

September 23, 2025

FY2026 Budget Request for the Military Health System

In June 2025, President Donald J. Trump submitted to Congress his Fiscal Year (FY) 2026 budget request, which included \$848.3 billion in discretionary funding for the Department of Defense (DOD), which is “using a secondary Department of War designation,” under Executive Order 14347 dated September 5, 2025. Roughly 7.5% (\$64.0 billion) of the budget request was for the Military Health System (MHS). The MHS delivers certain health entitlements under Title 10, Chapter 55, of the *United States Code*, to servicemembers, military retirees, and their families. The MHS provides health care to 9.4 million beneficiaries through DOD hospitals and clinics—known as *military treatment facilities* (MTFs)—and civilian health care providers participating in TRICARE, DOD’s health insurance-like program.

Congress typically appropriates discretionary funding for the MHS through several accounts in the annual defense and military construction-veterans affairs appropriations, including 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).

FY2026 MHS Budget Request

The FY2026 MHS budget request is 4.1% (\$2.5 billion) more than the FY2025 appropriation. **Table 1** shows the

FY2026 request and previously enacted amounts for the MHS. The request does not include a proposal to modify statutory TRICARE cost-sharing requirements for beneficiaries.

Defense Health Program (DHP)

The DHP, resourced mostly by O&M funds, performs 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 FY2026 request for the DHP account is \$40.5 billion, which is 0.2% (\$0.1 billion) more than the appropriated amount for FY2025. **Table 2** highlights selected programs that DOD states it intends to create, maintain, expand, reduce, or transfer to other 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.

Table 1. Military Health System Funding, FY2022 Enacted-FY2026 Request
(\$ in billions)

	FY2022 Enacted	FY2023 Enacted	FY2024 Enacted	FY2025 Enacted	2025 Reconciliation	FY2026 Request
O&M (DHP)	\$37.4	\$39.2	\$39.9	\$40.4	\$2.0	\$40.5
DHP Operation & Maintenance	\$34.0	\$35.6	\$36.6	\$38.3	\$2.0	\$39.2
RDT&E	\$2.6	\$3.0	\$2.9	\$1.7	-	\$1.0
Procurement	\$0.8	\$0.6	\$0.4	\$0.4	-	\$0.4
MILPERS	\$8.5	\$8.9	\$9.2	\$9.5	-	\$10.0
MILCON (DHA)	\$0.5	\$0.6	\$0.5	\$0.5	-	\$0.6
MERHCF Contributions	\$9.3	\$9.7	\$10.6	\$11.0	-	\$12.9
Grand Total	\$55.7	\$58.4	\$60.2	\$61.5	\$2.0	\$64.0

Sources: DOD, “Defense Budget Overview,” July 2025, p. 4-4; DOD “Defense Health Program Fiscal Year (FY) 2026 Budget Estimates,” June 2025, pp. iii-iv; DOD, “Defense Health Agency, FY 2026 Military Construction, Defense-Wide,” p. 1; P.L. 119-21, §20001; CRS In Focus IFI2660, *FY2025 Budget Request for the Military Health System*, by Bryce H. P. Mendez; and correspondence with DOD officials, August 2025.

Notes: Numbers may not add up due to rounding. *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. The FY2025 *MILCON* amount includes a \$17.4 million disaster relief supplemental appropriated in P.L. 118-158. The 2025 *Reconciliation* amount refers to DHP funding appropriated in P.L. 119-21. The FY2026 *Request* does not include funding that Congress typically has added to the DHP (e.g., unrequested medical research funding). CRS has disaggregated the consolidated amount listed for the *DHP Operation & Maintenance* activity in DOD’s budget justification documents into their respective dollar figures under the 2025 *Reconciliation* and FY2026 *Request* columns.

Table 2. Selected Highlights from the FY2026 Defense Health Program Request

<p>Selected Increases (Baseline: FY2025 request)</p> <ul style="list-style-type: none"> • \$310.1 million increase for MTF access to care initiatives • \$106.4 million increase to address growth in use of “expensive specialty pharmaceuticals” • \$60.5 million increase to facility sustainment, restoration and modernization programs <p>Selected Decreases (Baseline: FY2025 request)</p> <ul style="list-style-type: none"> • \$503.6 million decrease to private sector care funding based on financial projections and <i>MHS Stabilization</i> efforts • \$51.1 million decrease to civilian personnel full-time equivalents that “optimize the workforce in compliance with Executive Order 14210” • \$8.0 million decrease to medical research on anomalous health incidents 	<p>Selected Account Transfers</p> <ul style="list-style-type: none"> • \$165.0 million transfer to the Joint DOD-VA Medical Facility Demonstration Fund • \$15.0 million transfer to the DOD-VA Health Care Joint Incentive Fund <p>Selected Activities of Congressional Interest</p> <ul style="list-style-type: none"> • \$27.7 million for the congressionally-directed cryopreservation demonstration program • \$10.4 million for sustainment and improvement of selected medical simulation centers • \$11.5 million for the Military Traumatic Brain Injury Initiative • \$8.2 million for accession medical evaluation screening support at U.S. Military Entrance Processing Command and other sites
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DOD requested \$10.0 billion for medical MILPERS for FY2026, but did not identify personnel costs related to the MHS at more detailed levels (e.g., budget activity group, program element, or line item). This request is slightly higher than the FY2025 enacted amount and reflects a 0.2% decrease in overall military medical end-strength (-259 positions). In previous years, DOD planned to reduce military medical end-strength; however, Congress has acted to limit these reductions. Section 741 of the James M. Inhofe 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)

The Medical MILCON account funds MHS construction projects. The Defense Health Agency (DHA) coordinates the planning process to identify, prioritize, and fund medical MILCON projects. For FY2026, DOD requested an appropriation of \$577.1 million for five line-items:

- \$322.2 million for hospital replacement, phase 2 (increment 1), at Royal Air Force Lakenheath, United Kingdom;
- \$99.2 million for medical center replacement (increment 12) at Rhine Ordnance Barracks, Germany;
- \$70.0 million for medical center addition/alteration (increment 9) at Naval Support Activity Bethesda, MD;
- \$50.0 million for medical warehouse addition at Travis Air Force Base, CA; and
- \$35.8 million for ambulatory care center replacement (increment 3) at Naval Station Guantanamo Bay, Cuba.

Medicare Health Care Accrual Contributions

Medicare health care accrual contributions fund the Medicare-Eligible Retiree Health Care Fund (MERHCF), which covers health care expenses for Medicare-eligible military retirees and their families. Each uniformed service contributes to the MERHCF annually based, in part, on its “expected average force strength during that fiscal year” and investment amounts determined by the Secretary of Defense. For FY2026, DOD requested \$12.9 billion for the MERHCF.

Issues for Congress

As part of the defense appropriations process, Congress could consider the long-term strategy and potential effects of DOD’s FY2026 MHS budget request.

MHS Stabilization

Congress directed structural reforms, in the FY2017 NDAA (P.L. 114-328, §§702-703), to streamline the management of the MHS. DOD has since implemented these reforms while congressional interest also remains on whether or not the MHS is prepared to support future combat operations. In March 2025, the Senate Armed Services Committee, Subcommittee on Personnel, held a hearing on “Stabilizing the Military Health System to Prepare for Large-Scale Combat Operations” to consider whether the MHS is “ready for the potential demands of large-scale combat operations in the future.”

In light of demonstrated congressional interest, DOD is conducting several *MHS Stabilization* efforts intended to “provide medically ready forces and ready medical forces, and to deliver high quality care” to beneficiaries. In a December 2023 memorandum to senior DOD leaders, the then-Deputy Secretary of Defense directed actions intended to “re attract 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.” The memorandum also directed the department to re attract at least 7% “of available care from the private sector back to MTFs ... by December 31, 2026.”

The FY2026 MHS budget request states that the MHS “purchases more than 65 percent of the total care provided for beneficiaries through tailored contracts.” The request also states that DOD intends to prioritize “strategic investments” in large MTFs and maintain its “commitment to stabilizing the Direct Care System” while “moderating [private sector care] growth to slightly below projected inflation.”

The overarching needs of the MHS to be prepared for future combat operations remain to be seen. Congress may consider how DOD is measuring progress on MHS stabilization and what additional resources, if any, DOD would need to invest in its MTFs to achieve these efforts.

For more on MHS stabilization efforts, see CRS Insight IN12414, *DOD Plans for “Stabilizing and Improving the Military Health System”*, by Bryce H. P. Mendez.

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