



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

AUG 17 2009

The Honorable Daniel K. Inouye
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter is in response to the Explanatory Statement, accompanying the Fiscal Year (FY) 2009 Department of Defense (DoD) Appropriations Act, which requests the Assistant Secretary of Defense (Health Affairs) to notify the committees in writing, not fewer than 15 days prior to executing the carryover funds, of the details of the obligation. This letter constitutes a final response.

Public Law 110-116, making further continuing appropriations for FY 2008 and for other purposes, states the following:

“For expenses, not otherwise provided for, for medical and health care programs of the DoD, as authorized by law, \$23,458,692,000, of which \$22,559,501,000 shall be for operation and maintenance, of which not to exceed one percent shall remain available until September 30, 2009”

As of June 1, 2009, \$225.595 million in unobligated FY 2008 Defense Health Program (DHP) Operation and Maintenance (O&M) appropriation funds have been designated for carryover from FY 2008 into FY 2009. This constitutes the FY 2008 1-percent carryover limit. Of the \$225.595 million of DHP single-year FY 2008 O&M funding identified to be carried over into FY 2009, \$217.595 million will be obligated for TRICARE private sector care contracts that have experienced cost and utilization increases beyond the funding available, and \$8.000 million will be obligated for U.S. Army Health Professions Scholarship Program requirements.

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recently, it has provided flexibility to address cost and utilization increases experienced in our private sector care contracts.

Thank you for your continued support of the Military Health System.

Sincerely,



Ellen P. Embrey
Performing the Duties of the
Assistant Secretary of Defense
(Health Affairs)

Enclosure:
As stated

cc:
The Honorable Thad Cochran
Ranking Member



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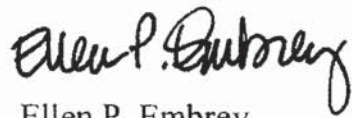
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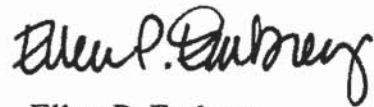
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Ellen P. Embrey
Performing the Duties of the
Assistant Secretary of Defense
(Health Affairs)

Enclosure:
As stated

cc:
The Honorable Jerry Lewis
Ranking Member



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

AUG 17 2009

The Honorable John P. Murtha
Chairman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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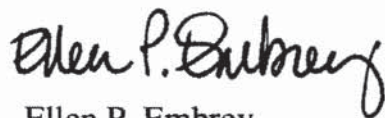
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Performing the Duties of the
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Enclosure:
As stated

cc:
The Honorable C. W. Bill Young
Ranking Member



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

AUG 17 2009

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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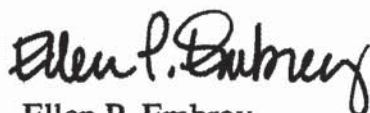
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Ellen P. Embrey
Performing the Duties of the
Assistant Secretary of Defense
(Health Affairs)

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member



HEALTH AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

AUG 17 2009

The Honorable Ben Nelson
Chairman
Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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cc:
The Honorable Lindsey O. Graham
Ranking Member



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

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AUG 17 2009

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

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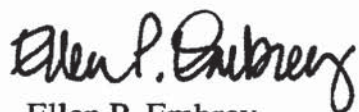
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cc:
The Honorable Howard P. "Buck" McKeon
Ranking Member



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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

AUG 17 2009

The Honorable Susan Davis
Chairwoman
Subcommittee on Military Personnel
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

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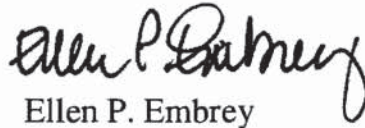
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cc:
The Honorable Joe Wilson
Ranking Member

P.L. 110-329

DEFENSE HEALTH PROGRAM REPROGRAMMING PROCEDURES

*Explanatory
Statement*

There is concern regarding the transfer, lack of proper budgeting and the reprogramming of funds from Direct (or In-house) Care to other budget activities within operation and maintenance. To limit transfers and enhance Congressional oversight within the Defense Health Program operation and maintenance account, language is included in the accompanying bill which limits the funds available for Private Sector Care under the TRICARE program subject to prior approval reprogramming procedures. The bill language and accompanying statement should not be interpreted by the Department as limiting the amount of funds that may be transferred to the Direct Care system.

In addition, the services are not properly budgeting for actual execution levels among the budget activity groups. Therefore, the Direct Care System funding will continue to be designated as a congressional special interest item. Any transfer of funds from the Direct (or In-house) Care budget activity into the Private Sector Care budget activity or any other budget activity shall require the Department of Defense to follow prior approval reprogramming procedures.

The Navy and the Air Force budget requests for In-House Care are in excess of actual requirements. Therefore, funds have been transferred from Navy and Air Force In-House Care to other budget activities to reflect estimated funding requirements.

In addition, the Department of Defense is directed to review budget execution data for all of the Defense Health Program accounts and to adequately reflect changes to the budget activities requested by the services in future budget submissions beginning in fiscal year 2010.

PRIVATE SECTOR CARE REDUCTION

The bill has reduced the Private Sector Care Budget Activity Group by \$200,000,000 as a result of routine health care for servicemembers and their families returning to the military treatment facilities from private sector care. The actual private sector care funding required in fiscal year 2008 was \$200,000,000 below the budget request, as demonstrated by prior approval reprogramming (FY08-11) submitted to the congressional defense committees by the Department of Defense.

CARRYOVER

The bill provides a one percent carryover for fiscal year 2009 operation and maintenance. The Assistant Secretary of Defense for Health Affairs is directed to submit to the congressional defense committees within 30 days after enactment of this Act a detailed spending plan for the fiscal year 2008 designated carryover funds.

The Assistant Secretary of Defense for Health Affairs is also directed to submit justification to the congressional defense committees not later than January 15, 2009, as to the continuing need to provide carryover in future budgets. In addition, the Department shall, not fewer than 15 days prior to executing the carryover funds, notify the congressional defense committees in writing of the details of any such obligation.

TITLE V

REVOLVING AND MANAGEMENT FUNDS

DEFENSE WORKING CAPITAL FUNDS

For the Defense Working Capital Funds, \$1,352,746,000.

NATIONAL DEFENSE SEALIFT FUND

For National Defense Sealift Fund programs, projects, and activities, and for expenses of the National Defense Reserve Fleet, as established by section 11 of the Merchant Ship Sales Act of 1946 (50 U.S.C. App. 1744), and for the necessary expenses to maintain and preserve a U.S.-flag merchant fleet to serve the national security needs of the United States, \$1,349,094,000, to remain available until expended: *Provided*, That none of the funds provided in this paragraph shall be used to award a new contract that provides for the acquisition of any of the following major components unless such components are manufactured in the United States: auxiliary equipment, including pumps, for all shipboard services; propulsion system components (that is; engines, reduction gears, and propellers); shipboard cranes; and spreaders for shipboard cranes: *Provided further*, That the exercise of an option in a contract awarded through the obligation of previously appropriated funds shall not be considered to be the award of a new contract: *Provided further*, That the Secretary of the military department responsible for such procurement may waive the restrictions in the first proviso on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis and that such an acquisition must be made in order to acquire capability for national security purposes.

TITLE VI

OTHER DEPARTMENT OF DEFENSE PROGRAMS

DEFENSE HEALTH PROGRAM

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