DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 2 7 2007

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr. Chairman:

This letter responds to the request contained in Section 113 of Public Law 110-5, "Revised Continuing Appropriations Resolution, 2007," which calls for the Department to provide a report to the Committees on Appropriations of the House of Representatives and the Senate containing a spending plan for the Defense Health Program. A report detailing the planned expenditures for the Department's military construction, family housing, and Base Realignment and Closure (BRAC) accounts will be provided separately.

The table below provides the Department's Fiscal Year 2007 Defense Health Program (DHP) allocation at the Budget Activity Group level for the Operation and Maintenance (O&M) account, and at program element level for the Procurement and Research, Development, Test and Evaluation (RDT&E) accounts. For O&M, the allocation reflects the FY 2007 President's Budget request, with the additional $244.8 million provided by Congress allocated to the Private Sector Care Budget Activity Group to partially offset unrealized savings associated with initiatives for benefit reform and pharmacy acquisition that were not authorized. We greatly appreciate your assistance in mitigating this potential budget shortfall.

Additionally, the Procurement appropriation was $21.4 million less than the President's Budget request and the allocation has been reduced accordingly. The RDT&E appropriation was $217.4 million above the President's Budget request, and required that $217.5 million be directed to peer-reviewed cancer research programs; the RDT&E allocation reflects this requirement.

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DHP O&M	FY 2007 ($K)
In-House Care	5,592,799
Private Sector Care	10,883,621
Consolidated Health	1,219,873
Information Management	904,899
Management Activities	237,388
Education and Training	460,082
Base Operations	1,195,338
DHP O&M Total	20,494,000

DHP Procurement	FY 2007 ($K)
Medical Equipment - Replacement/Modernization	359,738
Medical Equipment - New Facility Outfitting	15,262
DHP Procurement Total	375,000

DHP RDT&E	FY 2007 ($K)
Congressionally Directed Programs	217,500
Information Technology Development	86,593
Small Business Innovation Research	0
Medical Development	34,448
Biomedical Technology	3,000
Armed Forces Radiobiology Research Institute	4,035
In-House Laboratory Independent Research	2,424
DHP RDT&E Total	348,000

Total DHP	21,217,000

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

cc:
The Honorable John McCain
Ranking Member