

June 15, 2021

## FY2022 Budget Request for the Military Health System

On May 28, 2021, President Biden submitted his Fiscal Year (FY) 2022 budget request to Congress. The Department of Defense (DOD) budget request totals \$715.0 billion, including \$54.0 billion (7.6%) to fund the Military Health System (MHS). The MHS delivers certain health entitlements under Chapter 55 of Title 10, United States Code to military personnel, retirees, and their families. The MHS provides health care to nearly 9.7 million beneficiaries in DOD hospitals and clinics—known as *military treatment facilities* (MTFs)—and through civilian health care providers participating in TRICARE, a DOD-administered health insurance-like program.

Congress traditionally appropriates mandatory and discretionary funding for the MHS in several accounts within the annual defense appropriations bill. These accounts include 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). In previous years, DOD requested and Congress appropriated MHS funding in DOD’s base and overseas contingency operations (OCO) budgets. For FY2022, DOD requests MHS funding (including those for direct war costs) in the base budget only. The request does not include a proposal to modify statutory cost-sharing requirements for beneficiaries.

### FY2022 MHS Budget Request

The FY2022 MHS budget request is 5.2% (\$2.7 billion) above the FY2021 appropriation (including supplemental appropriations from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). **Table 1** shows the FY2022 request and previously enacted amounts for the MHS.

### Defense Health Program (DHP)

The DHP, a sub-account under the O&M account, funds 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 FY2022 request for the DHP account is \$35.6 billion, which is 4.4% (\$1.5 billion) above the appropriated amount for FY2021. **Table 2** highlights selected programs that DOD intends to create, maintain, expand, reduce, or transfer to the military services.

### Military Personnel (MILPERS)

Medical MILPERS funds military personnel operating the MHS. This includes various pay and allowances, such as basic, incentive, and special pay; subsistence for enlisted personnel; permanent change of station travel; and retirement contributions.

**Table 1. Military Health System Funding, FY2018-FY2022 Request**  
(\$ in billions)

	FY2018 Enacted	FY2019 Enacted	FY2020 Enacted	FY2021 Enacted	FY2022 Request
<b>O&amp;M (DHP)</b>	<b>\$33.5</b>	<b>\$34.4</b>	<b>\$37.1</b>	<b>\$34.1</b>	<b>\$35.6</b>
DHP Operation & Maintenance	\$30.8	\$31.3	\$33.0	\$31.1	\$34.2
Research, Development, Testing, and Evaluation	\$2.0	\$2.2	\$3.7	\$2.4	\$0.6
Procurement	\$0.7	\$0.9	\$0.5	\$0.5	\$0.8
<b>MILPERS</b>	<b>\$8.6</b>	<b>\$8.4</b>	<b>\$8.9</b>	<b>\$8.3</b>	<b>\$8.5</b>
<b>MILCON</b>	<b>\$0.9</b>	<b>\$0.4</b>	<b>\$0.3</b>	<b>\$0.5</b>	<b>\$0.5</b>
<b>MERHCF Contributions</b>	<b>\$8.1</b>	<b>\$7.5</b>	<b>\$7.8</b>	<b>\$8.4</b>	<b>\$9.3</b>
<b>Grand Total</b>	<b>\$51.1</b>	<b>\$50.7</b>	<b>\$51.4</b>	<b>\$51.3</b>	<b>\$54.0</b>

**Sources:** Department of Defense (DOD), “Defense Budget Overview,” May 2021, p. 5-5; DOD “Defense Health Program Fiscal Year (FY) 2022 Budget Estimates,” May 2021, p. 1; DOD “Defense Budget Overview,” February 2020, p. 2-4; and DOD, “Defense Health Program Fiscal Year (FY) 2020 Budget Estimates,” March 2019, p. DHP-13.

**Notes:** Numbers may not add up due to rounding. DHP sub-totals include MHS funding for overseas contingency operations (OCO) and direct war costs. The FY2022 request does not include funding that Congress has added to the DHP in the past, such as unrequested medical research funding. The FY2020 and FY2021 enacted amounts include supplemental funding appropriated from the CARES Act. *O&M (DHP)* refers to one of the overarching DOD budget accounts, 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.

**Table 2. Selected Highlights from the FY2022 Defense Health Program Request**

<ul style="list-style-type: none"> <li>• \$1.5 billion to fund facilities operations, sustainment, restoration, and modernization</li> <li>• \$606.0 million to fund COVID-19 testing and vaccine boosters (private sector care)</li> <li>• \$272.8 million to fund COVID-19 testing and vaccine boosters (MTF care)</li> <li>• \$251.9 million to fund direct war costs (previously assigned as OCO funding)</li> <li>• \$198.7 million increase for deployment of MHS Genesis</li> <li>• \$191.4 million increase for private sector care resulting from National Health Expenditure inflationary growth</li> <li>• \$96.7 million for delayed implementation of Defense Wide Review and other MHS reforms</li> </ul>	<ul style="list-style-type: none"> <li>• \$15 million to fund development of COVID vaccine capabilities and wearables</li> <li>• \$8.7 million to fund software enhancements to the Defense Occupational and Environmental Health Readiness System</li> <li>• \$8 million decrease in anticipation of proposed authority to collect civil monetary penalties associated with fraud, waste, and abuse by TRICARE providers</li> <li>• \$5.7 million decrease for MTF care requirements associated with the reduction of the Army’s overall active component end strength</li> <li>• \$3.5 million decrease for combat casualty care and clinical and rehabilitation medicine research</li> <li>• \$2.9 million (1.6%) decrease for the Uniformed Services University of the Health Sciences (baseline: FY2021)</li> </ul>
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DOD requests \$8.5 billion for medical MILPERS for FY2022, but does not break out the specific costs assigned to the MHS at the budget activity group, program element, or line item level. This request is higher than the FY2021 appropriation and reflects DOD’s plan to increase military medical end strength (+1,548 positions) and civilian end strength (+1,043 positions). The FY2021 budget request included a plan to reduce military medical end strength (-7,422 positions); however, Section 717 of the FY2021 William M. (Mac) Thornberry National Defense Authorization Act (P.L. 116-283) extended certain limitations on how DOD may make such reductions.

**Military Construction (MILCON)**

Medical MILCON funds MHS construction projects. In general, the Defense Health Agency (DHA) coordinates with the military services to identify, prioritize, and fund certain medical MILCON projects. For FY2022, DOD requests \$508.3 million for ongoing, future, and minor construction projects. The three requested projects with highest cost are

- Hospital replacement (increment #4), Fort Leonard Wood, MO (\$160.0 million);
- Hospital expansion/modernization (increment #5), Naval Support Activity Bethesda, MD (\$153.0 million); and
- Ambulatory care center/dental clinic replacement, Oak Harbor, WA (\$59.0 million).

**Medicare Health Care Accrual Contributions (MERHCF)**

Medicare health care accrual contributions fund the MERHCF. In turn, the MERHCF funds health care expenses for Medicare-eligible military retirees and their families. Each uniformed service annually contributes to the MERHCF based on its “expected average force strength during that fiscal year” and investment amounts determined by the Secretary of Defense. For FY2022, DOD requests \$9.3 billion. The MILPERS account typically assigns MERHCF contributions as mandatory spending.

**Considerations for Congress**

As the annual defense appropriations cycle begins, Congress is to consider all of DOD’s funding and policy priorities. The following inquiries may assist Congress in considering the FY2022 MHS budget request.

**Controlling Health Care Costs and Transparency**

- What is DOD’s long-term strategy to control health care costs while sustaining military medical readiness requirements and direct war costs?
- How and why does DOD’s health care cost containment strategy differ from commercial health sector strategies?
- For MTFs with the new electronic health record (i.e., MHS Genesis) that are unable to provide data for MHS performance metrics requirements, how is DOD monitoring annual cost growth and workload targets?

**MHS Reform and Military Medical End Strength**

- Does DOD require additional time (beyond 2021) to implement congressionally directed MHS reform efforts (e.g., those directed in the FY2017 NDAA)?
- The FY2020 and FY2021 budget requests proposed reductions in military medical end strength; however, DOD proposes an increase for FY2022. What are the military departments’ force-shaping strategies for military medical personnel?

**Access to Care and Beneficiary Satisfaction**

- Compared to FY2020, DOD projects a 4.8% growth in private sector care utilization in FY2022. Are the TRICARE networks able to support an increased health care demand?
- What lessons learned during the Coronavirus Disease 2019 pandemic would DOD implement for long-term improvements in access to care and beneficiary satisfaction?

<b>Resources</b>
Department of Defense, “Defense Health Program Fiscal Year (FY) 2022 Budget Estimates,” May 2021
CRS In Focus IFI 1442, <i>FY2021 Budget Request for the Military Health System</i> , by Bryce H. P. Mendez
CRS In Focus IFI 0530, <i>Defense Primer: Military Health System</i> , by Bryce H. P. Mendez
CRS In Focus IFI 1273, <i>Military Health System Reform</i> , by Bryce H. P. Mendez

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