

**Defense Health Program
Fiscal Year (FY) 2013 Budget Estimates
Operation and Maintenance
In-House Care**

I. Description of Operations Financed: This Budget Activity Group provides for the delivery of patient care 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 - Resources medical care in CONUS and OCONUS facilities which are staffed and equipped to provide inpatient and outpatient care for both surgical and non-surgical conditions for Military Health System beneficiaries.

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

Pharmaceuticals - Resources pharmaceuticals specifically identified and measurable to the provision of pharmacy services in CONUS and OCONUS facilities.

II. Force Structure Summary: The In-House Care Budget Activity Group (BAG) includes staffing to provide medical and dental care in military facilities which provide the full range of inpatient and ambulatory medical and dental care services. In addition to medical and dental care this BAG also includes medical center laboratories, alcohol treatment facilities, clinical investigation activities, facility on-the-job training/education programs and federal health care sharing agreements. This BAG excludes operation of management headquarters for TRICARE Regional Offices, deployable medical and dental units and health care resources devoted exclusively to teaching.

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III. Financial Summary (\$ in Thousands):

FY 2012

A. Subactivities	FY 2011 Actuals	Budget Request	Congressional Action				FY 2013 Estimate
			Amount	Percent	Current Appropriation	Current Estimate	
1. MEDCENS, Hospitals & Clinics (CONUS)	6,101,729	5,529,998	10,000	0.2%	5,539,998	5,539,998	5,947,980
2. MEDCENS, Hospitals & Clinics (OCONUS)	503,325	436,149	0	0%	436,149	436,149	471,075
3. Pharmaceuticals (CONUS)	1,359,836	1,455,142	0	0%	1,455,142	1,455,142	1,518,459
4. Pharmaceuticals (OCONUS)	118,083	143,687	0	0%	143,687	143,687	147,937
5. Dental Care (CONUS)	497,222	523,222	0	0%	523,222	523,222	479,715
6. Dental Care (OCONUS)	<u>59,065</u>	<u>60,658</u>	<u>0</u>	<u>0%</u>	<u>60,658</u>	<u>60,658</u>	<u>60,341</u>
Total	8,639,260	8,148,856	10,000	0.1%	8,158,856	8,158,856	8,625,507

Notes:

1. FY 2011 actuals includes \$715.131M for Overseas Contingency Operations (OCO) under the Department of Defense Appropriation Act, FY 2011, Public Law 112-10.
2. FY 2012 current estimate excludes \$642.221M for OCO under the Consolidated Appropriations Act, 2012 (Division A), Public Law 112-74.
3. FY 2013 estimate excludes \$483.326M for OCO.
4. Does not reflect Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) for FY 2011 of \$1,388.7M, FY 2012 of \$1,324.9M and FY 2013 of \$1,372.6M.

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B. <u>Reconciliation Summary:</u>	Change FY 2012/2012	Change FY 2012/2013
Baseline Funding	8,148,856	8,158,856
Congressional Adjustments (Distributed)	10,000	n/a
Congressional Adjustments (Undistributed)	0	n/a
Adjustments to Meet Congressional Intent	0	n/a
Congressional Adjustments (General Provisions)	0	n/a
Subtotal Appropriated Amount	8,158,856	n/a
OCO and Other Supplemental Appropriations	642,221	n/a
Fact-of-Life Changes	0	n/a
Subtotal Baseline Funding	8,801,077	n/a
Anticipated Supplemental	0	n/a
Reprogrammings	0	n/a
Less: OCO and Other Supplemental Appropriations	-642,221	n/a
Revised Current Estimate	8,158,856	8,158,856
Price Change	n/a	166,235
Functional Transfers	n/a	0
Program Changes	n/a	300,416
Current Estimate	8,158,856	8,625,507

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		(\$ in Thousands)	
C. Reconciliation of Increases and Decreases:		<u>Amount</u>	<u>Totals</u>
FY 2012 President's Budget Request			8,148,856
1. Congressional Adjustments			10,000
a. Distributed Adjustments		10,000	
1) Suicide prevention	10,000		
b. Undistributed Adjustments		0	
c. Adjustment to Meet Congressional Intent		0	
d. General Provisions		0	
FY 2012 Appropriated Amount			8,158,856
2. OCO and Other Supplemental Appropriations			642,221
3. Fact-of-Life Changes			0
a. Functional Transfers		0	
b. Technical Adjustments		0	
c. Emergent Requirements		0	
FY 2012 Baseline Funding			8,801,077
4. Reprogrammings (requiring 1415 Actions)			0
a. Increases		0	
b. Decreases		0	
5. Less: OCO and Other Supplemental Appropriation			-642,221
Current Estimate for FY 2012			8,158,856
6. Price Change			166,235
7. Transfers			0
a. Transfers In		0	
b. Transfers Out		0	
8. Program Increases			557,758
a. Annualization of New FY 2012 Program		0	

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		<u>Amount</u>	<u>Totals</u>
C. Reconciliation of Increases and Decreases:			
b. One-Time FY 2013 Costs			
1) Temporary End Strength Army Medical (TEAM):	88,849	88,849	
Resources additional military treatment facility (MTF) health care for the temporary increase in Army end strength of 12,383 FTEs to mitigate the impact of non-deployable military population. FY 2012 Army Healthcare Funding Baseline: \$2,971.6M.			
c. Program Growth in FY 2013			468,909
1) Healthcare Provided In Military Treatment Facilities:	187,809		
Resources to support delivery of inpatient and outpatient care including additional contract healthcare providers in support of Patient Centered Medical Home (PCMH) Program (\$106.472M), Comprehensive Pain Management Program (\$25.000M), additional physician and dentist salary costs due to transition from NSPS to GS (\$19.373M), Air Force additional funding for special needs coordinators (75 FTEs) and to improve access to outpatient mental health services (40 FTEs) at Air Force installations (\$13.100M), increase in pharmacy and wounded warrior funding to support transition of National Capital Region facilities to JTF CAPMED (\$12.950M), additional behavioral health providers (civilian and contractor) in support of PCMH (\$7.117M), an incremental increase in resources for MTF performance payouts (workload) via the Prospective Payment System (PPS; \$2.075M), and incremental increases in resources for NSPS termination and conversion costs, clear and legible patient care referral reports, combat-related disabled retiree travel, and Physical Exam Board Liaison Officers (PEBLO) (\$1.722M). FY 2012 Healthcare Funding Baseline: \$5,976.1M.			
2) Initial Outfitting and Transition (IO&T):	123,015		
Resources required to support initial outfitting and transition requirements for restoration and modernization (\$20.400M) and programmed MILCON projects including Fort Riley (\$48.480M), Naval Hospital Guam (\$19.000M), Naval Hospital Okinawa (\$17.000M), Camp Lejeune (\$9.535M), Camp Humphreys, Korea (\$3.400M) and Shaw Air Force Base (\$2.500M). Also includes IO&T adjustment for accelerated Royal Air Force Base at Croughton, United Kingdom Medical/Dental Clinic (\$2.700M). FY 2012 Equipment (all equipment) Funding Baseline: \$427.2M.			

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		<u>Amount</u>	<u>Totals</u>
C. Reconciliation of Increases and Decreases:			
3) Funding Realignments:		106,143	
<p>Realigns funds for Army Medical Action Plan (AMAP)/Wounded Ill and Injured (WII) program from Consolidated Health Support to In-House Care to align proper execution of civilian employees' recruitment, retention and relocation allowances (\$77.852M). Realigns funds for National Intrepid Center of Excellence (NICOE) from TMA (TRICARE Management Activity)/DCOE (Defense Centers of Excellence) Consolidated Health Support and Information Management to JTF CAPMED In-House Care (\$26.891M). Various manpower reprogrammings to match funding with execution (\$1.4M). FY 2012 Healthcare Funding Baseline: \$5,976.1M.</p>			
4) Military Healthcare Benefit Reform (Pharmacy Co-Pays):		23,599	
<p>Provides resources for projected increased pharmacy utilization in the military treatment facilities due to proposed changes in retail pharmacy co-pays. FY 2012 In-House Care Pharmacy Funding Baseline: \$1,598.8M.</p>			
5) One Additional Civilian Paid Day in FY 2013:		13,511	
<p>Adjusts for one additional civilian paid day in FY 2013. FY 2012 Civilian Pay Funding Baseline: \$3,261.0M.</p>			
6) Integrated Disability Evaluation System (IDES):		9,904	
<p>Increases resources for the Integrated Disability Evaluation System. IDES will enable the services to increase integration between the Military Health System (MHS) and Veterans Affairs (VA), resulting in faster processing time for wounded warriors undergoing disability evaluation. Provides funding for 38 civilian FTEs for Navy and Air Force. FY 2012 Healthcare Funding Baseline: \$5,976.1M.</p>			
7) Army Civilian Manpower Adjustment:		4,928	
<p>Realigns resources to capture minor Army DHP manpower reprogrammings/adjustments requested by Army activities during the FY 2013 manpower update process. This is a net zero sum transfer of FTEs within Army DHP. In-House Care gains 58 FTEs from Consolidated Health Support and Base Operations/Communications. FY 2012 Army Civilian Pay Funding Baseline: \$2,198.1M.</p>			
9. Program Decreases			-257,342
a. One-time FY 2012 Costs		-36,944	
1) Suicide Prevention:		-10,204	
<p>Reversal of one-time FY 2012 Congressional add in support of Suicide Prevention.</p>			

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C. Reconciliation of Increases and Decreases:			
2) Navy OCO Individual Augmentees:	-26,740		
Reverses the resources for health care costs attributed to the temporary realignment of Navy Individual Augmentees and funding from FY 2012 OCO request to the FY 2012 base budget request.			
b. Annualization of FY 2012 Program Decreases	0	0	
c. Program Decreases in FY 2013		-220,398	
1) Funding Realignments:	-105,940		
Realigns Army IO&T funding to Consolidated Health Support to reflect correct recording of transition costs (costs associated with operating Army regional construction offices-contracts, salaries, travel; -\$19.003M). Realigns funding from In-House Care to Consolidated Health Support to support the Joint Department of Defense (DoD) - Department of Veterans Affairs (VA) Medical Facility Demonstration Fund established by section 1704 of Public Law 111-84, (National Defense Authorization Act for FY 2010; -\$86.937M).			
2) Military-to-Civilian Conversion Reversal:	-53,431		
Adjusts resources to reverse FY 2013 increment of Military-to-Civilian conversions. In FY 2008, the Department of Defense (DoD) directed Military-to-Civilian conversions. The FY 2008 National Defense Authorization Act (NDAA) prohibited conversions through 30 Sep 2012. The FY 2010 President's Budget reversed unexecuted and future year conversions (to FY 2012); however, the FY 2013 increment was not reversed. Subsequently, the FY 2010 NDAA prohibits Mil-to-Civ conversions indefinitely. Manpower adjustments adjust resources relative to the DHP. Navy: -623 Civilian FTEs; +623 Military FTEs (+85 Officers; +528 Enlisted). Air Force: -451 Civilian FTEs; +451 Military FTEs (+168 Officers; +263 Enlisted). FY 2012 In-House Care Civilian Pay Funding Baseline: \$3,261.0M.			
3) Military Health System Initiative - Initial Outfitting and Transition (IO&T):	-18,829		
IO&T cost reductions achieved through better management, standardization of equipment buys and increase in equipment reutilization for MILCON projects. FY 2012 Equipment Funding Baseline: \$427.2M.			
4) Air Force Civilian Manpower Realignment:	-17,990		
Adjust resources to reflect changes due to internal Air Force DHP manpower reprogrammings. This is a net zero sum transfer of 257 FTEs within USAF DHP from In-House Care to Consolidated Health Support and Information Management. FY 2012 Air Force Civilian Pay Funding Baseline: \$357.1M.			

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C. Reconciliation of Increases and Decreases:			
5) Military Health System Initiative - Patient Centered Medical Home (PCMH):	-12,034		
PCMH net savings achieved through optimal internal staffing ratios. FY 2012 Healthcare Funding Baseline: \$5,976.1M.			
6) Secretary of Defense Efficiency, Front End Assessment (FEA)-Logistics, Medical Supply Chain Sourcing Optimization:	-6,056		
Cost reductions resulting from initiatives that optimize medical supply chain sourcing. FY 2012 Funding Baselines: In-House Care Pharmacy \$1,598.8M; Supply \$962.0M.			
7) Defense Logistics Agency (DLA) Document Services Cost Reductions:	-4,215		
Savings for DHP purchases from DLA due to improvements to Defense Logistics Agency's in-house production, equipment management solutions and commercially procured printing business lines. FY 2012 DLA Supplies and Material baseline: \$18.390M.			
8) Secretary of Defense Efficiency - Reducing Reliance on DoD Service Support Contractors:	-1,903		
Reduction reflects the incremental amount for DOD efficiency to reduce reliance on service support contractors. This efficiency will have no impact on direct health care delivery. FY 2012 In-House Care Contract Services Funding Baseline: \$445.2M.			
FY 2013 Budget Request			8,625,507

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IV. Performance Criteria and Evaluation Summary:

Population by Service - World Wide*	FY 2011	FY 2012	FY 2013	Change	Change
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>	<u>FY 2011/2012</u>	<u>FY 2012/2013</u>
Average Eligible Population					
Catchment Area					
Army	1,882,045	1,871,027	1,844,284	-11,018	-26,743
Coast Guard	63,635	63,211	62,312	-424	-899
Air Force	898,849	895,043	885,728	-3,806	-9,315
Marine Corps	454,442	451,336	443,909	-3,106	-7,427
Navy	881,132	875,960	866,178	-5,172	-9,782
Navy Afloat	250,951	249,215	244,192	-1,736	-5,023
Other/Unknown	<u>18,907</u>	<u>19,394</u>	<u>19,390</u>	<u>487</u>	<u>-4</u>
Subtotal	4,449,961	4,425,188	4,365,992	-24,775	-59,193
Non-Catchment Area					
Army	2,089,866	2,086,196	2,072,028	-3,670	-14,168
Coast Guard	143,224	142,507	140,856	-717	-1,651
Air Force	1,708,755	1,708,974	1,701,352	219	-7,622
Marine Corps	310,009	308,423	305,261	-1,586	-3,162
Navy	912,504	911,648	908,058	-856	-3,590
Navy Afloat	53,335	52,966	51,898	-369	-1,068
Other/Unknown	<u>30,154</u>	<u>30,729</u>	<u>30,646</u>	<u>575</u>	<u>-83</u>
Subtotal	5,247,847	5,241,442	5,210,100	-6,404	-31,344
Total Average Eligible Population					
Army	3,971,911	3,957,223	3,916,312	-14,688	-40,911
Coast Guard	206,859	205,718	203,168	-1,141	-2,550
Air Force	2,607,604	2,604,017	2,587,080	-3,587	-16,937
Marine Corps	764,451	759,759	749,170	-4,692	-10,589
Navy	1,793,636	1,787,608	1,774,236	-6,028	-13,372
Navy Afloat	304,286	302,182	296,090	-2,104	-6,092
Other/Unknown	<u>49,061</u>	<u>50,123</u>	<u>50,036</u>	<u>1,062</u>	<u>-87</u>
Total	9,697,808	9,666,630	9,576,093	-31,178	-90,538

*Note: The data are derived from DEERS (October 2011). Numbers may not sum to totals due to rounding.

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change FY 2011/2012</u>	<u>Change FY 2012/2013</u>
DHP Requirements (\$000's)	29,953,531	30,582,235	31,349,279	628,704	767,044
Beneficiaries (000's)	9,698	9,667	9,576	-31	-91
Enrollees (000's)	3,144	3,086	3,395	-58	308
 Direct Care System Workload*					
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change FY 2011/2012</u>	<u>Change FY 2012/2013</u>
Inpatient Admissions (SIDR -All Diagnosis)	266,845	269,395	273,065	2,550	3,670
Occupied Bed Days (Mental Health)	77,807	85,852	87,253	8,045	1,401
Inpatient Weighted Workload (MS-DRG RWPs- Non Mental Health)	217,036	232,446	237,126	15,410	4,681
Average length of Stay (Bed Days/Dispositions-All Diagnosis)	3.02	2.93	2.93	-0.09	0.00
Ambulatory Procedures (Aggregate Weight APCs)	9,717,174	10,822,831	10,897,280	1,105,657	74,449
Outpatient Relative Value Units (Total Enhanced RVUs)	73,344,526	74,521,593	75,427,422	1,177,067	905,829
Pharmacy (Number of Prescriptions Filled)	47,814,671	48,365,581	48,940,254	550,910	574,673
 Dental Workload (Dental Weighted Values (DWVs)*)					
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change FY 2011/2012</u>	<u>Change FY 2012/2013</u>
CONUS	13,543,963	13,618,691	13,671,136	74,728	52,445
OCONUS	<u>2,798,225</u>	<u>2,788,978</u>	<u>2,787,665</u>	<u>-9,247</u>	<u>-1,313</u>
Total DWVs	16,342,188	16,407,669	16,458,801	65,481	51,132
 CONUS					
Active Duty	12,417,087	12,493,418	12,550,463	76,331	57,045
Non-Active Duty	<u>1,126,876</u>	<u>1,125,273</u>	<u>1,120,673</u>	<u>-1,603</u>	<u>-4,600</u>
Total CONUS	13,543,963	13,618,691	13,671,136	74,728	52,445
 OCONUS					
Active Duty	1,906,117	1,912,043	1,917,840	5,926	5,797
Non-Active Duty	<u>892,108</u>	<u>876,935</u>	<u>869,825</u>	<u>-15,173</u>	<u>-7,110</u>
Total OCONUS	2,798,225	2,788,978	2,787,665	-9,247	-1,313

*Note: (1) FY 2011 Direct Care Workload is from M2 and FY 2012-2013 is from Service Business Plans; (2) Dental Workload provided by Service Dental Treatment Commands.

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V. Personnel Summary:

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Change FY 2011/2012</u>	<u>Change FY 2012/2013</u>
<u>Active Military End Strength (E/S) (Includes Air Force Combat Support)¹</u>					
Officer	21,530	20,225	20,231	-1,305	6
Enlisted	<u>37,391</u>	<u>38,104</u>	<u>38,017</u>	<u>713</u>	<u>-87</u>
Total Military	58,921	58,329	58,248	-592	-81
<u>Active Military Average Strength (A/S) (Includes Air Force Combat Support)</u>					
Officer	20,039	20,878	20,228	839	-650
Enlisted	<u>37,775</u>	<u>37,748</u>	<u>38,061</u>	<u>-27</u>	<u>313</u>
Total Military	57,814	58,626	58,289	812	-337
<u>Civilian FTEs²</u>					
US Direct Hire	45,515	41,827	41,625	-3,688	-202
Foreign National Direct Hire	619	542	542	<u>-77</u>	<u>0</u>
Total Direct Hire	46,134	42,369	42,167	-3,765	-202
Foreign National Indirect Hire	<u>1,017</u>	<u>1,114</u>	<u>1,111</u>	<u>97</u>	<u>-3</u>
Total Civilians	47,151	43,483	43,278	-3,668	-205
(Reimbursable Included Above - memo)	389	394	394	5	0
Average Civilian Salary (\$000's)	80.682	81.524	81.927	1	0
<u>Contractor FTEs (Total)</u>	16,261	12,231	11,909	-4,030	-322

¹ Narrative explanation of changes in military personnel: data includes Air Force combat support personnel assigned to the DHP (Squadron Medical Elements-SME). Change from FY 2012 to FY 2013 (-81 FTEs) is due to miscellaneous mission and function realignments and changes.

² Narrative Explanation of Changes in Civilian Personnel (FY 2012-2013): Net change of realignments to match actual execution and reversal of military-to-civilian conversions (-205).

VI. Outyear Summary: N/A

VII. OP 32 Line Items as Applicable (Dollars in Thousands - see next page):