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Defense Primer: Military Health System

The Department of Defense (DOD) administers a statutory health entitlement (under Chapter 55 of Title 10, U.S. Code) through the Military Health System (MHS). The MHS offers health care benefits and services through its TRICARE program to approximately 9.62 million beneficiaries composed of servicemembers, military retirees, and family members. Health care services are available through DOD-operated hospitals and clinics, referred to collectively as *military treatment facilities* (MTFs), or through civilian health care providers participating in the TRICARE program.

Purpose

The fundamental reason for an MHS is to support medical readiness. The medical readiness mission involves promoting "a healthy and fit fighting force that is medically prepared to provide the Military Departments with the maximum ability to accomplish their deployment missions throughout the spectrum of military operations." The MHS also serves to "create and maintain high morale in the uniformed services by providing an improved and uniform program of medical and dental care for members and certain former members of those services, and for their dependents" (10 U.S.C. §1071). In addition, the resources of the MHS may be used to provide humanitarian assistance (10 U.S.C. §401) and to perform medical research (10 U.S.C. §2358).

Organization

The Under Secretary of Defense for Personnel and Readiness (USD[P&R]) is the principal staff assistant and advisor to the Secretary of Defense and to the Deputy Secretary of Defense, for Total Force Management as it relates to readiness issues, including health affairs (see 10 U.S.C. §136).

Key MHS Organizations

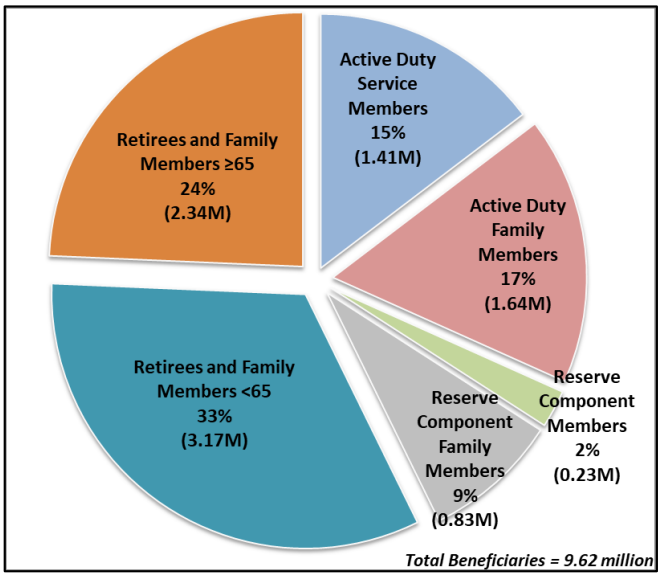
- Office of the Assistant Secretary of Defense for Health Affairs (OASD[HA])
- Defense Health Agency (DHA)
- Army Medical Command, Navy Bureau of Medicine and Surgery, and the Air Force Medical Readiness Agency

The Assistant Secretary of Defense for Health Affairs (ASD(HA)) reports to the USD(P&R). The ASD(HA) is the principal advisor to the Secretary of Defense on all "DOD health policies, programs and activities" and has primary responsibility for the MHS (see DOD Directive 5136.01). Reporting to the USD(P&R) through the ASD(HA), the Defense Health Agency (DHA) is a joint combat support agency whose purpose is to enable the Army, Navy, and Air Force medical services to provide a medically ready force and a ready medical force to combatant commands in both peacetime and wartime.

Beneficiaries

In FY2020, there were 9.62 million total MHS beneficiaries (see **Figure 1**).

Figure 1. MHS Beneficiaries, FY2020



Source: Defense Health Agency, *Evaluation of the TRICARE Program: Fiscal Year 2021 Report to Congress*, Washington, DC, 2021, p. 33.

Note: Numbers may not add up to total because of rounding.

Military Treatment Facilities (MTFs)

DHA administers all MTFs in the United States. In FY2021, DOD plans to transfer the administration of its overseas MTFs from the Service Surgeons General to the DHA. There are three types of MTFs that provide a wide range of clinical services depending on size, mission, and level of capabilities: medical centers, hospitals, and ambulatory care centers. There are 721 MTFs, with 109 located overseas. The facilities are generally on or near a U.S. military base and are typically staffed by military, civil service, and contract personnel.

TRICARE Options

With the exception of active duty servicemembers (who are assigned to the TRICARE Prime option and pay no out-of-pocket costs for TRICARE coverage), MHS beneficiaries may have a choice of TRICARE plan options depending upon their status (e.g., active duty family member, retiree, reservist, child under age 26 ineligible for family coverage, Medicare-eligible) and geographic location. Each plan option has different beneficiary cost-sharing features. Cost sharing may include an annual enrollment fee, annual deductible, monthly premiums, copayments, and an annual catastrophic cap. Pharmacy copayments are established separately and are the same for all beneficiaries under each option. The current major plan options are listed below.

TRICARE Prime

TRICARE Prime is a health maintenance organization (HMO)-style option in which beneficiaries typically get most care at an MTF. Certain retirees may be eligible to enroll in this option if they live within or near a designated *Prime Service Area*. TRICARE Prime features an annual enrollment fee for retirees but does not have an annual deductible and has minimal copayments.

TRICARE Select

TRICARE Select is a self-managed, preferred-provider option (PPO). This plan allows beneficiaries greater flexibility in managing their own health care and typically does not require a referral for specialty care. Eligible beneficiaries must enroll annually and may be subject to an enrollment fee, annual deductible, and copayments depending on their status. Lower out-of-pocket costs are associated with care delivered by a TRICARE network provider.

TRICARE for Life

In general, certain retired TRICARE beneficiaries must enroll in Medicare and pay Medicare Part B premiums to retain TRICARE coverage. The coverage provided is known as TRICARE for Life. There is no enrollment fee or premium; beneficiaries pay no out-of-pocket costs for services covered by both Medicare and TRICARE for Life.

Budget

Congress historically funds the MHS through several accounts in the annual Defense appropriations bill. These include the Operation & Maintenance account for the Defense Health Program and the services' Military Personnel accounts for military personnel costs and the Medicare-Eligible Retiree Health Care Fund (MERHCF). Congress also funds MHS construction projects through the Defense-wide Military Construction account within the annual Military Construction, Veterans Affairs and Related Agencies appropriations bill. Together, DOD refers to these funds as the *Unified Medical Budget* (UMB). The FY2022 request for the UMB is $54.0 billion—about 7.6% of DOD's total budget request. The request includes $35.6 billion for the Defense Health Program, of which $9.7 billion would be for MTF care (also called "In-House Care") and $18.1 billion would be for "Private Sector Care." Also included in the request are $8.5 billion in the Military Personnel account, $0.5 billion for Military Construction, and $9.3 billion for accrual payments to the MERHCF.

Current Challenges

There are a number of perceived areas for potential improvement within the MHS, many of which have attracted congressionally directed reform efforts and ongoing oversight activities.

MHS Modernization

The FY2017 NDAA (and subsequent legislation) directed several modernization efforts, including: (1) reassignment of responsibilities for administering MTFs from the Service Surgeons General to the DHA Director; (2) evaluation and realignment of MHS staffing to the DHA; and (3) evaluation and restructuring the mission and scope of each MTF. Congress directed these reforms to streamline the MHS; enhance medical force readiness; and improve access, quality, and experience of care for beneficiaries. Also, DOD is to transfer certain medical research and public health activities from the Services to DHA by September 30, 2022, while other reforms are ongoing.

Reductions in Military Medical Personnel

In a 2021 report to Congress, DOD described a plan to reduce its active duty medical force by 12,801 positions (i.e., *billets*) in order to "support the operational medical requirements to meet the National Security Strategy (NSS), National Defense Strategy (NDS), and Defense Planning Guidance." DOD plans to implement these reductions between FY2023 and FY2027 by removing already vacant positions, attrition, retraining or converting billets, or "force management actions."

Sustaining Wartime Medical Readiness Skills

Sustaining readiness of the medical force remains an ongoing challenge for DOD. The FY2017 NDAA created new authorities for the Secretary of Defense to expand partnerships with certain civilian health care systems and Veterans Affairs medical facilities and to expand access to care at MTFs to non-beneficiaries for the purposes of preserving core clinical competencies, combat casualty care capabilities, and enhancing wartime medical readiness skills.

TRICARE's Next Generation Contracts

In July 2016, DHA awarded its current generation of TRICARE contracts (i.e., T-2017). Shortly after, multiple bid protests were filed with the Government Accountability Office and in the U.S. Court of Federal Claims, subsequently delaying the contract start dates by three months. In April 2021, DHA released a request for proposals for TRICARE's next generation contracts, called T-5. The T-5 contracts could exceed the total value of the T-2017 contracts ($58 billion in 2016). DHA anticipates awarding the T-5 contracts in November 2022.

Relevant Statutes and Regulations

Title 10, U.S. Code, Chapter 55 – Medical and Dental Care

Title 10, U.S. Code, Chapter 56 – DOD MERHCF

Title 32, Code of Federal Regulations, Part 199 – Civilian Health and Medical Program of the Uniformed Services

CRS Products

CRS Report R45399, *Military Medical Care: Frequently Asked Questions*, by Bryce H. P. Mendez

CRS In Focus IF11856, *FY2022 Budget Request for the Military Health System*, by Bryce H. P. Mendez

CRS In Focus IF11273, *Military Health System Reform*, by Bryce H. P. Mendez

CRS Insight IN11719, *TRICARE's Next Generation Contracts: T-5*, by Bryce H. P. Mendez

Other Resources

DHA, *Evaluation of the TRICARE Program: Fiscal Year 2021 Report to Congress*, 2021.

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