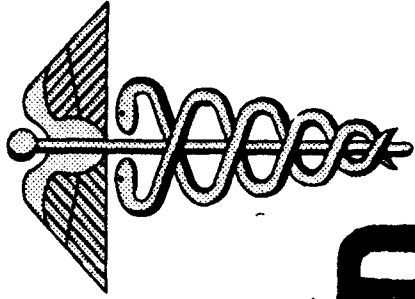
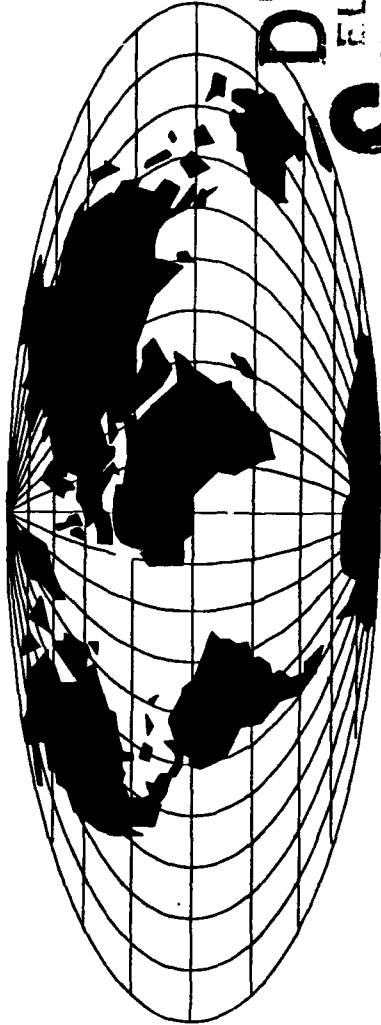
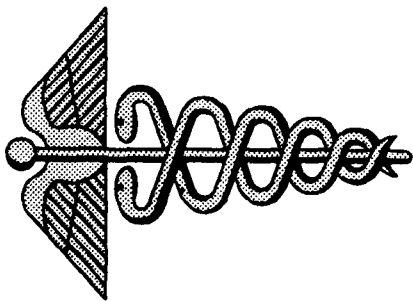


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DEFENSE HEALTH PROGRAM



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Justification of O&M Estimates

Fiscal Year 1995

Volume 1

The Defense Health Program spans the globe to support the Department of Defense's most important resource, active and retired military members and their families.



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**DEFENSE HEALTH PROGRAM, VOLUME I
JUSTIFICATION OF O&M ESTIMATES
FISCAL YEAR 1995 BUDGET ESTIMATES**

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OVERVIEW FOR FISCAL YEAR 1995 BUDGET ESTIMATE

The Fiscal Year 1995 President's Budget Submission is attached. The Defense Health Program (DHP) appropriation covered in this submission includes Operation and Maintenance (O&M) and Procurement funds. The Fiscal Year 1995 budget submission reflects a considerable array of accomplishments, progress, and initiatives all focused on achieving the primary missions of military medicine: to provide and promote quality health care services for military personnel, their families, and other beneficiaries during war and peace. The actions we have taken serve to prepare the Military Health Services System (MHSS) for the challenges ahead.

During review of the Fiscal Year 1994 DHP budget submission, the Senate Armed Services Committee expressed concern regarding the effect of persistent underfunding in the medical accounts on the access of beneficiaries to normal medical services. In reaction to this concern, the committee directed that the Secretary of Defense certify the adequacy of all future submissions of the DHP budget. This correspondence represents the basis for certifying to the adequacy of the Fiscal Year 1995 DHP budget.

The requirement to certify funding adequacy permeated the DHP's Fiscal Year 1995 budget formulation process. This budget was developed based on certain key assumptions and using the Department's new modified capitation-based methodology to appropriately reflect the projected changes in our beneficiary population. The certification of adequacy of the Fiscal Year 1995 DHP budget is based on this modified capitation methodology and the following key assumptions:

- The proportion of eligible DoD health care beneficiaries who use the Military Health Services System will not increase above the current level,
- Inflation occurs at the OMB/DoD projected rates (i.e., 4.3% composite),
- The Military Departments' end strengths decrease as projected,
- The DHP military and civilian end strength levels funded in this budget are executed by the Military Departments as projected,
- The Uniformed Services Treatment Facility (USTF) program funding is limited to \$270 million, and contracts are renegotiated to cost the Department no more than standard CHAMPUS,
- The Department will be able to implement a benefit no more costly than the Base Realignments and Closure (BRAC) health care benefit into the proposed Tricare Managed Care Support Contracts, and the USTF contracts,

- The integration of the Direct Care system and CHAMPUS remains as envisioned in the Department's approved plans for force structure downsizing and the phase-in of Tricare Managed Care Support Contracts,
- That Base Realignments and Closure (BRAC) plans execute as scheduled,
- That the utilization management being implemented reduces costs by \$84 million,
- The Uniformed Services University of the Health Sciences (USUHS) will begin a phased closure in FY95 with funding provided to increase the Health Professions Scholarship Program (HPSP) for a one-for-one offset of the USUHS physician output, and
- That the DHP does not experience unanticipated major requirements and the Military Departments do not identify additional significant unfinanced requirements.

These assumptions highlight the potential risk and diverse variables associated with executing an effective medical program in Fiscal Year 1995.

The Fiscal Year 1995 President's Budget was developed based on a modified capitation-based methodology for resourcing the Military Departments. Real and forecasted changes within the DoD have created a need to transition from a disease-based, workload measure to a modified capitation-based methodology which takes into account the unique aspects of military medical requirements. Under this system, medical commanders are responsible for all health care costs within their catchment areas. By using managed competition and a regional network of military medical treatment facilities (MTFs) under a designated lead agent, the DHP has attempted to eliminate financial incentives that inappropriately increase the number of services, or provide more costly care than is clinically appropriate. Because the DHP sets the capitation amount prospectively, the health care provider cannot influence the funding received for beneficiaries' care within the period of the allocation.

The Fiscal Year 1995 CHAMPUS program requirement is based on adjusted estimates from the Department's CHAMPUS Actuarial Projection System (CAPS) model plus estimates for various demonstration projects. As part of the Department's managed care plan, the implementation of Managed Care Support contracts will provide efficient and cost-effective care for CHAMPUS eligible beneficiaries. This budget supports the Department's decision to continue the Managed Care Support contracts in California, Hawaii, New Orleans, and to implement of additional contracts in Texas, Oklahoma, Arkansas, Louisiana, Washington, and Oregon.

The Fiscal Year 1995 budget for the Defense Health Program is being submitted prior to completion of a review to establish a uniform military medical benefit. Congress directed the Department to develop and implement such a benefit in section 731 of the Defense Authorization Act for Fiscal Year 1994, including specific statutory guidance on the cost of such a benefit to the Department and to the beneficiary. The Fiscal Year 1994 Appropriations Act also stipulated that the Department develop and proliferate a uniform benefit. The results of this review are anticipated by this spring and will be provided for congressional consideration.

These initiatives, coupled with medical force structure downsizing and base closures, present significant challenges for the DHP. To meet these challenges we continue to reform our military system of health care delivery. There are several environmental factors that military medicine is dealing with while the program is being restructured. Included are:

- Defense budget reductions--as presented in this submission, the purchasing power of the DHP budget is declining. This budget projects a two-year (FY93 to FY95) increase in the DHP cost per capita of +4.8 percent, which is significantly lower than the national average for large health care organizations.
- Force readiness issues--a major factor in the readiness mission is the expansion of peacekeeping and humanitarian assistance as well as training for combat medical support.
- Performance expectations to deliver the Department's health care benefit--these expectations will drive significant change in the attitudes and practices of our military health care providers.

The OASD(HA) plan will structure the MHSS in a manner consistent with the managed competition concept. This system will influence the utilization of health care services, the cost of these services and the measures of performance. The opportunity for the Department to successfully compete in this environment lies in its ability to manage both the financing and the delivery of health care services in the most effective manner. These are the opportunities that will allow the MHSS to be transformed into a system that enables the Department to meet diverse military medical mission responsibilities to deliver the Department's health care benefit to entitled beneficiaries, and to become an effective health plan competitor under national health care reform.

**DEFENSE HEALTH PROGRAM APPROPRIATION
SUMMARY OF REQUIREMENTS BY PROGRAM DECISION UNIT
BUDGET ACTIVITY AND ACTIVITY GROUP
(\$000s)**

<u>Budget Activity/Activity Group</u>	<u>FY 1993 Actuals</u>	<u>FY 1994 Estimate</u>	<u>FY 1995 Estimate</u>
Medical			
Patient Care	3,191,296	3,012,596	3,098,704
CHAMPUS	3,630,095	3,801,572	3,959,200
Care in Non-Defense Facilities	543,185	599,935	613,087
Education & Training	198,294	200,452	210,669
Uniformed Services University of the Health Sciences	48,952	45,756	40,847
Patient Care Support	917,433	928,918	917,891
Base Operations	727,294	737,406	772,933
Subtotal	9,256,549	9,326,635	9,613,331
Procurement	<u>293,772</u>	<u>273,637</u>	<u>308,889</u>
Total	9,550,321	9,600,272	9,922,220

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
DIRECT HIRE PERSONNEL SUMMARY**

OPERATION AND MAINTENANCE, (DHP)

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>
Total number of full-time permanent positions (End Strength)	41,296	49,686	49,949
Total compensable workyears:			
Full-time equivalent employment			
U.S. Direct Hires	45,826	48,476	49,512
Foreign Nationals	957	501	490
Total Direct Hires	<u>46,783</u>	<u>48,977</u>	<u>50,002</u>
Disadvantaged Employment	64	0	0
Total Full-time equivalent employment	<u>46,847</u>	<u>48,977</u>	<u>50,002</u>
Full-time equivalent of overtime and holiday hours (Workyears)	576	601	624
Average ES salary	106,308	109,077	110,077
Average GM salary	61,748	65,267	66,468
Average GS grade	GS-08	GS-08	GS-08
Average GS salary	27,402	28,247	29,031
Average salary of ungraded positions	71,893	72,310	73,521

Data reflects direct and reimbursable civilian personnel.

Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
DIRECT HIRE CIVILIAN EMPLOYMENT

OPERATION AND MAINTENANCE, (DHP)

	FY 1993		FY 1994		FY 1995	
	End Strength	Work Years \$(000)	End Strength	Work Years \$(000)	End Strength	Work Years \$(000)
Direct Hire Civilians						
Full-time Permanent	41,296	41,864 1,495,632	49,686	44,231 1,630,131	49,949	48,493 1,830,661
Other	5,296	4,919 175,736	1,633	4,746 174,914	1,599	1,509 56,966
Total Direct Hire	46,592	46,783 1,671,368	51,319	48,977 1,805,045	51,548	50,002 1,887,627
Disadvantaged Employment	0	64 771	0	0 0	0	0 0
Foreign National Separation Liability	0	0 503	0	0 861	0	0 816
Severance Pay/Unemployment Compensation	0	0 11,926	0	0 12,886	0	0 14,277
Total	46,592	46,847 1,684,568	51,319	48,977 1,818,792	51,548	50,002 1,902,720

Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
INDIRECT HIRE CIVILIAN EMPLOYMENT

OPERATION AND MAINTENANCE, (DHP)

	FY 1993		FY 1994		FY 1995	
	End Strength	Work Years \$(000)	End Strength	Work Years \$(000)	End Strength	Work Years \$(000)
Detail by Major Force Program						
Budget Activity 4	1829	1809 65,638	1729	1655 59,445	1692	1602 54,734
Foreign National Separation Liability	0	0 32	0	0 32	0	0 30
Total Indirect Hire	<u>1829</u>	<u>1809 65,670</u>	<u>1729</u>	<u>1655 59,477</u>	<u>1692</u>	<u>1602 54,764</u>

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

I. Description of Operations Financed: The medical mission of the Department of Defense (DoD) is: (a) to maintain and provide readiness to provide, medical services and support to the armed forces during military operations; and (b) to provide medical services and support to members of the armed forces, their dependents, and other beneficiaries entitled to DoD health care. The Defense Health Program (DHP) appropriation funding provides support for worldwide medical and dental services to the active forces and other eligible beneficiaries, veterinary services, medical command headquarters, specialized services for the training of medical personnel, and occupational and industrial health care. Included are the costs associated with the Civilian Health and Medical Program of the Uniform Services (CHAMPUS) which provides for the health care of eligible active duty dependents, retired members and their dependents, and the eligible surviving dependents of deceased active duty and retired members. The DHP provides funding for acquisition of capital expense equipment in support of military medical treatment facilities, training facilities, and programs.

The remaining portion of the DHP appropriation funds procurement of capital equipment in support of the DoD health care program in military medical treatment facilities (MTFs) and other health activities worldwide. It includes equipment for initial outfitting of new, expanded or altered health care facilities being constructed under major military construction programs; equipment for modernization and replacement of worn-out, obsolete, or economically repairable items; equipment in support of CHAMPUS and medical treatment facility information processing requirements; and equipment supporting programs such as pollution control, clinical investigation, and occupational/environmental health.

All of these activities are under the direction and control of the Assistant Secretary of Defense (Health Affairs) (ASD(HA)). The ASD(HA), as the DoD officer responsible for the effective execution of the Department's mission. The Assistant Secretary's responsibilities include developing a unified medical program and budget, and developing policies that will allow the Department to perform its medical mission effectively.

Certification: During review of the Fiscal Year 1994 DHP budget submission, the Senate Armed Services Committee expressed concern regarding the effect of persistent underfunding in the medical accounts on the access of beneficiaries to normal medical services. In reaction to this concern, the committee directed that the Secretary of Defense certify the adequacy of all future submissions of the DHP budget. This correspondence represents the basis for certifying to the adequacy of the Fiscal Year 1995 DHP budget.

The requirement to certify funding adequacy permeated the DHP's Fiscal Year 1995 budget formulation process. This budget was developed based on certain key assumptions and using the Department's new modified capitation-based methodology to appropriately reflect the projected changes in our beneficiary population. The certification of adequacy of the Fiscal Year 1995 DHP budget is based on this modified capitation methodology and the following key assumptions:

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

- The proportion of eligible DoD health care beneficiaries who use the Military Health Services System will not increase above the current level,
- Inflation occurs at the OMB/DoD projected rates (i.e., 4.3% composite),
- The Military Departments' end strengths decrease as projected,
- The DHP military and civilian end strength levels funded in this budget are executed by the Military Departments as projected,
- The Uniformed Services Treatment Facility (USTF) program funding is limited to \$270 million, and contracts are renegotiated to cost the Department no more than standard CHAMPUS,
- The Department will be able to implement a benefit no more costly than the Base Realignments and Closure (BRAC) health care benefit into the proposed Tricare Managed Care Support Contracts, and the USTF contracts,
- The integration of the Direct Care system and CHAMPUS remains as envisioned in the Department's approved plans for force structure downsizing and the phase-in of Tricare Managed Care Support Contracts,
- That Base Realignments and Closure (BRAC) plans execute as scheduled,
- That the utilization management being implemented reduces costs by \$84 million,
- The Uniformed Services University of the Health Sciences (USUHS) will begin a phased closure in FY95 with funding provided to increase the Health Professions Scholarship Program (HPSP) for a one-for-one offset of the USUHS physician output, and

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

- That the DHP does not experience unanticipated major requirements and the Military Departments do not identify additional significant unfinanced requirements.

These assumptions highlight the potential risk and diverse variables associated with executing an effective medical program in Fiscal Year 1995.

II. Force Structure Summary: The Department of Defense accomplishes its world wide mission by using the Defense Health Program (DHP) appropriation to support the eligible beneficiary population through a system of 133 hospitals and 504 clinics (FY 1995), and includes a work force of 105,926 military and 53,240 civilian personnel. This represents a decrease from FY 1994 which consisted of a system of 140 hospitals and 520 clinics, and a work force of 107,364 military and 53,048 civilian personnel. The civilian personnel work force profile is in compliance with Section 711 of the National Defense Authorization Act for Fiscal Year 1991 (Public Law 101-510). This provision of the law prohibits the reduction of military and civilian personnel below the number serving on September 30, 1989 unless DoD certifies to Congress that the number being reduced is excess to current and projected needs and does not increase CHAMPUS costs. As the Military Departments reduce their active duty force structure, the level of civilian personnel serves to offset this reduction and meet certification requirements.

III. Financial Summary (\$ in Thousands): The beneficiary population is projected to decline by approximately 2.6 percent (in beneficiary man-years) from FY94 to FY95. During the same period, funding for the Defense Health Program reflects a cumulative programmatic decrease of 1.2 percent. As shown in the Summary of Price and Program Changes, Exhibit OP-32, from FY94 to FY95 the aggregate price growth is 4.2 percent, or a cumulative total of \$397.6 million; and a cumulative program decrease of \$110.9 million over the same period. The Department is committed to maintaining the health care benefit for eligible beneficiaries.

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

The total DHP cost per capita, O&M cost per capita, and military personnel cost per capita reflected in this budget, based on projected beneficiary man-years, are as follows:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	Change <u>FY 1993-94</u>	Change <u>FY 1994-95</u>
O & M	\$ 1,061	\$ 1,092	\$ 1,155	+\$31 (+2.9%)	+\$63 (+5.8%)
MILPERS ^{1/}	\$ 623	\$ 602	\$ 614	-\$21 (-3.3%)	+\$12 (+1.9%)
Total	\$ 1,684	\$ 1,694	\$ 1,769	+\$10 (+0.6%)	+\$75 (+4.4%)

^{1/} Military personnel costs and end strength are included in the Military Departments and are not part of DHP appropriation.

From FY94 to FY95, this budget projects an increase in the DHP cost per capita of +4.4 percent. The provision of health care in the DHP depends upon both O&M funds and military labor. A per capita decline in either resource, if not offset by an increase in the other, reduces the DHP's ability to provide care.

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

A. Defense Health Program

	<u>FY 1994</u>			<u>FY 1995</u>
	<u>Budget Request</u>	<u>Appropriated</u>	<u>Current Estimate</u>	<u>Estimate</u>
Defense Health Program				
Direct Patient Care	3,191,296	2,933,625	3,012,596	3,098,704
Other Patient Care Support	917,433	928,918	928,918	917,891
CHAMPUS	3,630,095	3,966,541	3,801,572	3,959,200
Care in Non-Defense Facilities	543,185	513,937	599,935	613,087
Education and Training	198,294	200,452	200,452	210,669
Base Operations	727,294	737,406	737,406	772,933
USUHS	<u>48,952</u>	<u>45,756</u>	<u>45,756</u>	<u>40,847</u>
Total	9,256,549	9,326,635	9,326,635	9,613,331

B. Reconciliation Summary

	<u>Change</u>	<u>Change</u>
	<u>FY 1994/1994</u>	<u>FY 1994/1995</u>
Baseline Funding	9,080,538	9,326,635
Congressional Adjustments	246,097	0
Price Changes	0	397,634
Functional Transfers	0	-1,047
Program Changes	0	-109,891
Current Estimate	9,326,635	9,613,331

C. OP-32 Line Item Not provided at the appropriation level because the DHP appropriation includes Procurement funds in addition to O&M funds. See Exhibit OP-32.

D. Reconciliation Increases and Decreases: See Exhibit OP-5 Part 2.

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

IV. Performance Criteria and Evaluation: Not provided at the appropriation level - see OP-5 Part 2.

<u>V. Personnel Summary 1/</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1994/1995</u>
<u>Active Military End Strength</u>				
Officer	38,250	37,275	36,823	-452
Enlisted	<u>73,482</u>	<u>70,089</u>	<u>69,169</u>	<u>-920</u>
Total Military	111,732	107,364	105,992	-1,372
 <u>Civilian End Strength</u>				
US Direct Hire	45,626	50,817	51,049	232
Foreign National Direct Hire	<u>966</u>	<u>502</u>	<u>499</u>	<u>-3</u>
Total Direct Hire	46,592	51,319	51,548	229
Foreign National Indirect Hire	<u>1,829</u>	<u>1,729</u>	<u>1,692</u>	<u>-37</u>
Total Civilians	48,421	53,048	53,240	192
 <u>Active Military Work Years</u>				
Officer	38,901	37,763	37,049	-714
Enlisted	<u>76,501</u>	<u>71,785</u>	<u>69,629</u>	<u>-2,156</u>
Total Military	115,402	109,548	106,678	-2,870
 <u>Civilian Work Years</u>				
US Direct Hire	45,890	48,476	49,512	1,036
Foreign National Direct Hire	<u>957</u>	<u>501</u>	<u>490</u>	<u>-11</u>
Total Direct Hire	46,847	48,977	50,002	1,025
Foreign National Indirect Hire	<u>1,809</u>	<u>1,655</u>	<u>1,602</u>	<u>-53</u>
Total Civilians	48,656	50,632	51,604	972

1/ Included to show a unified medical program. Military and civilian end strengths are included in the DoD Components, not the Defense Health Program.

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

Detail By Sub-Activity Group: Direct Patient Care

- I. Description of Operations Financed:** This Sub-activity Group provides for the delivery of patient care worldwide. This includes two broad functional areas: (1) Care in Defense Facilities, and (2) Dental Care Activities.
- II. Force Structure Summary:** Care in Defense Facilities represents the costs of providing medical care at 133 DoD hospitals and 504 clinics worldwide in FY95 to active duty beneficiaries, eligible dependents of active duty members, retired members and their dependents and the surviving dependents of deceased active duty and retired members. Dental Care Activities represents the costs of providing dental care to authorized personnel at installation dental clinics and hospital departments of dentistry, to include operation of installation and area dental labs.

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

	FY 1993 Actuals	FY 1994		Current Estimate	FY 1995 Estimate
		Budget Request	Appropriation		
Care in Defense Facilities	3,034,025	2,805,930	2,816,230	2,895,201	2,976,084
Dental Care Activities	<u>157,271</u>	<u>117,395</u>	<u>117,395</u>	<u>117,395</u>	<u>122,620</u>
Total	3,191,296	2,923,325	2,933,625	3,012,596	3,098,704

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

B. Reconciliation Summary

	<u>Change FY 1994/1994</u>	<u>Change FY 1994/1995</u>
Baseline Funding	2,923,325	3,012,596
Congressional Adjustments	+10,300	N/A
Supplemental Request	0	0
Price Change	0	+113,011
Functional Transfers	0	+952
Program Changes	+78,971	- 27,855
Current Estimate	3,012,596	3,098,704

C. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request	\$2,923,325
2. Congressional Adjustments (FY 1994 President's Budget / FY 1994 Appropriated)	+10,300
Lab Technology Demonstration	+1,000
Head and Neck Injury	+1,000
William Beaumont Army Medical Center ADP and Indigent Care	+2,500
Medical Imaging	+3,000
Physicians' Assistant Demonstration	+300
Pacific Island Referral	+2,500
3. FY 1994 Appropriated Amount	\$2,933,625

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

C. Reconciliation of Increases and Decreases

4. Program Increase

A. Care in Defense Facilities

+78,971

This represents an internal realignment from CHAMPUS, which recognizes the shortfall for Care in Defense Facilities in the FY94 President's Budget submission. This realignment from CHAMPUS is consistent with current CHAMPUS estimates from the CHAMPUS Actuarial Projection System (CAPS). The expected cost for mail order pharmacy is \$30 million of the \$79.0 million increase.

Total Program Increase

+78,971

5. FY 1994 Current Estimate

\$3,012,596

6. Price Growth

+113,011

7. Program Increases

A. Care in Defense Facilities

+11,229

This represents a required +\$10,348 increase, consistent with the FY94 within-year internal realignment from CHAMPUS, and a functional transfer from the Navy for non-medical collateral equipment (+\$881).

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

C. Reconciliation of Increases and Decreases

B. Dental

+764

This represents the functional transfer from the Navy for the dental clinic at Chinhae, Korea (+\$71) and an increase of \$693 to partially offset reductions in military labor capacity.

Total Program Increases

+11,993

8. Program Decreases

A. Less one paid day

-4,896

Adjusts program for one less paid day in FY95.

B. Care in Defense Facilities

-34,000

This decrease represents increased collections through the Third Party Collection Program and is contingent upon enactment of legislation requested by the Department.

Total Program Decreases

-38,896

9. FY 1995 Budget Request

3,098,704

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

IV. Performance Criteria and Evaluation Summary:

	FY 1993	FY 1994	FY 1995	Change FY94/FY95
<u>Direct Medical Care Program</u>				
Hospitals/Medical Centers	147	140	133	-7
Medical Clinics	551	520	504	-16
Dispositions	722,541	709,196	690,733	-18,463
Average Length of Stay	4.0	4.1	4.2	+0.1
Average Daily Patient Load	8,005	8,664	8,238	-426
Inpatient Work Units	777,850	770,800	759,200	-11,600
Ambulatory Work Units	1,163,626	1,155,100	1,142,721	-12,379
Medical Work Units	1,941,476	1,925,900	1,901,921	-23,979
Ambulatory Visits	45,946,971	44,084,001	43,106,044	-977,957
<u>Average Eligible Population</u>				
Active Duty Personnel (1)	1,947,994	1,854,902	1,748,330	-106,572
Dependents of Active Duty Personnel (2)	2,719,860	2,602,884	2,459,014	-143,870
Retired Personnel	1,719,170	1,737,435	1,753,928	+16,493
Dependents of Retired and Deceased Military Personnel	<u>2,335,690</u>	<u>2,349,310</u>	<u>2,360,821</u>	<u>+11,511</u>
Total Average Man-Years	8,722,714	8,544,531	8,322,093	-222,438

(1) Includes Active Guard/Reserve entitled to medical benefit.

(2) Includes Dependents of Active Guard/Reserve entitled to medical benefit.

**Defense Health Program Appropriation
Fiscal Year 1995 Budget Estimate
Operation and Maintenance**

IV. Performance Criteria and Evaluation Summary: Direct Patient Care (continued)

The workload data displayed on the previous page reflects traditional performance criteria used for the direct care system of medical treatment facilities. A more comprehensive performance measure for the Defense Health Program (DHP) is the cost of health care services per eligible beneficiary man-year, integrating multiple workload factors and the cost of all resources into a single measure.

The total DHP cost per capita, O&M cost per capita, and military personnel cost per capita reflected in this budget, based on projected beneficiary man-years, are as follows:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY 1993-94</u>	<u>Change FY 1994-95</u>
O & M	\$ 1,061	\$ 1,092	\$ 1,155	+\$31 (+2.9%)	+\$63 (+5.8%)
MILPERS ^{1/}	\$ 623	\$ 602	\$ 614	-\$21 (-3.3%)	+\$12 (+1.9%)
Total	\$ 1,684	\$ 1,694	\$ 1,769	+\$10 (+0.6%)	+\$75 (+4.4%)

^{1/} Military personnel costs and end strength are included in the Military Departments and are not part of DHP appropriation.

From FY94 to FY95, this budget projects an increase in the DHP cost per capita of +4.4 percent. The provision of health care in the DHP depends upon both O&M funds and military labor. A per capita decline in either resource, if not offset by an increase in the other, reduces the DHP's ability to provide care.

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V. Personnel Summary 11

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
<u>Active Military End Strength 1/</u>				
Officer	28,106	26,319	26,285	-34
Enlisted	55,515	52,891	52,555	-336
Total Military	83,621	79,210	78,840	-370
<u>Civilian End Strength 1/</u>				
U.S. Direct Hire	33,400	37,756	37,879	+123
Foreign National Direct Hire	734	370	370	0
Total Direct Hire	34,134	38,126	38,249	+123
Foreign National Indirect Hire	1,261	1,163	1,130	-33
Total Civilians	35,395	39,289	39,379	+90
(Reimbursable Civilians Included Above-Memo)	(663)	(1,423)	(1,430)	(+7)
<u>Active Military Workyears</u>				
Officer	28,769	27,213	26,302	-911
Enlisted	57,424	54,203	52,723	-1,480
Total Military Workyears	86,193	81,416	79,025	-2,391
<u>Civilian Workyears</u>				
U.S. Direct Hire	33,635	35,931	36,821	+890
Foreign National Direct Hire	725	371	362	-9
Total Direct Hire	34,360	36,302	37,183	+881
Foreign National Indirect Hire	1,249	1,112	1,069	-43
Total Civilian Workyears	35,609	37,414	38,252	+838
(Reimbursable Civilians Included Above-Memo)	(586)	(1,002)	(1,238)	+236

1/ Included to show a unified medical program. Active military funding and all end strengths, military and civilian, have been retained by the individual Military Departments for budget formulation and execution in accordance with the DEPSECDEF memorandum, "Strengthening the Medical Functions of the Department of Defense," dated October 1, 1991.

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Detail By Sub-Activity Group: Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)

I. Description of Operations Financed: This Sub-activity Group provides for (1) the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) funding requirements (2) the Office of CHAMPUS (OCHAMPUS) operations support costs. The CHAMPUS program provides financing and claims processing for health care services provided to eligible active duty dependents, retired members and their dependents and the surviving dependents of deceased active duty and retired members, when those services are provided by civilian health care providers. The OCHAMPUS, located in Aurora, Colorado, is responsible for the overall supervision and management of the CHAMPUS program.

II. Force Structure Summary: This program provides for worldwide health care from civilian health care facilities to approximately 5.5 million eligible beneficiaries. It also includes care received by beneficiaries of the Veterans Administration, the Department of Health and Human Services, U.S. Coast Guard, and the National Oceanographic and Atmospheric Administration. These agencies then reimburse DoD.

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

A. Sub-Activity Group

	FY 1993 Actuals	FY 1994		FY 1995 Budget Request
		Budget Request	Appropriation	
			Current Estimate	
CHAMPUS Benefits	3,564,163	3,000,669	2,767,100	2,885,100
CHAMPUS - Managed Care Support (MCS)		863,400	949,000	980,100
CHAMPUS - Other	<u>65,932</u>	<u>102,472</u>	<u>85,472</u>	<u>94,000</u>
TOTAL	3,630,095	3,966,541	3,801,572	3,959,200

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B. Reconciliation Summary

	Change FY 1994/1994	Change FY 1994/1995
Baseline Funding	3,966,541	3,801,572
Congressional Adjustments	0	0
Supplemental Request	0	0
Price Change	0	195,538
Functional Transfers	0	0
Program Changes	-164,969	-37,910
Current Estimate	3,801,572	3,959,200

C. OP-32 Line Item (See Exhibit OP-32)

D. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request (Amended) \$3,966,541
2. FY 1994 Appropriated Amount \$3,966,541
3. Program Increases

A. Managed Care Support (MCS) Contract Protest +10,000

Funds the legal expenses related to the contractor protests on the award of the Managed Care Support contract to Aetna Government Health Plans, Inc.

B. Managed Care Support - New Orleans +75,600

Managed Care Support contract requirements for the New Orleans catchment

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D. Reconciliation of Increases and Decreases

area increase based on the Base Realignment and Closure (BRAC) actions being implemented in that region.

Total Program Increases

\$+85,600

4. Program Decreases

A. MCS Impact on the CHAMPUS Standard Benefits Program

-30,700

The FY94 current estimate of the CHAMPUS standard benefits requirement is projected to decrease by \$30.7 million as the Managed Care Support contract for the New Orleans catchment area is fully implemented.

B. CHAMPUS Program - Revised Requirements

-202,869

CHAMPUS benefits program requirements further decrease based on the revised CHAMPUS Actuarial Projection System (CAPS) estimate. All other FY94 program requirements were realigned to reflect FY93 actual obligations. The overall impact of these adjustments decreases the FY94 President's Budget Request amount by \$202.9 million.

C. OCHAMPUS Contracts

-17,000

Reduction to the Mental Health Utilization Management/Quality Assurance contract, the National Claims Processing System and the General Support contracts requirements managed by the office of CHAMPUS based on FY93 actual obligations.

Total Program Decreases

\$-250,569

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D. Reconciliation of Increases and Decreases

5. FY 1994 Current Estimate	\$3,801,572
6. Price Growth	\$195,538

7. Program Increases

A. Managed Care Support Implementation +134,000

Managed Care Support health care contract costs increase for Region 6 (Texas, Oklahoma, Arkansas, and Louisiana) and Region 11 (Washington and Oregon) as these areas become operational. The standard CHAMPUS benefits requirement projected by the CAPS model reflects this impact as these regions convert to MCS systems.

B. OCHAMPUS Managed Contracts +7,760

Increase reflects the expansion and continuation of initiatives designed to assist OCHAMPUS in management of the CHAMPUS program. These programs include the National Claims Processing System (NCPS), Home Health Care Case Management, and the Mental Health Utilization Management/Quality Assurance.

Total Program Increases \$+141,760

8. Program Decreases

A. Managed Care Support Contract for California and Hawaii -152,200

The MCS contract requirement for California and Hawaii, awarded in FY94 to a new contractor, programmatically decreases \$152.2 million over the FY94

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D. Reconciliation of Increases and Decreases

requirement. This is based on the authorized DoD inflation rate of 5.2 % applied to the FY94 program requirement and the new contract initiatives which will save the Department overall \$110.1 million in FY95.

B. CHAMPUS Standard Benefits Program Requirements -25,900

The overall negative program growth to the standard CHAMPUS benefits program of \$25.9 million is primarily due to the projected savings from the implementation of the Managed Care Support system within the Military Healthcare Services System. The standard CHAMPUS benefits requirement projected by the CAPS model reflects these anticipated savings as the MCS health care systems replace the standard CHAMPUS benefits program region by region. Also, the European CHAMPUS Benefits program will decrease as the force structure in that area is reduced.

C. OCHAMPUS Printing Requirement -1,011

Recurring requirement (every two years) to reprint the CHAMPUS manual and handbooks occurs in FY94. OCHAMPUS printing requirements return to normal level in FY95.

D. OCHAMPUS Miscellaneous -510

Equipment purchases and non-GSA rents requirements decrease due to one-time purchase.

E. Less one paid day for civilian personnel -49

Total Program Decreases \$-179,670

9. FY 1995 Budget Request \$3,959,200

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
CHAMPUS Workload Indicators *				
Inpatient Admissions	289,048	302,662	305,780	+3,118
Outpatient Visits	12,145,990	12,718,066	12,849,062	+130,996

* This data is based on the fiscal year the care is rendered (incurred data), not the date when the claim is paid (paid data). It is projected for the fiscal year indicated for claims processed into the database through December 1993. Therefore, this workload data is estimated to completion for each fiscal year.

SOURCE: CHAMPUS Medical Information System (CMIS)

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V. Personnel Summary:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
<u>Active Military End Strength</u>				
Officer	9	8	8	0
Enlisted	1	1	1	0
Total Military	10	9	9	0
<u>Civilian End Strength</u>				
U.S. Direct Hire	216	217	217	0
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	216	217	217	0
Foreign National Indirect Hire	12	12	2	-3
Total Civilians	228	229	226	-3
Reimbursable Civilians Included Above (funded by sources outside the DHP)	0	0	0	0
<u>Active Military Workyears</u>				
Officer	9	9	8	-1
Enlisted	0	1	1	0
Total Military	9	10	9	-1
<u>Civilian Workyears</u>				
U.S. Direct Hire	222	217	217	0
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	222	217	217	0
Foreign National Indirect Hire	11	12	10	-2
Total Civilians	233	229	227	-2
Reimbursable Civilians Included Above (funded by sources outside the DHP)	0	0	0	0

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Detail By Sub-Activity Group: Patient Care Support

I. Description of Operations Financed: This Sub-Activity Group provides required support to delivery of patient care worldwide. This includes four broad functional areas: (1) Examining Activities, (2) Other Health Activities, (3) Management Headquarters, and (4) the Defense Medical Program Activity (DMPA).

II. Force Structure Summary: Examining Activities represents the costs of providing medical examinations to individuals processed through Military Entrance Processing Stations (MEPS) and operation of the DoD Medical Evaluation Review Board (DoDMERB). Other Health Activities comprises a broad variety of functions such as area reference laboratories, Armed Forces Institute of Pathology, DoD Blood Program, optical laboratories, medical equipment for home loan, clinical investigative services, preventive medicine, occupational/community health, immunizations, control of disease vectors, veterinary activities, plans/operations/training, ambulance/EMT service, aeromedical evacuation, public affairs, health benefits advisors, overseas medical headquarters, Army Environmental Hygiene Agency, Army Medical Materiel Agency, Army Medical Materiel Center - Europe, Army Patient Administration and Biostatistical Activity, Army Health Care Acquisition Activity, Defense Medical Standardization Board, Armed Forces Epidemiology Board, Navy Aeromedical Institute, radiology/environmental health laboratories, Air Force epidemiology/physiology laboratories, and a host of other activities required to support the delivery of health care. Management Headquarters includes costs of operating Army and Navy health care management activities such as HQ, U.S. Army Health Services Command, Navy Bureau of Medicine and Surgery, and three Navy Healthcare Support Offices. The Defense Medical Program Activity (DMPA) provides centralized DoD management of automated data processing technology to improve the effectiveness and efficiency of health care operations in the Military Departments and consolidates the planning, programming and budgeting for the Defense Health Program and military medical facility construction projects.

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

A. Sub-Activity Group

	FY 1993 Actuals	FY 1994		FY 1995 Budget Request
		Budget Request	Appropriation Estimate	
Examining Activities	22,258	24,294	24,294	23,681
Other Health Activities	640,818	559,652	651,898	656,756
Management Headquarters	30,580	24,943	28,479	25,501
Def Med Prog Activity (DMPA)	<u>223,777</u>	<u>206,652</u>	<u>224,247</u>	<u>211,953</u>
Total	917,433	815,548	928,918	917,891

B. Reconciliation Summary

	Change FY 1994/1994	Change FY 1994/1995
Baseline Funding	815,548	928,918
Congressional Adjustments	113,370	N/A
Supplemental Request	0	0
Price Change	0	25,196
Functional Transfers	0	-2,100
Program Changes	<u>0</u>	<u>-34,123</u>
Current Estimate	928,918	917,891

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C. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request	\$815,548
2. Congressional Adjustments	+113,370
Brown Tree Snakes	+1,000
Tripler Clinical Investigation	+500
National Museum Health & Medicine	+1,500
CHCS (inpatient order entry module)	+9,000
Defense Blood Standard System	+5,000
Undistributed Program Increase	+96,370
3. FY 1994 Current Estimate	\$928,918
4. Price Growth	+25,196
5. Program Increases	
A. Health Promotion	+2,906
Increased funding will provide an integrated Navy Health Promotion program which will address health promotion as a single program. Supports 51 civilian end strength and miscellaneous costs for supplies, equipment, and travel.	
Total Program Increases	+2,906
6. Program Decreases	

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C. Reconciliation of Increases and Decreases

A. Less one paid day -1,085

Adjusts program for one less paid day in FY95

B. Examining Activities -450

This decrease is due to the projected decrease of 7,200 medical examinations to be conducted by Military Entrance Processing Stations (MEPS) and the DoD Medical Evaluation Review Board (DoDMERB).

C. Other Health Activities -15,364

This decrease is due to projected reductions in optical fabrication and reductions in other activities associated with the FY94 to FY95 reduction in the number of hospitals and clinics. It also reflects the functional transfer to Navy (-2,100) for shipboard medical expense equipment and Mobile Medical Augmentation Readiness Team (MMART) block support.

D. Management Headquarters -3,750

This decrease reflects reductions in the number of hospitals from FY94 to FY95 and the reorganization of the Army's Office of the Surgeon General and establishment of the U.S. Army Medical Command (Provisional) (formerly Health Services Command).

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C. Reconciliation of Increases and Decreases

E. DMPA

-18,480

This decrease reflects termination of single-year (FY94) Congressional increases for the Composite Health Care System (CHCS) (-9,000) and Blood System (-5,000). The remaining decrease (-4,480) reflects the reduced level of effort associated with acquisition of automated health care delivery systems that will be replaced by the accelerated deployment of the CHCS.

Total Program Decreases

-39,129

7. FY 1995 Budget Request

917,891

IV. Performance Criteria and Evaluation Summary:

**Change
FY94/FY95**

Examining Activities

FY 1994

FY 1993

FY 1995

MEPS/DoDMERB Workload (thousands of medical exams)

389.0

422.1

381.8

-7.2

Veterinary

Pounds of food inspected (millions)

8.9

9.4

8.8

-0.1

Optical

Spectacles/Inserts fabricated (thousands of pairs)

1,256.3

1,077.0

1,208.1

-48.2

Acromedical Evacuation

Air Force Flying Hours

26,156

24,056

26,156

0

Army Flying Hours

3,000

3,101

3,000

0

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V. Personnel Summary 1/

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
<u>Active Military End Strength 1/</u>				
Officer	3,051	2,889	2,837	-52
Enlisted	<u>7,337</u>	<u>6,968</u>	<u>6,951</u>	-17
Total Military	10,388	9,857	9,788	-69
<u>Civilian End Strength 1/</u>				
U.S. Direct Hire	7,267	7,786	7,918	+132
Foreign National Direct Hire	<u>184</u>	<u>94</u>	<u>91</u>	-3
Total Direct Hire	7,451	7,880	8,009	+129
Foreign National Indirect Hire	<u>456</u>	<u>452</u>	<u>458</u>	-1
Total Civilians	7,907	8,339	8,467	+128
(Reimbursable Civilians Included Above-Memo)	(99)	(262)	(262)	(0)
<u>Active Military Workyears</u>				
Officer	3,077	2,970	2,863	-107
Enlisted	<u>7,722</u>	<u>7,153</u>	<u>6,960</u>	-193
Total Military Workyears	10,799	10,123	9,823	-300
<u>Civilian Workyears</u>				
U.S. Direct Hire	7,309	7,444	7,577	+133
Foreign National Direct Hire	<u>184</u>	<u>93</u>	<u>91</u>	-2
Total Direct Hire	7,493	7,537	7,668	+131
Foreign National Indirect Hire	<u>452</u>	<u>440</u>	<u>433</u>	-7
Total Civilian Workyears	7,945	7,977	8,101	+124
(Reimbursable Civilians Included Above-Memo)	(88)	(374)	(227)	-147

1/ Included to show a unified medical program. Active military funding and all end strengths, military and civilian, have been retained by the individual Military Departments for budget formulation and execution in accordance with the DEPSECDEF memorandum, "Strengthening the Medical Functions of the Department of Defense," dated October 1, 1991.

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Detail By Sub-Activity Group: Care in Non-Defense Facilities

I. Description of Operations Financed: This Sub-activity Group provides for the delivery of patient care in non-Department of Defense medical treatment facilities, excluding care rendered through the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), worldwide. This includes three broad functional areas: (1) PRIMUS/NAVARE clinics, (2) Uniformed Services Treatment Facilities (USTFs), and (3) Supplemental and Active Duty Emergency Care and Care in VA/Coast Guard facilities.

II. Force Structure Summary: Care in Non-Defense Facilities represents the costs of providing health care services for authorized beneficiaries in 22 PRIMUS / NAVARE clinics, the 10 civilian-operated Uniformed Services Treatment Facilities (USTFs) and in Department of Veterans' Affairs (VA) facilities through VA-DoD sharing agreements, as well as civilian-source emergency care provided to active duty members and supplemental care when required for all categories of beneficiaries.

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

A. Sub-Activity Group

	FY 1993 Actuals	FY 1994		FY 1995	
		Budget Request	Appropriation	Current Estimate	Budget Request
PRIMUS/NAVARE Clinics	96,316	116,211	116,211	95,154	93,945
USTFs	214,859	196,600	196,600	265,000	270,000
Supplemental, Emergency, VA, and Coast Guard Care	<u>232,010</u>	<u>148,802</u>	<u>201,126</u>	<u>239,781</u>	<u>249,142</u>
Total	543,185	461,613	513,937	599,935	613,087

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B. RECONCILIATION SUMMARY

	<u>Change FY 1994/1994</u>	<u>Change FY 1994/1995</u>
Baseline Funding	461,613	599,935
Congressional Adjustments	+52,324	N/A
Supplemental Request	0	0
Price Change	0	+31,051
Functional Transfers	0	0
Program Changes	+85,998	-17,899
Current Estimate	599,935	613,087

C. OP-32 Line Item (See Exhibit OP-32)

D. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request (Amended) \$461,613
2. FY 1994 Appropriated Amount \$513,937
3. Program Increases +38,655

A. Supplemental/Emergency/VA/Coast Guard Care

Program increase between FY94 request and FY94 current estimate recognizes the change needed to reflect the actual F93 expenditure in this functional area.

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D. Reconciliation of Increases and Decreases

B. Uniformed Services Treatment Facilities (USTFs)

+68 400

As directed by Congress, the USTF Managed Care Plan (MCP) became effective 1 October 1993. It embodies standard HMO features such as enrollment, capitation payment, uniform benefit package and utilization management. In previous fiscal years, payment was based on negotiated contracts with each facility based on premium rates similar to that of the Federal Employees Health Benefit Program (FEHBP). The MCP will ultimately improve the cost effectiveness and management of the USTFs; initially costs will reflect the effects of the open enrollment season and capitation rates. The FY94 requirements are based on the projected increased workload resulting from the restructuring of the benefits package provided by the USTFs to coincide with that of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). In FY94, many of the facilities will be providing inpatient care that had previously provided outpatient care only. Also, program increases will result from the expected change in beneficiary user mix with the over 65 population receiving more of their care in these facilities.

4. Program Decreases

\$-21,057

A. PRIMUS/NAV CARE Facilities

-21,057

This decrease is attributable to projected declines in the beneficiary population, reduced PRIMUS/NAV CARE workload and the closure of one Air Force PRIMUS Clinic during FY94. It also aligns the FY94 requirement with the actual FY93 obligations.

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D. Reconciliation of Increases and Decreases

5. FY 1994 Current Estimate	\$599,935
6. Price Growth	\$31,051
7. Program Increases	\$+6,757
A. Supplemental Care	+6,757

This program provides care for active duty members and their beneficiaries and is an adjunctive medical service to patients who are under medical management of a provider in the direct care system. Supplemental Care augments the capabilities of the military medical treatment facilities and is more cost effective than purchasing the same care from the CHAMPUS provider. This program increase reflects the realignment of the FY95 funded level to the actual FY93 executed level.

8. Program Decreases

A. USTFs

-8,780

Program requirements are projected to decrease as the USTF Managed Care Plan (MCP) initiatives begin to impact enrollment, costs and utilization. A legislative proposal has been introduced by the Department to begin integration of the USTFs into the larger managed care system developed for the Military Health Care System. This will provide for the incorporation of USTFs into the DoD health care programs and bring them in line with the national health care reform. USTF contracts will be renegotiated at a capitation rate that is no more expensive than standard CHAMPUS.

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D. Reconciliation of Increases and Decreases

These actions are projected to produce a savings of \$8.78 million in FY95 in the USTFs' costs.

B. Emergency Medical Care for Active Duty Members/Coast Guard Care -9,711

The FY95 current estimate for these categories of care (\$141,699) reflects a programmatic decrease of -\$9,719 (-6.7%) to the FY94 current estimate (\$144,072). The average eligible beneficiary population is projected to decrease by -2.6% between FY94 and FY95. The projected average active duty population entitled to medical benefits is expected to decrease approximately 5.7% and the Emergency Medical Care program and care received in Coast Guard Facilities has been decreased to reflect this change in population.

C. PRIMUS/NAVARE Facilities -6,157

Requirements decrease for this program in FY95 to reflect the projected decrease in average eligible beneficiary population and the Navy initiative to cap workload through implementation of a partial appointment system.

D. Less one paid day -8

Adjusts program for one less paid day in FY95

Total Program Decreases \$-24,656

9. FY 1995 Budget Request \$613,087

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
<u>PRIMUS/NAVCARE</u>				
PRIMUS/NAVCARE Clinics	23	22	22	0
PRIMUS/NAVCARE Visits	1,887,976	1,849,409	1,801,264	-48,145
PRIMUS/NAVCARE AWUs	39,415	38,610	37,605	-1,005

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V. Personnel Summary 1/

	FY 1993	FY 1994	FY 1995	Change FY94/FY95
Active Military End Strength/1				
Officer	0	0	0	0
Enlisted	0	0	0	0
Total Military	0	0	0	0
Civilian End Strength/1				
U.S. Direct Hire	61	61	61	0
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	61	61	61	0
Foreign National Indirect Hire	0	0	0	0
Total Civilians	61	61	61	0
Active Military Workyears				
Officer	0	0	0	0
Enlisted	0	0	0	0
Total Military Workyears	0	0	0	0
Civilian Workyears				
U.S. Direct Hire	59	60	60	0
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	59	60	60	0
Foreign National Indirect Hire	0	0	0	0
Total Civilian Workyears	59	60	60	0

1/ Included to show a unified medical program. Active military funding and all end strengths, military and civilian, have been retained by the individual Military Departments for budget formulation and execution in accordance with the DEPSECDEF memorandum, "Strengthening the Medical Functions of the Department of Defense," dated October 1, 1991

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Detail By Sub-Activity Group: Education and Training

- I. Description of Operations Financed:** This Subactivity Group provides support for worldwide medical education and training for active duty personnel, civilian medical personnel, and students. This program includes the Health Professions Scholarship Program (HPSP), Financial Assistance Program (FAP) (residencies), Graduate Medical Education (GME), Continuing Medical Education (CME), initial skills training, and specialized skills training.
- II. Force Structure Summary:** Education and training resources provide tuition and other educational expenses for HPSP participants and training of active duty and civilian medical personnel. The training loads in the education and training program have been reduced to reflect force level declines.

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

A. Sub-Activity Group

	FY 1993 Actuals	FY 1994		FY 1995 Estimate
		Budget Request	Current Estimate	
Defense Health Program				
HPSP/FAP	66,313	70,197	70,197	80,014
Education and Training/GME	131,981	92,350	130,255	130,655
Total	198,294	162,547	200,452	210,669

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B. Reconciliation Summary

	Change FY 1994/1995
Baseline Funding	200,452
Congressional Adjustments	+10,934
Price Change	-717
Program Changes	210,669
Current Estimate	210,669

	Change FY 1994/1994
Baseline Funding	162,547
Congressional Adjustments	+37,905
Price Change	-717
Program Changes	210,669
Current Estimate	210,669

C. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request	162,547
2. Congressional Adjustments	+37,905
3. FY 1994 Appropriated Amount	200,452
4. FY 1994 Current Estimate	200,452
5. Price Growth	+10,934
6. Program Increases	
A. Increase in Scholarships for HPSP	+379

Additional HPSP scholarships for nurse anesthetists (24 scholarships) and optometrists (4 scholarships) are necessary to alleviate the current and projected shortages in these disciplines. This increase is partially offset by a net decline in other scholarship programs.

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C. Reconciliation of Increases and Decreases

B. Increase in Scholarships for HPSP +3,120

The HPSP Scholarship program was increased by 156 scholarships in FY95 to ensure DoD's requirement for physicians is met upon the closure of Uniformed Services University of the Health Services (USUHS). The closure of USUHS was recommended by the National Performance Review. The phased closure will begin in FY95 with closure after graduation of the May 1997 class.

Total Program Increases +3,499

7. Program Decreases

A. Less one paid day. -95

Adjusts program for one less paid day in FY95.

B. Decrease for Specialized Skill Training -4,121

The FY95 program represents a 3.1% decrease in specialized skill training from FY94 to FY95 which corresponds to the 3.5% reduction in certified active duty healthcare professional end strengths over the same period.

Total Program Decreases -4,216

8. FY 1995 Budget Request 210,669

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IV. Performance Criteria and Evaluation Summary:

	FY 1993	FY 1994	FY 1995	CHANGE FY1994/FY1995
Health Professions Scholarship Program/ Financial Assistance Program (HPSP/FAP)	3,936	3,937	4,113	+176
Specialized Skill Training, Professional Development and Officer Acquisition	14,290	14,008	13,548	-460

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V. Personnel Summary:

	<u>FY 1993 Actuals</u>	<u>FY 1994 Estimate</u>	<u>FY 1995 Estimate</u>	<u>Change FY94/FY95</u>
<u>Active Military End Strength¹</u>				
Officer	5,490	6,425	6,216	-209
Enlisted	<u>8,119</u>	<u>7,633</u>	<u>7,072</u>	-561
Total Military End Strength ²	13,609	14,058	13,288	-770
<u>Civilian End Strength¹</u>				
U. S. Direct Hire	748	801	845	44
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	0
Total Direct Hire	748	801	845	44
Foreign National Indirect Hire	<u>6</u>	<u>5</u>	<u>5</u>	0
Total Civilian End Strength	754	806	850	44
(Reimbursable Civilians Included Above-Memo)	(0)	(0)	(0)	(0)
<u>Military Workyears</u>				
Officer	5,910	5,958	6,321	+363
Enlisted	<u>8,954</u>	<u>7,876</u>	<u>7,352</u>	-524
Total Military Workyears ²	14,864	13,834	13,673	-161
<u>Civilian Workyears (Total)</u>				
U. S. Direct Hire	748	791	828	37
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	0
Total Direct Hire	748	791	828	37
Foreign National Indirect Hire	<u>4</u>	<u>5</u>	<u>5</u>	0
Total Civilian Workyears	752	796	833	37
(Reimbursable Civilians Included Above-Memo)	(0)	(0)	(0)	(0)

¹ Included to show a unified medical program. Active military funding and all end strengths, military and civilian, have been retained by the individual Military Departments for budget formulation and execution in accordance with the DEPSECDEF memorandum, "Strengthening the Medical Functions of the Department of Defense," dated October 1, 1991.

² Air Force students are not included in the FY 1993 military end strength and workyears; therefore, the military end strength is understated by 1,511 officers and 1,560 enlisted.

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Detail by Sub-Activity Group: Uniformed Services University of the Health Sciences

I. Narrative Description: This Sub-activity Group provides for the education of military physicians, and graduate education programs leading to a master's or doctoral degrees in the biological sciences. The mission is to provide high quality, career-dedicated military and Public Health Service physicians. The FY 1995 budget reflects the phased closure of the University to begin in FY 1995 with closure after graduation of the May 1997 class -- consistent with the Vice President's National Performance Review recommendation that future physician accessions to be obtained from less expensive sources.

II. Description of Operations Financed: The Uniformed Services University of the Health Sciences provides for undergraduate medical teaching operations, as well as a limited basic sciences program which is necessary to meet needed teaching requirements and provide graduate education to qualified military personnel assigned to the University for master's and doctoral programs in the biological sciences.

III. Financial Summary (\$ in thousands):

A. Sub-Activity Breakout

	FY 1993	FY 1994	FY 1995
	Budget Request	Appropriated	Budget Request
Defense Health Program	48,952	45,756	40,847
USUHS	39,891	45,756	40,847

B. Reconciliation Summary

	Change FY 1994/1994	Change FY 1994/1995
Baseline Funding	39,891	45,756
Congressional Adjustments	+5,865	0
Price Change	0	+1,071
Functional Transfers	0	0
Program Changes	<u>0</u>	<u>-5,980</u>
Current Estimate	45,756	40,847

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C. OP-32 Line Item (See Exhibit OP-32)

D. Reconciliation of Increases and Decreases

1. FY94 President's Budget Request	39,891
2. Congressional Adjustments	
Nurse Practitioner Program	+2,000
Nursing Research	+3,000
Undistributed Adjustment	+865
3. Program Changes	0
4. FY94 Appropriated	45,756
5. Price Growth FY 1994/1995	+1,071
6. Program Increases	0
7. Program Decreases	
A. Due to the pending closure of the University, the last medical school class will be admitted during 1994. The program decreases are attributed to the one-time Congressional adjustments in FY 1994 (\$5 million), and deferred procurement of new and replacement equipment for administration and teaching with a subsequent reduction in supplies and maintenance (\$.9 million).	-5,871

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D. Reconciliation of Increases and Decreases

B. Less one paid day	-109	
Total Program Decreases	-5,980	
8. FY 1995 Budget Request		40,847

IV. Performance Criteria and Evaluation Summary:

<u>Medical Students</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
Medical Student End Strength	656	667	504	-163
Number of New Medical Students	165	165	0	-165
Number of New Medical Graduates	155	156	163	+7
Cumulative No. of Medical Graduates	1,836	1,992	2,155	+163
 <u>Other Graduate Students</u>				
Graduate Student End Strength	134	134	84	-50
Number of New Graduate Students	62	50	0	-50
Number of New Graduates	50	50	50	0
Cumulative No. Graduates	349	399	449	+50

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V. Personnel Summary:

	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>Change FY94/FY95</u>
<u>Active Military End Strength 1/</u>				
Officer	728	759	611	-148
Enlisted	<u>66</u>	<u>92</u>	<u>96</u>	<u>-3</u>
Total Military	794	858	707	-151
<u>Civilian End Strength</u>				
U.S. Direct Hire	601	651	575	-76
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Hire	601	651	575	-76
Reimbursable (Memo)	39	37	33	-4
<u>Active Military Workyears</u>				
Officer	730	744	685	-59
Enlisted	<u>72</u>	<u>83</u>	<u>98</u>	<u>+15</u>
Total Workyears	802	827	783	-44
<u>Civilian Workyears</u>				
U.S. Direct Hire	507	507	500	-7
Foreign National Direct Hire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Direct Hire	507	507	500	-7
Reimbursable (Memo)	58	58	57	-1

1/ Military end strength includes AFRRI. The following memo entry is provided to identify these end strengths:

FY93	FY94	FY95
0	69	69

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Subactivity Group: Base Operations Support

I. Description of Operations Financed: Base Operations (BASOPS) refers to the resources dedicated to the operation and maintenance of Defense Health Program (DHP) facilities. The DHP's BASOPS provides for facilities and services at military medical activities supporting active duty combat forces, reserve and guard components, training, military dependents, and eligible retirees. The program consists of six specific components:

Minor Construction - all construction costs less than the statutory maximum amount for minor military construction projects as established by section 2805 of title 10 U.S.C. in support of medical centers and other installations with a primary mission of health care.

Maintenance and Repair - costs required to execute maintenance and repair of utilities, buildings, other facilities, pavements, land, and grounds. This includes, but is not limited to, such things as repair of electrical circuitry, heating and air conditioning, water piping, and routine maintenance work such as caulking, painting, etc. in medical centers and other installations with a primary mission of health care.

Base Communications - costs required to provide base communication resources to DoD medical activities. This includes non-tactical, non-DCS base communications facilities and equipment systems that provide local communications worldwide to installations and activities.

Base Operation Support - costs required to operate utilities for all real property. This includes other engineering support such as fire protection, custodial services, entomology services, refuse collection and disposal, snow removal and ice alleviation, rental of real property, and other installation engineering services.

Visual Information Systems - costs required to provide manpower, travel, contractual service, procurement of supplies and materials, expense equipment, necessary facilities and the associated costs specifically identifiable to visual information productions, services, and support.

Environmental Compliance - costs required to comply with environmental laws, regulations, criteria, and standards. This applies to manpower, training, travel, supplies, permits, fees, support equipment, service, and construction contracts and the associated costs specifically identified and measurable to environmental compliance.

II. Force Structure Summary:

Hospitals / Medical Centers	EY93	EY94	EY95
Medical Clinics	147	140	133
	551	520	504

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III. Financial Summary (\$ in thousands):

A. Sub-Activity Breakout

	<u>FY 1993</u>	<u>FY 1994</u>		<u>FY 1995 Budget Request</u>
		<u>Budget Request</u>	<u>Appropriated</u> <u>Current Estimate</u>	
Defense Health Program				
Environmental Compliance	23,716	22,478	22,478	18,875
Minor Construction	25,395	17,011	17,011	22,755
Maintenance and Repair	177,586	258,513	258,513	211,889
Visual Information Systems	11,869	10,321	10,321	12,316
Base Communications	37,834	33,956	33,956	34,933
Base Operation Support	450,894	368,794	395,127	472,165
Total	727,294	711,073	737,406	772,933

B. Reconciliation Summary

	<u>Change FY 1994/1994</u>	<u>Change FY 1994/1995</u>
Baseline Funding	711,073	737,406
Congressional Adjustments	26,333	0
Price Change	0	20,833
Functional Transfers	0	101
Program Changes	0	14,593
Current Estimate	737,406	772,933

**Defense Health Program Appropriation
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C. Reconciliation of Increases and Decreases

1. FY 1994 President's Budget Request	711,073
2. Congressional Adjustments	26,333
A. DBOF Test	-49,900
B. Undistributed Program Increase	+76,233
3. FY 1994 Appropriated Amount	737,406
4. Increases	
A. Minor Construction	+526
Based on a thorough review and repricing of essential minor construction projects, an increase of \$526K was warranted.	
B. Visual Information Systems	+1,753
The increase is based on the need to ensure that the Department's medical personnel and training facilities have access to modern educational equipment.	
C. Base Communications	+4,044
Adjustment necessary to meet minimum essential requirements.	

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C. Reconciliation of Increases and Decreases

D. Base Operations

+64,027

Increase reflects results of an extensive examination of resource requirements associated with the provision of base operations support to tenant activities. This review was driven both by reduction of resources available to the Military Departments for base support and by the Department-wide initiative to increase cost awareness. The results of this review indicated that the cost of providing adequate base operations support at DHP military medical treatment facilities was significantly greater than amounts previously projected and the required was further supported by FY93 execution. In order to meet critical base operations support requirements, resources were realigned from other base support dedicated program elements.

Total Program Increases

+70,350

5. Program Decreases

A. Environmental Compliance

-8,252

Realignment of resources to base operations required the deferment of all but class I environmental projects.

B. Maintenance and Repair

-62,098

Realignment necessary to other higher priority base operations support requirements.

Total Program Decreases

-70,350

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C. Reconciliation of Increases and Decreases

6. FY 1994 Current Estimate	737,406
7. Price Growth	+20,833
8. Functional Transfers	+101

Adjustment reflects transfers related to environmental compliance, public works, audio visual, and manpower resourcing necessary for the appropriate coupling of functional responsibilities and funding.

9. Program Increases

A. Environmental Compliance +4,146

The increase is necessary to support several class II projects that will quickly deteriorate into class I projects without additional resources. Additionally, the increase will allow the DHP to begin to establish a more proactive posture in terms of addressing its environmental responsibilities.

B. Minor Construction +4,723

Adjustment necessary to support previously unidentified critical projects.

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C. Reconciliation of Increases and Decreases

C. Maintenance and Repair +9,925

Provides resources for critical maintenance and repair projects which were previously deferred due to austere funding. These projects are necessitated by numerous aging medical and dental facilities. Many projects which have been delayed have become critical to life and safety standards.

D. Base Operations Support +563

Reflects increased charges by host installations. This increase is necessary to assure continued essential base operations support at our facilities that are tenants.

Total Program Increases +19,357

10. Program Decreases

A. Base Communications -4,240

Adjustment reflects realignment to higher priority base support operations requirements.

B. One less paid day -524

Total Program Decreases

-4,764

11. Fiscal Year 1995 Budget Estimate

772,933

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IV. Personnel Summary:

	FY 1993 Actuals	FY 1994 Estimate	FY 1995 Estimate	Change FY94/FY95
<u>Active Military End Strength /1</u>				
Officer	899	875	866	-9
Enlisted	<u>2,444</u>	<u>2,497</u>	<u>2,494</u>	-3
Total Military End Strength	3,343	3,372	3,360	-12
<u>Civilian End Strength /1</u>				
U.S. Direct Hire	3,333	3,545	3,554	+9
Foreign National Direct Hire	48	38	38	0
Total Direct Hire	3,381	3,583	3,592	+9
Foreign National Indirect Hire	94	90	90	0
Total Civilian End Strength	3,475	3,673	3,682	+9
<u>Military Workyears</u>				
Officer	857	881	871	-10
Enlisted	<u>2,430</u>	<u>2,507</u>	<u>2,496</u>	-11
Total Military Workyears	3,287	3,388	3,367	-21
<u>Civilian Workyears</u>				
U.S. Direct Hire	3,352	3,468	3,452	-16
Foreign National Direct Hire	48	37	37	0
Total Direct Hire	3,400	3,505	3,489	-16
Foreign National Indirect Hire	<u>93</u>	<u>86</u>	<u>85</u>	-1
Total Civilian Workyears	3,493	3,591	3,574	-17

1/ Included to show a unified medical program. Active military funding and all end strengths, military and civilian, have been retained by the individual Military Departments for budget formulation and execution in accordance with the DEPSECDEF memorandum, "Strengthening the Medical Functions of the Department of Defense," dated October 1, 1991.