

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
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 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.

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

III. Financial Summary (\$ in Thousands):

A. <u>Subactivities:</u>	FY 2011							FY 2012 <u>Estimate</u>
	FY 2010 <u>Actuals</u>	Budget <u>Request</u>	Congressional Action		Current <u>Appropriation</u>	Current <u>Estimate</u>		
			<u>Amount</u>	<u>Percent</u>				
1. MEDCENS, Hospitals & Clinics (CONUS)	5,588,633	5,317,643	0	0%	5,317,643	5,317,643	5,529,998	
2. MEDCENS, Hospitals & Clinics (OCONUS)	489,193	420,786	0	0%	420,786	420,786	436,149	
3. Pharmaceuticals (CONUS)	1,303,743	1,341,241	0	0%	1,341,241	1,341,241	1,455,142	
4. Pharmaceuticals (OCONUS)	120,827	114,183	0	0%	114,183	114,183	143,687	
5. Dental Care (CONUS)	464,545	521,537	0	0%	521,537	521,537	523,222	
6. Dental Care (OCONUS)	<u>60,637</u>	<u>66,487</u>	0	0%	<u>66,487</u>	<u>66,487</u>	<u>60,658</u>	
Total	8,027,578	7,781,877	0	0%	7,781,877	7,781,877	8,148,856	

Notes:

1. FY 2010 actuals include \$603.900M for Overseas Contingency Operations (OCO) under the Department of Defense Appropriation Act, FY 2010, Public Law 111-118. FY 2010 actuals include \$5.192M for Department of Defense Supplemental, FY 2010, Public Law 111-212. (Total FY 2010 OCO is \$609.092M).
2. FY 2011 President's Budget Request excludes \$709.004M for OCO.
3. FY 2012 Request excludes \$641.996 M for OCO.
4. Does not reflect Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) for FY 2010 of \$1,244.2M, FY 2011 of \$1,388.7M and FY 2012 of \$1,437.3M O&M only.

Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care

B. <u>Reconciliation Summary:</u>	<u>Change</u>	<u>Change</u>
	<u>FY 2011/2011</u>	<u>FY 2011/2012</u>
Baseline Funding	7,781,877	7,781,877
Congressional Adjustments (Distributed)	0	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	7,781,877	n/a
OCO and Other Supplemental Appropriations	709,004	n/a
Fact-of-Life Changes	0	n/a
Subtotal Baseline Funding	8,490,881	n/a
Anticipated Supplemental	0	n/a
Reprogrammings	0	n/a
Less: OCO and Other Supplemental Appropriations	-709,004	n/a
Revised Current Estimate	7,781,877	n/a
Price Change	n/a	141,004
Functional Transfers	n/a	-2,857
Program Changes	<u>n/a</u>	<u>228,832</u>
Current Estimate	7,781,877	8,148,856

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

	(\$ in Thousands)	
<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2011 President's Budget Request		7,781,877
1. Congressional Adjustments		0
a. Distributed Adjustments	0	
b. Undistributed Adjustments	0	
c. Adjustments to meet Congressional Intent	0	
d. General Provisions	0	
FY 2011 Appropriated Amount		7,781,877
2. OCO and Other Supplemental Appropriations		709,004
3. Fact of Life Changes		0
a. Functional Transfers	0	
b. Technical Adjustments	0	
c. Emergent Requirements	0	
FY 2011 Baseline Funding		8,490,881
4. Reprogrammings (Requiring 1415 Actions)		0
a. Increases	0	
b. Decreases	0	
5. Less: OCO and Other Supplemental Appropriations		-709,004
Current Estimate for FY 2011		7,781,877
6. Price Change		141,004
7. Transfers		-2,857
a. Transfers In	0	
b. Transfers Out	-2,857	
1) Transfer from DHP to Secretary of the Army:	-2,857	
Transfer of funding and personnel from In-House Care Budget Activity		
Group for Army Substance Program (ASAP) from Army Medical Command		
(MEDCOM) to Army Installation Command (IMCOM) (-33FTEs, -\$2.9M).		

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

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<u>C. Reconciliation of Increases and Decreases</u>		<u>Amount</u>	<u>Totals</u>
8. Program Increases			474,127
a. Annualization of New FY 2011 Program		0	
b. One-Time FY 2012 Costs		26,470	
1) Navy Individual OCO Augmentees:	26,470		
Realigns 3,836 temporary Navy Individual Augmentees and funding from FY 2012 OCO request to the FY12 base budget request.			
c. Program Growth in FY 2012		447,657	
1) Healthcare Provided In Military Treatment Facilities:	205,904		
Resources to support delivery of inpatient and outpatient care including Prospective Payment System (PPS) for increased workload (\$33.3M), Ground Force Augmentation (\$32.6M), United States Forces- Korea Tour Normalization (\$1.5M), Patient Centered Medical Home (PCMH) (+1,694 FTEs; \$66.2), Behavioral Health (+307 FTEs; \$37.2M), Comprehensive Pain Management (\$10M); and, demolish, expand and renovate Walter Reed National Military Medical Center (WRNMMC) as outlined in the Comprehensive Master Plan (funds transition costs: \$25M). FY 2011 Healthcare Funding Baseline: \$5,738.4M.			
2) Initial Outfitting:	137,773		
Resources for initial outfitting requirements for restoration and modernization and programmed MILCON projects including Fort Riley (\$53.6M) and Fort Sam Houston (\$38.2M). FY 2011 Funding Baseline: \$352.5M.			
3) Wounded Warrior Support:	33,998		
Resources to support healthcare delivery to Wounded Warriors including Traumatic Brain Injury and Psychological Health (TBI/PH) (\$11.5M), Wounded, Ill and Injured (WII) (\$7.6M) and the realignment of enduring OCO requirements to base (\$4.2M). Includes funding for congressionally-directed changes in Combat Related Retiree travel (Sec. 1632, FY08 NDAA, \$0.7M) and an increase in Physical Exam Board Liaison Officers (Sec. 597, FY07 NDAA, \$10M) for Wounded, Ill and Injured warriors.			

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

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<u>C. Reconciliation of Increases and Decreases</u>		<u>Amount</u>	<u>Totals</u>
4) Funding Realignment:			
Realigns funding from Private Sector Care Budget Activity Group (BAG) to In-House Care BAG for Patient Centered Medical Home (\$25.6M) and Clear and Legible Reports (\$20.1M). Realigns funding from various BAGs (3,4,5,7) to In-House Care BAG to align civilian pay execution to correct BAG (\$6.2M). FY 2011 Healthcare Funding Baseline: \$5,738.4M.	51,856		
5) Centers of Excellence:			
Provides resources for Vision (Sec. 722, FY 2009 NDAA) and Hearing (Sec. 721, FY 2009 NDAA) Centers of Excellence. FY 2011 Funding Baselines: Vision \$9.4M; Hearing \$5.0M.	6,705		
6) Secretary of Defense Efficiencies, Front End Assessment-Personnel, Pharmacy Co-Pay Adjustment (Non-Medicare Eligible):	11,421		
Provides resources to support projected increased utilization in the direct care (Military Treatment Facilities) pharmacies due to proposed changes in retail pharmacy co-pays. FY 2011 In-House Care Pharmacy Funding Baseline: \$1,455.4M.			
9. Program Decreases			-245,295
a. One-Time FY 2011 Costs		0	
b. Annualization of FY 2011 Program Decreases		0	
c. Program Decreases in FY 2012		-245,295	
1) Civilian Personnel Adjustment:	-89,275		
Reflects funding realignment due to changes in civilian personnel FTEs from in-sourcing (contract to civilian) (-381 contractor FTEs, -\$30.1M in contracts). In addition, realigns execution to correct program elements (-1,154 civilian FTEs, -\$59.2M in civilian pay). FY 2011 Funding Baselines: Other Contracts \$2,082.0M; Civilian Pay \$2,738.3M.			
2) Reversal of Military to Civilian Conversions:	-54,047		
Incremental funding transfer to MILPERS accounts to restore military			

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

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<u>C. Reconciliation of Increases and Decreases</u>		<u>Amount</u>	<u>Totals</u>
	authorizations previously programmed as military to civilian conversions, as required by Sec.721 of the FY 2008 NDAA(-202 FTEs)		
3)	Funding Realignment: Reflects funding realignment from In-House Care Budget Activity Group for restoration and modernization projects and Facilities Sustainment Model execution to 100% (-\$30.2M). Also includes a joint basing realignment of medical functions between Army and Air Force Defense Health Program activities. Implements agreements on specific installation support services that MTFs provide at joint-base sites (10 civilian FTEs, \$1M).	-31,181	
4)	Funding Realignment: Reflects funding realignment from In-House Care Budget Activity Group to Consolidated Health Care Activity Group for DoD-VA Joint Incentive Fund.	-15,000	
5)	One Less Day Paid: Adjusts for one less civilian pay day in FY 2012. FY 2011 Funding Baseline: \$2,738.3M.	-12,810	
6)	Military Health System Initiative - Initial Outfitting and Transition (IO&T): FY 2012 IO&T savings achieved through better management, standardization of equipment buys and increase in equipment re-utilization for MILCON projects. FY 2011 Funding Baseline: \$352.5M.	-9,187	
7)	Military Health System Initiative - Patient Centered Medical Home (PCMH): Achieved savings through optimal internal staffing ratios (-263 FTEs). FY 2011 Healthcare Funding Baseline: \$5,738.4M.	-12,639	
8)	Secretary of Defense Efficiencies, Front End Assessment-Logistics, Medical Supply Chain Sourcing Optimization: Approves the Logistics Efficiency to optimize medical supply chain sourcing. FY 2011 Funding Baselines: In-House Care Pharmacy \$1,455.4M; Supply \$736.0M.	-12,113	

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

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<u>C. Reconciliation of Increases and Decreases</u>		<u>Amount</u>	<u>Totals</u>
<p>9) Secretary of Defense Efficiencies - Reducing Reliance on DoD Service Support Contractors: Directs the components to reduce funding used to acquire service support contracts by 10% per year over the next three years from their reported FY 2010 levels. FY 2012 reduction is 20% and FY 2013 reduction is 30%. These efficiencies will have no impact on direct healthcare delivery. FY 2011 Funding Baseline: \$19.3M.</p>	-3,806		
<p>10) Secretary of Defense Efficiencies - Reports, Studies, Boards and Commissions Review: Directs the Components to reduce funding for advisory studies by 25% below the FY 2010 levels. Reductions are based upon self-reported "Advisory and Assistance Service" data and are from "Studies Analysis and Evaluation" activities. These efficiencies will have no impact on direct healthcare delivery. FY 2011 Funding Baseline: \$11.4M.</p>	-3,707		
<p>11) Secretary of Defense Efficiencies - TMA Baseline Review: Directs the Director for TRICARE Management Activity (TMA) to streamline operations by consolidating activities into a follow-on Military Health System Support Activity consisting of four divisions: 1) Uniformed Services University of the Health Sciences (USUHS), 2) TRICARE health plan, 3) Health Management Support, and Shared Services and to reduce 364 Contractor positions beginning in FY12. Directs the USD (P&R) to reduce redundancy, capitalize shared services efficiencies and to better align similar missions across the P&R enterprise and to eliminate 24 civilian full-time equivalents beginning in FY 2012. These efficiencies will have no impact on direct healthcare delivery. FY 2011 DHP Contract Services Funding Baseline: \$3,005.6M.</p>	-1,530		

FY 2012 Budget Request

8,148,856

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

IV. Performance Criteria and Evaluation Summary:

Population by Service Obligation - World Wide*	FY 2010 <u>Actual</u>	FY 2011 <u>Estimate</u>	FY 2012 <u>Estimate</u>	Change <u>FY 2010/2011</u>	Change <u>FY 2011/2012</u>
Average Eligible Population					
Catchment Area					
Army	1,806,893	1,832,959	1,821,299	26,066	-11,660
Coast Guard	60,548	60,854	60,498	306	-356
Air Force	853,829	852,323	827,901	-1,506	-24,422
Marine Corps	467,223	468,138	467,591	915	-547
Navy	818,169	813,107	806,676	-5,062	-6,431
Navy Afloat	267,752	273,890	272,945	6,138	-945
Other/Unknown	<u>10,947</u>	<u>10,978</u>	<u>10,964</u>	<u>31</u>	<u>-14</u>
Subtotal	4,285,360	4,312,247	4,267,874	26,887	-44,373
Non-Catchment Area					
Army	2,084,789	2,113,570	2,132,974	28,781	19,405
Coast Guard	143,952	145,312	147,390	1,360	2,078
Air Force	1,731,332	1,729,925	1,757,916	-1,408	27,992
Marine Corps	288,780	290,876	293,310	2,097	2,434
Navy	957,611	958,692	966,766	1,082	8,074
Navy Afloat	56,770	59,044	58,060	2,274	-984
Other/Unknown	<u>20,700</u>	<u>20,779</u>	<u>20,933</u>	<u>80</u>	<u>154</u>
Subtotal	5,283,932	5,318,197	5,377,348	34,265	59,151
Total Average Eligible Population					
Army	3,891,682	3,946,528	3,954,273	54,847	7,745
Coast Guard	204,500	206,166	207,888	1,666	1,722
Air Force	2,585,161	2,582,248	2,585,817	-2,914	3,570
Marine Corps	756,003	759,014	760,901	3,011	1,887
Navy	1,775,780	1,771,799	1,773,442	-3,981	1,643
Navy Afloat	324,522	332,934	331,005	8,412	-1,929
Other/Unknown	<u>31,646</u>	<u>31,757</u>	<u>31,896</u>	<u>111</u>	<u>140</u>
Subtotal	9,569,292	9,630,444	9,645,221	61,152	14,778

*Note: The data are derived from the Managed Care Forecasting and Analysis System (MCFAS) -- Data Version FY2009.0.
Numbers may not sum to totals due to rounding.

Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care

IV. Performance Criteria and Evaluation Summary:

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Change</u> <u>FY 2010/2011</u>	<u>Change</u> <u>FY 2011/2012</u>
DHP Requirements (\$000's)	28,423,679	29,915,277	30,902,546	1,491,598	987,269
Beneficiaries (000's)	9,569	9,630	9,645	61	15
Enrollees (000's)	3,286	3,391	3,447	105	57

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

V. Personnel Summary

	<u>FY 2010</u>	<u>FY 2010</u>	<u>FY 2012</u>	<u>Change</u> <u>FY 2010/FY 2011</u>	<u>Change</u> <u>FY 2011/FY 2012</u>
<u>Active Military End Strength (E/S)¹</u>					
Officer	19,749	19,806	20,225	57	419
Enlisted	<u>36,853</u>	<u>37,480</u>	<u>38,104</u>	<u>627</u>	<u>624</u>
Total Military	56,602	57,286	58,329	684	1,043
<u>Active Military Average Strength(A/S)</u>					
Officer	19,425	19,778	20,016	353	238
Enlisted	<u>36,028</u>	<u>37,167</u>	<u>37,792</u>	<u>1,139</u>	<u>625</u>
Total Military	55,453	56,945	57,808	1,492	863
<u>Civilian FTES²</u>					
U.S. Direct Hire	42,552	41,255	40,251	-1,297	-1,004
Foreign National Direct Hire	<u>558</u>	<u>541</u>	<u>512</u>	<u>-17</u>	<u>-29</u>
Total Direct Hire	43,110	41,796	40,763	-1,314	-1,033
Foreign National Indirect Hire	<u>1,105</u>	<u>1,086</u>	<u>1,060</u>	<u>-19</u>	<u>-26</u>
Total Civilian	44,215	42,882	41,823	-1,333	-1,059
(Reimbursable Included Above-memo)	574	577	578	3	1
Average Civilian Salary (\$000's)	79.039	79.034	79.065		
<u>Contractor FTES (Total)</u>	14,018	13,888	12,617	-130	-1,271

**Defense Health Program
Operation and Maintenance
Fiscal Year (FY) 2012 Budget Estimates
In-House Care**

*Outyear contractor FTEs are baselined to FY 2012, however, reductions may be applied to comply with Secretary of Defense required reductions to Service Support Contractors and Reports, Studies, Boards and Commissions review.

Note 1 Military Personnel Adjustment: Data includes Air Force combat support personnel assigned to the DHP. The change in active military end strength is explained as follows--Change from FY 2010 to FY 2011 (+684): includes programmatic changes to FY 2011 from POM-2010 (restoral of MILCIV conversions +286), and PBR-2011 (restoral of MILCIV conversions (+228); miscellaneous manpower reprogramming/adjustments (+170) requested by field activities). Change from FY 2011 to FY 2012 (+1,043): includes programmatic changes to FY 2012 from POM-2010(restoral of MILCIV conversions, +348), from PBR-2011 (restoral of MILCIV conversions, +206), and from POM-2012(Grow the Army, +393); miscellaneous manpower reprogramming/adjustments requested by field activities (96).

Note 2 Civilian Personnel Adjustment: contract to civilian in-sourcing (+381 FTEs), execution adjustments (-1,154 FTEs), military to civilian conversion restoral (-202 FTEs) and miscellaneous mission and function realignment and changes (-84 FTEs).

VI. Outyear Summary: N/A

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