



PERSONNEL AND
READINESS

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

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

SEP 17 2019

Dear Mr. Chairman:

This is our final response to the Conference Report 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 enclosed final report provides the results of beneficiary surveys as to whether beneficiaries would be amenable to additional modest fee increases. It also addresses whether the Department wishes to provide policy options desirable to maintain and improve access to quality health care, while controlling the cost of providing that health care. In general, almost 8 out of every 10 TRICARE beneficiaries are satisfied with the cost of their TRICARE coverage. If costs were to be raised, certain retirees may support an increase in enrollment fees if the catastrophic cap remains the same. The Department has no policy recommendations at this time.

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 Chairman of the House Armed Service Committee.

Sincerely,

A handwritten signature in black ink, reading "James N. Stewart", is positioned above the typed name and title.

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



PERSONNEL AND
READINESS

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

SEP 17 2019

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

Dear Mr. Chairman:

This is our final response to the Conference Report 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 enclosed final report provides the results of beneficiary surveys as to whether beneficiaries would be amenable to additional modest fee increases. It also addresses whether the Department wishes to provide policy options desirable to maintain and improve access to quality health care, while controlling the cost of providing that health care. In general, almost 8 out of every 10 TRICARE beneficiaries are satisfied with the cost of their TRICARE coverage. If costs were to be raised, certain retirees may support an increase in enrollment fees if the catastrophic cap remains the same. The Department has no policy recommendations at this time.

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 Chairman of the Senate Armed Services Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "James N. Stewart", written in a cursive style.

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

Final Report to the Senate and House Armed Services Committees



The Department of Defense Report on Consolidation of Cost-Sharing Requirements under TRICARE Select and TRICARE Prime September 2019

Requested by: Conference Report 115-874, Accompanying the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232)

The estimated cost of report for the Department of Defense (DoD) is approximately \$513,000 for the 2019 Fiscal Year. This includes \$500,000 in expenses and \$13,000.00 in DoD labor.

Generated on 20190821 RefID: 0-71DoDC7

INTRODUCTION

This final report is in response to Conference Report 115-874, to accompany the John S. McCain National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2019 (Public Law 115-232).

This report describes the various TRICARE programs as defined by title 10, United States Code (U.S.C.), identifies which beneficiaries are eligible to participate and how many are enrolled in each program, and provides the average cost to the Department of Defense (DoD), as well as to the beneficiaries in each program.

It 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. It 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 FY 2019 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. The purpose of chapter 55 is to create and maintain high morale in the Uniformed Services by

providing an improved and uniform program of medical and dental care for members and certain former members of the Services, and for their dependents, and to ensure the medical readiness of the Armed Forces.

Most Uniformed Service members (active duty and retired) and eligible family members are entitled to direct health care services at military medical treatment facilities (MTFs), and DoD cost-sharing of TRICARE covered care from authorized providers in the private sector once enrolled in a specific TRICARE option.

While the TRICARE program encompasses both MTF and private sector care, the MTF portion will not be addressed in this report as MTF services are provided at no charge to eligible beneficiaries.

The following paragraphs describe each of the TRICARE private sector care health plans¹.

TRICARE Prime

TRICARE Prime is a managed care, HMO-type program authorized by various statutory provisions, including title 10, U.S.C., section 1075a.

It generally features use of MTFs and substantially reduced out of pocket (OOP) costs for authorized civilian health care services provided outside MTFs. Active Duty Service members (ADSMs) are required, and other covered 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 utilization 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 designated by the Director, Defense Health Agency (DHA), as a Prime Service Area. As an exception to the general rule that TRICARE Prime supports the effective operation of MTF and the medical readiness of the Armed Forces, TRICARE Prime is also offered around former military bases closed by various Base Realignment and Closure laws.

TRICARE Prime coverage is also offered in overseas locations as directed by the Director, DHA. Active Duty family members (ADFMs) in overseas areas must be “command sponsored” by their parent Service to qualify to enroll in TRICARE Prime overseas. TRICARE Prime is not available to retirees and their family members in overseas areas.

TRICARE Prime coverage is also authorized under the Uniformed Services Family Health Plan (USFHP) option per Public Law 104-201 (see title 10, U.S.C., section 1073, Notes for text). The USFHP Designated Providers are certain transferees of former U.S. Public Health Service hospitals, which by law are included in the Uniformed Services health care delivery system and

¹ Not addressed in this report is the Continued Health Care Benefit Program (CHCBP) for beneficiaries losing TRICARE eligibility and the various TRICARE Dental plans.

receive a sole source contract with a negotiated capitated rate per enrollee. The USFHPs offer TRICARE Prime coverage in six designated service areas in the U.S. to eligible retirees, retiree family members, and ADFMs, with the same beneficiary cost sharing as other TRICARE Prime enrollees. USFHP enrollees receive all care, including pharmacy benefits, from the enrolled USFHP plan and not from an MTF or otherwise under TRICARE.

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

TRICARE Prime Remote (TPR) and TPR for ADFMs (TPRADFM) are authorized by title 10, U.S.C., sections 1074(c)(3) and 1079(o), and offers the TRICARE Prime benefit to ADSMs and their families when the member is stationed more than 50 miles, or approximately a 1-hour drive time, from the nearest MTF adequate to provide care. An ADFM 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 concerning ADSM and ADFM access and cost-sharing, with the DoD covering additional costs when care is provided by authorized but non-network providers. TPR and TPRADFM coverage is also offered in certain overseas locations as directed by the Director, DHA.

TRICARE Select

TRICARE Select is authorized by title 10, U.S.C., section 1075 (as added by section 701 of the NDAA for FY 2017), and title 10, U.S.C., section 097. TRICARE Select is a self-managed, preferred provider network option, like a Preferred Provider Organization (PPO), that requires enrollment to maintain TRICARE coverage.

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

TRICARE for Life

TRICARE for Life (TFL) 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 (title 10, U.S.C., section 1086), although it does not apply to ADSMs and ADFMs. Beneficiaries eligible for TRICARE who have Medicare Part A and Part B are automatically covered by TFL. There are no enrollment fees for TFL. Beneficiaries under age 65 who become TFL eligible (i.e., based on receipt of Social Security Disability Income payments for 24 months) may enroll in TRICARE Prime with the retiree TRICARE Prime enrollment fees waived. Beneficiaries age 65 and older may not participate in TRICARE Prime, but may enroll in the MTF-specific PLUS program (where offered) for increased primary care access priority.

TRICARE Reserve Select

TRICARE Reserve Select (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

(SELRES), their immediate family members, and qualified survivors. It is a DoD-subsidized premium-based option requiring enrollment to maintain TRICARE coverage and, upon purchase, includes space-available access to MTFs and MTF pharmacies, and private sector providers under TRICARE Select (but not TRICARE Prime).

TRICARE Retired Reserve

TRICARE Retired Reserve (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 full-cost premium-based option requiring enrollment to maintain TRICARE coverage and, upon purchase, includes space-available access to MTFs and MTF pharmacies, and private sector providers under TRICARE Select (but not TRICARE Prime).

TRICARE Young Adult

TRICARE Young Adult (TYA) is authorized by title 10, U.S.C., section 1110b, and offers a full-cost premium-based TRICARE coverage to qualified unmarried adult children of TRICARE-eligible Uniformed Service sponsors with specific eligibility requirements.

Upon purchase, qualified beneficiaries may choose to receive the benefit of the TRICARE Select program or TRICARE Prime program (to include the USFHP option) if TRICARE Prime is available in the geographic location where the TYA enrollee resides. By enrolling in TYA, the beneficiary may also have access to direct care at MTFs and MTF pharmacies.

ELIGIBILITY AND ENROLLMENT FOR TRICARE PROGRAMS

Under existing laws and regulations, the Uniformed Services determine eligibility for Military Health System medical benefits based on the status of the Uniformed Service member (Active Duty, Reserve Component, or retired). In turn, Uniformed Service members and their eligible family members may enroll in a TRICARE health plan based on chapter 55 of title 10, U.S.C., its implementing regulations at Part 199, Code of Federal Regulations, and the TRICARE Program Manuals, which are incorporated by reference into the regional TRICARE Managed Care Support Contracts (available online at <https://manuals.health.mil/>).

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

TRICARE Prime and TRICARE Select

Eligibility: ADSMs are automatically enrolled by their Service in TRICARE Prime or TPR. All ADSM care is coordinated by the MTF to which they are enrolled or otherwise by their unit medical department.

ADFM are eligible to enroll in TRICARE Prime (where offered and overseas if command sponsored), TPRADFM (if qualified), or TRICARE Select (worldwide), even if they have

Medicare coverage and are eligible for TFL. ADFMs eligible for Medicare Part A have a special enrollment period to enroll in Medicare Part A and B once they lose ADFM status.

Retirees, family members, and survivors under the age of 65 are generally eligible to enroll in TRICARE Prime (where offered and available in the United States, but not overseas) or TRICARE Select (worldwide). Retirees, family members, and survivors who become 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 TFL. By law, retirees, family members, and survivors eligible for Medicare Part A must have Medicare Part B to remain eligible for TFL. This applies even if residing overseas (where TFL becomes the sole payer because Medicare does not cover overseas care).

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

Enrollment: TRICARE Prime has 4.6 million enrolled sponsors and family members, and TRICARE Select has 2.2 million enrolled sponsors and family members.

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

Eligibility: TPR is available to ADSMs (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 3 years after the death of the member.

Enrollment: TPR has 89,453 enrolled ADSMs and TPRADFM has 91,001 enrolled ADFMs.

TRICARE for Life

Eligibility: TFL 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 2.2 million retired sponsors and family members entitled to TFL 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 SELRES, their immediate family members, and qualified survivors may qualify to purchase TRS coverage. However, SELRES members who are eligible

or enrolled in Federal Employee Health Benefits (FEHB) Program do not qualify to purchase TRS.

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

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

TRICARE Young Adult

Eligibility: 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 premium-based full-time course of study at an approved institution of higher learning) may qualify to purchase TYA coverage up to the age of 26. However, they are not eligible if they are married, or are eligible for or enrolled in an employer-sponsored health plan based on their own employment.

There are 565,070 young adult 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 DoD and the average annual cost to beneficiaries for each of the TRICARE private sector 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 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.

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 NDAA for FY 2019, and were effective on January 1, 2018.

TRICARE Prime, Group A²

The average annual DoD cost for an active duty family of four (spouse and two children; active duty cost is zero) enrolled in TRICARE Prime with Group A cost shares is \$13,717.00, while the family’s average annual OOPs cost is \$126.00.

The average annual DoD cost for a retiree family of three (retired Service member, spouse, and one child) enrolled in TRICARE Prime with Group A cost shares 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.

²Service members on active duty more than 30 days are enrolled in a TRICARE Prime plan or may receive private sector care under the Supplemental Health Care Program, which pays for private sector care when referred to the private sector for care. By law, active duty service members have no OOPs costs.

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 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. Overseas, TFL becomes the primary payer for TFL enrollees. TFL 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. The costs do not include overseas claims costs.

TRICARE Reserve Select

The average annual cost to the DoD for a family of three (member, spouse, and child) 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.

SELRES 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 ADFM 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 TYA Select and Prime plans.

TRICARE Young Adult, Select

The average annual cost to the DoD for an ADFM 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.

RESULTS OF BENEFICIARY COST SURVEYS

Purpose

The purpose of this survey is to gather information on beneficiaries' experiences with military health care and the TRICARE health plan, and their willingness to pay higher fees (financial tolerance) to sustain the current level of health care services provided.

Sample

The general study population for the survey is TRICARE beneficiaries living in the United States, of age 18 to 64, excepting those covered under: TRICARE Prime enrollment to a MTF; TRICARE Plus³; TFL; and any TRICARE-eligible individuals enrolled with a USFHP. The survey study focused on beneficiaries enrolled to TRICARE Prime with private sector primary care managers, and beneficiaries covered by TRICARE Select or TRS. TYA enrollees were included among the TRICARE Prime and TRICARE Select populations. Beneficiaries covered by these plans would incur health care costs under TRICARE through enrollment fees and co-payments. The study ensured that sampled beneficiaries were users of the TRICARE private sector network by requiring at least one TRICARE claim for private sector care in 2018.

Active duty and activated guard/reserve members for more than 30 days were explicitly excluded from the study. The sampling approach also limited beneficiaries to those affiliated with the DoD Service branches: Army, Navy, Air Force and Marine Corps; (i.e., it did not include the

³ Beneficiaries not otherwise enrolled in a TRICARE plan may elect to enroll in TRICARE Plus, which offers assignment to an MTF.

U.S. Coast Guard, the Commissioned Corps of the U.S. Public Health Service, or the Commissioned Corps of the National Oceanic and Atmospheric Agency. After applying these exclusions and the others discussed above, the eligible beneficiaries that remained included ADFMs, retirees, retiree family members, survivors, and inactive SELRES and National Guard members and their family members.

For the survey, DHA sampled 80,000 eligible individuals from the study population of approximately 1.2 million beneficiaries (i.e., sampling rate of approximately 6 percent). The 5-week fielding period yielded 8,396 completed surveys, for a response rate of approximately 10.5 percent.

Survey Results

Most beneficiaries were very or mostly satisfied with how much they paid in 2018 for the following areas of cost associated with TRICARE:

- 79 percent were very or mostly satisfied with how much they paid for TRICARE **health coverage**
- 78 percent were very or mostly satisfied with how much they paid for **medications**
- 76 percent were very or mostly satisfied with how much they paid for in **TRICARE Fees**

Satisfaction with costs paid in 2018 varied based on primary health plan used (enrollment), beneficiary category, and income. Beneficiaries with TRICARE Prime reported higher proportions of satisfaction than other health plans, although **44 percent of Prime beneficiaries indicated they had experienced unexpected costs in the past 12 months and, of those,** retirees and dependents of retirees reported the highest rates of unexpected costs relative to other beneficiary groups. Higher incomes were positively correlated with satisfaction with costs. In general, the majority of respondents reported their health care costs were fair, irrespective of income (65-87 percent for health coverage costs, 74-86 percent for medication costs, and 71-83 percent for TRICARE fees). However, the percentage of those reporting these costs were fair declined with lower income. Also, **approximately one-quarter** of beneficiaries with household incomes below \$50,000 **reported postponing primary care sometimes, often, or usually.** Rates of postponing specialty care or therapy requiring multiple visits were higher (about 30 percent) and, by beneficiary group, ADFMs were more likely to postpone care due to costs for therapy requiring multiple visits or picking up medications (25 percent) or specialty care (30 percent). Lower incomes were also associated with higher reporting of “especially burdensome” health plan costs including enrollment fees, premiums, cost shares, and pharmacy costs.

Beneficiaries were asked how they would propose changing the health plan to protect the benefits they valued. Given the choice, most indicated that **an increase in the annual enrollment fee would be the least objectionable cost increase; higher maximums on annual OOPs costs would be the most objectionable.** Forty-one percent of beneficiaries indicated that they would accept eliminating “services that my family or I will not need (maternity and newborn infant care; pediatric/adolescent care; specialty clinics such as allergy, dermatology, optometry, orthopedics, ENT, etc.)” to keep costs the same. Thirty-three to thirty-four percent of retirees and dependents of retirees indicated they would reduce or eliminate free prescriptions for

retirees/dependents at MTFs to keep costs the same. Asked to write in their own proposals for cost increases, beneficiaries indicated chiropractic care, prescription costs, and maternity/infertility treatment would be the areas to target for increased costs to maintain other benefits.

A comprehensive review of the survey process and results, including the survey instruments, is included as an enclosure to this report.

DOD RECOMMENDATION ON DESIRABLE POLICY OPTIONS

As noted in the beneficiary cost survey results above, on average almost 8 of every 10 TRICARE beneficiaries are either very or mostly satisfied with how much they paid for their TRICARE coverage (77 percent), medications (78 percent), and fees (76 percent) in 2018. Satisfaction with TRICARE Prime OOP expenses remains high.

While the survey results do address lower satisfaction related to family income levels, it is important to note ADFMs enrolled in TRICARE Prime do not pay enrollment fees nor copayments when seeking care from private sector network providers. Also, other than reduced TRICARE Select deductible amounts for family members of the four lowest ranking active duty sponsors (E-1 through E-4), the DoD and Congress have historically not approached OOP costs strictly from a family income perspective. In conclusion, it is not a reasonable approach, from the perspectives of both practicality and fairness, to target OOP costs expenses based on family income.

In response to questions to what would be the “most objectionable” and “least objectionable” cost increases, most choose an increase in the enrollment fee as “least objectionable,” while the “most objectionable” cost increase would be an increase in their overall OOPs, which are currently capped at \$1,000.00 for most active duty families and \$3,000.00 for most retiree families. This correlates well to the apparent general beneficiary understanding that in the aggregate, the annual family catastrophic cap limits true total financial risk should there be unexpected or high OOP expenses during the year.

Finally, when asked if they would give up part of their health care benefits or specific coverage to reduce their OOP cost, some said they would be willing to forgo certain services or benefits in return for lower OOP costs. The DoD concludes that, consistent with the law and regulations governing TRICARE Program coverage requirements, TRICARE health care benefits must remain robust and standardized across all beneficiary populations. Therefore, the DoD does not support elimination of benefits or services for the purposes of reducing beneficiary OOPs.

In general, most beneficiary OOPs (enrollment fees, premiums, deductibles, copayments, cost shares and the annual catastrophic cap protections on total beneficiary expenses for covered care) are established by law. Enrollment fees appear to be one category of OOPs expenses where surveyed beneficiaries are more open to cost increases than for other expenses. By law, with some exceptions for medically retired members and survivors of deceased active duty sponsors, they are adjusted by the retiree cost of living allowance increase each year.

The DoD has no recommendations to make at this time regarding beneficiary cost changes.

CONCLUSION

In summary, this final report provides a description of the TRICARE programs and its available health plans, the number of eligible and enrolled beneficiaries for each plan, the costs associated with each plan to include the average DoD cost and the average OOP costs.

This report also summarizes 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. In general, almost 8 out of every 10 TRICARE beneficiaries are satisfied with the cost of their TRICARE coverage. If costs were to be raised, certain retirees may support an increase in enrollment fees but do not wish to see their total OOP expense, i.e., desire to continue to have their overall OOP capped by the household catastrophic cap protections.