



THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-1200

Mar 17 97

**MEMORANDUM FOR:** ASSISTANT SECRETARY OF THE ARMY (M&RA)  
ASSISTANT SECRETARY OF THE NAVY (M&RA)  
ASSISTANT SECRETARY OF THE AIR FORCE (MRAI&E)

**SUBJECT:** Defense Health Program (DHP) Resource Reduction Policy

This establishes policy on implementing resources reductions, funding and personnel, within the DHP. The DHP continues to undergo fiscal and manpower reductions. We must assure that we comply with legal restrictions such as Section 8077 of the FY97 Defense Appropriations Act while ensuring that our beneficiaries have access to high-quality, clinically appropriate health care services. We must not compromise that care by inappropriate management decisions. In executing resource reduction initiatives such as utilization management (UM) and notional capitation allocation adjustments, we must first reduce administration and overhead accounts. Second, we should consider potentially redundant or duplicative support functions. Moderate reductions to inpatient staffing based on clinically appropriate UM and quality assurance decisions should be the third priority. These reductions are not to be applied to ambulatory care capability unless justified by population changes or base realignment and closure actions.

Unfortunately, I recently learned that significant reductions have been applied to our ambulatory care functions in many MTFs. This will have an immediate, detrimental affect on beneficiary access and is counter to arguments we have made to the Congress in supporting and defending our budget requests. As a part of DHP budget execution reviews, I intend to include an analysis of our progress in reducing administrative areas and ensuring continued beneficiary access to ambulatory care. I recently circulated to the Surgeons General an administrative staffing study that will serve as the basis for evaluating performance concerning manpower management. Some data in that study are from the Medical Expense and Reporting System (MEPRS) and not timely enough for inclusion in the quarterly execution reviews. In the near term, we will evaluate staffing in heavily [nonpatient care program elements](#) (Attachment 1) as "Leading Indicators" of progress in this area by comparing the available data to similar data for FY94-96. As MEPRS data become available, we will conduct more complete analyses. We will also review overall obligation data for those selected program elements to assure that fiscal resource reductions are executed as prescribed in this policy.

*Edward D. Martin*

Stephen C. Joseph, M. D., M.P.H.

**HA POLICY 97-040**

Attachment:  
As stated

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Attachment  
Preponderantly non patient care Program Elements

0806761	Education and Training
0807798	Management Headquarters
0801720	Examining Activities
0807705	Public/Occupational Health
0807714	Other Health Activities
0807724	Military Unique
0807725	Aeromedical Evacuation
0807760	Veterinary Activities
0807790	Visual Information
0807796	BASOPS (-)