UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JUN 17 2020

The Honorable Richard C. Shelby
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Department's response to Senate Report 112-173, pages 132-133, accompanying S. 3254, the National Defense Authorization Act for Fiscal Year (FY) 2013, is enclosed. The report requests that the Secretary of Defense, in consultation with the Director of the Office of Personnel Management, provide an update on the use of healthcare provider appointing authorities to appoint and pay for critically needed healthcare occupations.

The Department of Defense reports annually to Congress on its use of authorities to recruit and retain civilian healthcare professionals. The enclosed report summarizes the extent to which such authorities are being used, as well as efforts to offset or mitigate hiring and retention difficulties.

Thank you for your continued support for the health and well-being of our Service members, veterans, and their families. I am sending identical letters to the other congressional defense committees, the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Oversight and Government Reform.

Sincerely,

//Signed//
Matthew P. Donovan
US Under Secretary of Defense for P&R

Enclosure:
As stated

UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

The Honorable Patrick J. Leahy
Vice Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

JUN 17 2020

Dear Senator Leahy:

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PERSONNEL AND
READINESS

JUN 17 2020

The Honorable Adam Smith
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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PERSONNEL AND
READINESS

JUN 17 2020

The Honorable William M. "Mac" Thornberry
Ranking Member
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Representative Thornberry:

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US Under Secretary of Defense for P&R

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PERSONNEL AND READINESS

JUN 17 2020

The Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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PERSONNEL AND READINESS

JUN 17 2020

The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Senator Reed:

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US Under Secretary of Defense for P&R

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WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JUN 17 2020

The Honorable Nita M. Lowey
Chairwomen
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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US Under Secretary of Defense for P&R

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WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JUN 17 2020

The Honorable Kay Granger
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Representative Granger:

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US Under Secretary of Defense for P&R

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PERSONNEL AND
READINESS

JUN 17 2020

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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US Under Secretary of Defense for P&R

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UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JUN 17 2020

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, DC 20510

Dear Senator Peters:

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UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JUN 17 2020

The Honorable Carolyn B. Maloney
Chairwoman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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PERSONNEL AND
READINESS

JUN 17 2020

The Honorable Jim Jordan
Ranking Member
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Representative Jordan:

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Matthew P. Donovan
US Under Secretary of Defense for P&R

Enclosure:
As stated

ANNUAL REPORT TO CONGRESSIONAL COMMITTEES ON HEALTH CARE PROVIDER APPOINTMENT AND COMPENSATION AUTHORITIES FISCAL YEAR 2019

SENATE REPORT 112–173, PAGES 132–133, ACCOMPANYING S. 3254, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2019

The estimated cost of this report or study for the Department of Defense (DoD) is approximately $3,900 in Fiscal Year 2019. This includes $0 in expenses and $3,900 in DoD labor.

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2019 REPORT TO CONGRESS
DEPARTMENT OF DEFENSE HEALTH CARE PROVIDER
APPOINTMENT AND COMPENSATION AUTHORITIES

Senate Report 112-173, pages 132-133, requests the Department of Defense (DoD) to report annually to specified congressional committees on its use of flexibilities to recruit and retain trained, experienced civilian healthcare professionals in critically needed healthcare occupations. This report summarizes the extent to which such authorities are being used successfully throughout the DoD. The Department continues to use the authorities in chapter 74 of title 38, U.S.C., extensively throughout the DoD, which have contributed to successful recruitment and retention efforts for critical healthcare positions. In this report, we update fiscal year (FY) 2018 information submitted in the DoD's final report sent in May 2019 and describe progress made during FY 2019. A copy of the FY 2018 report is included for reference.

Hiring Authorities:
The DoD regularly uses a single hiring authority that is specific to the Military Health System (MHS), and a full range of hiring authorities created by the Office of Personnel Management (OPM) for use throughout the government. A summary of the MHS and OPM hiring authorities is outlined in the table below.

Authority/Flexibility	Scope & Coverage	DoD Specific	Gov't Wide
Expedited Hiring Authority (EHA) for certain Defense Healthcare Occupations	Applies to approximately 40 targeted medical and healthcare occupations MHS-wide.	✓	
OPM Government-wide Direct Hire Authority (DHA) for Medical Occupations	Approved for use at all locations and all grade levels for physicians, registered nurses, licensed practical/vocational nurses, pharmacists, and diagnostic radiologic technologists.		✓
OPM Government-wide DHA for Veterinary Medical Officer Positions	Approved nationwide for GS-11 through GS-15 veterinary positions.		✓
Delegated Examining processes	OPM authorizes agencies to fill competitive civil service jobs with applicants from outside the Federal workforce or Federal employees with or without competitive service status.		✓
Various non-competitive authorities	Such as Veterans Recruitment Appointment Authority, which allows non-competitive appointment of 30 percent disabled veterans leading to the conversion of career or career conditional appointment.		✓
Temporary and term appointments	Temporary and term appointments are used to fill positions when there is not a need for the job to be filled on a permanent basis.	✓	✓
The Pathways Program	Targets internships and recent graduates.		✓
Presidential Management Fellows	Matches outstanding graduate students with exciting Federal opportunities.		✓
Schedule A for appointing authorities for individuals and support positions	Allows for appointment of people with severe physical disabilities, psychiatric disabilities, and intellectual disabilities. Another Schedule A authority can be used to appoint readers, interpreters, and personal assistants for disabled employees.		✓

Table 1: MHS and OPM Hiring Authorities

Results of Using Hiring Authorities: The DoD continues to use all existing hiring authorities, particularly EHA and DHA for medical positions. The following clearly demonstrates a solid MHS commitment to using the enhanced hiring authorities and employing more streamlined hiring processes:

- FY 2016, 22.9 percent of all hiring actions used EHA and DHA authorities
- FY 2017, 26.7 percent of all hiring actions used EHA and DHA authorities
- FY 2018, 41.3 percent of all hiring actions used EHA and DHA authorities
- FY 2019, 50 percent of all hiring actions used EHA and DHA authorities

The DoD received authority in the National Defense Authorization Act for FY 2020 to waive Subchapter I of Chapter 33 of title 5, U.S.C., for certain medical and health professional positions that are determined to be a shortage category or critical need occupation. The Department anticipates this enhanced hiring authority, with its broad flexibilities, will expand the Department's ability to target and recruit qualified candidates.

Types of Compensation Authorities: Compensation authorities fall into two broad categories. First, the Department uses title 38 authorities that include, but are not limited to, Special Salary Rate (SSR) Authority (which allows DoD to increase rates of basic pay to amounts competitive within the local labor market, including the Department of Veterans Affairs (VA)); Physicians and Dentists Pay Plan (PDPP); Nurse Locality Pay System; Head Nurse Pay; and Premium Pay. Second, the DoD uses Government-wide authorities which include, but are not limited to, the Superior Qualifications and Special Needs Pay-Setting Authority (SQA); Recruitment, Relocation, and Retention Incentives (3Rs); Student Loan Repayment Program; service credit for leave accrual; and title 5 SSR authority (which allows OPM to increase pay to address existing or likely significant handicaps in recruiting or retaining well-qualified employees due to factors such as significantly higher non-Federal pay rates than those payable by the Federal Government within the area, location, or occupational group involved; the remoteness of the area or location involved; or the undesirability of the working conditions or nature of the work involved).

Results of Using Compensation Authorities: The use of compensation authorities continues to be robust. The MHS currently has approximately 2,209 physicians and dentists under the PDPP (up 51 since FY 2018), and there are 287 SSR tables (up 17 since FY 2018). SSRs authorize higher salary rates for multiple occupations, benefiting 11,098 employees, an increase of almost 800 employees. The DoD also continues to make use of the SQA and, where appropriate, uses a combination of SSRs and the SQA. These compensation authorities span more than 40 occupations, dispersed through 191 Continental United States and Outside the Continental United States duty stations.

Loss rates[1] for all medical occupations: As the following chart demonstrates, the loss rates for the 53 MHS medical occupations declined in FY 2015 and 2016, evened out in FY 2017 and 2018 and then increased slightly in FY 2019. Notwithstanding the number of losses in FY 2019,

[1] Within DoD, the loss rate is defined as losses to DoD, and not internal churn within the Military Departments. Data in the Corporate Management Information System (CMIS), which houses civilian data from the Defense Civilian Personnel Data System, is the source for loss rate calculations.

the five FY trend demonstrates some retention wins, attributable, at least in part, to the continued use of title 38 compensation authorities, combined with other compensation strategies.

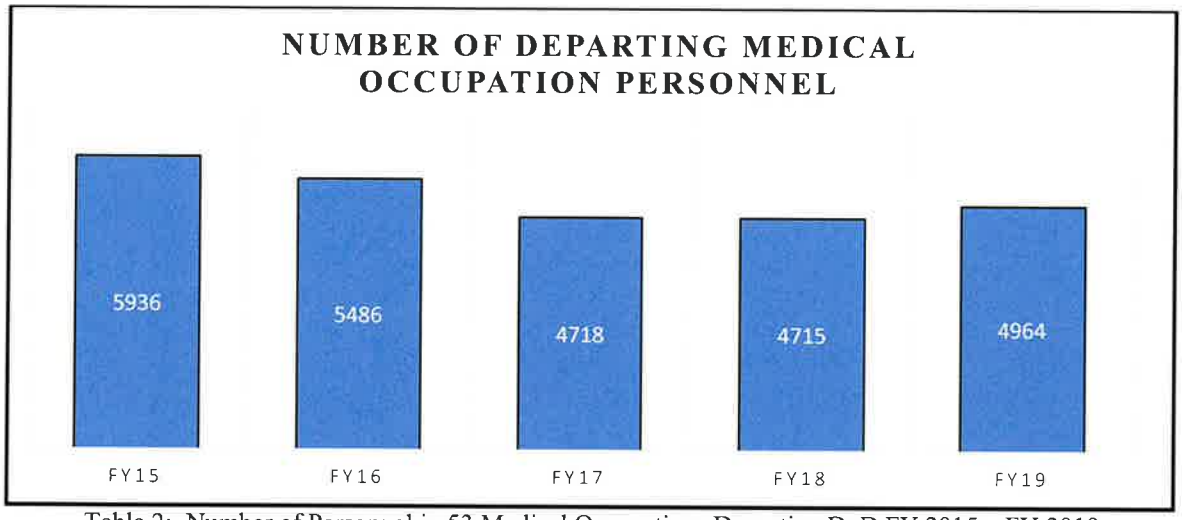

Table 2: Number of Personnel in 53 Medical Occupations Departing DoD FY 2015 – FY 2019
Source: CMIS as of September 30, 2019

Mission Critical Occupations (MCO) Loss Rates: One area that is carefully monitored is loss rate trend data for MCOs. These occupations are: licensed clinical social worker, physician, physician assistant, registered nurse, pharmacist, clinical psychologist, licensed practical/vocational nurse and physical therapist. The loss rate for all but two of the eight MCOs (physician and pharmacist) increased from FY 2018 to FY 2019. Examining the chart below, over the course of the past four FYs, the data show trends which the Military Departments (MILDEPs) are taking steps to mitigate and/or reverse. (See Strategic Recruitment and Retention Analysis section below.) We will report progress made in our FY 2020 annual report.

	FY 2016	FY 2017	FY 2018	FY 2019
Lic Clin Social Workers	10.9%	9.0%	11.2%	12.7%
Physicians	10.5%	10.4%	11.3%	9.8%
Physician Assistants	12.3%	11.2%	12.3%	14.1%
Registered Nurses	10.3%	11.0%	10.8%	12.2%
Pharmacists	9.0%	8.3%	7.8%	7.4%
Clinical Psychologists	13.8%	8.0%	7.8%	10.4%
Licensed Practical Nurse	15.2%	12.8%	13.9%	18.2%
Physical Therapist	8.9%	7.1%	9.5%	11.3%

Table 3: MCO Loss Rate FY 2016 – FY 2019
Source: CMIS as of September 30, 2019

A trend line chart of the MCO loss rates follows:

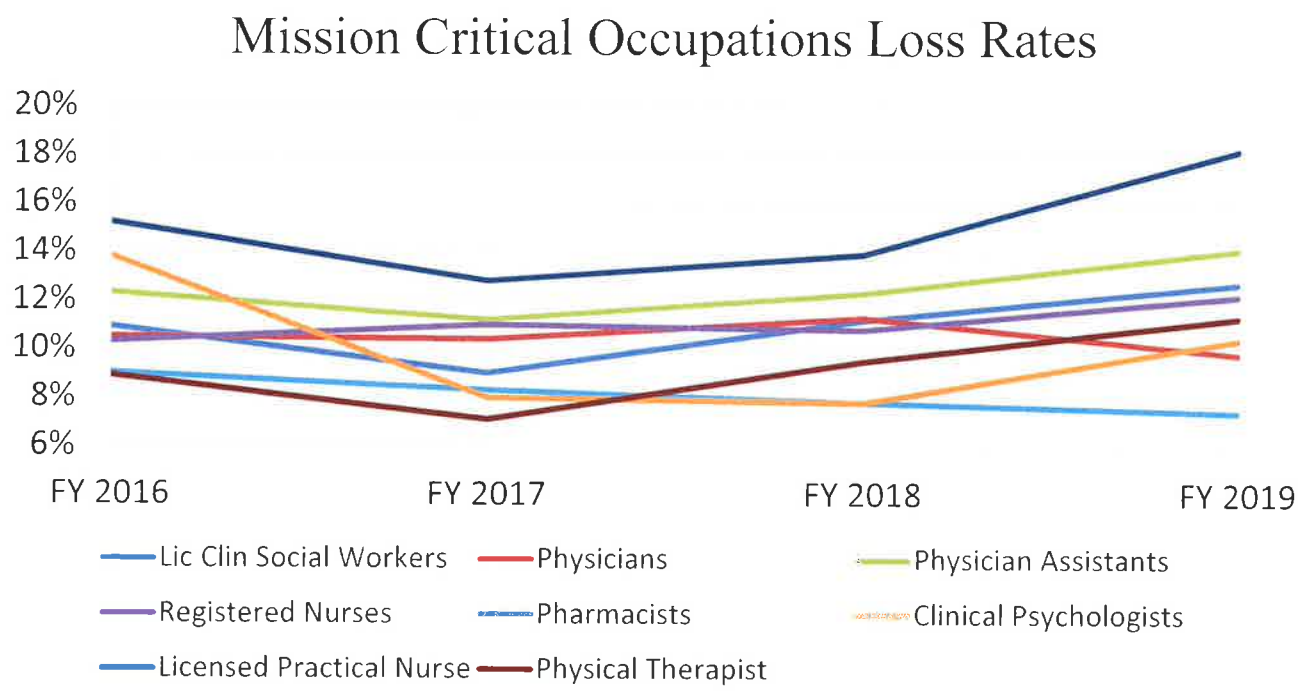

Table 4: MCO Loss Rate Trend lines FY 2016 – FY 2019
Source: CMIS as of September 30, 2019

MCO Loss Rate Analysis:

We are not able to gather consistent and reliable exit data. However, we can determine what percentage of employees resigned, retired or transferred to another government agency. With the exception of the Licensed Clinical Social Worker, the vast majority of MCO employees who left the MHS resigned rather than retiring or transferring. In some cases, the percentage of employees who resigned was double or triple the percentage who retired. In general, MHS MCO employees who leave go to organizations or facilities where they are paid more money and/or to obtain better career progression. This conclusion is borne out by input from the MILDEPs and the National Capital Region Medical Directorate (NCR-MD)[2] in their Strategic Recruitment and Retention analysis below.

MCO gains and losses are compared each FY. The following FY 2019 data show that in all but two MCO, gains outnumbered losses. This indicates that vacancies can be filled, but as other analysis has shown, employee loss continues at a significant rate.

[2] As part of the Defense Health Agency, the NCR-MD is comprised of Walter Reed National Military Medical Center, Fort Belvoir Community Hospital and associated clinics, and the Joint Pathology Center.

Mission Critical Occupation	Gains	Losses	Net Results
Licensed Clinical Soc Worker	78	80	Minus 2
Physician	327	222	Plus 105
Physician Assistants	100	82	Plus 18
Registered Nurse	1399	1216	Plus 183
Pharmacist	119	89	Plus 20
Licensed Clinical Psychologist	88	70	Plus 18
Licensed Practical Nurse	548	634	Minus 86
Physical Therapist	53	46	Plus 6

Table 5: MCO gains and losses in FY 2019
Source: CMIS as of September 30, 2019

Analysis of Projected Retirement Eligibility:

While there are numerous efforts underway to improve recruitment and retention, these initiatives alone may not be successful in meeting future requirements of the MCOs. Looking ahead to 2026, the Bureau of Labor Statistics (BLS) forecasts that the demand for all the MCOs is expected to rise across the United States, led by the need for physician assistants. In addition, the retirement eligibility for each of the MCOs suggests there may be potential recruiting and retention challenges in the near and long term due to competition with the private sector and supply and demand issues.

Job Series	BLS Projected Increase by 2028[3]	Retirement Eligibility by 2024[4]
Clinical Psychologists	14%	34.8%
Licensed Social Workers	11%	33.8%
Physicians	7%	45.6%
Physician Assistants	31%	33.1%
Registered Nurses	12%	28.1%
Licensed Practical//Vocational Nurses	11%	20.5%
Physical Therapists	22%	15.7%
Pharmacists	No change	24.3%

Table 6: Projected Demand and Retirement Eligibility
Source: CMIS as of September 30, 2019

When combined with normal attrition rates, retirement eligibility among the MILDEPs, NCR-MD, and the MHS as a whole, as shown in in Table 7, will result in increased retention challenges in the future. Trends are monitored to identify circumstances which may require additional focus and use of hiring and compensation authorities to maintain the needed staffing levels. For instance, the physician group has the largest percentage of employees eligible for retirement and so future trend data will have to be carefully monitored.

[3] BLS: "Healthcare occupations are projected to grow 14%, faster than the average for all occupations, adding ~1.9 million new jobs (more jobs than any of the other occupational groups.)"
https://www.bls.gov/ooh/healthcare/home.htm

[4] Optional retirement eligibility is determined by a combination of age and years of service.

Occupational series	Air Force	Army	NCRMD	Navy	MHS-wide
Psychologist	26.2%	36.4%	34.4%	34.5%	34.8%
Licensed Social Worker	39.6%	32.7%	28%	41%	33.8%
Physician	47.3%	45.8%	44%	44.8%	45.6%
Physician Assistant	22.2%	34.3%	24.8%	36.7%	33.1%
Registered Nurse	35.1%	25.3%	35.5%	30.4%	28.1%
Licensed Practical Nurse	22.2%	19.2%	22.6%	36.3%	20.5%
Physical Therapist	17.7%	10.9%	30.4%	26.9%	15.7%
Pharmacist	29.3%	22%	29.7%	27.6%	24.3%

Table 7: Projected retirements in FY 2024 broken down by component and occupation
Source: CMIS as of September 30, 2019

Strategic Recruitment and Retention Analysis:

When the MILDEPs and the NCR-MD were asked to identify current systemic problems with hiring and retention, they indicated they are experiencing difficulties with all or most of the MCOs. The retirement eligibility of physicians, clinical psychologists and licensed clinical social workers is of particular concern and will eventually result in a greater degree of turnover that will exacerbate existing recruitment and retention problems.

The MILDEPs/NCR-MD have indicated that the primary barrier to becoming more competitive with other employers is that the MHS is unable to compete with compensation packages offered by private hospitals. For instance, private sector employers are often able to offer incentives such as stock options and flexibility in determining salary offers, bonuses, and benefits. This is exacerbated by supply and demand; there is an increased need for healthcare professionals as the population ages and there are insufficient people entering the healthcare field to meet the demand. Additionally, the pool of available skilled healthcare providers is also often limited by the remote geographic locations of many installations. The length of time it takes to get security clearances is also problematic and is an issue that competitors in the private sector do not face.

To address the negative impacts on recruitment and retention, the MILDEPs/NCR-MD are successfully using a number of strategies. For example, the MILDEPs/NCR-MD report that they are continuing the robust use of title 38 authorities and SSRs, and where warranted, are combining these two flexibilities with other existing authorities like the 3Rs incentives and SQA when candidates can demonstrate high academic achievement. The flexibilities of the PDPP are making DoD more competitive with the VA for these in-demand resources, due primarily to the fact that salaries of PDPP employees are reviewed and adjusted every 2 years, which ensures that DoD keeps up with competing salaries being offered by the VA. Additionally, the NCR-MD is experiencing difficulty with recruiting and retaining Histopathology Technicians and Diagnostic Radiologic Technologists, so efforts have begun to establish SSRs for these occupations.

Enterprise-level efforts:

During FY 2018, the Chief Human Capital Officer of the Office of the Deputy Assistant Secretary of Defense for Health Services Policy and Oversight became part of a DoD effort to systemically conduct workforce planning and development. The program uses Strategic Human Capital Planning methodologies to assess the current state of the civilian workforce; to identify skills and competencies gaps; and to forecast emerging and future workforce requirements. Development of a Functional Community Maturity Model for the medical community is in the early stages. Once completed, the model will guide an enterprise level assessment of the medical functional community and may eventually lead to developmental and educational opportunities for MHS employees. It is anticipated that the opportunities for career growth and development that may come out of this effort will serve as a motivator for employees to remain with the MHS for years to come.

Conclusion:

The MILDEPs/NCR-MD are using multi-pronged approaches to proactively address current and future/projected shortages of healthcare professionals. The data suggest that the MILDEPs/NCR-MD are successfully using available authorities and are adapting their application to address their unique circumstances. They are also expanding use of existing authorities like SSRs to try to mitigate projected losses due to retirements and resignations. It is clear that no single solution will resolve MHS recruitment and retention issues and so the challenge is to continue to expand the use of current authorities while at the same time collaborate with stakeholders to develop new approaches and/or initiatives. The impact of this two-pronged approach will continue to be evaluated and results will be included in the FY 2020 report. The DoD anticipates that the efforts of the MILDEPs and the NCR-MD will, in combination with efforts at the MHS enterprise level, positively impact the ability to recruit and retain highly-qualified healthcare professionals.