

CHIEF MANAGEMENT OFFICER - \$6.5 BILLION IN BUREAUCRACY ELIMINATED, REDIRECTED TO WARFIGHTER

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The Chief Management Officer of the Department of Defense announced today that reforms led by the Office of the CMO generated \$6.5 billion in validated savings under the Department's FY2019 budget and were reprogrammed in direct support of the warfighter. Combined with 2018 reforms, the Office of the Chief Management Officer (OCMO) booked \$11.2 billion in reform savings in less than two years.

"Reforming the Department's business practices for greater performance and affordability is one of the three pillars of the National Defense Strategy, and Secretary of Defense Esper has made reform of business operations a top priority across the Department of Defense," said Lisa Hershman, the Department's Chief Management Officer.

"Secretary Esper's leadership and support of our efforts, working in conjunction with Deputy Secretary Norquist and key partners in the department, including the Military Departments, allowed us to implement reforms in support of the warfighter at a pace and level of savings never before seen in the Department of Defense," Hershman said.

Under the leadership of the OCMO, multiple cross-functional Reform Management Teams identified outdated and inefficient processes, implemented reforms, and created savings to be reprogrammed in support of DoD priorities. "This effort is an ongoing component of our mandate to implement the shared vision of President Trump, Secretary Esper and Congress to bring modern business practices to the Department of Defense, ensuring that taxpayer dollars are being spent efficiently in support of our national defense and our warfighters," Hershman said. "By reforming outdated or inefficient practices, we are creating savings that are being redirected in support of training and equipment modernization to improve readiness and lethality."

Working with the Office of Cost Assessment and Program Evaluation (CAPE) and the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), the \$6.5 billion in FY2019 savings directed by the OCMO are the result of better alignment of resources, policy reform, and business system improvement. Examples of these reform include:

- **Navy Weapon System Acquisition** — The Navy saved \$97.9 million by procuring 10 Arleigh Burke-class destroyers in five-year contracts to receive a 9.3% discount based on an estimate of a single-year contract.
- **Military Health IT Optimization**—The Department saved \$68 million through Win10 migration, Desktop to Data Center implementation, baselining IT spend to the level of each expenditure and reconfiguring health IT to drive both operational and personnel efficiencies.

- **Fourth Estate Business Operations Improvement**—The Fourth Estate conducted a standard system investment process which resulted in opportunities for modernized technology which changed business processes and reduce the total operating costs by \$80.4 million for the Army, Navy, Air Force, CMO, USD(C), and Defense Finance and Accounting Services (DFAS).
- **Personnel Management**—Reduced overhead of Major Headquarters Activities and spending cuts from the FY16 baseline, resulted in savings of \$1.131 billion in FY17, and \$1.424 billion in FY18.
- **Healthcare TRICARE Managed Care Contract**—Changes in fees applied to the estimated \$16 billion annually TRICARE healthcare contracts was implemented in FY18 and realized in \$352.9 million in savings with \$2.4 billion planned through FY21.
- **Sale of Obsolete Equipment**—The Department reprogrammed \$407.8 million from the sales of nine older UH-60 Black Hawks through a GSA auction, ten older US-60 Black Hawks to Afghanistan, 100 older MIM-104 Patriot Missiles to UAE, and four older C-130 Hercules to Chile and the Philippines.

These reform savings are separate from the \$5.7 billion in FY2021 savings identified through the recent Defense-Wide Review which was led by Secretary Esper in coordination with Deputy Secretary Norquist and CMO Hershman. The \$6.5 billion are realized and validated savings achieved in FY2019 and exceed the programmed reform target of \$6 billion. “Not only did we achieve our targeted savings, we beat it,” said Hershman.

“OCMO’s mission is to deliver optimized enterprise business operations to ensure the success of the National Defense Strategy,” Hershman said. “This is the tip of the iceberg of potential reform savings, but none of it would have been possible without the strong support of Secretary Esper, and the partnership between the Comptroller and the OCMO as co-sponsors of the Department-wide audit which has been a key tool in informing our reform efforts,” Hershman said.

OUSD(C) independently reviewed the OCMO’s reform effort, validating the \$6.5 billion in FY2019 savings and creating a roadmap of where the savings were reprogrammed in support of the warfighter to improve readiness and lethality. Those investments include:

- increases to Army home station training activities and equipment prepositioning supporting additional rotations to the Asia-Pacific region
- increases to Army sustainment activities, cyber, intelligence, base operations, and facility sustainment supporting the additional training and rotations to the Asia-Pacific region as well as ongoing rotations worldwide
- increases to Navy readiness activities supporting airframe logistics and maintenance, F-35 aircraft logistics and sustainment, and additional ship operations training

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- increases to ship prepositioning and ready reserve force for the transfer of National Defense Sealift Fund (NDSF) to O&M
- increases for Air Force weapon system sustainment supporting several airframes, e.g., F-35, F-22, E-3, B-52, and B-1 aircraft, as well as Intercontinental Ballistic Missile (ICBM) maintenance for boosters and software
- increases for Air Force cyber operations supporting network services, capabilities, security, and Cloud migration;
- increases for Air Force flying operations supporting training, airlift, and operations
- increases for Air Force air training associated with additional contracting for adversary air and virtual training
- increases due to additional special operations force structure, acquisition workforce development requirements, background investigation requirements, and classified activities.

Congress created the Chief Management Officer position in the 2018 National Defense Authorization Act as the number three position in the leadership of the Department of Defense, with a specific mandate to lead Department-wide reform efforts in pursuit of cost savings and efficiency. The position is unique in that Congress specifically requires the CMO to have significant private sector experience in large-scale business transformation.