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INSIGHT

DOD Plans for "Stabilizing and Improving the Military Health System"

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The Department of Defense (DOD) administers a Military Health System (MHS) that provides health care entitlements authorized in Title 10, Chapters 55 and 56, of the *U.S. Code*, and is organized, in part, under the TRICARE program. The TRICARE program offers health care benefits to approximately 9.6 million beneficiaries in DOD hospitals and clinics (i.e., military treatment facilities or MTFs) and through networks of participating civilian health care providers (i.e., private sector care). The Defense Health Agency (DHA) administers the TRICARE program, MTFs, and contracts with several managed care organizations to deliver health entitlements and benefits.

Congress has expressed ongoing interest in MHS challenges with MTF staffing, access to care, and curbing private sector care costs. In 2023, the Government Accountability Office found that "DHA faces challenges mitigating shortfalls in military medical personnel in MTFs." The DOD Inspector General reported similar findings in 2023 and issued a management advisory to the DHA Director that described "concerns related to access to care" in the MHS, including those resulting from MTF staffing shortages. To address these challenges, DOD announced a series of actions to "get the right people into the right military hospital or clinic at the right time–both medical staff and patients."

This Insight provides an overview of DOD actions intended for "stabilizing and improving" the MHS and identifies potential considerations for Congress.

Background

The MHS offers health care to eligible beneficiaries through two venues: MTFs and the private sector. Generally, when an MTF is at capacity or lacks a certain clinical capability, beneficiaries are referred to TRICARE providers in the private sector. Several factors may influence an MTF's capacity or capability, including health care staffing and demand, military requirements or training, deployments, and geographic location. In the past, the MHS had varied strategies that emphasized either a shift in beneficiary care to the MTF or to the private sector.

Figure 1 and **Figure 2** show trends in beneficiary care location. Between FY2001 and FY2022, the proportion of care delivered in MTFs has decreased. **Figure 3** shows the number of MTFs in the MHS between FY2004 and FY2022.

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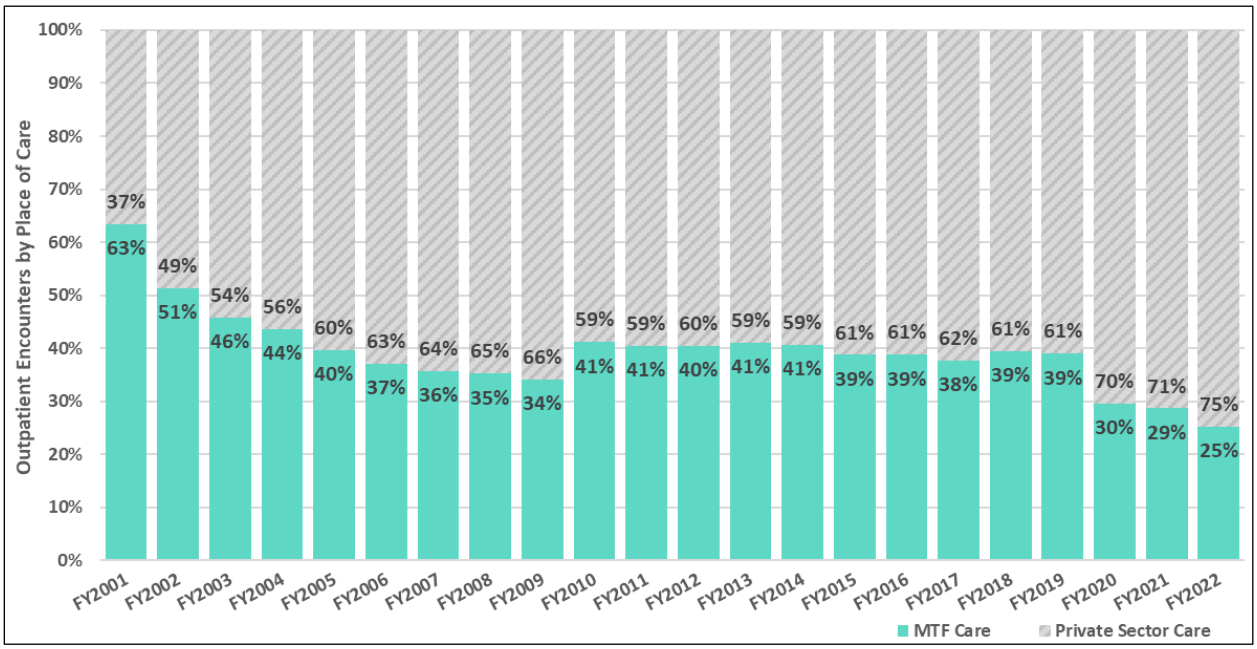
Figure 1. Outpatient Encounters by Place of Care

MTF Care vs. Private Sector Care, FY2001-FY2022

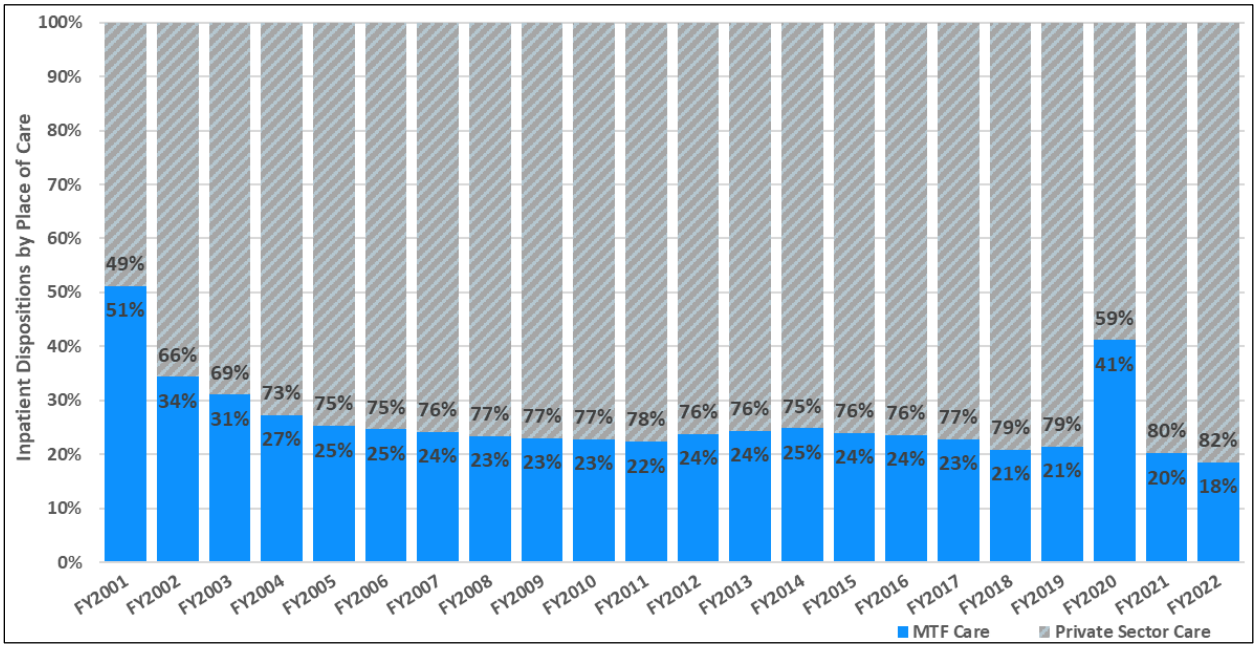


Source: CRS analysis of annual reports to Congress on the Evaluation of the TRICARE Program, 2004-2023.

Notes: "Outpatient encounters" refer to outpatient visits.

Figure 2. Inpatient Dispositions by Place of Care

MTF Care vs. Private Sector Care, FY2001-FY2022

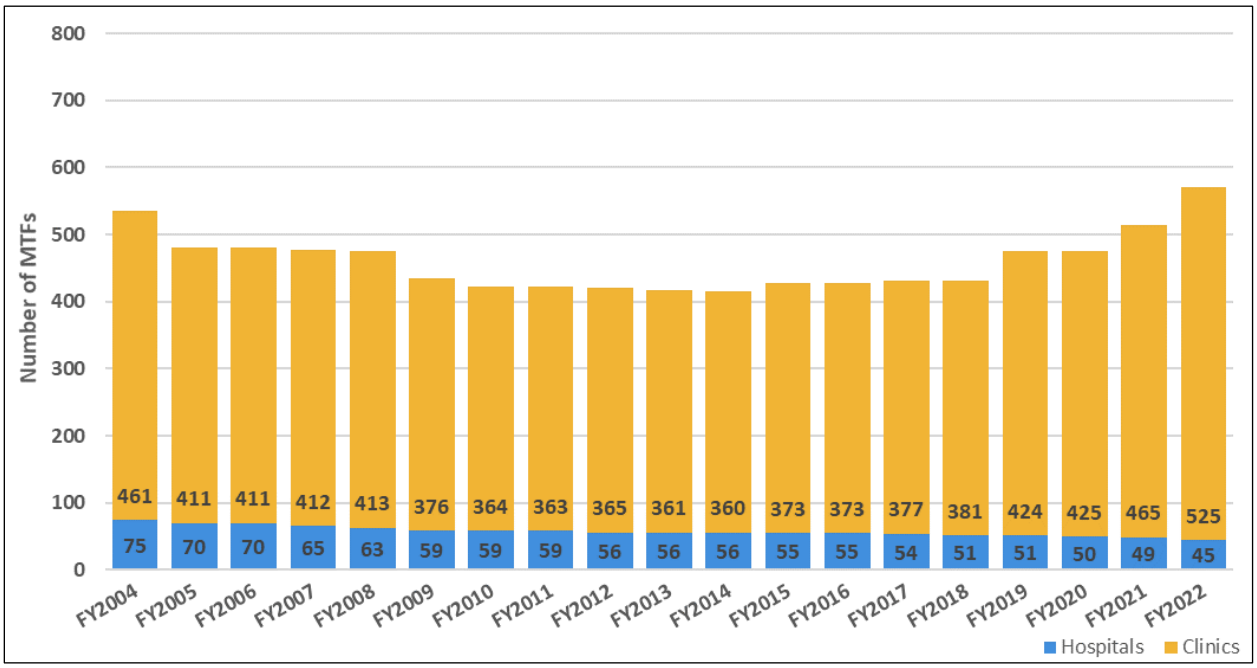


Source: CRS analysis of annual reports to Congress on the Evaluation of the TRICARE Program, 2004-2023.

Notes: "Inpatient dispositions" refer to discharges from an inpatient facility (e.g., hospital).

Figure 3. MTFs in the MHS

FY2004-FY2022



Source: CRS analysis of annual reports to Congress on the Evaluation of the TRICARE Program, 2004-2023.

MHS Stabilization Directives

By law (10 U.S.C. §1073d), DOD operates MTFs to "support the medical readiness of the armed forces and the readiness of medical personnel." In a December 2023 memorandum to senior DOD leaders, Deputy Secretary of Defense Kathleen H. Hicks directed the following actions intended to "reattract beneficiaries" to MTF care in order to "support the National Defense Strategy, increase clinical readiness, mitigate risks to [military] requirements, and reduce long-term cost growth in private sector care."

- Complete a Level 3 concept plan for the Integrated Continental United States Medical Operations Plan (ICMOP) by July 31, 2024.
- Complete a comprehensive review of medical personnel requirements "regardless of funding source" (e.g., Defense Health Program-funded and service-funded positions) by June 30, 2024.
- Establish medical personnel requirements at each MTF that support reattracting at least 7% of "available care from the private sector back to MTF on average" by December 31, 2026.
- Redistribution of DHA-assigned military medical personnel across the MHS that "optimizes clinical readiness and care opportunities" no later than July 1, 2024.
- Implement "enhanced appointment and compensation authority" stipulated in 10 U.S.C. §1599c and Title 38, Chapter 74, *U.S. Code*, to recruit and retain certain civilian health care providers.

In June 2024, DOD subsequently issued Directive-Type Memorandum 24-003, *Military Health System Manpower Requirements Determination, Resourcing, and Assignment*, to establish policy, assign responsibilities, and provide procedures for certain personnel and staff-related directives of the December

2023 memorandum. The Assistant Secretary of Defense for Health Affairs also promulgated the following business rules on how DHA and the military departments are to collaborate on staffing and resourcing MTFs and meeting "validated operational and training requirements" for military medical personnel:

- MHS Staffing Transparency and Resourcing Impact Business Rules;
- MHS Human Capital Distribution Plan Business Rules; and
- MHS Notification Business Rules.

FY2025 MHS Budget Request

For FY2025, DOD requested $61.4 billion to fund the MHS, which is $1.1 billion (1.8%) more than the FY2024 appropriation. DOD's budget justification for the Defense Health Program (DHP) account, which funds the MHS, stated that FY2025 funds would continue "MHS reform efforts underway by focusing on improving access and availability to services for our patients by stabilizing the workforce and incorporating technology platforms in the direct care system." The department also estimates a 2% increase in beneficiary enrollment for MTF care.

For an overview of the MHS budget request, seeCRS In Focus IF12660, *FY2025 Budget Request for the Military Health System*, by Bryce H. P. Mendez.

Considerations for Congress

The following lines of inquiry may support congressional oversight on MHS stabilization efforts.

- How will DOD keep Congress abreast of MHS stabilization efforts?
- What percentage of care should be delivered in the MTFs vs. private sector to "stabilize and improve readiness, capacity, and access to care?"
- What strategies will DHA consider or employ to "reattract" beneficiaries to MTFs while ensuring access to timely and high-quality care?
- Will DHA prioritize MTFs that would focus on reattracting beneficiaries? If so, which MTFs?
- Does DOD require new or revised authorities, or adjustments to the DHP or military departments' operation and maintenance or military personnel accounts, to implement MHS stabilization efforts?
- DOD has submitted a proposal to Congress to amend 10 U.S.C. §1599c that would extend the expiration date for "enhanced appointment and compensation authority" from December 31, 2025 to December 31, 2030. How would DOD utilize this authority to recruit and retain certain civilian health care providers?

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