

**Defense Health Program
Fiscal Year (FY) 2021 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 2020						
	FY 2019	Budget	<u>Congressional Action</u>			Current	FY 2021
			<u>Actuals</u>	<u>Request</u>	<u>Amount</u>		
A. <u>BA Subactivities</u>							
Defense Health Agency	141,182	247,841	-3,000	-1.2	244,841	244,841	249,465
Management Headquarters	169,296	85,405	0	0.0	85,405	85,405	81,162
Total	310,478	333,246	-3,000	-0.9	330,246	330,246	330,627

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2020/FY 2020</u>	<u>FY 2020/FY 2021</u>
Baseline Funding	333,246	330,246
Congressional Adjustments (Distributed)	-3,000	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	330,246	
Fact-of-Life Changes (2020 to 2020 Only)		
Subtotal Baseline Funding	330,246	
Supplemental		
Reprogrammings		
Price Changes		5,665
Functional Transfers		-731
Program Changes		-4,553
Current Estimate	330,246	330,627
Less: Wartime Supplemental		
Normalized Current Estimate	330,246	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2020 President's Budget Request (Amended, if applicable)		333,246
1. Congressional Adjustments		-3,000
a. Distributed Adjustments		
1) Medical Reform Implementation:	-3,000	
Medical Reform Implementation reduction in accordance		
with the FY 2020 enacted budget.		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2020 Appropriated Amount		330,246
2. OCO and Other Supplemental Enacted		
3. Fact-of-Life Changes		
FY 2020 Baseline Funding		330,246
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2020 Estimate		330,246
5. Less: OCO and Other Supplemental Appropriations and		
Reprogrammings (Items 2 and 4)		
FY 2020 Normalized Current Estimate		330,246
6. Price Change		5,665
7. Functional Transfers		-731
a. Transfers In		
b. Transfers Out		
1) Air Force Medical Headquarters Realigned to the	-731	
Department of the Air Force:		
Transfers funding for travel, and supplies and		
materials from the Air Force Medical Service's		
Management Activities program element to the		
Department of the Air Force to correctly align		
resources for positions that Air Force Medical		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Services previously transferred in FY2020.		
8. Program Increases		2,467
a. Annualization of New FY 2020 Program		
b. One-Time FY 2021 Increases		
c. Program Growth in FY 2021		
1) Office of the General Counsel Realigned to the Defense Health Agency:	2,467	
Realigns Office of the General Counsel FTEs and associated funding (+24FTE; +\$2,467K) to the Defense Health Agency (DHA), Management Activities program element from Base Operations (-24FTEs; -\$2,467K). These FTEs represents the NCR-MD's current level of effort and capability set for civilian FTEs transferring to the DHA for use by the Office of the General Counsel at the DHA. This transfer supports the Director, DHA in assuming responsibility for the Office of the General Counsel functions and activities in the Military Health System (MHS). The FY 2020 Defense Health Agency program element baseline funding is \$244,841K. The FY 2020 Defense Health Agency program element baseline civilian staffing is 1,157 FTEs.		
9. Program Decreases		-7,020
a. Annualization of FY 2020 Program Decreases		
b. One-Time FY 2020 Increases		
c. Program Decreases in FY 2021		
1) a. Military Health System Management Headquarters Reform:	-2,042	
Continues the implementation of the Military Health		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
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. Reform efforts reduces the Defense Health Agency contract requirements in the Management Headquarters (-\$1,393K) and the Defense Health Agency (-\$649K) program elements (PE). The FY 2020 Management Activities baseline funding is \$330,246K. The FY 2020 Management Activities Baseline contractor staffing is 488 CMEs.		
2) b. Reduced Resource Requirements: Continues the Management Activities resource reduction based on the incorporation of the actual budget executions into the budget estimates. Incorporating this analysis into budgetary projections coupled with better pricing methodologies resulted in improved requirements identification and resource management. Funds are reduced from the Management Headquarters (-\$937K) and the Defense Health Agency (-\$788K) program elements (PE). The FY 2020 Management Activities baseline funding is \$330,246K. The FY 2020 Management Activities Baseline contractor staffing is 488 CMEs.	-1,725	
3) c. Military Health System Major Headquarters Reduction: Continues the Management Headquarters reduction	-2,454	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
associated with Section 702, Reform of the Administration of the Defense Health Agency and Military Treatment Facilities in NDAA 2017. Reduction result from efforts to eliminate duplicative activities carried out by the elements of the Defense Health Agency and the military departments. By Service, funds are reduced from Army Medical Command (-\$2,306K) and from Air Force Medical Services (-\$148K). The FY 2020 Management Headquarters program element baseline funding is \$85,405K. The FY 2020 Management Headquarters program element baseline civilian staffing is 347 FTEs. The FY 2020 Management Headquarters program element baseline contractor staffing is 112 CMEs.		
4) d. One Less Compensable Day: In accordance with OMB Circular A-11, Section 85.5C, reduces civilian pay to account for one fewer paid day in FY 2021 (261 paid days) than in FY 2020 (262 paid days). The FY 2020 Management Activities civilian compensation baseline funding is \$209,322K. The FY 2020 baseline civilian staffing is 1,504 FTEs.	-799	
FY 2021 Budget Request		330,627

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IV. Performance Criteria and Evaluation Summary:

Refer to the Personnel Summary in Section V.

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V. <u>Personnel Summary</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	Change FY 2019/ <u>FY 2020</u>	Change FY 2020/ <u>FY 2021</u>
<u>Active Military End Strength (E/S) (Total)</u>	1,053	777	781	-276	4
Officer	723	536	537	-187	1
Enlisted	330	241	244	-89	3
<u>Active Military Average Strength (A/S) (Total)</u>	1,024	916	780	-108	-136
Officer	713	630	537	-83	-93
Enlisted	311	286	243	-25	-43
<u>Civilian FTEs (Total)</u>	1,431	1,504	1,529	73	25
U.S. Direct Hire	1,428	1,499	1,524	71	25
Total Direct Hire	1,428	1,499	1,524	71	25
Foreign National Indirect Hire	3	5	5	2	0
Average Annual Civilian Salary (\$ in thousands)	137.0	139.2	142.3	2.2	3.1
<u>Contractor FTEs (Total)</u>	506	488	438	-18	-50

Explanation of changes in Active Military End Strength: The decrease from FY 2019 to FY 2020 (-276) includes transfers to the Defense Health Agency program element for Major Headquarters Activities (+176: from In-House Care:-31, Consolidated Health Support:-96, Information Management/Information Technology: -7, Management Headquarters program element:-41 and Base Operations:-1); 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), prior programming transfers to the Military Departments for Major Headquarters Activities reductions (-55: Army-8, Navy -47)

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and FY 2019 End Strength Execution adjustments (-75). The increase from FY 2020 to FY 2021 (+4) includes transfers from the military departments for Major Headquarters Activities (Army: +4).

Explanation of changes in Civilian FTEs: The increase from FY 2019 to FY 2020 (+73) 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 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); Service headquarters execution and internal reprogramming adjustments (Air Force: +1), and execution adjustments based on FY 2019 actuals (-177: Army Medical Command: -9; Navy Bureau of Medicine and Surgery: -64; Air Force Medical Services: -39; and the Defense Health Agency: -65). The increase from FY 2020 to FY 2021 (+25) results from Service headquarters execution adjustments at Air Force (+1); Army technical adjustments for medical readiness mission transfer to the Department of the Army (+25); Military Health System Major Headquarters reduction (Army: -24, Air Force:-1); and realignment of the Office of the General Counsel's FTEs to the Defense Health Agency (+24) from National Capital Region Medical Directorate other Budget Activity Groups.

Explanation of changes in Contractor CMEs: The decrease from FY 2019 to FY 2020 (-18) reflects the net impact of reductions to advisory and assistance services contracts (-26), and an increase in other services from non-federal sources (+8) to consolidate services at the Defense Health Agency in accordance with the FY 2017 National Defense Authorization Act Section 702. The decrease from FY 2020 to FY 2021 (-50) reflects the

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net impact of decreases to advisory and assistance services contracts (-46) and decreases to IT contracts support services (-3), and other services from non-federal sources (-1) for the continued consolidation of 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 2019</u> <u>Actuals</u>	<u>Change</u> <u>FY 2019/FY 2020</u>		<u>FY 2020</u> <u>Estimate</u>	<u>Change</u> <u>FY 2020/FY 2021</u>		<u>FY 2021</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	194,587	5,410	8,164	208,161	3,206	4,956	216,323
103 Wage Board	699	19	-234	484	7	5	496
107 Voluntary Sep Incentives	500	14	-394	120	2	-2	120
121 PCS Benefits	5	0	-5	0	0	0	0
199 TOTAL CIV COMPENSATION	195,791	5,443	7,531	208,765	3,215	4,959	216,939
308 Travel of Persons	7,437	149	-302	7,284	146	-2,079	5,351
399 TOTAL TRAVEL	7,437	149	-302	7,284	146	-2,079	5,351
412 Navy Managed Supply, Matl	0	0	2	2	0	1	3
417 Local Purch Supplies & Mat	133	3	583	719	14	1	734
499 TOTAL SUPPLIES & MATERIALS	133	3	585	721	14	2	737
707 AMC Training	191	37	-228	0	0	0	0
771 Commercial Transport	112	2	152	266	5	1	272
799 TOTAL TRANSPORTATION	303	39	-76	266	5	1	272
901 Foreign National Indirect Hire (FNIH)	325	0	232	557	11	2	570
914 Purchased Communications (Non-Fund)	0	0	10	10	0	0	10
915 Rents (Non-GSA)	0	0	28	28	1	0	29
917 Postal Services (U.S.P.S)	7	0	423	430	9	0	439
920 Supplies & Materials (Non-Fund)	2,700	54	-778	1,976	40	-844	1,172
921 Printing & Reproduction	4	0	695	699	14	-87	626
922 Equipment Maintenance By Contract	2	0	253	255	5	-22	238
925 Equipment Purchases (Non-Fund)	85	2	3,156	3,243	65	0	3,308
932 Mgt Prof Support Svcs	67,340	1,347	-6,648	62,039	1,241	-5,468	57,812
933 Studies, Analysis & Eval	14,523	290	-7,070	7,743	155	-619	7,279
934 Engineering & Tech Svcs	500	10	-510	0	0	0	0
936 Training and Leadership Development (Other Contracts)	264	5	-269	0	0	0	0
955 Other Costs (Medical Care)	224	9	808	1,041	41	-1,068	14

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<u>OP 32 Line</u>	FY 2019 <u>Actuals</u>	Change FY 2019/FY 2020		FY 2020 <u>Estimate</u>	Change FY 2020/FY 2021		FY 2021 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
959 Other Costs (Insurance Claims/Indmnties)	2	0	-2	0	0	0	0
964 Other Costs (Subsistence and Support of Persons)	9	0	6	15	0	0	15
984 Equipment Contracts	14	0	-14	0	0	0	0
987 Other Intra-Govt Purch	5,539	111	8,221	13,871	277	464	14,612
989 Other Services	11,033	221	7,294	18,548	371	190	19,109
990 IT Contract Support Services	4,241	85	-1,571	2,755	55	-715	2,095
993 Other Services - Scholarships	2	0	-2	0	0	0	0
999 TOTAL OTHER PURCHASES	106,814	2,134	4,262	113,210	2,285	-8,167	107,328
Total	310,478	7,768	12,000	330,246	5,665	-5,284	330,627