THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

NOV 2 9 2007

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

Dear Mr. Chairman:

This letter is in response to Senate Report 110–155 and House Report 110-434 that requests the Assistant Secretary of Defense (Health Affairs) to submit a detailed spend plan for fiscal year (FY) 2007 designated carryover funds to the Congressional defense committees.

Public Law 110-5, making further continuing appropriations for FY 2007, and for other purposes, Section 20203(1), states the following:

> For expenses, not otherwise provided for, for medical and health care programs of the Department of Defense, as authorized by law, $21,217,000,000, of which $20,494,000,000 shall be for Operation and Maintenance, of which not to exceed 2 percent shall remain available until September 30, 2008 …

As of October 1, 2007, we have identified $95.312 million (M) in unobligated FY 2007 Defense Health Program (DHP) Operation and Maintenance (O&M) appropriation funds that will be designated for carryover from FY 2007 into FY 2008. Any subsequent de-obligations of DHP O&M funds that were obligated as of September 30, 2007, may be added to the carryover amount subject to FY 2007 2 percent carryover limit ($409.88M).

The carryover amounts will be obligated against large TRICARE private sector care contracts, freeing up an identical amount of single-year FY 2008 DHP O&M funds. These funds will then be used to resource emerging requirements that are prioritized and approved by the Military Health System (MHS) leadership during FY 2008 mid-year review. This process typically occurs in the May to June time frame each year. Per direction found in Senate Report 110-155, the Assistant Secretary of Defense (Health Affairs) will provide notification of the use of any FY 2008 funds made available for emerging requirements as the result of FY 2007 funds carried over into FY 2008. We anticipate making the requested notification by June 2008.

DHP O&M carryover authority has provided the flexibility to manage many issues that emerge during the year of budget execution. In recent years this has included support to our warriors in transition, pandemic influenza preparedness, costs of supporting the Global War on Terror that were not known at the time of the supplemental appropriation request, and programs mandated but not funded by Congress.

Thank you for your continued interest in MHS.

Sincerely,

S. Ward Casscells, MD

cc:
The Honorable John McCain
Ranking Member