

April 29, 2022

FY2023 Budget Request for the Military Health System

On March 28, 2022, President Biden submitted his Fiscal Year (FY) 2023 budget request to Congress. Discretionary funding in the Department of Defense (DOD) budget request totals \$773.0 billion, including \$55.8 billion (7.2%) to fund the Military Health System (MHS), which delivers certain health entitlements under Chapter 55 of Title 10, *United States Code*, to military personnel, retirees, and their families. The MHS provides health care to 9.6 million beneficiaries in DOD hospitals and clinics—known as *military treatment facilities* (MTFs)—and through civilian health care providers participating in TRICARE, a DOD-administered health insurance-like program.

Congress traditionally appropriates discretionary funding for the MHS in several accounts within the annual defense appropriations bill. These accounts include Operation and Maintenance (O&M), Military Personnel (MILPERS), and Military Construction (MILCON). DOD refers to these portions of the budget as the *unified medical budget* (UMB). The request does not include a proposal to modify statutory TRICARE cost-sharing requirements for beneficiaries.

FY2023 MHS Budget Request

The FY2023 MHS budget request is 0.2% (\$0.1 billion) more than the FY2022 appropriation. **Table 1** shows the

FY2023 request and previously enacted amounts for the MHS.

Defense Health Program (DHP)

The DHP, a sub-account under the O&M account, funds the following MHS functions: health care delivery in MTFs; TRICARE; certain medical readiness activities and expeditionary medical capabilities; education and training programs; research, development, test, and evaluation (RDT&E); management and headquarters activities; facilities sustainment; procurement; and civilian and contract personnel. The FY2023 request for the DHP account is \$36.9 billion, which is 1.3% (\$0.5 billion) below the appropriated amount for FY2022. **Table 2** highlights selected programs that DOD intends to create, maintain, expand, reduce, or transfer to the military services.

Military Personnel (MILPERS)

Medical MILPERS funds military personnel operating the MHS. This funding 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-FY2023 Request
(\$ in billions)

	FY2018 Enacted	FY2019 Enacted	FY2020 Enacted	FY2021 Enacted	FY2022 Enacted	FY2023 Request
O&M (DHP)	\$33.5	\$34.4	\$37.1	\$34.1	\$37.4	\$36.9
DHP Operation & Maintenance	\$30.8	\$31.3	\$33.0	\$31.1	\$34.0	\$35.3
Research, Development, Testing, and Evaluation	\$2.0	\$2.2	\$3.7	\$2.4	\$2.6	\$0.9
Procurement	\$0.7	\$0.9	\$0.5	\$0.5	\$0.8	\$0.6
Software & Digital Technology Pilot Program	-	-	-	-	-	\$0.1
MILPERS	\$8.6	\$8.4	\$8.9	\$8.3	\$8.5	\$8.7
MILCON	\$0.9	\$0.4	\$0.3	\$0.5	\$0.5	\$0.4
MERHCF Contributions	\$8.1	\$7.5	\$7.8	\$8.4	\$9.3	\$9.7
Grand Total	\$51.1	\$50.7	\$51.4	\$51.3	\$55.7	\$55.8

Sources: Department of Defense (DOD), “Defense Budget Overview,” April 2022, p. 4-27; DOD “Defense Health Program Fiscal Year (FY) 2023 Budget Estimates,” April 2022, p. 1; DOD “Defense Budget Overview,” May 2021, p. 5-5; DOD, “Defense Health Program Fiscal Year (FY) 2022 Budget Estimates,” May 2021, p. 1; and CRS In Focus IFI1206, FY2020 Budget Request for the Military Health System, by Bryce H. P. Mendez.

Notes: Numbers may not add up due to rounding. For FY2018 through FY2021, DHP sub-totals include MHS funding for overseas contingency operations (OCO) and direct war costs. The FY2023 request does not include funding that Congress has added to the DHP in the past, such as unrequested medical research funding. The FY2020 and FY2021 enacted amounts include supplemental funding appropriated from the CARES Act. *O&M (DHP)* refers to a DOD budget account, whereas *DHP Operation & Maintenance* refers to a subordinate budget activity. The Medicare-Eligible Retiree Health Care Fund (MERHCF) refers to the accrual contributions that pay for future health care expenses of Medicare-eligible TRICARE beneficiaries.

Table 2. Selected Highlights from the FY2023 Defense Health Program Request

<p>Selected Increases</p> <ul style="list-style-type: none"> • \$85.8 million increase in retail pharmacy utilization • \$12.3 million increase for DOD cancer research projects in support of the President's <i>Cancer Moonshot</i> initiative • \$2.0 million (1.1%) increase for the Uniformed Services University of the Health Sciences (baseline: FY2022) • \$0.5 million increase to implement recommendations of the Independent Review Commission on Sexual Assault in the Military <p>Selected Decreases</p> <ul style="list-style-type: none"> • \$391.9 million decrease for COVID-19-related care and program effects • \$192.7 million decrease in procurement for the new electronic health record (i.e., MHS Genesis), as installations of the technology are completed • \$8 million decrease in anticipation of proposed authority to collect civil monetary penalties associated with fraud, waste, and abuse by TRICARE providers 	<p>Selected Account Transfers</p> <ul style="list-style-type: none"> • \$42.1 million transfer from the Army to DHP for medical products and support system development • \$30.2 million transfer from the Army to DHP for basic research of infectious diseases, operational medicine, and combat care <p>Selected Activities of Interest</p> <ul style="list-style-type: none"> • \$234.2 million for medical equipment replacement or modernization • \$38.1 million to fund health care and research activities for anomalous health incident victims • \$28.6 million for facility restoration and modernization • \$19.0 million for military infectious disease research • \$17.5 million for <i>Joint Battlefield Healthcare</i> research activities (i.e., combat casualty care) • \$14.1 million for brain injury and disease prevention, treatment, and research
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DOD requests \$8.7 billion for medical MILPERS for FY2023, but does not break out specific costs assigned to the MHS at the budget activity group, program element, or line item level. This request is higher than the FY2022 appropriation, but reflects a 2% decrease in military medical end-strength (-1,443 positions). In previous years, DOD planned to reduce military medical end-strength; however, Congress has acted to limit these reductions. Section 731 of the National Defense Authorization Act for Fiscal Year 2022 (P.L. 117-81) extended certain limitations until December 2022.

Military Construction (MILCON)

Medical MILCON funds MHS construction projects. In general, the Defense Health Agency (DHA) coordinates with the military services to identify, prioritize, and fund certain medical MILCON projects. For FY2023, DOD requests \$433.9 million for ongoing, future, and minor construction projects. Of these, there are three line-item requests to fund existing or new MILCON projects:

- Medical center replacement, Rhine Ordnance Barracks, Germany (\$299.8 million);
- Hospital expansion/modernization, Naval Support Activity Bethesda, MD (\$75.5 million); and
- Dental clinic replacement, Joint Base San Antonio, TX (\$58.6 million).

Medicare Health Care Accrual Contributions (MERHCF)

Medicare health care accrual contributions fund the MERHCF. In turn, the MERHCF funds health care expenses for Medicare-eligible military retirees and their families. Each uniformed service annually 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 FY2023, DOD requests \$9.7 billion for the MERHCF.

Considerations for Congress

As part of the defense appropriations process, Congress may consider the funding and policy priorities in DOD's FY2023 MHS budget request.

Controlling Health Care Costs

- DOD noted that over half of the DHP O&M account is spent on private sector care and that they will "continue to monitor" its growth in FY2023. What is DOD's long-term strategy to control these health care costs while sustaining military medical readiness requirements and direct war costs?

Medical End-Strength

- In FY2023, DOD projects a 2% decrease in military medical end-strength and a 1% increase in civilian medical end-strength. DHA is "formulating plans" to ensure beneficiaries have "uninterrupted access to high-quality care through a combination of new civilian and contract personnel, outside partnerships, and the TRICARE network." How will DHA recruit and retain an adequate civilian medical workforce to meet these goals and what are the anticipated challenges?

Resources

Department of Defense, "Defense Health Program Fiscal Year (FY) 2023 Budget Estimates," April 2022
 CRS In Focus IF11856, *FY2022 Budget Request for the Military Health System*, by Bryce H. P. Mendez
 CRS In Focus IF10530, *Defense Primer: Military Health System*, by Bryce H. P. Mendez
 CRS In Focus IF11273, *Military Health System Reform*, by Bryce H. P. Mendez

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