



UNDER SECRETARY OF DEFENSE

1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUL 30 2012

COMPTROLLER

The Honorable Joe Wilson
U.S. House of Representatives
Washington, DC 20515

Dear Representative Wilson:

Thank you for your letter to Secretary Panetta regarding the requested use of Defense Health Program (DHP) TRICARE funding as a source in the pending omnibus reprogramming. Secretary Panetta has asked me to respond on his behalf.

The \$708 million of TRICARE funding used in the omnibus reprogramming is slightly more than 2 percent of the total DHP funding for FY 2012. We must submit our budgets about two years before execution ends and therefore must estimate rather than have exact figures. Given the uncertainty about medical inflation and health care use, and the impact of continual benefit changes and efficiency initiatives, we believe that an estimate that is 98 percent correct is reasonable. While we overestimated expenses by about 2 percent last year, in other years we have had to move money into the TRICARE program and reduce other spending.

I can also assure you that the \$708 million in available TRICARE funds does not result from any underfunding of the health care needs of our military members, retirees, and dependents. In fact, \$6 million of the \$708 million is identified for reprogramming into the DHP Research, Development, Test and Evaluation account to fund emerging requirements identified during midyear execution. The requirements include a variety of initiatives: advanced development of medical products to enhance wound cleansing and care, and to improve warming/cooling technologies for wounded warriors; as well as development of a critical information technology interface for electronic data captured during aeromedical evacuations.

In particular, we have fully funded care, treatment, and research efforts in the most critical areas of Traumatic Brain Injury (TBI), Post Traumatic Stress (PTS), and suicide. We have an extensive and robust research program to learn about the factors that contribute to and prevent TBI and PTS. We are developing new treatment approaches and examining new technologies to prevent, identify and treat these disorders. We have hired thousands of new providers to provide better access to treatment, and we are working aggressively to evaluate the effectiveness of our programs to improve care for our service members and their families. We do not believe that adding more FY 2012 funds for these ailments would be effective or efficient.

We do, however, have other pressing budgetary needs in FY 2012. We are asking Congress to permit us to move funds that, this year, are not needed for TRICARE and to use them for programs that represent high priorities for the Department. In FY 2012 we experienced sharp

and unexpected increases in our wartime or Overseas Contingency Operations (OCO) funding needs. For instance, transportation costs rose significantly because of the closure of Pakistan Ground Lines of Communication; Navy operating expenses rose because the service is operating an extra carrier in the Central Command region at the request of the combatant commander; and fuel costs increased our training and operating costs across the Department. We strongly urge that Congress approve the omnibus reprogramming, including the transfer of TRICARE funds, so that we can meet these unexpected needs and continue to operate effectively in Afghanistan, maintain peacetime training, and meet other critical requirements.

On June 29, we sent to each of our oversight Committees a reprogramming request (totaling about 100 pages) that details our requirements and the sources to pay for them. We have briefed this reprogramming request to Committee staff. On July 25, 2012, the Department briefed the professional staff members from the House Armed Services Committee (HASC), Subcommittee on Military Personnel, on the budget estimating methods for the DHP and the reasons for the use of \$708 million reprogramming request. As requested in your letter, we will reach out through the HASC staff to coordinate any additional briefing on the budget estimating methods for the DHP.

Finally, our request for increases in TRICARE fees is unrelated to the annual fluctuations in health care costs of a few percent from our budgeted amounts. We requested higher fees for TRICARE to control our rapidly growing health care costs while moving the cost-sharing ratio back toward the levels originally mandated by the Congress. As you know, these fees have not been increased significantly for about fifteen years. The absence of increases has contributed to long-term increases in Military Health System costs -- which have grown from \$19 billion in FY 2001 to more than \$52 billion in FY 2011 (an increase of 174 percent). These sharply rising costs threaten to leave our military budget unbalanced -- with too much funding for military compensation and too little for training and equipping our forces. These trends are especially worrisome because of the limits on funding under the Budget Control Act (BCA). In accommodating the BCA, we reduced military compensation by a disproportionately small amount because we owe our military a generous compensation system, including generous health care benefits, and we will always provide such a benefit. But, we also must maintain a balance that permits us to train and equip the finest military in the world.

Thank you for your interest in this matter and for your support of the Department's critical funding requirements. The omnibus reprogramming request is a critical funding requirement, and we look for your support. This same letter has been sent to other Members who signed the original letter to Secretary Panetta.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert F. Hale". The signature is fluid and cursive, with the first name "Robert" and last name "Hale" clearly distinguishable.

Robert F. Hale