



UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND
READINESS

JUN 01 2021

The Honorable Patrick J. Leahy
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The enclosed report is in response to Senate Report 112-173, pages 132-133, accompanying S. 3254, the National Defense Authorization Act for Fiscal Year (FY) 2013, which requests the Secretary of Defense, in consultation with the Director of the Office of Personnel Management, to provide an update on the use of healthcare provider appointing authorities to appoint and pay for critically needed healthcare occupations.

The Department of Defense (DoD) reports annually to Congress on its use of authorities and flexibilities under 10 U.S.C § 1599c to recruit and retain trained, experienced civilian healthcare professionals in critically needed healthcare occupations. The enclosed report summarizes the extent to which such authorities are being used throughout the Department. A notable example is the robust use of Direct Hire (DHA) and Expedited Hiring Authorities (EHA): 61 percent of Military Health System vacancies were filled using these streamlined hiring authorities in FY 2020. This continues a 5-year increase in the use of DHA/EHA. Another success story is the use of title 38 compensation flexibilities which, in part, account for 174 fewer civilian personnel in the health care occupations departing DoD during FY 2020 than during FY 2019. In fact, the FY 2020 loss rate is near the all-time low of 4718 in FY 2017. Notwithstanding these successes, challenges remain. For instance, in our report, we describe current and projected loss rate trends due to anticipated retirements and the fact that there is keen competition from the private sector, exacerbated by an often-limited applicant pool. The report concludes with a description of efforts by the Military Departments and at the enterprise level to offset or mitigate hiring and retention difficulties.

Thank you for your continued strong support for the health and well-being of our Service members, veterans, and their families. I am sending similar letters to the other congressional defense committees, the Committee on Homeland Security and Governmental Affairs of the Senate, and the Committee on Oversight and Reform of the House of Representatives.

Sincerely,

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable Richard C. Shelby
Vice Chairman



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUN 01 2021

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

Dear Mr. Chairman:

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Sincerely,

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable Mike D. Rogers
Ranking Member



UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND
READINESS

The Honorable Jack Reed
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

JUN 01 2021

Dear Mr. Chairman:

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Sincerely,

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable James M. Inhofe
Ranking Member



PERSONNEL AND
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UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUN 01 2021

The Honorable Rosa L. DeLauro
Chairwoman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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Sincerely,

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable Kay Granger
Ranking Member



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUN 01 2021

The Honorable Gary C. Peters
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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Sincerely,

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable Rob Portman
Ranking Member



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

JUN 01 2021

The Honorable Carolyn B. Maloney
Chairwoman
Committee on Oversight and Reform
U.S. House of Representatives
Washington, DC 20515

Dear Madam Chairwoman:

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Sincerely,

A handwritten signature in black ink that reads "Virginia S. Penrod".

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable James R. Comer
Ranking Member

ANNUAL REPORT TO CONGRESSIONAL COMMITTEES



Senate Report 112–173, Pages 132–133, Accompanying S. 3254 National Defense Authorization Act for Fiscal Year 2013 Health Care Provider Appointment and Compensation Authorities

JUNE 2021

The estimated cost of this report or study for the Department of Defense (DoD) is approximately \$3,900 in Fiscal Year 2019. This includes \$0 in expenses and \$3,900 in DoD labor.

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**2020 REPORT TO CONGRESSIONAL COMMITTEES
DEPARTMENT OF DEFENSE HEALTH CARE PROVIDER
APPOINTMENT AND COMPENSATION AUTHORITIES**

Senate Report 112-173, pages 132-133, accompanying S. 3254, the National Defense Authorization Act for fiscal year (FY) 2013 requests that the Department of Defense (DoD) report annually to specified congressional committees on its use of flexibilities to recruit and retain trained, experienced civilian healthcare professionals in critically needed healthcare occupations. This report summarizes the extent to which such authorities are being used successfully throughout the DoD. The authority granted by 10 U.S.C. § 1599c to exercise the authorities in chapter 74 of title 38, U.S.C., continues to be used extensively throughout the DoD and has contributed to successful recruitment and retention efforts for critical healthcare positions. In this report, we describe progress made during FY 2020 and include recruitment and retention analyses that are being used to mitigate problems and/or undesirable trends. As requested, the Department has consulted with the Office of Personnel Management (OPM) on this report.

Hiring Authorities:

The DoD regularly uses a single hiring authority that is specific to the Military Health System (MHS), and a full range of government-wide hiring authorities administered by OPM. A summary of the MHS and the government-wide hiring authorities is outlined in the table below.

Authority/Flexibility	Scope & Coverage	MHS Specific	Gov't Wide
Direct Hire Authority for the Department of Defense in 5 U.S.C. § 9905 enacted December 20, 2019	Authority to appoint qualified candidates to any category of medical or health professional positions within the Department designated by the Secretary as a shortage category or critical need occupation. Appointments may be made to positions in the competitive service in the DoD without regard to chapter 33, subchapter I of title 5, U.S.C., other than sections 3303 and 3328. This authority expires September 30, 2025.	✓	
Delegated Examining processes	OPM authorizes agencies to fill competitive civil service jobs with applicants from outside the Federal workforce or Federal employees with or without competitive service status.		✓
Various non-competitive authorities	Such as Veterans Recruitment Appointment Authority, which allows non-competitive appointment of 30 percent disabled veterans leading to the conversion of career or career conditional appointment.		✓
Temporary and term appointments	Temporary and term appointments are used to fill positions when there is not a need for the job to be filled on a permanent basis.		✓
The Pathways Program	Targets internships and recent graduates.		✓
Presidential Management Fellows	Matches outstanding graduate students with exciting Federal opportunities.		✓
Schedule A for appointing individuals with disabilities and support personnel.	Allows for appointment of people with severe physical disabilities, psychiatric disabilities, and intellectual disabilities. Another Schedule A authority can be used to appoint readers, interpreters, and personal assistants for disabled employees.		✓

Table 1: MHS and OPM Hiring Authorities

Results of Using Hiring Authorities: The DoD continues to use all existing hiring authorities, particularly Expedited Hiring Authority (EHA) and Direct Hire Authority (DHA) for medical positions. (In future reports, the use of EHA will decrease as more medical positions are filled using the new DHA that was authorized in 5 U.S.C. § 9905.) The following five-year recap clearly demonstrates a solid MHS commitment to using the enhanced hiring authorities and using more streamlined hiring processes:

- FY 2016, 22.9 percent of all hiring actions filled by using EHA/DHA authorities
- FY 2017, 26.7 percent of all hiring actions filled by using EHA/DHA authorities
- FY 2018, 41.3 percent of all hiring actions filled by using EHA/DHA authorities
- FY 2019, 50 percent of all hiring actions filled by using EHA/DHA authorities
- FY 2020, 61.9 percent of all hiring actions filled by using EHA/DHA authorities

Types of Compensation Authorities: Compensation authorities fall into two broad categories. First, title 38 authorities are available to DoD pursuant to 10 U.S.C. § 1599c. These authorities include, but are not limited to, Special Salary Rate (SSR) Authority (which allows DoD to increase rates of basic pay to amounts competitive within the local labor market, including the Department of Veterans Affairs (VA); Physicians and Dentists Pay Plan (PDPP); Nurse Locality Pay System; Head Nurse Pay; and premium pay. Second, the DoD uses Government-wide title 5 authorities which include, but are not limited to, the Superior Qualifications and Special Needs Pay-Setting Authority (SQA); recruitment, relocation, and retention incentives (3Rs); Student Loan Repayment Program; service credit for leave accrual; and SSR authority (which allows OPM to increase pay to address existing or likely significant handicaps in recruiting or retaining well-qualified employees due to factors such as significantly higher non-Federal pay rates than those payable by the Federal Government within the area, location, or occupational group involved; the remoteness of the area or location involved; or the undesirability of the working conditions or nature of the work involved).

Results of Using Compensation Authorities: The use of compensation authorities continues to be robust. The MHS currently has approximately 2,186 physicians and dentists under the PDPP and there are 275 SSR tables in place. The flexibilities of the PDPP are making DoD more competitive with the VA for these in-demand resources, due primarily to the fact that salaries of PDPP employees are reviewed and adjusted every two years. This ensures that DoD keeps up with competing salaries being offered by the VA. SSRs authorize higher salary rates for multiple occupations, benefiting 10,983 employees. The DoD also continues to make use of the SQA and, where appropriate, uses a combination of SSRs and the SQA. These compensation authorities span more than 40 occupations, dispersed through 191 Continental United States and Outside the Continental United States duty stations.

Loss rates¹ for all medical occupations: As the following chart demonstrates, the loss rates for the 53 MHS medical occupations declined in FY 2016, evened out in FY 2017 and 2018, increased slightly in FY 2019 and declined again in FY 2020. The five FY trend demonstrates some retention wins, attributable, at least in part, to the continued use of title 38 compensation

¹ Within DoD, the loss rate is defined as losses to DoD, and not internal churn within the Military Departments. Data in the Corporate Management Information System (CMIS), which houses civilian data from the Defense Civilian Personnel Data System (DCPDS), is the source for loss rate calculations.

authorities, combined with other compensation strategies.

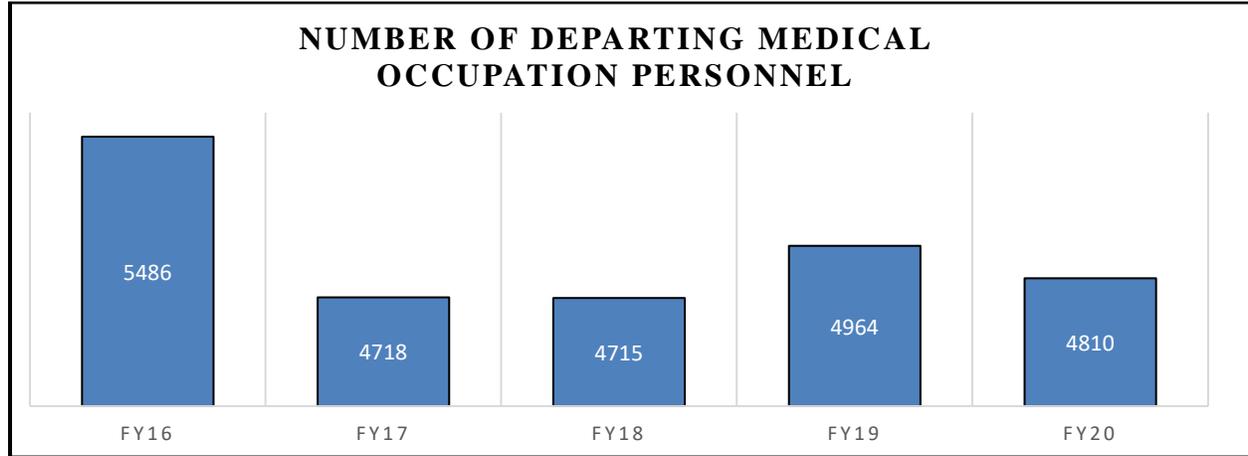


Table 2: Number of Personnel in 53 Medical Occupations Departing DoD FY 2016 – FY 2020
Source: CMIS as of October 12, 2020

Mission Critical Occupations (MCO) Loss Rates: One area that is carefully monitored is loss rate trend data for MCOs. These occupations are listed in the chart below.² The loss rate for all our MCOs decreased from FY 2019 to FY 2020 which is very good news and shows that the strategies being taken by the Military Departments (MilDepts) are bearing fruit. However, we have not determined what impact, if any, coronavirus disease 2019 (COVID-19) might have had on our retention rate. We will have to examine next year’s losses to see if this year’s trend continues.

	FY 2017	FY 2018	FY 2019	FY 2020
Licensed Clinical Social Workers	9.0%	11.2%	12.7%	10.6%
Physicians	10.4%	11.3%	9.8%	8.8%
Physician Assistants	11.2%	12.3%	14.1%	11.9%
Registered Nurses	11.0%	10.8%	12.2%	10.3%
Pharmacists	8.3%	7.8%	7.4%	7.1%
Clinical Psychologists	8.0%	7.8%	10.4%	7.6%
Licensed Practical Nurse	12.8%	13.9%	18.2%	13.5%
Dentists				8.8%
Physical Therapist	7.1%	9.5%	11.3%	5.5%

Table 3: Mission Critical Occupations (MCO) Loss Rate FY 2017 – FY 2020
Source: CMIS as of October 12, 2020

² Dentist is a new MCO this year and was added due to our anticipation of significant retirements. See Table 6 below

A trend line chart of the MCO loss rates follows:

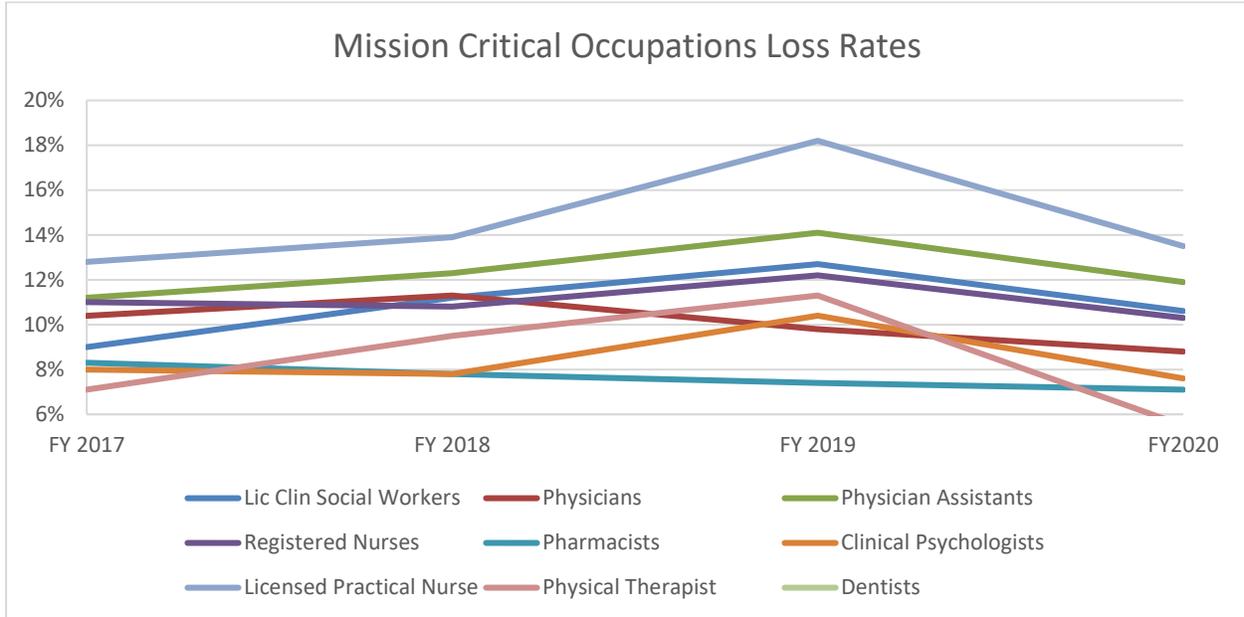


Table 4: MCO Loss Rate Trend lines FY 2017 – FY 2020
Source: CMIS as of October 12, 2020

MCO Loss Rate Analysis: We are not able to gather consistent and reliable exit data. However, we can determine what percentage of employees resigned, retired or transferred to another government agency. Employees in five of our nine MCOs resigned at a higher rate than for any other reason (retirement, transfer, etc.) In some cases, the percentage of employees who resigned was double or triple the percentage who retired. In general, MHS MCO employees who leave go to organizations or facilities where they are paid more money and/or to obtain better career progression. This conclusion is borne out by input from the MilDeps and the National Capital Region Medical Directorate (NCR-MD)³ in their Strategic Recruitment and Retention analysis below.

MCO Gains and Losses: MCO gains and losses are compared each FY. The following FY 2020 data show that in all but two MCOs, gains outnumbered losses. This indicates that vacancies can be filled, but as other analysis has shown, turnover may impact other metrics such as quality of care and increased training costs.

³ As part of the Defense Health Agency, the NCR-MD is comprised of Walter Reed National Military Medical Center, Fort Belvoir Community Hospital and associated clinics, and the Joint Pathology Center.

Mission Critical Occupation	Gains	Losses	Net Results
Licensed Clinical Social Worker	89	109	-20
Physician	309	283	+26
Physician Assistants	91	87	+4
Registered Nurse	1,545	1,504	+41
Pharmacist	140	133	+7
Licensed Clinical Psychologist	107	79	+26
Licensed Practical Nurse	544	687	-83
Physical Therapist	69	33	+36
Dentist	33	27	+6

Table 5: MCO gains and losses in FY 2020
Source: CMIS as of October 12 2020

Projected Retirement Eligibility: While there are numerous efforts underway to improve recruitment and retention, these initiatives alone may not be successful in meeting future MCO needs. The Bureau of Labor Statistics (BLS) forecasts that the demand for all the MCOs is expected to rise across the United States, led by the need for physician assistants. Comparing the expected retirement losses suggests there may be recruiting and retention challenges in the near and long term due to competition with the private sector and supply and demand issues.

Job Series	BLS Projected Increase by 2029 ⁴	Retirement Eligibility by 2025 ⁵
Clinical Psychologists	3%	34.2%
Licensed Social Workers	13%	31.8%
Physicians	4%	46.2%
Physician Assistants	31%	33.9%
Registered Nurses	7%	28.3%
Licensed Practical//Vocational Nurses	9%	21.5%
Physical Therapists	18%	17.8%
Pharmacists	-3%	24.0%
Dentists	3%	58.8%

Table 6: BLS Projected Demand and Retirement Eligibility
Source: CMIS as of October 12, 2020

Analysis of Retirement Eligibility: When combined with normal attrition rates, retirement eligibility among the MilDeps, NCR-MD, and the MHS as a whole, as shown in Table 7 below, will result in increased retention challenges in the future. Trends are monitored to identify circumstances which may require additional focus and expanded use of hiring and compensation authorities to maintain the needed staffing levels. For instance, the dentist and physician groups have the largest percentage of employees eligible for retirement and so future trend data will have to be carefully monitored. Work in this area has already begun, an example of which is this from Air Force: “In order to offset projected retirement/losses that include these MCO

⁴ Bureau of Labor Statistics (BLS): “Healthcare occupations are projected to grow 15%, faster than the average for all occupations, adding ~2.4 million new jobs (more jobs than any of the other occupational groups).” <https://www.bls.gov/ooh/healthcare/home.htm>

⁵ Optional retirement eligibility is determined by a combination of age and years of service.

occupations, the Air Force Personnel Center (AFPC) Talent Acquisition (TA) Division will work with our medical units to maximize use of all potential marketing [and] recruiting tools. They will provide strategic workforce planning, forecasting, and analysis with innovative marketing, acquisition tools, sourcing strategies, and effective hiring practices to address short/urgent and long-term hiring needs. AFPC/TA has licenses to use various social media platforms to help expand candidate searches to reach highly qualified talent, especially for hard-to-fill/mission critical occupation vacancies.”

<u>Occupational series</u>	<u>Air Force</u>	<u>Army</u>	<u>NCRMD</u>	<u>Navy</u>	<u>MHS-wide</u>
Psychologist	26.7%	36.0%	32.3%	32.7%	34.2%
Licensed Social Worker	36.3%	31.0%	26.7%	42.1%	38.8%
Physician	44.4%	47.0%	44.5%	45.0%	46.2%
Physician Assistant	11.7%	34.0%	29.7%	42.6%	33.9%
Registered Nurse	35.6%	25.6%	33.5%	32.0%	28.3%
Licensed Practical Nurse	24.1%	20.1%	24.0%	37.7%	21.5%
Physical Therapist	14.2%	13.3%	31.5%	31.0%	17.8%
Pharmacist	32.5%	21.5%	28.5%	28.5%	24.0%
Dentist	80.0%	54.8%	61.4%	64.0%	58.7%

Table 7: Projected retirements in FY 2024 broken down by component and occupation
Source: CMIS as of October 12, 2020

Strategic Recruitment and Retention Analysis: When the MilDepts and the NCR-MD were asked to identify current systemic problems with hiring and retention, they indicated they are experiencing difficulties with filling virtually all of the MCOs. In addition, one MilDep identified additional positions it was experiencing difficulty filling, including Health Technician; Diagnostic Radiologic Technologist; and Medical Records Technicians. Another MilDep said that it has had difficulty hiring Dental Hygienists. The third Military Department is experiencing difficulty with recruiting and retaining Histopathology Technicians and Diagnostic Radiologic Technologists.

The MilDepts/NCR-MD have indicated that the primary barrier to becoming more competitive with other employers is that the MHS is unable to compete with compensation packages offered by private hospitals. For instance, private sector employers are often able to offer incentives such as stock options and flexibility in determining salary offers, bonuses, and benefits. This is exacerbated by supply and demand: There is an increased need for healthcare professionals as the population ages and there are insufficient people entering the healthcare field to meet the demand. Additionally, the pool of available skilled healthcare providers is also often limited by the remote geographic locations of many DoD installations. The length of time it takes to get security clearances is also problematic and is an issue that competitors in the private sector do not face. Another significant barrier to filling MHS positions is the length of time it takes to finalize a recruitment action. During FY 2020, DoD authorized significant expansion of Direct Hire Authority for certain medical occupations in two Under Secretary of Defense for Personnel and Readiness memoranda: “Direct Hire Authority for Certain Personnel of the Department of Defense,” dated April 2, 2020, and “Additional Healthcare Occupations Temporarily Covered by Department of Defense Direct Hiring Authority,” dated July 22, 2020 (in effect until

June 1, 2021). These two new authorities cover over 35 healthcare occupations and give great promise for streamlining the hiring process. We will address this in greater detail in our FY 2021 report once we can see what impact the new authorities have on time to hire.

Mitigation strategies: To address negative impacts on recruitment and retention, the MilDeps/NCR-MD are successfully using a number of strategies. For example, Bureau of Medicine and Surgery (BUMED) recently posted over 40 long term announcements (LTAs) to assist management in filling vacancies. These LTAs include multiple grade levels, geographic locations, specialties, and appointing authorities, which allow the Navy's Operations Center to quickly issue a list of qualified candidates from which the hiring manager may select. The LTAs provide a one-stop application process for applicants, allowing the applicant to respond to one announcement and selecting the lowest acceptable grade level, geographic location, and specialty versus needing to respond to multiple announcements on USAJOBS. Overall, this will assist with filling vacancies more quickly and lower end to end time to hire.

The Department of Army has placed great emphasis on title 38 special salary rates. Over the past six years, Army has initiated and processed 189 SSR table requests and several more are under review. SSRs have enhanced U.S. Army Medical Command's ability to attract and retain quality healthcare professionals across all healthcare specialties.

As a retention strategy, the Air Force executed over \$1M in 3Rs in FY 2018 and FY 2019 for MCOs. Additionally, the Air Force Medical Service has collaborated with AF/A1 in requesting OPM authority to waive the payment limits on medical civilian 3R incentives for its MCOs to address critical agency needs related to the President's declaration of a national emergency concerning the COVID-19 pandemic health crisis. On October 2, 2020, OPM approved the request to pay incentives of up to 50 percent of an employee's annual rate of basic pay.

The NCR-MD is experiencing difficulty with recruiting and retaining histopathology technicians and diagnostic radiologic technologists, so efforts have begun to establish SSRs for these occupations. To demonstrate the effectiveness of its various strategies, the NCR-MD reports that from FY 2019 to FY 2020 there have been significant decreases in the loss of psychologists, social workers, and physical therapists. Physician assistant and pharmacist occupations also had a significant decrease in losses, primarily due to providing retention incentives to compete with the local market and the VA, respectively.

Enterprise-level efforts: As noted in the FY 2017 report, the then-Deputy Secretary of Defense announced on June 6, 2017, that the DoD was assuming responsibility from OPM for approving new requests for Direct Hire Authority.⁶ While the expansion of DHA to key healthcare occupations in 2020 has eliminated the need to request additional healthcare occupations, a few requests related to the COVID-19 pandemic have been approved during this reporting period. These approvals demonstrated that having approval authority with the Under Secretary of Defense for Personnel and Readiness has sped up the process and in turn will facilitate the ability to hire for positions associated with critical COVID-19 requirements.

⁶ Section 9902(b)(2), title 5 is the authority for DoD to approve use of DHA. See the Deputy Sec of Defense Memo, "Implementation of Direct-Hire Authority for Shortage Category and/or Critical Need Positions," June 6, 2017.

During FY 2018, the Chief Human Capital Officer (CHCO) of the Office of the Deputy Assistant Secretary of Defense for Health Services Policy and Oversight (DASD((HSP&O))) became part of a DoD effort to systemically conduct workforce planning and development. The program uses Strategic Human Capital Planning methodologies to assess the current state of the civilian workforce; to identify skills and competencies gaps; and to forecast emerging and future workforce requirements. It is anticipated that the opportunities for career growth and development that may come out of this effort will serve as a motivator for employees to remain with the MHS for years to come.

The CHCO is also continuing work to develop joint approaches to various human capital processes. For instance, in order to respond to periodic requests for data on the numbers of MHS mental health providers, the CHCO is heading an effort to collaborate with the MilDeps and NCR-MD to reach consensus on such things as how data are collected and definitions of terms used in the various requests. The CHCO is also a member of Tri-Service Nurse working group and provides the civilian perspective on recruitment and retention of both Nurse and LPNs (which is a matter of on-going concern as described in Table 3 above.) The CHCO led the effort to obtain MilDep and NCR-MD concurrence on adding the Podiatrist occupation to the PDPP and then ensured that the DoD Instruction was appropriately revised to reflect this addition. Finally, the CHCO leads a joint committee to establish and publish salary tables and implementation instructions for MHS military medical personnel.

A matter of concern to (DASD(HSP&O)) leadership is the issue of staff burnout, particularly during the COVID-19 pandemic. Some of the many ways this pandemic contributes to burnout is increased workloads, risk of transmission of the virus and distress from resource constraints and isolated end-of-life care. Changes in mortality rates and in-hospital deaths may lead to a diminished sense of self-efficacy for many healthcare workers. The CHCO is participating in exploring how the MHS might address burnout.

Conclusion: The MilDeps/NCR-MD are using multi-pronged approaches to proactively address current and future/projected shortages of healthcare professionals. The data suggest that the MilDeps/NCR-MD are successfully using available authorities and are adapting their application to address their unique circumstances. They are also expanding use of existing authorities like SSRs to try to mitigate projected losses due to retirements and resignations. It is clear that no single solution will resolve MHS recruitment and retention issues and so the challenge is to continue to expand the use of current authorities while at the same time collaborate with stakeholders to develop new approaches and/or initiatives. The impact of this two-pronged approach will continue to be evaluated and results will be included in the FY2021 report. The DoD anticipates that the efforts of the MilDeps and the NCR-MD will, in combination with efforts at the MHS enterprise level, positively impact the ability to recruit and retain highly qualified healthcare professionals.