DoD
Resource Management

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Learning Objectives

• At the conclusion of this activity, the participant will be able to:

✓ Describe the Military Health System, Services, and Medical Treatment Facility budget processes

✓ Discuss the history and current state of play of the TRICARE contracts

✓ Describe the Prospective Payment System
Total Federal Outlays

- Social Security: 22%
- Medicare: 12%
- Health: 10%
- Income Security: 14%
- National Defense: 20%
- Net Interest: 7%
- Veterans benefits and services: 3%
- Administration of justice: 2%
- Other: 1%
- Education, training, employment, and social services: 4%
- Transportation: 3%
- International affairs: 1%
- Natural resources and environment: 1%
The Resource Management Process

- Planning
- Programming
- Budgeting
- Accounting
- Analysis and Reporting
Planning

- Mission, Vision, Organization Goals
- Strategic Planning
- Financial Planning
- Operational Planning
DoD Resource Planning

- Planning, Programming, and Budgeting System (PPBS)
  - Created under the Kennedy Administration
  - Robert McNamara and the “Whiz Kids”

- Sometimes called PPBES
  - E for Execution
  - Robert Hale former OSD Comptroller “lets put the big E back into PPBES”
DoD Priorities for 2012

- Assure allies and friends
- Dissuade future military competition
- Deter threats and coercion against U.S. interests
- If deterrence fails, decisively defeat any adversary
DoD Priorities for 2013

• Prevail in today’s wars
• Prevent and deter conflict
• Prepare to defeat adversaries and succeed in a wide range of contingencies
• Preserve and enhance the All-Volunteer Force
• Reform the business and support functions of the defense enterprise
DoD Priorities for 2014

• Act as Good Stewards of Taxpayer Dollars
• Implement & Deepen Program Alignment to New Strategic Guidance
• Seek a Ready Force
• People are Central
DoD Priorities for 2015

• Seek a Balanced Force
• Prepare for Prolonged Readiness Challenges
• Continue to Focus on Institutional Reform
• Pursue Compensation Changes
• Pursue Investments in Military Capabilities
DoD Priorities for 2016

• Seek a Balanced Force
• Manage Enduring Readiness Challenges
• Continue to Focus on Institutional Reform
• Pursue Investments in Military Capabilities
• Provide for People
• Support Overseas Contingency Operations
DoD PPBES

- A rigorous process to:
  - Allocate resources -- among competing programs -- while considering perceived threats

- A repetitive cumbersome process ensures due process
  - Direct logic path from war plans to execution of programs in the field
  - Multiple forums and hearings prior to final decision

- Requirements Driven
**PPBES Timeline**

President submits first Monday in February

- **FY15** Execution Year
- **FY16** Budget Year
- **FY17**
- **FY18**
- **FY19**
- **FY20**
- **FY21**
- **FY22**

Future Years Defense Plan (FYDP)

Programming Years

POM 22
POM Wisdom

• “Most educated people know that the worst potential competition for any young organisms can come from its own kind........They have the same requirements.”
  
  • Frank Herbert, *Dune*
POM Wisdom (cont)

• You can’t win, and you can’t not play
• You can’t consult enough
• If you aren’t dressed and on the bench the coach can’t put you in
• And “get a helmet on and get in the game”
To many the glass is half empty...to others it is half full

To a POM mechanic you have twice as much glass as you need
Creating the President’s Budget

• Administration provides guidelines (targets, limits) to federal agencies

• Agencies prepare budget requests

• OMB review and consolidation
Congressional Committees of Interest

• Budget
• Revenue
  • Ways and Means (House)
  • Finance (Senate)
• Appropriations
• Authorizations
Congressional Legislative Framework

U.S. Constitution - Article 1

• Section 8: The Congress shall have power to...provide for the common defense and general welfare...

• Section 9: ...No money shall be drawn from the treasury, but in consequence of appropriations made by law...
*No money shall be drawn from the treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time.*

— U.S. Constitution, Article 1, Section 9
Defense Related Appropriations & Authorizations

• Appropriations
  • HAC
  • SAC
• Subcommittees common to both:
  • Defense
  • Milcon/VA
  • Energy & Water
  • HHS/Labor/Education
  • Homeland Security

• Authorization
  • HASC
  • SASC
Federal Budget Process

• Budget Formulation

• Congressional Action

• Budget Execution

• Review and Audit
Congressional Actions

- Budget Resolution
- Committee hearings
- Floor Actions
- House Senate debate amendments
- House Senate versions
- Conference
- Passage (On or before 1 October)
  - Continuing Resolutions – temporary appropriations
- President signature/veto
Process Review

• Appropriation
• Apportionment
• Allotment
• Commitment
• Obligation
• Expense (outlay)
Defense Appropriations

- Operations and Maintenance (O&M)
- Research Development Test and Evaluation (RDT&E)
- Procurement
- Military Construction
- Military Pay
Budget Activity Groups (O&M BAGs)

- Bag 1: Direct Care
- Bag 2: Private Sector Care
- Bag 3: Consolidated Health
- Bag 4: IM/IT
- Bag 5: Management Headquarters
- Bag 6: Education and Training
- Bag 7: Base Operations/Communications
Commodities

- Personnel
- Travel
- Transportation
- Communication/Utilities/Rent
- Printing
- Other Services (Contracts)
- Supplies and Material
- Equipment
- Stipends/Grants
Status of Funds

• Commitment
  • Plan to spend

• Obligation
  • Contract, Purchase Order, Civilian Hire

• Expense
  • (1) Goods received – services rendered, (2) valid invoice, and (3) valid purchase order (three way match)

• Available
  • Funds that are not committed, obligated, or expensed
Availability of Budgetary Resources

• Purpose
  • Funds may be obligated and expended only for the purposes authorized in the appropriations acts or other laws

• Time
  • The period of time during which budgetary resources may incur new obligations is different from the period during which the budgetary resources may be used to incur expenditures

• Amount
  • Obligations and expenditures may not exceed the amounts established in law
Legal Control of Funds

• The legal control of funds is governed by the legal authority of funds with regard to:
  
  • Purpose - 31 USC 1301
    • Necessary expense doctrine
      • Reasonably related
      • Not prohibited by law
      • Not funded elsewhere

  • Time – 31 USC 1502
    • Bona fide need rule

  • Amount – 31 USC 1341, 31 USC 1517
    • ADA violation
FY12 DHP by Appropriation

$33B

Not included in the $33B, Medical MILCON, MILPERS, or BRAC
FY15 Defense Health Program
$50.94B

Diagram showing the distribution of the FY15 Defense Health Program funds among different categories: O&M, MERHCF, MILCON, RDT&E, PROC, and MILPERS.
FY15 Defense Health Program
$50.94B

As Secretary Gates stated in his May 2010 speech on defense spending, “Health care costs are eating the Defense Department alive.”
Defense Health Program FY15
O&M $31B
Background on Military Health System

Defense Health Program: by Budget Activity Group*

Management Activities represent a small part of DoD's health care costs

Opportunities exist for a properly organized management HQ to effect change with shared services

*Source: FY 2012 President's Budget position for DHP O&M

Total = $30.903B
TRICARE Contracts

• National Quality Monitoring
• Global Remote
• Health Care and Support Services (HCSS)
• Retail Pharmacy
TRICARE Contracts (cont)

- Mail Order Pharmacy
- TRICARE Dual Eligible Fiscal Intermediary
- Marketing and Education
- TRICARE Retiree Dental
- Overseas SoS
TIRCARC Contracts History Review

• CHAMPUS Civilian Health and Medical Program of the Uniformed Services
• CRI CHAMPUS Reform Initiative
  • Foundation Health Corp (now Health Net) CA and HI from 1988-1994
TIRCARE Contracts History Review

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TIRCARE Contracts History Review

- T1: 12 Regions, Lead Agent Model
- T2: Introduced Resource Sharing
- T3: Managed Care Enrollment Based Capitation: B³
- Tnext One Contract 3 Awards 80/20 risk sharing Performance Guarantee, Award Fee for Customer Satisfaction, Underwritting Fee, moving base year
TRICARE Overview

• Tnow – risk sharing eliminated,
  • Health care costs are a pass through
  • Performance and Satisfaction incentives

• T4 ?? Dr. Guy Clifton Author of Flatlined: Resuscitating American Medicine (a work in progress)
Intended Benefits of Underwriting

• Shared risk promotes Government/contractor partnership to control purchased care costs
• Annual determination of target cost minimizes contractor’s long term risk
  • Reduces “risk premium” and potential for disputes
• Lack of adjustment for MTF usage creates strong incentive to maximize use of the MTF
  • More MTF care means less purchased care, more realized fee for the contractor and less cost for the Government
• Paying healthcare costs in real time improves budget execution and predictability
Prospective Payment System

• Prospective Payment System (PPS)
  • PPS is a main resource allocation mechanism in the MHS
  • Redistributes funds between the Services by comparing actual work to planned work
• PPS is retrospective not prospective
**PPS Value of Care**

- Value of MTF Workload
  - Fee for Service rate for workload produced
- Rates based on price at which care can be purchased discounted for Military Labor
  - TMAC rates
  - Not MTF costs
- Computed at MTF level but allocated to the Services
PPS Workload

How we got here

• Inpatient – MEPRS A Work centers
  • Non-Mental Health - Relative Weighted Products (RWP) s
  • Mental Health - Bed Days

• Outpatient – MEPRS B Work centers
  • Simple (Work) Relative Value Units (RVUs)

• In the Direct Care System ~70 cents of every dollar goes to labor; Military, civilian, and contract
MHS Mantra or Why Recapture?

“The incremental cost of the next thing in the MHS is always less than the average cost of that same thing in the network”
MENBA Pilot Project

• QDR: “Capture the quantity, value, and expense of readiness and military-unique services provided by MHS activities”
• Identify and List all Mission Essential/Non-Benefit Activities (MENBA) performed in the MHS
• On-site visits
  • 6 MTFs (1 small & 1 Large from each Service)
  • MTF Participation:
    • Coordinate Schedule
    • Provide limited Documents (e.g., Committees List, Additional Duties Rosters, etc.)
    • Be Part of the Team, Part of the Project!
• Work with MENBA WG to “sort out”, classify & develop Taxonomy for activities
Next Steps

- Ancillary
- Pharmacy
- Utilization Management/Capitation
- Industry Standard Workload
- Dental
- Mission Essential Non-Benefit Activities
- Paying for Quality
Influencing the Cost of Military Medicine

Force Structure

Benefit

Mission

Population

Military Healthcare Costs

$ $$ $
Obtaining CME/CE Credit

• If you would like to receive continuing education credit for this activity, please visit:
  • http://medxellence.cds.pesgce.com