

Defense Health Program
Fiscal Year (FY) 2007 Budget Estimates
Operation and Maintenance
Exhibit OP-5, In-House Care

I. Description of Operations Financed: This Sub-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, Inpatient Facilities and Medical Clinics - Resources care in DoD-owned and operated CONUS and OCONUS facilities which are staffed and equipped to provide inpatient care for both surgical and non-surgical conditions and/or outpatient care 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 and installation dental clinics, and the operation of Regional Dental Activities.

Pharmaceuticals - Resources Pharmaceuticals specifically identified and measurable to the provision of Pharmacy Services in DoD owned and operated 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 DoD-owned and operated facilities which provide the full range of inpatient and ambulatory dental care services. These services include medical center laboratories, alcohol treatment facilities, clinical investigation activities, on-the-job training/education programs conducted at these facilities and federal sharing agreements. This budget sub-activity group excludes operation of management headquarters for TRICARE Regional Offices. Not included in this Budget Activity Group are dental activities, deployable medical units and other health care resources devoted exclusively to teaching. Dental Care Activities represent the costs of providing dental services through operation of hospital departments of dentistry, installation dental clinics, and Regional Dental Activities (laboratories). This budget sub-activity group excludes provision of dental services by units organic to Operating Forces units and deployable dental units operating in an active combat zone.

III. Financial Summary (O&M \$ in thousands):

A. Sub-Activity Group

	FY 2005 Actual	FY 2006			FY 2007 Estimate
		Budget Request	Appropriation	Current Estimate	
1. MEDCENs, Hospitals & Clinics (CONUS)	3,208,844	2,700,578	2,677,169	2,683,950	2,772,139
2. MEDCENs, Hospitals & Clinics (OCONUS)	300,544	258,361	252,907	252,907	268,739
3. Pharmaceuticals, In-House (CONUS)	1,272,032	1,753,317	1,732,913	1,732,913	2,009,002
4. Pharmaceuticals, In-House (OCONUS)	95,253	113,411	112,277	112,277	126,223
5. Dental Care Activities - (CONUS)	281,238	327,440	324,165	324,165	355,350
6. Dental Care Activities - (OCONUS)	49,156	57,233	56,662	56,662	61,346
Total	5,207,067	5,210,340	5,156,093	5,162,874	5,592,799

Note:

FY 2005 actuals include \$49.479 million for the Global War on Terrorism (GWOT) and \$2.353 million for Hurricane Katrina/Tsunami (Public Laws 108-324, 109-62) supplemental funding. Does not include \$9.6 million in Title IX funds.

From the DoD Medicare Eligible Retiree Health Care Fund, the In-House Care BAG received \$1,135.657 million in FY 2005. Projections for the In-House Care BAG in FY 2006 are approximately \$1,303.443 million and in FY 2007 approximately \$1,404.405 million. These figures are not included in the figures above.

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B. Reconciliation Summary:

	<u>Change</u> <u>FY 2006/2006</u>	<u>Change</u> <u>FY 2006/2007</u>
Baseline Funding	5,210,340	5,162,874
Congressional Adjustments (Distributed)	-54,248	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	5,156,092	5,162,874
Fact-of-Life Changes	-18,320	0
Subtotal Baseline Funding	5,137,772	5,162,874
Anticipated Supplemental	25,101	0
Reprogrammings	0	n/a
Price Changes	n/a	295,577
Functional Transfers	n/a	0
Program Changes	n/a	<u>134,348</u>
Current Estimate	5,162,874	5,592,799
	0	

C. Reconciliation of Increases and Decreases:

	<u>(\$ in Thousands)</u>	
	<u>Amount</u>	<u>Totals</u>
FY 2006 President's Budget Request		5,210,340
1. Congressional Adjustments		-54,248
a. Distributed Adjustments	-54,248	
1) Amputee Center	3,900	
2) Madigan Army Medical Center Trauma Assistance	1,200	
3) Pacific Island Health Care Referral	3,600	
4) Tripler Army Medical Center Cancer Care	6,000	
5) Alaska Federal Healthcare Network	2,200	
6) Blast Injury Prevention, Mitigation and Treatment	7,000	
7) One percent across-the-board Congressional Reduction	-52,048	
8) Prior Year Unobligated Balance	-26,100	
b. Undistributed Adjustments		0
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2006 Appropriated Amount		5,156,092

Defense Health Program
Fiscal Year (FY) 2007 Budget Estimates
Operation and Maintenance
Exhibit OP-5, In-House Care

		(\$ in Thousands)	
		<u>Amount</u>	<u>Totals</u>
C. Reconciliation of Increases and Decreases:			
2. War-Related and Disaster Supplemental Appropriations			25,101
a. Department of Defense Appropriations Act, 2006 (Public Law 109-148)			
1) Hurricanes in the Gulf of Mexico	25,101		
3. Fact-of-Life Changes			-18,320
a. Functional Transfers		-15,000	
1) Transfers In			
2) Transfers Out			
a) Department of Defense/Veterans Affairs Joint Incentive Fund	-15,000		
b. Technical Adjustments		-3,320	
1) Increases		0	
2) Decreases		-3,320	
a) To Consolidated Health Budget Activity Group for the Comprehensive Clinical Evaluation Program.	-1,240		
b) To Management Activity Budget Activity Group to properly align funding for financial statements.	-2,080		
c. Emergent Requirements			0
1) One-Time Costs		0	
2) Program Growth		0	
3) Program Reductions		0	
Baseline Funding			5,162,873
4. Reprogrammings (Requiring 1415 Actions)			0
a. Increases		0	
b. Decreases		0	
Revised FY 2006 Estimate			5,162,873
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations, and Item 4, Reprogrammings			-25,101
Normalized Current Estimate for FY 2006			5,137,772
6. Price Change			295,577
7. Functional Transfers			-41
a. Transfers In		0	
b. Transfers Out		-41	
1) Transfer to the Business Transformation Agency (BTA) to assist the Office of the Secretary of Defense Principal Staff Assistants in the areas of business process re-engineering, core business activities and Investment Review Board (IRB) matters.	-41		

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Fiscal Year (FY) 2007 Budget Estimates
Operation and Maintenance
Exhibit OP-5, In-House Care

		(\$ in Thousands)	
C. Reconciliation of Increases and Decreases:		Amount	Totals
			378,748
8. Program Increases			
a.	Annualization of New FY 2006 Program.		0
b.	One-Time FY 2007 Costs		55,047
1)	Reversal of the One Percent Across-the-Board Congressional Reduction	55,047	
c.	Program Growth in FY 2007		323,701
1)	Reflects funding for foreign currency fluctuation.	3,141	
2)	Reversal of the Unobligated Balances reduction	27,596	
3)	Reflects funding for civilian pay and non-pay increases	47,714	
4)	Funding represents growth in the pharmacy program above inflation due to the following factors:	79,671	
	(a) increased beneficiary utilization,		
	(b) using more costly medication in the same or similar therapeutic class, and		
	(c) increased use of medical treatment facility pharmacies		
5)	Increases the Defense Health Program (DHP) Operation and Maintenance account to implement military to civilian position conversions remaining within DHP functional areas.	125,209	
6)	Pharmacy consumption expected to increase in medical treatment facility pharmacies due to increased deductibles and co-pays in retail pharmacies.	24,000	
7)	Dental Class 1 Program that will increase dental readiness to Dental Class 1	512	
8)	Reversal of Department of Defense/Veterans Affairs Joint Incentive Fund	15,858	
9. Program Decreases			-219,257
a.	One-time FY 2007 Costs		-25,269
a)	Reverses FY 2005 Congressional Increases		
1)	Amputee Center	-4,123	
2)	Madigan Army Medical Center Trauma Assistance	-1,269	
3)	Pacific Island Health Care Referral	-3,806	
4)	Tripler Army Medical Center Cancer Care	-6,344	
5)	Alaska Federal Healthcare Network	-2,326	
6)	Blast Injury Prevention, Mitigation and Treatment	-7,401	
b.	Annualization of FY 2006 Program Decreases		0
c.	Program Decreases in FY 2007		-193,988
1)	Realigns funding from In-House Care to Base Operating Support to reflect prior year execution.	-283	
2)	Reduction in costs due to increased Medical Treatment Facilities efficiencies.	-167,289	
3)	Realigns funding from In-House Care to Education and Training to fund the increased level of support for the Health Professions Scholarship Program and the Health Loan Repayment Program.	-645	
4)	Realigns funding from In-House Care reduced requirements to Base Operating Support civilian pay shortfall compared to FY 2006.	-8,362	
5)	Realigns central program funding from In-House Care to Consolidated Health Support to meet other requirements.	-5,382	
6)	Realigns funding from In-House Care to Base Operating Support for partial restoral of Sustainment, Restoration and Modernization due to decreased resource sharing requirements in FY 2007.	-1,919	
7)	Realigns funding from In-House Care to Base Operating Support to meet DoD mandated facilities sustainment goals for Military Treatment Facilities.	-10,108	
FY 2007 Budget Request			5,592,799

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Fiscal Year (FY) 2007 Budget Estimates
Operation and Maintenance
Exhibit OP-5, In-House Care

IV. Performance Criteria and Evaluation Summary:

Population by Service Obligation - World Wide

Average Eligible Population	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change FY 2006/2007</u>
Catchment Area				
Army	1,123,053	1,032,619	1,034,195	1,576
Coast Guard	1,810,544	1,797,854	1,800,951	3,097
Air Force	66,555	66,149	66,675	526
Marine Corps	430,736	423,636	424,191	555
Navy	959,668	937,437	929,314	-8,123
Navy Afloat	296,889	285,975	278,165	-7,810
Other/Unknown	<u>11,198</u>	<u>10,202</u>	<u>10,219</u>	<u>18</u>
Subtotal	4,698,643	4,553,870	4,543,708	-10,162
Non-Catchment Area				
Army	1,465,708	1,538,165	1,539,127	962
Coast Guard	1,766,620	1,809,336	1,816,046	6,711
Air Force	122,208	124,564	125,852	1,288
Marine Corps	251,461	261,088	263,460	2,372
Navy	819,629	839,524	843,202	3,679
Navy Afloat	72,976	72,221	70,601	-1,620
Other/Unknown	<u>17,242</u>	<u>18,372</u>	<u>18,530</u>	<u>158</u>
Subtotal	4,515,844	4,663,268	4,676,817	13,549
Total Average Eligible Population				
	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change FY 2006/2007</u>
Army	2,588,761	2,570,784	2,573,322	2,538
Coast Guard	3,577,164	3,607,190	3,616,997	9,808
Air Force	188,763	190,713	192,526	1,814
Marine Corps	682,197	684,724	687,650	2,927
Navy	1,779,297	1,776,961	1,772,516	-4,445
Navy Afloat	369,865	358,196	348,766	-9,430
Other/Unknown	<u>28,440</u>	<u>28,573</u>	<u>28,749</u>	<u>176</u>
Subtotal	9,214,487	9,217,138	9,220,525	3,387

Note: The data are derived from the Managed Care Forecasting and Analysis System (MCFAS) 6.0.0.1 Beneficiary Population Forecasting Model -- Data Version FY2004.0.4

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	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change</u> <u>FY 2006/2007</u>
DHP Requirements (\$000's)	16,978,868	17,302,504	19,247,137	1,944,633
Beneficiaries (000's)	9,214	9,217	9,220	3
Enrollees (000's)	7,057	7,613	7,611	-2
V. Personnel Summary:	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Change</u> <u>FY 2006/2007</u>
<u>Active Military End Strength (Includes Air Force combat support)</u>				
Officer	20,671	20,354	20,094	-260
Enlisted	<u>43,540</u>	<u>41,480</u>	<u>39,756</u>	<u>-1,724</u>
Total Military	64,211	61,834	59,850	-1,984
<u>Civilian End Strength</u>				
US Direct Hire	29,724	30,654	32,648	1,994
Foreign National Direct Hire	<u>530</u>	<u>433</u>	<u>433</u>	<u>0</u>
Total Direct Hire	30,254	31,087	33,081	1,994
Foreign National Indirect Hire	<u>1,146</u>	<u>1,257</u>	<u>1,257</u>	<u>0</u>
Total Civilians	31,400	32,344	34,338	1,994
(Reimbursable Included Above - memo)	485	507	507	0
<u>Active Military Average Strength (Includes Air Force combat support)</u>				
Officer	20,600	20,513	20,224	-289
Enlisted	<u>43,448</u>	<u>42,510</u>	<u>40,618</u>	<u>-1,892</u>
Total Military	64,048	63,023	60,842	-2,181
<u>Civilian FTEs</u>				
US Direct Hire	28,785	30,076	32,062	1,986
Foreign National Direct Hire	<u>513</u>	<u>413</u>	<u>413</u>	<u>0</u>
Total Direct Hire	29,298	30,489	32,475	1,986
Foreign National Indirect Hire	<u>1,122</u>	<u>1,212</u>	<u>1,217</u>	<u>5</u>
Total Civilians	30,420	31,701	33,692	1,991
(Reimbursable Included Above - memo)	756	757	757	0
Annual Civilian Workyear Cost (\$000's)	1,750,592	1,899,541	2,071,017	
Average Civilian Salary (\$000's)	59.014	61.386	62.882	

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