

**Defense Health Program  
Fiscal Year (FY) 2020 President's Budget  
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 worldwide patient care delivery.

**Defense Health Agency** - Resources required for the Defense Health Agency's (DHA) operating costs supporting delivery of patient care worldwide 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	Budget	FY 2019			Current	FY 2020
			Congressional Action				
<b>A. <u>BA Subactivities</u></b>	<b><u>Actuals</u></b>	<b><u>Request</u></b>	<b><u>Amount</u></b>	<b><u>Percent</u></b>	<b><u>Appropriated</u></b>	<b><u>Estimate</u></b>	<b><u>Estimate</u></b>
Defense Health Agency	140,492	141,165	2,000	1.4	143,165	143,165	247,841
Management Headquarters	182,926	166,464	0	0.0	166,464	166,464	85,405
<b>Total</b>	<b>323,418</b>	<b>307,629</b>	<b>2,000</b>	<b>.7</b>	<b>309,629</b>	<b>309,629</b>	<b>333,246</b>

Note: The FY 2020 column contains a \$31,406K realignment from the Management Headquarters program element to the Defense Health Agency (DHA) program element associated with aligning resources for management of the Military Treatment Facilities under DHA as directed by NDAA 2017 Section 702: Reform of the Administration of the Defense Health Agency and the Military Treatment Facilities. Additional resources from outside the Management Activities budget activity group are identified in the OP-5 narrative below.

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<b>B. <u>Reconciliation Summary</u></b>	<b>Change</b>	<b>Change</b>
	<b><u>FY 2019/FY 2019</u></b>	<b><u>FY 2019/FY 2020</u></b>
<b>Baseline Funding</b>	<b>307,629</b>	<b>309,629</b>
Congressional Adjustments (Distributed)	2,000	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
<b>Subtotal Appropriated Amount</b>	<b>309,629</b>	
Fact-of-Life Changes (2019 to 2019 Only)		
<b>Subtotal Baseline Funding</b>	<b>309,629</b>	
Supplemental		
Reprogrammings		
Price Changes		2,898
Functional Transfers		-35,344
Program Changes		56,063
<b>Current Estimate</b>	<b>309,629</b>	<b>333,246</b>
Less: Wartime Supplemental		
<b>Normalized Current Estimate</b>	<b>309,629</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 2019 President's Budget Request (Amended, if applicable)</b>		<b>307,629</b>
1. Congressional Adjustments		2,000
a. Distributed Adjustments		
1) Department of Defense/Veterans Administration Burn Pit Program	2,000	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
<b>FY 2019 Appropriated Amount</b>		<b>309,629</b>
2. OCO and Other Supplemental Enacted		
3. Fact-of-Life Changes		
<b>FY 2019 Baseline Funding</b>		<b>309,629</b>
4. Reprogrammings (Requiring 1415 Actions)		
<b>Revised FY 2019 Estimate</b>		<b>309,629</b>
5. Less: OCO and Other Supplemental Appropriations and Reprogrammings (Items 2 and 4)		
<b>FY 2019 Normalized Current Estimate</b>		<b>309,629</b>
6. Price Change		2,898
7. Functional Transfers		-35,344
a. Transfers In		
b. Transfers Out		
1) a. Army Medical Command Transfer of Civilian FTEs to the Department of the Army:	-32,684	
Transfers 232 civilian FTEs and associated funding from the Army Medical Command's Management Headquarters, Defense Health Program to the Department of the Army to right-size the Service Medical Headquarters in compliance with Military Health System reform initiatives.		

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<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
2) b. Transfer Manpower from the Defense Health Agency to Office of the Assistant Secretary of Defense, Health Affairs: Transfers 14 civilian FTEs and associated funding from the Defense Health Agency to the Office of the Assistant Secretary of Defense (OASD) Health Affairs (HA) in support of Military Health System (MHS) transformation to reduce duplication of Management Headquarters Activities (MHA) and align MHA with the organizations and functions they most directly support. Transferring functions include Strategy Management, Department of Defense (DoD)/Department of Veterans Affairs (DVA) Program Coordination, MHS Governance and Decision Support.	-2,660	
8. Program Increases		74,163
a. Annualization of New FY 2019 Program		
b. One-Time FY 2020 Increases		
c. Program Growth in FY 2020		
1) Service Medical Headquarters Realigned to the Defense Health Agency: To implement specific organizational reforms directed by Congress making the Defense Health Agency responsible for the operations of all military medical treatment facilities (MTFs), fully integrating medical capabilities of the Armed Forces and eliminating duplication of functions and tasks among Military Health System components, the Defense Health Agency program element in the Management Activities budget activity group is substantively	74,163	

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

<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
increased by +\$105,569K. Resources are realigned from both outside the Management Activities budget activity group (\$74,163K) and between program elements within the Management Activities budget activity group (\$31,406K). External funds are realigned from the In-House Care (-73 FTEs; - \$15,820K), Consolidated Health Support (-358 FTEs; - \$52,063K), Information Management (-40 FTEs; - \$5,083K), Education and Training (-1 FTE; -150K), and Base Operations (-7; -\$1,047K) budget activity groups.		
9. Program Decreases		-18,100
a. Annualization of FY 2019 Program Decreases		
b. One-Time FY 2019 Increases		
c. Program Decreases in FY 2020		
1) a. Military Health System Management Headquarters Reform:		
Implementation of the Military Health System organizational reforms required by the National Defense Authorization Acts of FY 2017 and FY 2019 focused on efforts to reduce redundant and unnecessary headquarters overhead while building a structure that drives improved outcomes for readiness, health, quality and cost. Management headquarters activities achieved savings and efficiencies by eliminating duplicative activities carried out by the elements of the Defense Health Agency and the military departments through the following initiatives:	-10,612	

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**C. Reconciliation of Increases and Decreases**

**Amount**

**Totals**

-Ongoing efforts to comply with Section 702, Reform of the Administration of the Defense Health Agency and Military Treatment Facilities, National Defense Authorization Act, Fiscal Year 2017. Reduces the Management Headquarters program element (-\$5,454K) decreasing OP-32 Line 101, civilian FTEs (-20) and associated funding (-\$2,848K); other medical care costs (-\$1,763K), OP-32 line 955; and Other Services from non-Federal Sources (-\$796K), OP-32 line 989.1.

-Continuation of the Secretary of Defense-directed 25% Major Headquarters reduction. Reduces the Management Headquarters program element at the Defense Health Agency, decreasing OP-32 Line 101, civilian FTEs (-21) and associated funding (-\$3,260K).

-Manpower efficiencies realized through ongoing efforts to eliminate duplicative activities resulting in a 10% staffing reduction at the Services medical headquarters. Reduces civilian FTEs (-13) and associated funding (-\$1,945K) in the Management Headquarters program element.

The FY 2019 Management Headquarters program element baseline funding is \$166,464K. The FY 2019 Management Headquarters program element baseline staffing is 890 civilian FTEs and 99 contractor CMEs.

2) b. Reduced Resource Requirements:

Reduction of (-\$7,488K) based on the incorporation of

-7,488

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

**C. Reconciliation of Increases and Decreases**

**Amount**

**Totals**

FY 2018 actual execution into the FY 2020 budget estimate for management related requirements. Incorporating this analysis into budgetary projections coupled with better pricing methodologies resulted in improved requirements identification and resource management. Funding reductions applied to contracts for Other Services from Non-Federal sources, OP-32 Line 989.1, in the Management Headquarters (-\$1,195K) and Defense Health Agency (-\$944K) program elements; Management and Professional Support Services, OP-32 Line 932, in the Defense Health Agency program element (-\$2,844K); Travel, OP-32 Line 308.1, in the Management Headquarters program element (-\$1,166K); IT Contracts Support Services, OP-32 Line 990, in the Defense Health Agency program element (-\$500K); Supplies and Materials, OP-32 line 920.1, in the Management Headquarters program element (-\$400K); Other Costs (Medical Care), OP-32 Line 955, in the Management Headquarters program element (-\$339K); and Printing and Reproduction, OP-32 Line 921 (-\$100K). The FY 2019 Management Activities budget activity group baseline funding is \$309,629K. The Defense Health Agency program element baseline funding is \$143,165K. The Management Headquarters program element baseline funding is \$166,464K. The FY 2019 Management Activities baseline contractor staffing is 495 CMEs.

**FY 2020 Budget Request**

**333,246**



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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 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>Change FY 2018/ FY 2019</u></b>	<b><u>Change FY 2019/ FY 2020</u></b>
<u>Active Military End Strength (E/S) (Total)</u>	994	978	777	-16	-201
Officer	702	654	536	-48	-118
Enlisted	292	324	241	32	-83
<u>Active Military Average Strength (A/S) (Total)</u>	977	986	878	9	-108
Officer	705	678	595	-27	-83
Enlisted	272	308	283	36	-25
<u>Civilian FTEs (Total)</u>	1,485	1,248	1,498	-237	250
U.S. Direct Hire	1,488	1,249	1,499	-239	250
Total Direct Hire	1,488	1,249	1,499	-239	250
Foreign National Indirect Hire	3	5	5	2	0
Reimbursable Civilians	-6	-6	-6	0	0
Average Annual Civilian Salary (\$ in thousands)	133.4	136.3	140.2	2.9	3.9
 <u>Contractor FTEs (Total)</u>	 487	 495	 451	 8	 -44

**Explanation of changes in Active Military End Strength:**

The decrease from FY 2018 to FY 2019 (-16) includes overexecution of FY 2018 Actuals (-19: Army: -68, Navy: +39, AF: +10), transfers to the Defense Health Agency for Executive Agent functions (Army: Defense Medical Readiness Training Institute: +30, Armed Forces Medical Examiner: +13, Armed Services Blood Program Office: +2, and Military Vaccine Agency: +1), Management Headquarters reductions (Navy: -44) and internal realignments to meet emerging requirements (Navy: +1).

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The decrease from FY 2019 to FY 2020 (-201) includes transfers to the Defense Health Agency for Major Headquarters Activities (+176: Army: +64, Navy: +45, AF: +67), 10% end strength reduction for Major Headquarters Activities (-133: Navy: -7, AF: -126), mission transfers to the Military Departments for Medical Readiness: (-144: Army: -81, Navy: -63), transfers to the Military Departments for reductions to medical end strength: (-45 Navy) and prior programming transfers to the Military Departments for Major Headquarters Activities reductions (-55: Army-8, Navy -47).

Explanation of changes in Civilian FTEs:

The decrease from FY 2018 to FY 2019 (-237) includes FY 2018 execution adjustments (-175: Army: -63; Navy: -65; Air Force: -27; Defense Health Agency: -20); accounts for the 25% reduction to the Military Health System major headquarters as directed in the Terms of Reference of the "Military Health System Reform" memorandum signed by the Deputy Secretary of Defense on April 27, 2017 (Defense Health Agency: -18); Section 702, Reform of the Administration of the Defense Health Agency and Military Treatment Facilities in NDAA 2017 (-21: Army: -20; Air Force -1); Service headquarters execution and internal reprogramming adjustments (-23). Manpower adjustments by component are: Air Force Medical Service (-26), Army Medical Command (-101), Navy Bureau of Medicine and Surgery (-69), Defense Health Agency (-41).

The increase from FY 2019 to FY 2020 (+250) includes transfers to the Defense Health Agency for Major Headquarters Activities (+549: Defense Health Agency: +793; Army: -165; Air Force -79); mission transfers to the Military Departments for medical readiness: (Army: -232); 10% FTE reduction for Major Headquarters Activities (Navy: -13); 25% reduction to the Military Health System major headquarters as directed in the Terms of Reference of the "Military Health System Reform" memorandum signed by the Deputy Secretary of Defense on April 27, 2017 (Defense Health Agency: -21); Section 702, Reform

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of the Administration of the Defense Health Agency and Military Treatment Facilities in NDAA 2017 (Army: -20); transfer to the Office of the Assistant Secretary of Defense, Health Affairs (Defense Health Agency: -14) and Service headquarters execution and internal reprogramming adjustments (Air Force: +1). Manpower adjustments by component are: Air Force Medical Service (-78), Army Medical Command (-417), Navy Bureau of Medicine and Surgery (-13), Defense Health Agency (+758).

Explanation of changes in Contractor CMEs:

The increase from FY 2018 to FY 2019 (+8) reflects over-execution in FY 2018 actuals.

The decrease from FY 2019 to FY 2020 (-44) reflects the net impact of reductions to management and professional services (-50) and an increase in other services from non-federal sources (+6) to consolidate services at the Defense Health Agency in accordance with the FY 2017 National Defense Authorization Act Section 702.

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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>Change</u> <u>FY 2018/FY 2019</u>		<u>FY 2019</u> <u>Estimate</u>	<u>Change</u> <u>FY 2019/FY 2020</u>		<u>FY 2020</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	194,769	993	-29,175	166,587	0	40,411	206,998
103 Wage Board	657	3	-240	420	0	-45	375
107 Voluntary Sep Incentives	1,685	0	0	1,685	0	-445	1,240
<b>199 TOTAL CIV COMPENSATION</b>	<b>197,111</b>	<b>996</b>	<b>-29,415</b>	<b>168,692</b>	<b>0</b>	<b>39,921</b>	<b>208,613</b>
308 Travel of Persons	8,527	153	42	8,722	174	-1,612	7,284
<b>399 TOTAL TRAVEL</b>	<b>8,527</b>	<b>153</b>	<b>42</b>	<b>8,722</b>	<b>174</b>	<b>-1,612</b>	<b>7,284</b>
412 Navy Managed Supply, Matl	2	0	0	2	0	0	2
417 Local Purch Supplies & Mat	625	11	70	706	14	-1	719
<b>499 TOTAL SUPPLIES &amp; MATERIALS</b>	<b>627</b>	<b>11</b>	<b>70</b>	<b>708</b>	<b>14</b>	<b>-1</b>	<b>721</b>
696 DFAS Financial Operation (Other Defense Agencies)	300	15	-315	0	0	0	0
<b>699 TOTAL DWCF PURCHASES</b>	<b>300</b>	<b>15</b>	<b>-315</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
771 Commercial Transport	72	1	187	260	5	1	266
<b>799 TOTAL TRANSPORTATION</b>	<b>72</b>	<b>1</b>	<b>187</b>	<b>260</b>	<b>5</b>	<b>1</b>	<b>266</b>
901 Foreign National Indirect Hire (FNIH)	221	1	370	592	0	0	592
914 Purchased Communications (Non- Fund)	0	0	9	9	0	1	10
915 Rents (Non-GSA)	89	2	-64	27	1	0	28
917 Postal Services (U.S.P.S)	70	1	351	422	8	0	430
920 Supplies & Materials (Non- Fund)	1,264	23	2,166	3,453	69	-1,546	1,976
921 Printing & Reproduction	4	0	779	783	16	-100	699
922 Equipment Maintenance By Contract	0	0	250	250	5	0	255
925 Equipment Purchases (Non-Fund)	3,294	59	-172	3,181	64	-2	3,243
932 Mgt Prof Support Svcs	71,126	1,280	4,498	76,904	1,538	-8,409	70,033
933 Studies, Analysis & Eval	15,810	285	-8,524	7,571	151	21	7,743
934 Engineering & Tech Svcs	869	16	-885	0	0	0	0
955 Other Costs (Medical Care)	244	9	2,617	2,870	112	-1,941	1,041
960 Other Costs (Interest and	560	10	-570	0	0	0	0

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<u>OP 32 Line</u>	<u>FY 2018</u> <u>Actuals</u>	<u>Change</u> <u>FY 2018/FY 2019</u>		<u>FY 2019</u> <u>Estimate</u>	<u>Change</u> <u>FY 2019/FY 2020</u>		<u>FY 2020</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
Dividends)							
964 Other Costs (Subsistence and Support of Persons)	15	0	0	15	0	0	15
986 Medical Care Contracts	375	14	1,611	2,000	78	-2,078	0
987 Other Intra-Govt Purch	11,796	212	811	12,819	256	1,140	14,215
989 Other Services	8,885	160	7,398	16,443	329	-3,445	13,327
990 IT Contract Support Services	2,159	39	1,710	3,908	78	-1,231	2,755
<b>999 TOTAL OTHER PURCHASES</b>	<b>116,781</b>	<b>2,111</b>	<b>12,355</b>	<b>131,247</b>	<b>2,705</b>	<b>-17,590</b>	<b>116,362</b>
<b>Total</b>	<b>323,418</b>	<b>3,287</b>	<b>-17,076</b>	<b>309,629</b>	<b>2,898</b>	<b>20,719</b>	<b>333,246</b>