OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

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

Dear Mr. Chairman:

This letter is in response to the House Appropriations Committee, Report 111-230, page 307, accompanying the Defense Appropriations Act for Fiscal Year (FY) 2010, requesting the Assistant Secretary of Defense for Health Affairs ((ASD)(HA)) "to review whether or not the efficiency wedge should be continued as a mechanism for reimbursement in FY 2011 and beyond. The ASD(HA) should report on the findings of this review within 30 days of enactment of this Act". In addition, the Committee requests "the Department of Defense to review budget execution data for all of the Defense Health Program accounts and to adequately reflect changes to the budget activities requested by the Services in future budget submissions beginning in fiscal year 2011 and beyond".

We have reviewed the effectiveness of the efficiency wedge and decided not to continue using it. The efficiency wedge was partially reduced with our FY 2009 President's Budget (PB) Request and was eliminated entirely in both our FY 2010 and FY 2011 PB Requests.

The Department is committed to fully funding the health care benefit for those in uniform, retired beneficiaries, and their eligible family members. All funding removed through the efficiency wedge process was restored to the Service Medical Departments' baseline budgets. The TRICARE Management Activity worked closely with the Service Medical Departments, reviewed historical budget execution, and adjusted the budget request to accurately reflect allocation of the funding by budget activity to balance capabilities and posture the direct care system to succeed over the long term. Our current Military Health System vision focuses on the Quadruple Aim—Readiness, Experience of Care, Population Health, and Per Capita Cost. To enhance the experience of care, significant investments were made in medical military construction, restoration and modernization of medical facilities, medical research, and procurement. All changes were included in the FY 2010 and FY 2011 PB Requests submitted to Congress.

We take very seriously the direction provided by Congress, and believe we have accurately accounted for Service Medical Department needs and have requested a balanced program which will help us optimally deliver the health care benefit.

While we are intent on meeting all health care needs, we also continue to search for efficiencies that can hold down cost growth. We have some proposed efficiencies in the FY 2011 budget. During future budget reviews, we will continue to review changes designed to reduce the rate of growth in defense health care cost while still providing high-quality care.

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

Sincerely,

Charles L. Rice, M.D.
President, Uniformed Services University of the Health Sciences
Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable John McCain
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

The Honorable James H. Webb
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter is in response to the House Appropriations Committee, Report 111-230, page 307, accompanying the Defense Appropriations Act for Fiscal Year (FY) 2010, requesting the Assistant Secretary of Defense for Health Affairs ((ASD)(HA)) "to review whether or not the efficiency wedge should be continued as a mechanism for reimbursement in FY 2011 and beyond. The ASD(HA) should report on the findings of this review within 30 days of enactment of this Act". In addition, the Committee requests "the Department of Defense to review budget execution data for all of the Defense Health Program accounts and to adequately reflect changes to the budget activities requested by the Services in future budget submissions beginning in fiscal year 2011 and beyond".

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Sincerely,

Charles L. Rice, M.D.
President, Uniformed Services University of the Health Sciences
Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable Lindsey O. Graham
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

The Honorable Ike Skelton
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

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Sincerely,

Charles L. Rice, M.D.
President, Uniformed Services University of the Health Sciences
Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable Howard P. "Buck" McKeon
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

The Honorable Susan Davis
Chairwoman, Subcommittee on Military Personnel
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

This letter is in response to the House Appropriations Committee, Report 111-230, page 307, accompanying the Defense Appropriations Act for Fiscal Year (FY) 2010, requesting the Assistant Secretary of Defense for Health Affairs ((ASD)(HA)) "to review whether or not the efficiency wedge should be continued as a mechanism for reimbursement in FY 2011 and beyond. The ASD(HA) should report on the findings of this review within 30 days of enactment of this Act". In addition, the Committee requests "the Department of Defense to review budget execution data for all of the Defense Health Program accounts and to adequately reflect changes to the budget activities requested by the Services in future budget submissions beginning in fiscal year 2011 and beyond".

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Charles L. Rice, M.D.
President, Uniformed Services University of the Health Sciences
Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable Joe Wilson
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

The Honorable Daniel K. Inouye
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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Sincerely,

Charles L. Rice, M.D.
President, Uniformed Services University of the Health Sciences
Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable Thad Cochran
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

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Committee on Appropriations
United States Senate
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Performing the Duties of the Assistant Secretary of Defense (Health Affairs)

cc:
The Honorable Thad Cochran
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

APR 30 2010

The Honorable David R. Obey
Chairman, Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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cc:
The Honorable Jerry Lewis
Ranking Member

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, DC 20301-1200

APR 30 2010

HEALTH AFFAIRS

The Honorable Norman D. Dicks
Chairman, Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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The Honorable C. W. Bill Young
Ranking Member