



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

PERSONNEL AND
READINESS

The Honorable Richard C. Shelby
Chairman
Subcommittee on Defense
Committee on Appropriations
United States Senate
Washington, DC 20510

MAR 26 2019

Dear Mr. Chairman:

The enclosed interim report is in response to the Joint Explanatory Statement accompanying the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232), "Consolidation of cost-sharing requirements under TRICARE Select and TRICARE Prime." The conference report requests the Department provide policy options desirable to maintain and improve access to quality health care, while controlling the cost of providing that health care.

The interim report describes the various TRICARE programs as defined by title 10, United States Code; identifies which beneficiaries are eligible to participate and how many are enrolled in each program; and provides the average cost to the Department and to the beneficiary in each program. The Department will provide the final report to Congress in June 2019. When complete, the final report will summarize the results of the beneficiary surveys, and will include the Department's recommendations on policy options to maintain and improve access to quality health care, while controlling the cost of providing that care.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the other congressional defense committees.

Sincerely,

James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Richard J. Durbin
Vice Chairman



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PERSONNEL AND
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The Honorable Peter J. Visclosky
Chairman
Subcommittee on Defense
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

MAR 26 2019

Dear Mr. Chairman:

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James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Ken Calvert
Ranking Member



PERSONNEL AND
READINESS

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

The Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

MAR 26 2019

Dear Mr. Chairman:

The enclosed interim report is in response to the Joint Explanatory Statement accompanying the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232), "Consolidation of cost-sharing requirements under TRICARE Select and TRICARE Prime." The conference report requests the Department provide policy options desirable to maintain and improve access to quality health care, while controlling the cost of providing that health care.

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Sincerely,

A handwritten signature in black ink that reads "James N. Stewart". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member



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

PERSONNEL AND
READINESS

MAR 26 2019

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

Dear Mr. Chairman:

The enclosed interim report is in response to the Joint Explanatory Statement accompanying the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232), "Consolidation of cost-sharing requirements under TRICARE Select and TRICARE Prime." The conference report requests the Department provide policy options desirable to maintain and improve access to quality health care, while controlling the cost of providing that health care.

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Sincerely,

A handwritten signature in black ink that reads "James N. Stewart". The signature is fluid and cursive, with a large loop at the end.

James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable William M. "Mac" Thornberry
Ranking Member

Interim Report to the Senate and House Armed Services Committees



The Department of Defense TRICARE Programs

REPORT ON COSTS OF TRICARE HEALTH PLANS

Requested by: Conference Report 115-874, Pages 892-893, Accompanying H.R. 5515, the John S. McCain National Defense Authorization Act for Fiscal Year 2019

The estimated cost of report for the Department of Defense (DoD) is approximately \$5,710.00 for the 2016 Fiscal Year. This includes \$50.00 in expenses and \$5,660.00 in DoD labor.

INTRODUCTION

This interim report is in response to a request in Conference Report 115-874, to accompany H.R. 5515, pages 892- 893, the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (NDAA for FY2019).

This interim report will describe the various TRICARE programs as defined by title 10, United States Code (U.S.C), identify which beneficiaries are eligible to participate and how many are enrolled in each program, and provide the average cost to the Department, as well as to the beneficiaries in each program.

A final report, to be provided by June 30, 2019, will summarize the results of beneficiary surveys as to whether beneficiaries would be amenable to additional modest fee increases to maintain a fiscally viable, comprehensive health benefit. The final report will also describe desirable policy options to maintain and improve access to quality health care, and take into consideration the beneficiary survey results.

BACKGROUND

The NDAA for FY2019 conference agreement did not include a Senate provision that would have eliminated the grandfathering of cost-sharing requirements for beneficiaries enrolled in the TRICARE program prior to January 1, 2018. Instead, the conferees noted in the conference report:

“The conferees remain concerned about the high cost of military health care, understanding that much of the cost has been driven by new benefits and benefit enhancements authorized by Congress, as well as generally increasing costs of medical care in the private sector in the United States. The Congressional Budget Office estimates that the average cost to the Department of Defense for a typical retiree household’s health care in 2021 will be \$17,800. Therefore, the conferees direct the Secretary of Defense to submit a report, not later than February 1, 2019, to the Committees on Armed Services of the Senate and the House of Representatives clearly describing the various TRICARE programs currently available to beneficiaries, identifying which beneficiaries are eligible to participate in each program, and providing the average cost to the Department of Defense and to beneficiaries in each program. Additionally, the report should describe the policy options desirable to maintain and improve access to quality health care while controlling the cost of providing that health care. In developing policy options, the Department should conduct a beneficiary survey to ascertain whether beneficiaries would be amenable to additional modest fee increases to maintain a fiscally viable, comprehensive health benefit.”

DESCRIPTION OF THE TRICARE PROGRAMS

General. In general, statutory authority for the TRICARE program is in Chapter 55 of title 10, U.S.C. Most Uniformed Service members (Active Duty and retired) and eligible family

members are entitled to health care services at military medical treatment facilities (MTFs) once enrolled in a TRICARE purchased health plan. Some are also eligible, based on specific authorities in title 10 U.S.C., to enroll in a TRICARE purchased care health plan primarily based on the sponsor's status and, in some cases, in designated geographical locations.

The following paragraphs describe each of the TRICARE purchased care health plans.

TRICARE Prime

TRICARE Prime is authorized by title 10 U.S.C. Section 1075a. It is a managed care, health maintenance organization (HMO)-like program.

It generally features use of MTFs and substantially reduced out-of-pocket costs for authorized civilian health care services provided outside MTFs. Beneficiaries generally agree to use MTFs and designated civilian provider networks and to follow certain managed care rules and procedures. The primary purpose of TRICARE Prime is to support the effective operation of an MTF, which exists to support the medical readiness of the Armed Forces and the readiness of medical personnel.

TRICARE Prime is offered in a location in which an MTF is located and as designated by the Director, Defense Health Agency (DHA), as a Prime Service Area.

TRICARE Prime coverage is also offered in overseas locations as directed by the Director, DHA.

TRICARE Prime coverage is also authorized by a Uniformed Services Family Health Plan (USFHP). The USFHPs are certain former U.S. Public Health Service hospitals that receive a sole source contract, as required by law, with the Department to offer TRICARE Prime coverage in six designated service areas in the U.S. to eligible retirees, retiree family members, and Active Duty family members, with the same beneficiary cost sharing as other TRICARE Prime enrollees.

TRICARE Prime Remote (TPR) and TPR For Active Duty Family Members

TRICARE Prime Remote (TPR) and TPR Active Duty Family Member (TPRADFM) are authorized by 10 U.S.C. Section 1079(p) and offer the TRICARE Prime benefit to Active Duty service members and their families when the member is stationed more than 50 miles, or approximately a one-hour drive time, from the nearest MTF Prime Service Area adequate to provide care. An active duty family member is eligible for TPRADFM when his/her sponsor is eligible for TPR and he/she resides with the sponsor and under other circumstances. TPRADFM will generally follow the rules and procedures of TRICARE Prime.

TPR and TPRADFM coverage is also offered in overseas locations as directed by the Director, DHA.

TRICARE Select

TRICARE Select is authorized by 10 U.S.C. Section 1075 (as added by section 701 of NDAA-17) and title 10 U.S.C. 1097. TRICARE Select is a self-managed, preferred provider organization (PPO) that requires enrollment to maintain TRICARE coverage.

It allows beneficiaries to use the TRICARE civilian provider network, with reduced out-of-pocket costs compared to care from non-network providers, as well as MTFs (when space is available). TRICARE Select is offered worldwide.

TRICARE For Life (TFL)

TRICARE for Life is the Medicare wraparound coverage plan. Beneficiaries entitled to Medicare Part A generally must have Medicare Part B to keep TRICARE, regardless of age or residence. This is a requirement based on federal law with an exception for Active Duty service members and Active Duty family members. Beneficiaries eligible for TRICARE who have Medicare Part A and Part B are automatically covered by TFL. There are no enrollment fees for TFL.

TRICARE Reserve Select (TRS)

TRS is authorized by title 10 U.S.C. Section 1076d and offers the TRICARE Select self-managed, PPO option to qualified members of the Selected Reserve, their immediate family members, and qualified survivors. It is a premium-based option requiring enrollment to maintain TRICARE coverage and, upon purchase, includes space-available access to MTFs and pharmacies.

TRICARE Retired Reserve (TRR)

TRR is authorized by title 10 U.S.C. Section 1076e and offers the TRICARE Select self-managed, PPO option to qualified members of the Retired Reserve, their immediate family members, and qualified survivors. It is a premium-based option requiring enrollment to maintain TRICARE coverage and, upon purchase, includes space-available access to MTFs and pharmacies.

TRICARE Young Adult (TYA)

TYA is authorized by title 10 U.S.C. 1110b, and offers premium-based TRICARE coverage to qualified unmarried adult children of TRICARE-eligible uniformed service sponsors who have lost eligibility for TRICARE coverage upon turning 21 years of age (up to age 23 if enrolled in a full-time course of study at an approved institution of higher learning, and the sponsor provides over 50 percent of the student's financial support), and are under age 26.

Upon purchase, qualified beneficiaries receive the benefit of the TRICARE option that they selected, including, if applicable, access to MTFs and pharmacies.

Eligibility and Enrollment for TRICARE Programs

Under existing laws and regulations, the Uniformed Services determine eligibility for military medical benefits based on the status of the Uniformed Service member (Active Duty, reserve component, or retired). In turn, Uniformed Services members and their eligible family members may enroll in a TRICARE health plan based on chapter 55, title 10 U.S.C.

The following paragraphs describe eligibility and enrollment for each TRICARE health plan.

TRICARE Prime and TRICARE Select

Eligibility: Active Duty members must enroll in TRICARE Prime or TPR.

Active Duty family members are eligible to enroll in TRICARE Prime (where offered), TPRADFM (if qualified), or TRICARE Select, even if they have Medicare coverage and are eligible for TRICARE for Life.

Retirees, family members, and survivors under the age of 65 are generally eligible to enroll in TRICARE Prime (where offered and available) or TRICARE Select. Retirees, family members, and survivors who becomes eligible for Medicare Part A due to age or disability are generally not eligible to enroll in TRICARE Select, but may enroll in TRICARE Prime if under age 65. In general, when a retiree, family member, or survivor becomes individually eligible for Medicare Part A and enrolls in Medicare Part B, he/she is automatically eligible for TRICARE-for-Life.

There are 6.8 million (M) beneficiaries eligible to enroll in either TRICARE Prime or TRICARE Select.

Enrollment: TRICARE Prime has 5.1M enrolled sponsors and family members, and TRICARE Select has 2.2M enrolled sponsors and family members.

TRICARE Prime Remote and TRICARE Prime Remote for Active Duty Family Members

Eligibility: TPR is available to Active Duty members (including reserve component members called to Active Duty for more than 30 days) if assigned permanently more than 50 miles, or approximately one hour driving time, from the nearest MTF that is adequate to provide care. TPRADFM is available to family members who reside with their TPR eligible service member, remain in that location if the member is re-assigned and the family members are not authorized to accompany the member to the new location, or remain at the remote site for up to three years after the death of the member.

Enrollment: TPR has 89,453 enrolled service members and TPRADFM has 91,001 enrolled active duty family members.

TRICARE For Life

TRICARE For Life is Medicare wraparound coverage for TRICARE-eligible beneficiaries who have Medicare Part A and Medicare Part B as their primary health care coverage.

Entitlement: There are just over 2.2M retired sponsors and family members entitled to TRICARE For Life as their Medicare wraparound coverage. No TRICARE enrollment is required; instead, beneficiaries must ensure the Defense Enrollment Eligibility Reporting System properly reflects their Medicare Part A and B coverage.

TRICARE Reserve Select

Eligibility: Qualified members of the Selected Reserves, their immediate family members, and qualified survivors may qualify to purchase TRS coverage. However, Selected Reserves members who are eligible or enrolled in Federal Employee Health Benefits Program (FEHBP) do not qualify to purchase TRS.

There are over 1.2M sponsors and family members eligible for TRS. However, this number does not exclude those that may be FEHBP eligible.

Enrollment: TRS has 392,776 sponsors and family members enrolled in this premium based plan.

TRICARE Retired Reserve

Eligibility: Qualified members of the Retired Reserve, and/or their immediate family members until the sponsor turns age 60, and qualified survivors may qualify to purchase TRR coverage. However, Retired Reserve members who are eligible for or enrolled in FEHBP do not qualify to purchase TRR.

There are 498,353 sponsors and family members eligible for TRR. However, this number does not exclude those that may be FEHBP eligible.

Enrollment: TRR has 9,921 sponsors and family members enrolled in the premium-based plan.

TRICARE Young Adult

Eligibility: Unmarried adult children of TRICARE-eligible uniformed service sponsors who do not otherwise have eligibility for medical coverage under a TRICARE program upon reaching age 21 (23 if enrolled in a full-time course of study at an approved institution of higher learning), and are under age 26. Unmarried children cannot be eligible for employer based health coverage to purchase TYA.

There are 565,070 children who have “aged out” of TRICARE and are under the age of 26. There are no estimates of the number of former children under the age of 26 that may not qualify

to purchase TYA due to marriage or eligibility or enrollment in an employer-sponsored health plan.

Enrollment: TYA Prime has just over 11,963 enrollees and TYA Select has just over 23,781 enrollees.

Average Cost to the Department and Average Cost to Beneficiaries

This section describes the average annual cost to the Department and the average annual cost to beneficiaries for each of the TRICARE health plans.

With respect to beneficiary cost sharing, beneficiaries are split into two groups: one group (referred to as “Group A”) consists of Uniformed Services members and family members whose Uniformed Services member first became affiliated with the military through enlistment or appointment before January 1, 2018.

The second group (referred to as “Group B”) consists of Uniformed Services members and family members whose Uniformed Services member first became affiliated on or after January 1, 2018. As directed by Section 701 of the John S. McCain NDAA for FY 2019, Group B cost shares also apply to TRS, TRR, and TYA enrollees regardless of when the Uniformed Services member first became affiliated with the military. By regulation, CHCBP enrollees also have Group B TRICARE Select cost shares.

Should there be any beneficiary cost shares for TFL beneficiaries after Medicare and/or TRICARE pay first, TRICARE Standard/Extra cost shares apply.

These distinctions in beneficiary cost shares were directed by Section 701 of the John S. McCain NDAA for FY 2019, and were effective on January 1, 2018.

TRICARE Prime, Group A

The average annual DoD cost for an Active Duty family of three (spouse and two children) enrolled in TRICARE Prime with Group A cost shares is \$13,717.00, while the family’s average annual out-of-pocket (OOP) cost is \$126.00.

For a retiree family of three (retired service member, spouse, and one child) enrolled in TRICARE Prime with Group A cost shares, the average annual DoD cost is \$14,723.00 while the family’s average annual OOP cost is \$1,341.00, which includes the enrollment fees.

TRICARE Select, Group A

The average annual DoD cost for an Active Duty family of three enrolled in TRICARE Select with Group A costs shares is \$12,147.00 while the family’s average annual OOP cost is \$761.00.

For a retiree family of three enrolled in TRICARE Select with Group A cost shares, the average annual DoD cost is \$12,193.00, while the family's average annual OOP cost is \$1,759.00, which assumes the \$300.00 family enrollment fee begins on January 1, 2021.

TRICARE Prime, Group B

The average annual DoD cost for an Active Duty family of three enrolled in TRICARE Prime with Group B cost shares is \$13,717.00, while the family's average annual OOP cost is \$126.00.

For a retiree family of three enrolled in TRICARE Prime with Group B cost shares, the average annual DoD cost is \$14,595.00 while the family's average annual OOP cost is \$1,469.00, which includes the enrollment fees.

TRICARE Select, Group B

The average annual cost DoD cost for an active duty family of three enrolled in TRICARE Select with Group B cost shares is \$12,198.00, while the family's average annual OOP cost is \$725.00.

For a retiree family of three, the average annual DoD cost is \$11,341.00 while the family's average annual OOP cost is \$2,651.00, which assumes the \$300.00 enrollment fee that begins on January 1, 2021.

TRICARE For Life

In most instances, Medicare pays first, then TRICARE pays second. TRICARE for Life is only individual coverage.

The average annual cost to the DoD per TFL beneficiary, including pharmacy, is \$4,475.00 while the estimated average annual OOP cost for a TFL beneficiary is \$191.00.

TRICARE Reserve Select

The average annual cost to the DoD for a family of three (spouse and two children) enrolled in TRS with Group B cost shares is \$6,743.00 while the family's average annual OOP cost is \$3,249.00, which includes monthly TRS premiums.

Selected Reserve members or survivors pay premiums for TRS coverage that represent 28 percent of the total annual average costs of providing the coverage as determined on an actuarial basis. The DoD pays the remaining 72 percent of the actuarial determined costs.

TRICARE Retired Reserve

The average annual cost to the DoD for a Retired Reserve family of three (spouse and two children) enrolled in TRR with TRICARE Select Group B cost shares is \$0 while the family's average annual OOP cost is \$14,481.00, which includes monthly TRR premiums.

Retired Reserve members or survivors pay monthly premiums for TRR coverage that represent the full cost of the program as determined on an appropriate actuarial basis.

TRICARE Young Adult, Prime

The average annual cost to DoD for an Active Duty family member enrolled in TYA Prime with Group B cost shares is \$0, while the average annual OOP cost for the same individual is \$4,302.00, which includes monthly TYA Prime premiums.

For a retiree family member enrolled in TYA Prime with Group B cost shares, the average annual DoD cost is \$0 while the average annual OOP cost to the individual is \$4,508.00, which includes monthly TYA Prime premiums.

Qualified young adult dependents are charged monthly premiums for coverage under TYA that represent the full cost of the program, including reasonable administrative costs utilizing an appropriate actuarial basis for the provision of TRICARE benefits for the TYA-eligible beneficiary population. Separate premiums are established for TRICARE Select and Prime plans.

TRICARE Young Adult, Select

The average annual cost to the DoD for an Active Duty family member enrolled in TYA Select with Group B cost shares is \$0, while the average annual OOP cost for the same individual is \$2,872.00, which includes monthly TYA Select premiums.

For a retiree family member enrolled in TYA Select with Group B cost shares, the average annual DoD cost is \$0, while the average annual OOP cost for the same individual is \$3,038.00, which includes monthly TYA Select premiums.

CONCLUSION

In summary, this interim report provides a description of the TRICARE Programs, the number of eligible and enrolled beneficiaries for each program, and the costs associated with each program to include the average DoD cost and the average OOP costs.

A final report, to be provided by June 30, 2019, will summarize the results of beneficiary surveys as to whether beneficiaries would be amenable to additional modest fee increases to maintain a fiscally viable, comprehensive health benefit. The final report will also describe desirable policy options to maintain and improve access to quality health care, while controlling the cost of providing that health care and considering the results of the beneficiary surveys as to whether beneficiaries would be amenable to additional modest fee increases.