



FY2021 Budget Request for the Military Health System

On February 10, 2020, President Donald Trump submitted his Fiscal Year (FY) 2021 budget request to Congress. The Department of Defense (DOD) budget request totals \$705.4 billion, including \$50.8 billion (7.2%) to fund the Military Health System (MHS). DOD refers to this latter portion of the DOD budget request as the *unified medical budget* (UMB). The MHS delivers certain health entitlements under Chapter 55 of Title 10, U.S. Code, to military personnel, retirees, and their families. The MHS provides health care to approximately 9.6 million beneficiaries in DOD hospitals and clinics—known as *military treatment facilities* (MTFs)—and through civilian health care providers participating in TRICARE.

Congress traditionally appropriates mandatory and discretionary funding for the MHS in several accounts within the annual defense appropriations bill. These include the Defense Health Program (DHP), Military Personnel (MILPERS), and Military Construction (MILCON). Funding is typically appropriated to both DOD’s base and overseas contingency operations (OCO) budgets.

FY2021 MHS Budget Request

The FY2021 MHS budget request is 1.2% (\$0.6 billion) below the FY2020 appropriation. The request, as shown in **Table 1**, includes the following:

- \$33.1 billion for DHP;
- \$8.9 billion for medical MILPERS;
- \$0.5 billion for medical MILCON; and
- \$8.4 billion for health care accrual contributions to the Medicare Eligible Retiree Health Care Fund (MERHCF).

Defense Health Program (DHP)

The DHP funds numerous MHS functions, such as health care delivery in MTFs, TRICARE, certain medical readiness activities and expeditionary medical capabilities, education and training programs, medical research, management and headquarters activities, facilities sustainment, procurement, and civilian personnel. The FY2021 request for the DHP account is \$33.1 billion, which is 3.8% (\$1.3 billion) below the appropriated amount for FY2020. **Table 2** highlights selected programs that DOD intends to create, expand, reduce, or transfer to the military services.

Military Personnel (MILPERS)

Medical MILPERS funds military personnel within the MHS. This includes various pay and allowances, such as basic, incentive, and special pays; subsistence for enlisted personnel; permanent change of station travel; and retirement contributions.

Table 1. Military Health System Funding, FY2018-FY2021 Request
(\$ in billions)

	FY2018 Enacted	FY2019 Enacted	FY2020 Enacted	FY2021 Request
Defense Health Program	\$33.5	\$34.4	\$34.4	\$33.1
Operations and Maintenance	\$30.4	\$31.0	\$31.3	\$31.3
Research, Development, Testing, and Evaluation	\$2.0	\$2.2	\$2.3	\$0.5
Software & Digital Technology Pilot Program	-	-	-	\$0.1
Procurement	\$0.7	\$0.9	\$0.4	\$0.6
Overseas Contingency Operations	\$0.4	\$0.4	\$0.3	\$0.3
MILPERS	\$8.6	\$8.4	\$8.9	\$8.9
MILCON	\$0.9	\$0.4	\$0.3	\$0.5
MERHCF Contributions	\$8.1	\$7.5	\$7.8	\$8.4
Grand Total	\$51.1	\$50.7	\$51.4	\$50.8

Sources: Department of Defense (DOD), “Defense Budget Overview,” February 2020, p. 2-4; DOD, “Defense Health Program Fiscal Year (FY) 2021 Budget Estimates,” February 2020, p. DHP-15; DOD, “Defense Health Program Fiscal Year (FY) 2020 Budget Estimates,” March 2019, p. DHP-13; DOD, “Defense Health Program Fiscal Year (FY) 2019 Budget Estimates,” February 2018, p. DHP-15.

Notes: Numbers may not add up due to rounding. Not included in the FY2021 request is Congress’s typical add-ons to the DHP, such as unrequested medical research funding. The Software & Digital Technology Pilot Program is a new DHP budget activity realigned from Operations and Maintenance in FY2021. Congress appropriates discretionary funding for the DHP, MILPERS, and MILCON accounts and mandatory funding for MERHCF contributions.

Table 2. Selected Highlights from the FY2021 Defense Health Program Request

<ul style="list-style-type: none"> • \$1.8 billion transfer from the Defense Health Agency (DHA) to the military departments for medical readiness activities • \$866.7 million (5.8%) increase from FY2020 enacted (base only) amount for private sector care • \$334.6 million to fund certain civil service positions to mitigate a reduction in uniformed medical positions • \$308.5 million for new or revised capability requirements for MHS Genesis • \$278.7 million (3.0%) increase from FY2020 enacted (base only) amount for health care and related-services delivered in MTFs • \$45.9 million (10.6%) increase for deployment and sustainment of DOD Healthcare Management Systems Modernization (DHMSM) initiatives (i.e., MHS Genesis) • \$36.3 million reduction associated with DOD's proposal to downsize 50 MTFs 	<ul style="list-style-type: none"> • \$32.8 million to expand critical care and trauma services at the 99th Medical Group—Nellis Air Force Base • \$31.3 million to repair medical facilities damaged in Hurricanes Michael and Florence • \$16.1 million decrease for medical technology development areas, such as military operational medicine, military infectious disease, and combat casualty care • \$8.7 million to develop software that maintains a servicemember's longitudinal exposure record • \$5.5 million (3.2%) decrease for the Uniformed Services University of the Health Sciences • \$30.7 million to fund unit-based mental health and physical therapy providers • 0.2% (22,696) increase in eligible beneficiaries (baseline: FY2020) • 9.5% (-7,422) reduction in military medical end strength (baseline: FY2020)
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DOD requests \$8.9 billion for medical MILPERS for FY2021, but does not break out the specific costs assigned to the MHS at the budget activity group, program element, or line item level. This request is equivalent to the FY2020 appropriation and reflects DOD's plan to reduce military medical end strength (-7,422 positions) and civilian end strength (-4,070 positions). The FY2020 budget request also included a plan to reduce military medical end strength (-17,991 positions); however, section 719 of the FY2020 National Defense Authorization Act (P.L. 116-92) enacted certain limitations on which DOD may make such reductions.

Military Construction (MILCON)

Medical MILCON funds MHS construction projects. In general, DHA coordinates with the military services identify, prioritize, and fund certain medical MILCON projects. For FY2021, DOD requests \$504 million for ongoing, future, and minor construction projects, including:

- Hospital expansion/modernization (increment #4), Naval Support Activity Bethesda, MD (\$180 million);
- Hospital replacement (increment #3), Fort Leonard Wood, MO (\$40 million); and
- Medical center replacement, Rhine Ordnance Barracks, Germany (\$200 million).

Medicare Health Care Accrual Contributions

Medicare health care accrual contributions fund the MERHCF. In turn, the MERHCF funds health care expenses for Medicare-eligible military retirees and their families. Annually, each uniformed service contributes to the MERHCF based on its "expected average force strength during that fiscal year" and investment amounts determined by the Secretary of Defense. For FY2021, DOD requests \$8.4 billion. The MILPERS account typically assigns MERHCF contributions as mandatory spending.

Considerations for Congress

As the annual defense appropriations cycle begins, Congress will consider all of DOD's funding and policy priorities. The following inquiries may assist Congress in considering the FY2021 MHS budget request.

Controlling Health Care Costs

- What is DOD's long-term strategy to control health care costs while sustaining military medical readiness requirements?
- How will DHP cost reductions resulting from the Defense-Wide Review impact beneficiaries, health care providers, medical readiness, military departments, DHA, and non-DOD partners?

MHS Reform Efforts

- Does DOD require additional time (beyond 2021) to implement congressionally directed MHS reform efforts?
- What is DOD's plan for sustaining or establishing new military-civilian health care partnerships?

MTFs and Military Medical End Strength

- How will DOD manage projected increases in health care demand while downsizing MTFs and reducing the number of military medical personnel?
- Are the military departments adequately resourced to recruit and train military medical personnel in critically short wartime specialties?

Budget Transparency

- How will DOD conduct oversight and measure program performance for funding lines transferred between DHA, the military departments, and other DOD entities?

Resources

Department of Defense, "Defense Health Program Fiscal Year (FY) 2021 Budget Estimates," February 2020

CRS Insight INI 1224, *FY2021 Defense Budget Request: An Overview*, by Brendan W. McGarry

CRS In Focus IF10530, *Defense Primer: Military Health System*, by Bryce H. P. Mendez

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