0	0	0
999 TOTAL OTHER PURCHASES	4,567,277	10,607	157,283	-59,364	4,675,803	0	170,402	138,633	4,984,838
Total	9,268,670	10,607	182,895	-226,076	9,236,096	0	173,692	160,827	9,570,615