



PERSONNEL AND
READINESS

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

OCT 29 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This is an interim response to Senate Report 112-173, pages 132-133, accompanying S. 3254, the National Defense Authorization Act for Fiscal Year (FY) 2013, which requests the Secretary of Defense to report on the use of healthcare provider appointing authorities delegated under title 38, United States Code, chapter 74, to appoint and pay for critically needed healthcare occupations.

Enclosed is an interim report that includes the successes achieved through utilizing the authorities to enhance the Department of Defense's human resource programs for recruitment of healthcare provider positions during FY 2017. We have expanded our use of the Expedited Hiring Authority and Direct Hire Authority. To illustrate, we currently have more than 2,200 physicians and dentists covered by the Physician and Dentist Pay Plan and about 9,200 employees covered by more than 248 Special Salary Rates. One key indicator that use of these authorities is paying dividends is that the number of employees who have left the Military Health System has decreased by about 41 percent over the past six years. While the data and analysis we have provided in the interim report reflect our progress over the past year, we will provide a final report to Congress in January 2018, with a more strategic assessment of what our needs will be in the coming years.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families.

A handwritten signature in blue ink that reads "A M Kurta".

A. M. Kurta
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Patrick J. Leahy
Vice Chairman



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OCT 29 2017

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

Dear Mr. Chairman:

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cc:
The Honorable Adam Smith
Ranking Member



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OCT 29 2017

The Honorable John McCain
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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Enclosed is an interim report that includes the successes achieved, utilizing the delegated authorities to enhance the Department of Defense's human resource programs for recruitment of healthcare provider positions during FY 2017. We have expanded our use of the Expedited Hiring Authority and Direct Hire Authority. In addition, our use of delegated compensation authorities is quite robust. To illustrate, we currently have more than 2,200 physicians and dentists covered by the Physician and Dentist Pay Plan and about 9,200 employees covered by more than 248 Special Salary Rates. One key indicator that use of these authorities is paying dividends is that the number of employees who have left the Military Health System has decreased by about 41 percent over the past six years. While the data and analysis we have provided in the interim report reflect our progress over the past year, we will provide a final report to Congress in January 2018, with a more strategic assessment of what our needs will be in the coming years.

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A. M. Kurta
Performing the Duties of the Under Secretary of
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As stated

cc:
The Honorable Jack Reed
Ranking Member



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OCT 29 2017

The Honorable Rodney P. Frelinghuysen
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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A. M. Kurta
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Nita M. Lowey
Ranking Member



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OCT 29 2017

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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Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

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As stated

cc:
The Honorable Claire McCaskill
Ranking Member



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WASHINGTON, D.C. 20301-4000

OCT 29 2017

The Honorable Trey Gowdy
Chairman
Committee on Oversight and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Elijah E. Cummings
Ranking Member

HEALTH CARE PROVIDER APPOINTMENT AND COMPENSATION AUTHORITIES

**FISCAL YEAR 2017
(Interim Report)**



SENATE REPORT 112-173, ACCOMPANYING S. 3254, THE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2017

The estimated cost of this report or study for the Department of Defense (DoD) is approximately \$2,800 in Fiscal 2017. This includes \$0 in expenses and \$2,800 in DoD labor. Generated on 2017 August 7

2017 INTERIM REPORT TO CONGRESS
DEPARTMENT OF DEFENSE HEALTH CARE PROVIDER
APPOINTMENT AND COMPENSATION AUTHORITIES

In accordance with language in Senate Report 112-173, accompanying S. 3254, the National Defense Authorization Act for Fiscal Year (FY) 2013, the Department of Defense (DoD) is requested to report annually to Congress on its use of delegated authorities and flexibilities to recruit and retain trained, experienced civilian healthcare professionals in critically needed healthcare occupations. This interim report summarizes the extent to which such authorities are being used successfully throughout the Department. The authority granted by section 1599c of title 10, United States Code (U.S.C.), to exercise the authorities in chapter 74 of title 38, U.S.C., continues to be used extensively throughout the Department and has contributed to successful recruitment and retention efforts for critical healthcare positions. Also, in this interim report, we update FY 2016 information submitted in the Department’s latest annual report, dated February 27, 2017, and describe progress made during FY 2017. A copy of the FY 2016 report is included for reference. Note: The data used in this interim report is as of the end of the third quarter of FY 2017 (3Q17) and not end-of-year data as was done in the FY 2016 final report. The FY 2017 final report to Congress will reflect data for the entire FY.

Hiring Authorities:

The Department 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 are outlined in the table below.

Authority/Flexibility	Scope & Coverage	MHS 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 Authority, Veterans Employment Opportunities Act, etc.		✓
Temporary and term appointments	Temporary and term appointments are used to fill positions when there is not a continuing need for the job to be filled		✓
The Pathways Program	Targets internships and recent graduates		✓
Presidential Management Fellows	Matches outstanding graduate students with exciting Federal opportunities		✓
Schedule A for appointments in the excepted service.	Allows direct hiring of people with severe physical disabilities, psychiatric disabilities, and intellectual disabilities. Also used to appoint readers, interpreters, and personal assistants for employees with severe disabilities as reasonable accommodations.		✓

Table 1: MHS and OPM Hiring Authorities

Results of Using Hiring Authorities:

The Department continues to use all existing hiring authorities, particularly EHA and DHA for medical positions. There has been a sharp increase in the use of EHA over the past several years and a concomitant drop in the use of Delegated Examining (DE) processes. To demonstrate, at the end of FY 2011, only 65 hiring actions were completed using EHA, which equates to one percent of all hiring actions. However, by the 3Q17, 1,120 medical employees were hired using this authority, representing 29.8 percent of all year-to-date (YTD) FY 2017 hiring actions. By comparison, 22.9 percent of all such hiring actions were completed in FY 2016. It is anticipated that usage rate will be over 30 percent by the end of FY 2017. In contrast, 1,071 employees were hired via DE processes in FY 2011 versus 332 YTD in FY 2017. This decrease in using the longer DE processes method demonstrates the MHS's commitment to using more streamlined hiring processes.

Types of Compensation Authorities:

Compensation authorities fall into two broad categories. First, Title 38 authorities have been delegated to DoD via an OPM/DoD agreement which 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); Physicians and Dentists Pay Plan (PDPP); Nurse Locality Pay System; Head Nurse Pay; and Premium Pay. Second, the Department uses government-wide authorities which include, but are not limited to, Superior Qualifications appointments; Recruitment, Relocation, and Retention Incentives; Student Loan Repayment Program; Service credit for leave accrual; and Title 5 SSR Authority (which allows OPM to adjust pay, for instance, when non-Federal employees are paid significantly higher than Federal employees; when the position is in a remote location; and/or when the job is undesirable and therefore difficult to fill).

Results of Using Compensation Authorities:

The use of compensation authorities continues to be robust. The MHS currently has approximately 2,200 physicians and dentists under the PDPP and there are 248 SSRs in place, benefiting approximately 9,200 employees. The Department also continues to make use of Superior Qualification Rates and where appropriate, uses a combination of SSRs and Superior Qualification rates. These compensation authorities span 38 occupations, dispersed through 182 Continental United States and Outside Continental United States duty stations.

One significant indicator that the use of current authorities is improving retention is the noticeable drop in the number of employees leaving the MHS. As the table on the following page demonstrates, 8,899 persons left the MHS in FY 2011 and by 3Q17, the number of losses for the 53 health care occupations was 3,886. Extrapolating these losses to the end of the FY, we estimate year end losses for FY 2017 will be 5,181. This represents a 41.3 percent reduction in civilian personnel losses from FY 2011 to FY 2017. ¹

¹ Extrapolated data were obtained by averaging the first three quarter's losses and adding that average to the first three quarters' actual data.

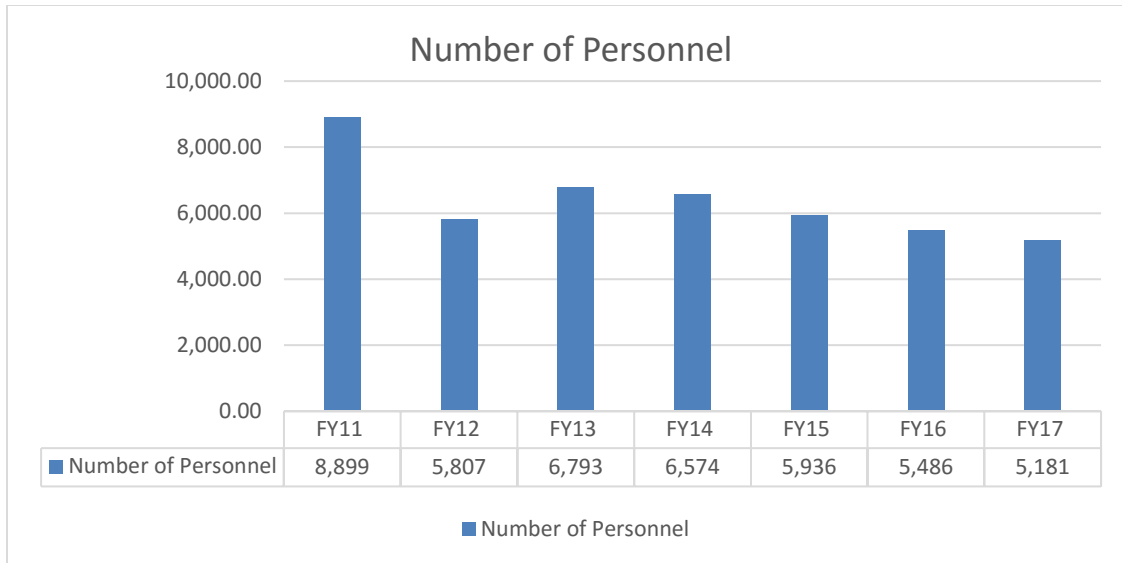


Table 2: Turnover FY11–FY17 *(FY17 data extrapolated from 3Q17 data)

One area that is carefully monitored is the turnover trend data for the “Mission Critical Occupations” (MCOs). These occupations are: Clinical Psychologist, Licensed Clinical Social Worker, Physician, Physician Assistant, Registered Nurse, Licensed Practical/Vocational Nurse, Physical Therapist and Pharmacist.

The turnover rate for two of the eight MHS MCOs decreased from FY 2016 to 3QFY17, while six had slight to moderate increases. The following table illustrates the changes:

Mission Critical Occupation	FY15 Turnover Rate	FY16 Turnover Rate	FY17* Turnover Rate
Licensed Clinical Social Workers	11.8%	10.9%	11.3%
Physicians	11.1%	10.5%	11.9%
Physician Assistants	17.9%	12.3%	12%
Registered Nurses	11.3%	10.3%	12.1%
Pharmacists	9.8%	9%	9.5%
Clinical Psychologists	9%	13.8%	12.3%
Licensed Practical Nurse	15%	15.2%	14.5%

Table 3: Mission Critical Occupations Turnover FY11–FY17 (*actual 3Q17 data)

In the FY 2016 report, we noted a significant increase in the turnover of clinical psychologists, and while there is currently a slight decrease from FY 2016, the Military Departments are working to provide additional analysis of the turnover for our final report. The final report will also provide additional analysis on MCOs that end the FY with significant increases in turnover.

Strategic Recruitment and Retention Analysis:

Looking ahead to 2024, the Bureau of Labor Statistics forecasts that the demand for all the MHS MCOs is expected to rise across the United States. In addition, the retirement

eligibility for employees in each of the MHS MCOs suggests there may be potential recruiting and retention challenges in the near and long term.

Job Series	BLS Projected Increase by 2024	Retirement Eligibility by 2022
Psychologists	19%	36.1%
Licensed Social Workers	12%	37.1%
Physicians	14%	45.4%
Physician Assistants	30%	29.9 %
Registered Nurses	16%	27.7%
Licensed Practical//Vocational Nurses	16%	18.8%
Physical Therapists	34%	12.2%
Pharmacists	3%	26.1%

Table 4: Projected Demand and Retirement Eligibility

The noted increase in retirement eligibility of psychologists, licensed social workers, physicians, and registered nurses indicate the need for additional scrutiny and analysis. The impact of this trend is being studied by the Military Departments and mitigating strategies are being developed. In addition, the Military Departments have been asked to provide their anticipated recruitment and retention challenges over the next five years. This information will be provided in the final report.

In general, despite the widespread use of SSR's and other Title 38 compensation authorities noted above, the difficulties the MHS anticipates are primarily due to competition from the private sector and the impact of basic supply and demand. According to the Bureau of Labor Statistics, "Healthcare occupations will add more jobs than any other group of occupations. This growth is expected due to an aging population...". One barrier to becoming more competitive with other employers is that the MHS is unable to compete with compensation packages offered by private and public-sector 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. Additionally, the pool of available skilled healthcare providers is also often limited by the remote geographic locations of many military installations.

Enterprise-level efforts:

On June 6, 2017, the Deputy Secretary of Defense announced that the Department is assuming responsibility from OPM to approve new requests for DHA.² The MHS will update Congress in the FY 2018 report, as to the MHS's efforts in this regard.

As we reported in the FY 2016 Report to Congress, the Department is pursuing its authority to request approval from OPM to use agency-specific qualification standards. Use of agency-specific standards is fundamental to recruiting the highest quality applicants who have the knowledge, skill, and credentials required in the 21st Century medical environment and that are vital to providing world-class care to military personnel and their beneficiaries.

² Section 9902(b) (2) of Title 5 is the authority for DoD to assume approval authority for new DHA. See Deputy Secretary of Defense Memorandum dated June 06 2017, Subject: Implementation of DHA for Shortage Category and/or Critical Need Positions

Over the past year the MHS conducted a comprehensive review of 20 MHS occupations. Working groups of subject matter experts for each of these occupations were formed and, in the case of six occupations, the current OPM qualification standards were not producing an acceptable pool of well qualified candidates in sufficient number to meet MHS needs. Proposed new qualification standards are in the process of being developed for these occupations and will be staffed internally before submission to OPM. It should be noted that 12 of the occupations studied did not require revision or updating.

Maintaining surveillance over human capital metrics is an on-going responsibility of the Chief Human Capital Office and is an inherent part of program oversight. Based on the finding from this oversight and governance processes, the Human Capital Office will develop and seek approval for any additional authorities, flexibilities and/or processes that might be needed. The Military Departments are also providing input into this and any needed authorities will be outlined in the FY 2017 final report.

Conclusion:

The Military Departments are using a multi-pronged approach to proactively address looming healthcare professional shortages. Their demonstrated use of the various authorities and flexibilities confirms that the Military Departments are successfully using available authorities and can tailor their use to address their particular circumstances. It is clear that there is no single solution for MHS recruitment and retention issues. The Department believes that the Military Departments' efforts will, in combination with efforts at the MHS enterprise level, positively impact the ability to recruit and retain highly-qualified healthcare professionals.