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

HEALTH AFFAIRS

OCT 20 2008

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

Dear Mr. Chairman:

This letter submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

The report addresses the number of positions selected for conversion, results of market surveys that determine availability of civilians to fill converted billets, an analysis of the extent to which health care access and costs were affected by the conversions, the effect of the conversions on recruiting and retention of active duty medical personnel and a comparison of the full costs for both converted military medical/dental positions with the full costs for the civilian positions. Overall, the Department of Defense planned to convert a total of 2,103 (601 Army, 689 Navy and 813 Air Force) military medical or dental positions to civilian performance during FY 2007. The Department acknowledges some challenges with these conversions including difficulty hiring civilian and contract workers due to a competitive health care market and contractor turnover following hire.

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

Warm Regards
Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable John McCain
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

The Honorable Ben Nelson
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

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Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable Lindsey O. Graham
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

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

Dear Mr. Chairman:

This letter submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

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

Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable Duncan Hunter
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

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 submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

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Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable John M. McHugh
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

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Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable Thad Cochran
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

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

Dear Mr. Chairman:

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

Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable Thad Cochran
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

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

Dear Mr. Chairman:

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Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable Jerry Lewis
Ranking Member

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

HEALTH AFFAIRS

OCT 20 2008

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

Dear Mr. Chairman:

This letter submits the report required to Congress by Section 721 of the National Defense Authorization Act for Fiscal Year (FY) 2008. This section requires the Department to report on military medical and dental positions scheduled to be converted to civilian medical and dental positions in FY 2007.

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

Very Best, Sir

Sincerely,

S. Ward Casscells, MD

Enclosure:
As stated

cc:
The Honorable C.W. Bill Young
Ranking Member

Report to Congress:

FISCAL YEAR 2007 MEDICAL AND DENTAL MILITARY TO CIVILIAN CONVERSIONS

September 2008

Prepared by:
Assistant Secretary of Defense for Health Affairs

CONGRESSIONAL REPORT ON FISCAL YEAR 2007 MEDICAL AND DENTAL MILITARY TO CIVILIAN CONVERSIONS

INTRODUCTION

This report is being provided to the Congressional Defense Committees as directed in Public Law 110-181, subtitle C, section 721(c)(1), of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2008.

EXECUTIVE SUMMARY

This report addresses the number of FY 2007 positions selected for conversion, results of market surveys that determine availability of civilians to fill converted billets, an analysis of extent to which health care access and costs were affected by the conversions, the effect of the conversions on recruiting and retention of active duty medical personnel, and a comparison of the full costs for both converted military medical/dental positions with the full costs for the civilian positions

The Department of Defense (DoD) planned to convert a total of 2,103 (282 officers/1,821 enlisted) military positions to civilian performance during FY 2007. The Department acknowledges some challenges with these conversions including difficulty hiring civilian and contract workers due to a competitive health care market and contractor turnover following hire.

BACKGROUND

Beginning in the fall of Calendar Year 2003, the Office of the Secretary of Defense (Program Analysis and Evaluation) led a tri-Service medical manpower study that resulted in all 3 Services programming conversion of military medical billets to civilian positions over the 2006-2011 Future Years Defense Program (FYDP). The NDAA for FY 2008 requires the Secretary of Defense to submit a report on conversions made during FY 2007 to include the number of positions converted, the results of a market survey in each affected area, an analysis of the effect on access and cost of care, the effects of the conversions on military recruiting and retention and demonstrate that the conversions were in excess of readiness requirements.

REPORT

1. Number of military medical or dental positions by grade or band and specialty converted to civilian medical or dental positions.

The 3 Services planned to convert a total of 2,103 medical and dental billets during FY 2007. This represents approximately 2.5 percent of the total 83,866 FY 2007 Defense Health Program (DHP) billets. The breakdown by specialty and service are as follows:

FY 2007 Medical Military-Civilian Conversions				
Corps	**Army**	**Navy**	**Air Force**	**Total**
Physicians	0	0	0	0
Dentists	0	33	0	33
Nurses	30	10	112	152
Allied Health Professions	34	14	45	93
Health Care Officers	**64**	**57**	**157**	**278**
Warrant Officers	**4**	**0**	**0**	**4**
Medical/Dental Enlisted	**533**	**632**	**656**	**1,821**
Total FY 2007 Programmed	**601**	**689**	**813**	**2,103**

Officers: Of the total 2,103 planned conversions, 278 were officers, composing 1 percent of the total 29,049 DHP officer end strength funded in FY 2007. Of these conversions, there were zero physician and 33 dentist billets (solely within the Navy). The remaining officer conversions consisted of 152 nurse billets and 93 allied health professionals.

Enlisted: There were 1,821 medical or dental enlisted billets planned to be converted. These comprise 3.3 percent of the total 54,817 DHP enlisted end strength funded in FY 2007 and include a significant number of administrative support positions.

2. Results of a market survey in each affected area of the availability of civilian medical or dental care.

Army: Army originally planned to convert 601 military billets to civilian performance in FY 2007. Original projections on availability of civilian medical or dental care in affected Army markets were based on analysis performed in 2004. Due to a subsequent change in local market conditions, combined with a growing Army medical workload requirement, medical treatment facility (MTF) commanders began to surface their concerns about an inability to fill some converted medical positions in shortage specialties within a reasonable period. Based on the advice of the Acting Army Surgeon General, the Acting Secretary of the Army was only able to certify 436 of the original 601 FY 2007 programmed conversions would not decrease quality of care or access to care. The remaining 165 uncertified conversions were restored to military. Since all 436

certified civlianized billets were filled, the Army concludes that the availability of medical or dental care in the affected markets was sufficient.

Navy: Navy planned a total of 689 conversions in FY 2007. Navy relied upon an analysis conducted by an outside contractor to project availability of civilian medical and dental personnel in affected markets. The contractor utilized a model that incorporated inputs from the Bureau of Labor Statistics, Salary.com and other external data to categorize selected markets as either moderately or highly constrained. The model classified the vast majority of billets conversion as challenging but attainable.

Air Force: The Air Force planned a total of 813 conversions in FY 2007. Air Force relied upon the input from MTF commanders to assess availability of civilian or contractor personnel in affected markets. Billets identified for possible conversion were allocated across the major commands (MAJCOMs) in the Continental United States (CONUS). The MAJCOMs were provided the list of recommended conversions and then assessed the feasibility of converting the number by specialty across their MTFs. The local MTF Commanders, responsible for managing their respective local health care market, received these targets and decided whether to convert the recommended positions or provide alternate positions. This ensured the local MTF Commander had the final decision on which positions were converted based on their needs and knowledge of the local market.

3. Analysis, by affected area, showing the extent to which access to health care and cost of health care was affected in both the direct care and purchased care systems.

Army: Since conversions programmed for FY 2007 have been either converted back to military or filled by a civilian, the Army contends there has been no impact on access, cost, shifts in patient load from direct care to purchased care, or delays in receipt of care which can be attributed to conversion.

Navy: Navy completed a comprehensive review of access to care within CONUS that examined the percentage of appointments that met access standards and the average number of days to get an appointment for all appointment types (acute, routine, specialty, and wellness). For 2007, Navy successfully met TRICARE standards for specialty and wellness appointments but did struggle to meet access to care standards for acute and routine appointments. It is difficult to determine what, if any, proportion of these delays can be attributed to impacts from the converted billets.

Air Force: The Air Force asserted in their congressional certification that planned FY 2007 conversions would not result in any permanent degradation in the availability of medical or dental care to Service members, their families, or retirees. The civilian personnel hired to replace military members were subjected to the same quality of care

processes such as credentialing, privileging, and performance assessments to ensure the delivery of quality health care. Additionally, of the total 813 billets selected for conversion, the number of actual privileged providers was limited to a combined total of 33 nurse and allied health provider positions spread across 21 Air Force bases.

4. Extent to which military medical and dental positions converted to civilian medical or dental positions affected recruiting and retention of uniformed medical and dental personnel.

Recruitment and retention of health care personnel is a challenge across the nation and DoD is no exception. Health care facilities across the nation are competing for a finite, rapidly dwindling, pool of health care professionals. DoD has implemented the new recruiting and retention pay authorities contained in both the FY 2007 and FY 2008 NDAAs with limited success. Despite a broad array of financial incentives, the Department will continue to compete with the private sector for highly qualified, skilled professionals who are routinely better paid and not required to deploy.

Army: The Army Medical Department was sized at about 50,000 officers and enlisted medical/dental end strength in FY 2007 (total of DHP and non-DHP funded end strength). The conversion of 436 DHP funded billets (601 minus 165 noncertified) billets in FY 2007 did not have a measurable impact on recruitment/retention.

Navy: The Navy Medical Department was sized at about 39,000 officers and enlisted medical/dental end strength in FY 2007 (total of DHP and non-DHP funded end strength). The Navy has not been able to identify any direct correlation between the conversion of 689 military billets to civilian performance and military recruiting and retention.

Air Force: The Air Force had about 32,000 officer and enlisted medical/dental end strength in FY 2007 (total of DHP and non-DHP funded end strength). The fluctuations that occurred for Air Force medical recruiting and retention efforts were not a result of 813 military to civilian conversions.

5. Comparison of the full costs for the military medical and dental positions converted with the full costs for civilian medical and dental positions.

The FY 2007 conversions were programmed in the FY 2006-2011 Program Objective Memorandum during the spring of 2004 and were reflected in the FY 2006 President's Budget. The cost comparison was based on costs for active duty and civilians that accounted for health care, retirement and other benefits contained in DoD composite programming rates.

The Government Accounting Office (GAO) report "MILITARY PERSONNEL: The Military Departments need to Ensure That Full Costs of Converting Military Health Care Positions to Civilian Positions Are Reported to Congress" (GAO-06-642), questioned the validity to the methodology used to account for the cost of the planned military to civilian conversions. As required by the GAO study, the Office of the Secretary of Defense (Program Analysis and Evaluation) (OSD (PA&E)) is currently developing a method that will reflect the fully-burdened cost of both military and civilian manpower and allow for making better informed manpower decisions. The model is projected to be implemented across the DoD by the summer of FY 2009.

6. An assessment showing that the military medical or dental positions were in excess of the military medical and dental positions needed to meet medical and dental readiness requirements

Historically the Services have used their own manpower modeling tools to independently determine medical and dental personnel requirements, but without a reliable mechanism to limit gaps and redundancies in a joint environment. Over the last 15 years, several studies were convened to evaluate medical requirements. Two of the most recent studies, termed the Section 733 Study (refers to the National Defense Authorization Act (NDAA) for FY 1994) and the Section 733 Update, were led by OSD (PA&E) and demonstrated differences between the Services' projected medical manpower requirements and PA&E's projections. In a 1996 study, the GAO reviewed all of the studies and determined that the differences were not due to the methodology used but rather to the assumptions used. Since the assumptions the Services used were different than those used by PA&E, the manpower requirements projections were different. It became evident that the problem was a lack of regular evaluations using a joint tool and a consensus of assumptions rather than inadequate manpower modeling tools.

The Medical Readiness Review (MRR) started September 2004 as a means of finding a consistent and reliable means for the DoD to identify, develop, and sustain critical military capability in support of resource management and the operational planning process. During the review, wartime medical force capabilities were determined using the Medical Analysis Tool and compared to the current force structure to identify capabilities that exceeded requirements. The Services then determined which of those positions were considered military essential and evaluated the remaining nonmilitary essential billets for conversion to civilian positions. The Services identified 7,203 billets that fit the criteria for military to civilian conversions based on evaluations for cost effectiveness, availability, and executability.

A major improvement resulting from the MRR is that medical force planning will now be performed on a 2-year cycle in conjunction with other DoD planning processes instead of isolated and infrequent evaluations that were never totally concluded. The

MRR also influenced the 2006 Quadrennial Defense Review, which made some specific recommendations to realign concepts of medical support with the growing movement towards joint capabilities.