

April 10, 2023

FY2024 Budget Request for the Military Health System

On March 9, 2023, President Joseph R. Biden submitted his Fiscal Year (FY) 2024 budget request to Congress. Discretionary funding in the Department of Defense (DOD) budget request totals \$842.0 billion, including \$58.7 billion (7.0%) 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.

FY2024 MHS Budget Request

The FY2024 MHS budget request is 0.5% (\$0.3 billion) more than the FY2023 appropriation. **Table 1** shows the FY2024 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 FY2024 request for the DHP account is \$38.4 billion, which is 2.1% (\$0.8 billion) below the appropriated amount for FY2023. **Table 2** highlights selected programs that DOD intends to create, maintain, expand, reduce, or transfer to other DOD accounts.

Military Personnel (MILPERS)

The medical MILPERS account funds military personnel operating the MHS. This funding includes various pay and allowances, such as basic, incentive, and special pays; subsistence allowance; permanent change of station travel; and retirement contributions. DOD requested \$9.2 billion for medical MILPERS for FY2024, 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 FY2023 appropriation, reflecting a 1.8% increase in military medical end-strength (+1,985 positions).

Table 1. Military Health System Funding, FY2019-FY2024 Request
(\$ in billions)

	FY2019 Enacted	FY2020 Enacted	FY2021 Enacted	FY2022 Enacted	FY2023 Enacted	FY2024 Request
O&M (DHP)	\$34.4	\$37.1	\$34.1	\$37.4	\$39.2	\$38.4
DHP Operation & Maintenance	\$31.3	\$33.0	\$31.1	\$34.0	\$35.6	\$37.1
Research, Development, Testing, and Evaluation	\$2.2	\$3.7	\$2.4	\$2.6	\$3.0	\$0.9
Procurement	\$0.9	\$0.5	\$0.5	\$0.8	\$0.6	\$0.4
MILPERS	\$8.4	\$8.9	\$8.3	\$8.5	\$8.9	\$9.2
MILCON	\$0.4	\$0.3	\$0.5	\$0.5	\$0.6	\$0.5
MERHCF Contributions	\$7.5	\$7.8	\$8.4	\$9.3	\$9.7	\$10.6
Grand Total	\$50.7	\$51.4	\$51.3	\$55.7	\$58.4	\$58.7

Sources: Department of Defense (DOD), “Defense Budget Overview,” March 2023, p. 4-8; DOD “Defense Health Program Fiscal Year (FY) 2024 Budget Estimates,” March 2023, p. 1; and CRS In Focus IFI2087, *FY2023 Budget Request for the Military Health System*, by Bryce H. P. Mendez.

Notes: Numbers may not add up due to rounding. DHP sub-totals include MHS funding for overseas contingency operations (OCO), direct war costs, or “overseas operations costs.” The FY2024 request does not include funding that Congress historically adds to the DHP (e.g., unrequested medical research funding). The FY2020 and FY2021 enacted amounts include supplemental funding appropriated from the CARES Act (P.L. 116-136). *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 FY2024 Defense Health Program Request

<p>Selected Increases (Baseline: FY2023)</p> <ul style="list-style-type: none"> \$402.8 million increase in private sector care costs to align TRICARE reimbursement rates with Medicare reimbursement rates \$78.2 million increase to address impacts of Executive Order 14026, <i>Increasing the Minimum Wage for Federal Contractors</i> \$4.6 million increase for the TRICARE Competitive Plan Demonstration Program \$2.1 million increase to provide health care for victims of anomalous health incidents <p>Selected Decreases (Baseline: FY2023)</p> <ul style="list-style-type: none"> \$200.0 million decrease in MTF pharmaceutical costs due to reduced MTF pharmacy utilization \$72.3 million decrease in anticipation of reduced demand for COVID-19 related care in MTFs \$31.9 million decrease in facility sustainment funding 15.5 million (8%) decrease for the Uniformed Services University of the Health Sciences 	<p>Selected Account Transfers</p> <ul style="list-style-type: none"> \$23.7 million transfer from the Army and Air Force to DHP for the consolidation of DOD public health functions \$5.9 million transfer from DHP to Army for medical RDT&E realignment \$4.6 million transfer from DHP to the military services for operating and maintaining certain facilities \$2.4 million transfer from Army to DHP for medical RDT&E realignment <p>Selected Activities of Interest</p> <ul style="list-style-type: none"> \$1,400.0 million in clinical mental health programs and initiatives \$47.1 million for DOD Cancer Moonshot initiatives \$39.1 million to improve the ability to “prevent, detect, and respond to biological incidents and biological threats” \$8.5 million to enhance the Defense Occupational and Environmental Health Readiness System \$11.1 million for the Mild Traumatic Brain Injury Initiative
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In previous years, DOD planned to reduce military medical end-strength; however, Congress has acted to limit these reductions. Section 741 of the National Defense Authorization Act for Fiscal Year 2023 (NDAA; P.L. 117-263) extended certain limitations in end-strength reductions until December 2027.

Military Construction (MILCON)

Medical MILCON funds MHS construction projects. The Defense Health Agency (DHA) coordinates the planning process to identify, prioritize, and fund medical MILCON projects. For FY2024, DOD requested \$493.3 million for ongoing and future construction projects. Of these, there are five line-item requests to fund existing or new MILCON projects:

- Ambulatory care clinic alterations, Marine Corps Air Station Miramar, CA (\$103.0 million);
- Dental clinic replacement, Marine Corps Recruit Depot San Diego, CA (\$101.6 million);
- Medical center replacement, Rhine Ordnance Barracks, Germany (\$77.2 million);
- Hospital expansion/modernization, Naval Support Activity Bethesda, MD (\$101.8 million); and
- Ambulatory care center replacement, Guantanamo Bay, Cuba (\$60.0 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 contributes to the MERHCF annually based on its “expected average force strength during that fiscal year” and investment amounts determined by the Secretary of Defense. For FY2024, DOD requested \$10.6 billion for the MERHCF.

Considerations for Congress

As part of the defense appropriations process, Congress may consider the following lines of inquiry to obtain

clarification from DOD on the long-term strategy and potential effects of DOD’s FY2024 MHS budget request.

Controlling Health Care Costs

DOD’s budget request noted that private sector care accounted for 65% of the total care delivered to beneficiaries and that it “will continue to represent an important part of the overall health system in [FY2024] and beyond.” DOD did not state a long-term strategy to control these health care costs while sustaining military medical readiness requirements and other health-related program investments.

Efficiency and Cost Effects of MHS Reform

The FY2017 NDAA (P.L. 114-328) directed a number of reforms to streamline the administration of the MHS. The accompanying conference report (H.Rept. 114-840) stated that these reforms would “eliminate redundancy and generate greater efficiency, yielding monetary savings to the Department.” In FY2024, DOD is to continue implementation of MHS reform efforts and sustain its new organizational structure. It is not clear what efforts the Department has taken to measure or quantify efficiency and cost effects, if any, resulting from these MHS reforms.

Resources

Department of Defense, “Defense Health Program Fiscal Year (FY) 2024 Budget Estimates,” March 2023
 CRS In Focus IFI2087, *FY2023 Budget Request for the Military Health System*, by Bryce H. P. Mendez
 CRS In Focus IFI0530, *Defense Primer: Military Health System*, by Bryce H. P. Mendez
 CRS In Focus IFI1273, *Military Health System Reform*, by Bryce H. P. Mendez

Bryce H. P. Mendez, Analyst in Defense Health Care Policy

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