



UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, DC 20301-4000

SEP 21 2015

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

Dear Mr. Chairman:

As requested by the Joint Explanatory Statement, accompanying the Department of Defense Appropriations Act, 2015, Division C of Public Law 113-235, enclosed is the fiscal year 2015, third quarter, budget activities execution data report and the summary report for the Defense Health Program. A similar letter is being provided to the other congressional defense committees.

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

Sincerely,

Brad Carson
Acting

Enclosures:
As stated

cc:
The Honorable Jack Reed
Ranking Member



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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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Sincerely,

Brad Carson
Acting

Enclosures:
As stated

cc:
The Honorable Adam Smith
Ranking Member



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

Dear Mr. Chairman:

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Sincerely,

A handwritten signature in black ink, appearing to read "Brad Carson".

Brad Carson
Acting

Enclosures:
As stated

cc:
The Honorable Richard J. Durbin
Vice Chairman



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SEP 21 2015

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

Dear Mr. Chairman:

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Sincerely,


Brad Carson
Acting

Enclosures:
As stated

cc:
The Honorable Peter J. Visclosky
Ranking Member



**Defense Health Program
Quarterly Budget Execution
Third Quarter, Fiscal Year 2015**

Issue: As requested by the Joint Explanatory Statement, page 101, Senate Report 113-211, page 249, and House Report 113-473, page 283, each accompanying separate versions of the Department of Defense Appropriations Act, 2015, this report provides the third quarter fiscal year 2015 budget execution data for all Defense Health Program Activities.

Summary: The cumulative third quarter operation and maintenance budget execution rate is 78 percent.

On May 1, 2015, the Department of Defense implemented an automated screening and prior authorization process through its TRICARE Pharmacy contractor, Express Scripts, Inc. (ESI), to address safety and cost concerns associated with prescriptions for compounded pharmaceuticals. The May 11, 2015, screening mechanism used ESI's "commercial review list" and enabled closer alignment between the Military Health System and industry standards, while continuing to provide beneficiaries safe and effective compound pharmaceuticals.

The Department of Defense's mitigation initiatives have controlled retail pharmaceutical expenditures through the end of the third quarter which will enable the three prior approval (PA) reprogramming actions totaling \$1,369.914 million to cover the existing increased private sector care costs. The three approved PA actions are FY15-15 PA (April) totaling \$243.914 million, FY15-21 PA (June) totaling \$240.549 million, and FY15-23 PA (OMNIBUS) totaling \$885.451 million.

Appropriation*	Budget (\$M)	Obligations (\$M)
Operation and Maintenance	29,871.923	23,170.669
Research, Development, Test and Evaluation	1,732.536	171.943
Procurement	308.413	44.990

*The attached chart includes detailed information for each appropriation.

The preparation of this report cost the Department of Defense approximately 300 dollars in FY 2015.

FY 2015 Budget Execution Data
Defense Health Program
Data as of June 30, 2015
(\$000s)

FY 2015 Operation and Maintenance

Budget Activity Group	Title	Base Budget Request	Enacted Appropriation ^{1/3}	Adjustments Required by Statute	Above Threshold Reprogrammings ²	Internal Reprogrammings ⁴	Annual Funded Program (AFP) Jun 30, 2015	Cumulative Obligations Jun 30, 2015
1	In House Care	8,799,086	8,680,970	-22,472			8,658,498	6,319,058
2	Private Sector Care	15,412,599	14,503,759				14,503,759	13,035,322
3	Consolidated Health Support ²	2,462,096	2,360,696	-130	-132,125		2,228,441	1,223,319
4	Information Management ²	1,557,347	1,537,696		-2,000		1,535,696	935,162
5	Management Activities ⁴	366,223	364,192		-6,000	742	358,934	214,041
6	Education and Training ^{2/4}	750,866	750,866			-18,377	732,489	416,086
7	Base Operations & Communications ^{3/4}	1,683,694	1,832,471	4,000		17,635	1,854,106	1,027,681
	Total O&M	31,031,911	30,030,650	(18,602)	(140,125)	-	29,871,923	23,170,669

^{1/} Enacted includes congressional adjustments totaling \$-1,023,863: specific BAG adjustments total \$-1,001,261 and General Provision adjustments total \$-22,602 for Favorable Exchange Rate (BAG 1 \$-22,472) and Federally Funded Research and Development Centers (BAG 3 \$-130).

^{2/} Includes mandatory transfers to Department of Veterans Affairs for Federal Health Care Center (FHCC) (BAG 3 \$-117,125) and for Joint Incentive Fund (BAG3 \$-15,000K) for annual requirements per Congressional language. Also includes internal reprogrammings as follows: FY 15-12 IR/Audit Readiness (BAG5 \$-6,000); FY 15-21 IR/Health Artifact and Image Management Solution (HAIMS) (BAG4 \$-2,000).

^{3/} Includes Fisher House of \$+4,000 for O&M.

^{4/} Includes adjustments to BAG6 \$-742 and \$-17,635; BAG5 \$+742; and BAG7 \$+17,635.

FY 2015/2016 Research, Development, Test and Evaluation^{1/2}

	654,594	1,730,709	-173	2,000		1,732,536	171,943
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^{1/} Enacted includes congressional adjustments totaling \$+1,075,942: congressional increases (\$+1,076,115) and General Provision adjustments for FFRDC (\$-173), Small Business Innovation Research (SBIR) \$-50,186, and Small Business Technology Transfer (STTR) \$-6,922.

^{2/} Includes internal reprogrammings as follows: FY 15-21 IR/Health Artifact and Image Management Solution (HAIMS) \$+2,000.

FY 2015/2017 Procurement

	308,413	308,413				308,413	44,990
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