



August 22, 2024

FY2025 Budget Request for the Military Health System

On March 11, 2024, President Joseph R. Biden submitted his Fiscal Year (FY) 2025 budget request to Congress. Discretionary funding in the Department of Defense (DOD) budget request totals \$849.8 billion, including \$61.4 billion (7.2%) to fund the Military Health System (MHS), which delivers certain health entitlements under Title 10, Chapter 55, of the *U.S. Code*, to servicemembers, military retirees, and their families. The MHS provides health care to 9.6 million beneficiaries in DOD hospitals and clinics—known as *military treatment facilities* (MTFs)—and through civilian health care providers participating in TRICARE, DOD’s health-insurance-like program.

Congress traditionally appropriates discretionary funding for the MHS in several types of accounts within the annual defense appropriations bill. These types of accounts include Operation and Maintenance (O&M), Military Personnel (MILPERS), and Military Construction (MILCON). DOD refers to these portions of the budget as the *unified medical budget* (UMB). The request does not include a proposal to modify statutory TRICARE cost-sharing requirements for beneficiaries.

FY2025 MHS Budget Request

The FY2025 MHS budget request is 1.8% (\$1.1 billion) more than the FY2024 appropriation. **Table 1** shows the FY2025 request and previously enacted amounts for the MHS.

Defense Health Program (DHP)

The DHP, resourced by O&M funds, performs the following MHS functions: health care delivery in MTFs; TRICARE; certain medical readiness activities and expeditionary medical capabilities; education and training programs; research, development, test, and evaluation (RDT&E); management and headquarters activities; facilities sustainment; procurement; and civilian and contract personnel. The FY2025 request for the DHP account is \$40.3 billion, which is 1.0% (\$0.4 billion) more than the appropriated amount for FY2024. **Table 2** highlights selected programs that DOD intends to create, maintain, expand, reduce, or transfer to other accounts.

Military Personnel (MILPERS)

The medical MILPERS account funds military personnel operating the MHS. This funding includes various pay and allowances, such as basic, incentive, and special pays; subsistence allowance; permanent change of station travel; and retirement contributions. DOD requested \$9.5 billion for medical MILPERS for FY2025 but does not identify personnel costs related to the MHS at more detailed levels (e.g., budget activity group, program element, or line item). This request is nearly the same as the FY2024 request, reflecting a 0.02% increase in military medical end strength (+17 positions).

Table 1. Military Health System Funding, FY2020-FY2025 Request
(\$ in billions)

Account	FY2020 Enacted	FY2021 Enacted	FY2022 Enacted	FY2023 Enacted	FY2024 Enacted	FY2025 Request
O&M (DHP)	\$37.1	\$34.1	\$37.4	\$39.2	\$39.9	\$40.3
DHP Operation & Maintenance	\$33.0	\$31.1	\$34.0	\$35.6	\$36.6	\$38.9
Research, Development, Test, and Evaluation	\$3.7	\$2.4	\$2.6	\$3.0	\$2.9	\$1.0
Procurement	\$0.5	\$0.5	\$0.8	\$0.6	\$0.4	\$0.4
MILPERS	\$8.9	\$8.3	\$8.5	\$8.9	\$9.0	\$9.5
MILCON (DHA)	\$0.3	\$0.5	\$0.5	\$0.6	\$0.5	\$0.5
MERHCF Contributions	\$7.8	\$8.4	\$9.3	\$9.7	\$10.6	\$11.0
Grand Total	\$51.4	\$51.3	\$55.7	\$58.4	\$60.2	\$61.3

Sources: Department of Defense (DOD), “Defense Budget Overview,” March 2024, p. 4-11; DOD, “Defense Health Program Fiscal Year (FY) 2025 Budget Estimates,” March 2024, p. 1; explanatory statement accompanying Division A of P.L. 118-47; explanatory statement accompanying Division A of P.L. 118-42; CRS In Focus IF12377, *FY2024 Budget Request for the Military Health System*, by Bryce H. P. Mendez; and correspondence with DOD officials.

Notes: Numbers may not add up due to rounding. The FY2025 request does not include funding that Congress historically adds to the DHP (e.g., unrequested medical research funding). The FY2020 and FY2021 enacted amounts include supplemental funding appropriated from the CARES Act (P.L. 116-136). *O&M (DHP)* refers to a DOD budget account, whereas *DHP Operation & Maintenance* refers to a subordinate budget

activity. The Medicare-Eligible Retiree Health Care Fund (MERHCF) refers to the accrual contributions that pay for future health care expenses of Medicare-eligible TRICARE beneficiaries.

Table 2. Selected Highlights from the FY2025 Defense Health Program Request

<p>Selected Increases (Baseline: FY2024 request)</p> <ul style="list-style-type: none"> • \$380.5 million increase to “sustain and improve” MTF care capabilities • \$125.6 million increase to allow MTF pharmacies to expand formularies and fill more prescriptions • \$32.3 million increase for Facilities, Sustainment, Restoration, and Modernization (FSRM) programs <p>Selected Decreases (Baseline: FY2024 request)</p> <ul style="list-style-type: none"> • \$103.2 million decrease for estimated costs to implement Executive Order 14026, “Increasing the Minimum Wage for Federal Contractors” • \$98.9 million decrease for projected private-sector care costs • \$92.2 million decrease for projected COVID-related care 	<p>Selected Account Transfers</p> <ul style="list-style-type: none"> • \$162.5 million transfer to the Joint DOD-VA Medical Facility Demonstration Fund • \$15 million transfer to the DOD-VA Health Care Joint Incentive Fund <p>Selected Activities of Interest</p> <ul style="list-style-type: none"> • \$46.8 million to implement recommendations from the Suicide Prevention and Response Independent Review Commission • \$14.2 million to support certain Major Simulation Medical Centers • \$11.3 million to fund research efforts of the Military Traumatic Brain Injury Initiative • \$1.9 million to fund Joint Task Force-Red Hill requirements
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In previous years, DOD planned to reduce military medical end strength; however, Congress has acted to limit these reductions. Section 741 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (NDAA; P.L. 117-263) extended certain limitations in end-strength reductions until December 2027.

Military Construction (MILCON)

The medical MILCON account funds MHS construction projects. The Defense Health Agency (DHA) coordinates the planning process to identify, prioritize, and fund medical MILCON projects. For FY2025, DOD requested \$463.9 million for nine line-item requests to fund existing or new MILCON projects:

- \$96.8 million for ambulatory care center replacement (Increment 2) at Naval Station Guantanamo Bay, Cuba;
- \$77.7 million for medical center addition/alteration at Naval Support Activity Bethesda, MD;
- \$72.1 million for ambulatory care center replacement—dental at Marine Corps Recruit Depot Parris Island, SC;
- \$64.9 million for ambulatory care center replacement at Kunsan Air Base, South Korea;
- \$45.0 million for ambulatory care center replacement—Area 22 at Camp Pendleton, CA;
- \$41.0 million for ambulatory care center replacement at Fort Carson, CO;
- \$26.4 million for ambulatory care center addition/alteration—Area 53 at Camp Pendleton, CA;
- \$24.9 million for ambulatory care center addition/alteration—Area 62 at Camp Pendleton, CA; and
- \$15.0 million for ambulatory care center (Increment 3) at Joint Base Andrews, MD.

Medicare Health Care Accrual Contributions

Medicare health care accrual contributions fund the Medicare-Eligible Retiree Health Care Fund (MERHCF). In turn, the MERHCF funds health care expenses for Medicare-eligible military retirees and their families. Each uniformed service contributes to the MERHCF annually based on its “expected average force strength during that fiscal year” and investment amounts determined by the

Secretary of Defense. For FY2025, DOD requested \$11.0 billion for the MERHCF.

Considerations for Congress

As part of the defense appropriations process, Congress could consider the following lines of inquiry on the long-term strategy and potential effects of DOD’s FY2025 MHS budget request.

MHS Stabilization

In a December 2023 memorandum to senior DOD leaders, Deputy Secretary of Defense Kathleen H. Hicks directed actions intended to “re attract beneficiaries” to MTF care in order to “support the National Defense Strategy, increase clinical readiness, mitigate risks to [military] requirements, and reduce long-term cost growth in private sector care.” The memorandum also directed the department to re attract at least 7% “of available care from the private sector back to MTFs ... by December 31, 2026.” DOD states that the FY2025 MHS budget request reflects investments to stabilize MTFs while fully funding “anticipated [private-sector care] requirements to reduce risk to other DOD programs” and limiting growth to inflation assumptions only.

Carryover Funding for Health Care Investments

The FY2025 DOD budget request includes a description of a proposal to allow DOD to “transfer unobligated balances of expiring discretionary funds” in the DHP account into a “Health Care Transformational Fund.” DOD intends to use the fund for targeting “structural investments” (e.g., facilities repair and modernization backlog) and to maximize its “health care investments without additional topline increases.”

Resources

- Department of Defense, “Defense Health Program Fiscal Year (FY) 2025 Budget Estimates,” March 2024
- CRS In Focus IF12377, *FY2024 Budget Request for the Military Health System*, by Bryce H. P. Mendez
- CRS In Focus IF10530, *Defense Primer: Military Health System*, by Bryce H. P. Mendez

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