



PERSONNEL AND  
READINESS

UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

OCT 3 2012

The Honorable Carl Levin  
Chairman  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

This enclosed update is provided in response to the request in Senate Report 112-26, pages 132-133, accompanying S. 1253, the National Defense Authorization Act for Fiscal Year 2012, which directs the Department of Defense to leverage its partnership with the Uniformed Services Family Health Plan and collaborate with the Centers for Medicare and Medicaid Services to develop care management options for Medicare-eligible beneficiaries under the TRICARE for Life option. The medical treatment of our Service members falls under my purview, and I have been asked to respond. An interim response letter was sent on February 27, 2012. I apologize for the delay in submitting our final response. The Department did conduct extensive discussions as the NDAA FY2012 directed, and has developed options for further consideration.

I appreciate your concern for providing quality care that is both cost-effective and of the highest quality to our service members, their families and retirees. A similar letter has been sent to the Chairmen and Ranking Members of the congressional defense committees. Thank you for your interest in the health and well-being of our Service members, veterans, and families.

Sincerely,

A handwritten signature in blue ink that reads "Erin C. Conaton".

Erin C. Conaton

cc:  
The Honorable John McCain  
Ranking Member



UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

PERSONNEL AND  
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OCT 3 2012

The Honorable Jim Webb  
Chairman  
Subcommittee on Personnel  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

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cc:  
The Honorable Lindsey Graham  
Ranking Member



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OCT 3 2012

The Honorable Howard P. "Buck" McKeon  
Chairman  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

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cc:  
The Honorable Adam Smith  
Ranking Member



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OCT 3 2012

The Honorable Joe Wilson  
Chairman  
Subcommittee on Military Personnel  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

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The Honorable Susan A. Davis  
Ranking Member



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The Honorable Daniel K. Inouye  
Chairman  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

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The Honorable Thad Cochran  
Vice Chairman



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Subcommittee on Defense  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

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Vice Chairman



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OCT 3 2012

The Honorable Harold Rogers  
Chairman  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

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cc:  
The Honorable Norman D. Dicks  
Ranking Member



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**UNDER SECRETARY OF DEFENSE**  
4000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-4000

The Honorable C.W. Bill Young  
Chairman  
Subcommittee on Defense  
Committee on Appropriations  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

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The Honorable Norman D. Dicks  
Ranking Member



## **UPDATE ON THE DEPARTMENT OF DEFENSE EXPLORATION OF CARE MANAGEMENT OPTIONS UNDER TRICARE FOR LIFE AND UNIFORMED SERVICES FAMILY HEALTH PLAN**

### **INTRODUCTION**

The below update is provided in response to the request in Senate Report 112-26, accompanying the National Defense Authorization Act of 2012, that the Department of Defense (DoD) leverage its partnership with the Uniformed Services Family Health Plan (USFHP) and collaborate with the Centers for Medicare and Medicaid Services (CMS) to develop care management options for Medicare-eligible beneficiaries under the TRICARE for Life (TFL) option.

### **DISCUSSION**

The USFHP is a congressionally mandated program providing the TRICARE Prime option through networks of community-based, not-for-profit health care systems in six areas of the United States. The USFHP offers benefits to active duty family members and all military retirees and their eligible family members who reside in one of the six geographical areas:

- Johns Hopkins serves Maryland, Washington D.C., parts of Pennsylvania, Virginia, West Virginia and Delaware
- Martin's Point serves Maine, New Hampshire, Vermont, and northeastern New York
- Brighton Marine serves Massachusetts, including Cape Cod, and Rhode Island
- Saint Vincent serves parts of New York (incl. NYC), all of New Jersey, southeastern Pennsylvania and western Connecticut,
- Christus Health serves southeast Texas and southwest Louisiana,
- Pacific Medical serves the Puget Sound area of Washington State.

Medicare-eligible beneficiaries age 65 and older can also enroll in USFHP. However, section 708 of the National Defense Authorization Act (NDAA) for Fiscal Year 2012 prohibits Medicare-eligible military retirees from establishing a new enrollment, after September 30, 2012, in the managed care program of a designated provider, to include USFHP. Individuals enrolled in USFHP prior to October 1, 2012 will not be affected and will remain grandfathered into the USFHP program, to include the current, and future, Medicare eligible enrollees.

While current enrollees are not impacted by this legislative change, the number of enrollees who could potentially be eligible for an alternative care management option is approximately 3,500 a year.

DoD met with USFHP designated providers in August 2011, September 2011, and February 2012 to discuss innovative approaches and care management options to achieve improved health care outcomes for all TFL beneficiaries. Regrettably, the discussions did not result in specific

recommendations by the USFHP providers for better management of the health care of the DoD Medicare-eligible population.

Subsequently, DoD met with the CMS in January 2012 to discuss their interest in pursuing a new program with USFHP providers to manage the DoD Medicare-eligible population. As an alternate to launching an entirely new program, CMS recommended that the USFHP designated providers take advantage of an existing CMS program by applying to become Medicare Advantage Plans. As Medicare Advantage plans, USFHP designated providers would likely enjoy increased opportunities to manage the care of DoD's Medicare-eligible members in their service areas. The USFHP designated providers are currently considering this as an option.

There are two possible options for the DoD Medicare-eligible population. In the event the USFHP designated providers become Medicare Advantage Plans, beneficiaries reaching the age of 65 could choose to receive care from those plans. As an alternative, they could obtain non-USFHP care under the TFL benefit. To be eligible for either alternative, beneficiaries must enroll in Medicare Part B. Additional details on the alternatives are provided below:

#### Alternative 1 – TRICARE For Life

Absent activity from the USFHP designated providers to obtain approval from CMS to become a Medicare Advantage Plan participant by October 1, 2012, the DoD Medicare eligible population will continue to enjoy benefits for health care under TFL. Current enrollees may continue to be enrolled in TRICARE Prime. By law, beneficiaries who enroll after October 1, 2012, will be dis-enrolled from TRICARE Prime upon turning 65. They must purchase Medicare Part B to retain TRICARE for Life benefits.

#### Alternative 2 – USFHP Medicare Advantage Plan

If the USFHP providers become a Medicare Advantage Plan, upon reaching age 65 and becoming eligible for Medicare, beneficiaries enrolled in USFHP by September 30, 2012, may continue to receive coverage under USFHP, provided they either enroll in Medicare Part B or pay an amount equal to the TRICARE Prime enrollment fee. As an alternative, they may dis-enroll from USFHP and then, after purchasing Medicare Part B, obtain care under the TFL benefit.

### **CONCLUSION**

While TFL remains an excellent choice for health care benefits for the DoD Medicare Eligible population, DoD supports USFHP designated providers choosing to become Medicare Advantage Plans to offer alternative health services to the DoD population. The Medicare Advantage Plans may offer enhanced benefits, however the out-of-pocket costs to the enrollees will remain the same under either alternative as enrollees must purchase Medicare Part B.