



May 8, 2019

FY2020 Budget Request for the Military Health System

On March 11, 2019, President Donald Trump submitted his Fiscal Year (FY) 2020 budget request to Congress. The Department of Defense (DOD) budget request totals \$761.8 billion, including \$49.5 billion (6.5%) 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.

FY2020 MHS Budget Request

The FY2020 MHS budget request is 2.3% (\$1.2 billion) below the FY2019 appropriation. The request, as shown in **Table 1**, includes:

- \$33.3 billion for DHP;
- \$8.1 billion for medical MILPERS;
- \$0.3 billion for medical MILCON; and
- \$7.8 billion for health care accrual contributions to the Medicare Eligible Retiree Health Care Fund (MERHCF).

Defense Health Program (DHP)

The DHP account 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, and procurement. The FY2020 request for the DHP account is \$33.3 billion, which is 2.9% below the appropriated amount for FY2019. Selected highlights from this request are listed in **Table 2**, which includes programs that DOD intends to create, expand, or reduce.

Military Personnel (MILPERS)

Medical MILPERS funds military and civilian 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, FY2017-FY2020 Request
(\$ in billions)

	FY2017 Enacted	FY2018 Enacted	FY2019 Enacted	FY2020 Request
Defense Health Program	\$33.5	\$33.5	\$34.4	\$33.3
Operations and Maintenance	\$30.7	\$30.4	\$31.0	\$31.8
Research, Development, Testing, and Evaluation	\$2.1	\$2.0	\$2.2	\$0.7
Procurement	\$0.4	\$0.7	\$0.9	\$0.5
Overseas Contingency Operations	\$0.3	\$0.4	\$0.4	\$0.3
MILPERS	\$8.5	\$8.6	\$8.4	\$8.1
MILCON	\$0.3	\$0.9	\$0.4	\$0.3
MERHCF Contributions	\$7.0	\$8.1	\$7.5	\$7.8
Grand Total	\$49.3	\$51.1	\$50.7	\$49.5

Source: Department of Defense, “Defense Budget Overview,” March 2019, p. 2-4, <https://go.usa.gov/xmQ7X>. Department of Defense, “Defense Health Program Fiscal Year (FY) 2020 Budget Estimates,” March 2019, p. DHP-13, <https://go.usa.gov/xmNWJ>; Department of Defense, “Defense Health Program Fiscal Year (FY) 2019 Budget Estimates,” February 2018, p. DHP-15, <https://go.usa.gov/xmQ7E>; Department of Defense, “Operation and Maintenance Programs (O-1),” March 2017, pp. 31-31B, <https://go.usa.gov/xmQ7p>; Email communication with DOD officials, March 2019.

Notes: Numbers may not add up due to rounding. Enacted RDT&E figures include unrequested funds for the Congressionally Directed Medical Research Program. Congress appropriates discretionary funding for the DHP, MILPERS, and MILCON accounts and mandatory funding for MERHCF contributions.

Table 2. Selected Highlights from the FY2020 Defense Health Program Request

<ul style="list-style-type: none"> • \$519.3 million (3.6%) increase from FY2019 enacted (base only) amount for the TRICARE program • \$334.5 million (3.6%) increase from FY2019 enacted (base only) amount for health care and related-services delivered in MTFs • \$142.5 million (45.5%) increase for support operations, maintenance, and sustainment of DOD Healthcare Management Systems Modernization (DHMSM) initiatives (i.e., MHS Genesis) • \$129 million for new or revised capability requirements for MHS Genesis • \$78.9 million dedicated to prototype development of medical technologies, including promising drugs and vaccines, medical devices, and knowledge products • \$20.7 million (8%) increase for the Health Professions Scholarship Program 	<ul style="list-style-type: none"> • \$13.32 million dedicated to brain injury and disease prevention, treatment, and research • \$9.93 million (35%) increase for electronic health record interface and patch testing • \$7.7 million to expand the MHS Virtual Health Program • \$5.52 million for radiographic equipment (e.g., x-ray, computed tomography, magnetic resonance imaging) • \$2 million to establish a <i>Knowledge, Skills, and Abilities</i> program office that would further develop KSAs to measure readiness for 62 deployable clinical specialties • \$1.14 million (7%) increase for the Military HIV Research program • 0.4% (39,983) increase in eligible beneficiaries (baseline: FY2019) • 13% (-14,707) reduction in military medical end strength (baseline: FY2019)
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DOD requests \$8.1 billion for medical MILPERS for FY2020, 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 \$300 million less than the FY2019 appropriation and reflects planned reductions in military and civilian end strength levels.

Military Construction (MILCON)

Medical MILCON funds major MHS construction projects. In general, DHA coordinates with the Service medical departments to identify, prioritize, and fund certain medical MILCON projects. For FY2020, DOD requests \$256 million for six medical construction projects:

- Replacement medical/dental clinic, Camp Pendleton, CA (\$17.7 million);
- Medical research acquisition building, Fort Detrick, MD (\$27.8 million);
- Hospital expansion/modernization (increment #3), Naval Support Activity Bethesda, MD (\$96.9 million);
- Hospital replacement (increment #2), Fort Leonard Wood, MO (\$50 million);
- Medical storage and distribution center, Joint Base Charleston, SC (\$33.3 million); and
- Replacement medical/dental clinic, NATO Air Base, Geilenkirchen, Germany (\$30.4 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 FY2020, DOD requests \$7.8 billion.

Considerations for Congress

As the annual defense appropriations cycle begins, Congress may consider DOD’s funding and policy priorities described in the FY2020 MHS budget request. The following inquiries may assist Congress with receiving further clarification on DOD’s budget request and congressional oversight of the MHS.

Controlling Health Care Costs

- What is DOD’s long-term strategy to control health care costs while sustaining military medical readiness requirements?
- What mitigation strategies are being considered or have been implemented to address rising drug costs in the MHS?

MHS Reform Efforts

- What is the status of the transfer of MTFs from the military services to the Defense Health Agency (DHA)?
- How have congressionally directed reform efforts impacted beneficiaries, health care providers, medical readiness, military services, DHA, and non-DOD partners?

Military Medical End Strength

- Will projected personnel cost-savings be offset by increased costs for TRICARE?
- Will medical readiness be impacted by the reduction in military medical personnel?

MHS Genesis Implementation

- Will DOD require additional funding to maintain its implementation timeline regarding deployment of MHS Genesis?

Resources
Department of Defense, “Defense Health Program Fiscal Year (FY) 2020 Budget Estimates,” March 2019, https://go.usa.gov/xmNWJ
CRS In Focus IF10530, <i>Defense Primer: Military Health System</i> , by Bryce H. P. Mendez
CRS In Focus IF10514, <i>Defense Primer: Defense Appropriations Process</i> , by James V. Saturno and Brendan W. McGarry

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