October 2018

DEFENSE HEALTH CARE

DOD Should Demonstrate How Its Plan to Transfer the Administration of Military Treatment Facilities Will Improve Efficiency

GAO Highlights

Highlights of GAO-19-53, a report to congressional committees

Why GAO Did This Study

In fiscal year 2017, DOD provided health care to 9.4 million beneficiaries, including servicemembers, retirees, and their families at a cost of $43 billion. For more than a decade, partially in response to congressional mandates, DOD has worked to address inefficiencies in the Military Health System to control costs.

To further achieve efficiencies, the NDAA for Fiscal Year 2017 required DOD to develop an implementation plan that addressed four elements related to transferring the administration of the MTFs to the DHA. DOD issued the plan in June 2018.

The NDAA also included a provision for GAO to review the plan. GAO determined whether (1) DOD's plan included the statutory elements related to the transfer of administration of the MTFs to the DHA and (2) additional information would be useful to demonstrate that the plan will reduce or better manage duplication and improve efficiencies. GAO assessed DOD's plan against the required elements and, where appropriate, considered the extent to which the plan provided detailed information related to key change management practices identified in past GAO work.

What GAO Recommends

GAO recommends that DOD define and analyze the 16 operational readiness and installation-specific medical functions for duplication, validate headquarters-level personnel requirements, and identify the least costly mix of personnel. DOD concurred with all three recommendations and noted actions it was taking to address each one.

View GAO-19-53. For more information contact Brenda S. Farrell at (202) 512-3604 or farrellb@gao.gov.

What GAO Found

The Department of Defense's (DOD) June 2018 plan addressed the four statutory elements for the transfer of the administration of the military treatment facilities (MTFs) from the military departments to the Defense Health Agency (DHA). Specifically, the plan provided information on (1) how the DHA will take administrative responsibility of the MTFs; (2) efforts to eliminate duplicative activities; (3) efforts to maximize efficiencies in the DHA's activities; and (4) reductions of headquarters-level military, civilian, and contractor personnel. DOD dedicated most of the plan to describing the governance structure of the proposed administrative framework and to describing the timeline for a phased transfer of the approximately 457 MTFs to the DHA by October 1, 2021. Initially, DOD was to transfer responsibility for the administration of the MTFs to the DHA by October 1, 2018. However, Congress in the National Defense Authorization Act (NDAA) for Fiscal Year 2019 amended the law to allow, among other things, DOD to complete the transfer by September 30, 2021.

DOD has taken key steps in its June 2018 plan to improve the effectiveness and efficiency of the administration of MTFs. However, DOD's plan has two weaknesses that could be mitigated with additional information. Specifically,

- **DOD excluded 16 operational readiness and installation-specific medical functions from consideration for transfer to the DHA.** DOD did not define or analyze the potential effect of excluding these functions, which include dental care, substance abuse, and occupational health. Senior officials from the DHA and the Assistant Secretary of Defense for Health Affairs acknowledged that transferring the dental care function, for example, from the military departments to the DHA could potentially reduce duplicative activities.
- **DOD's plans to achieve the stated goal of reducing headquarters-level personnel, including contractor personnel, by 10 percent are unclear.** In its June 2018 plan, DOD states that the DHA will experience personnel growth during each phase of the transition, but that it expects to reduce headquarters-level personnel by 10 percent by 2021. However, the plan does not provide specific details about how DOD will achieve the established goal of reducing headquarters-level personnel by 10 percent while the DHA experiences personnel growth. Further, the plan does not address whether and how contractor personnel factor into the reduction. This lack of clarity exists because DOD has not validated headquarters-level personnel requirements or conducted a comprehensive review to identify the least costly mix of military, civilian, and contractor personnel to meet the validated requirements.

Until DOD takes action to resolve these two weaknesses, DOD will likely not be well positioned to reduce or better manage duplication and improve efficiencies, including reducing headquarters-level personnel across the Military Health System. Furthermore, Congress will lack important information to determine the extent to which the transfer of the administration of the MTFs to the DHA is being planned and implemented effectively and efficiently.