



DACMC Military Health Benefits Committee Report

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TRICARE Options for Active Duty Dependents and Retirees/Dependents Under 65

- **TRICARE Prime**
- **TRICARE Extra & Standard**
- **HMO plan**
 - Default option for junior enlisted, but others must enroll
- **PPO plan**
 - Default option except for junior enlisted
 - Extra covers network providers; Standard covers other providers

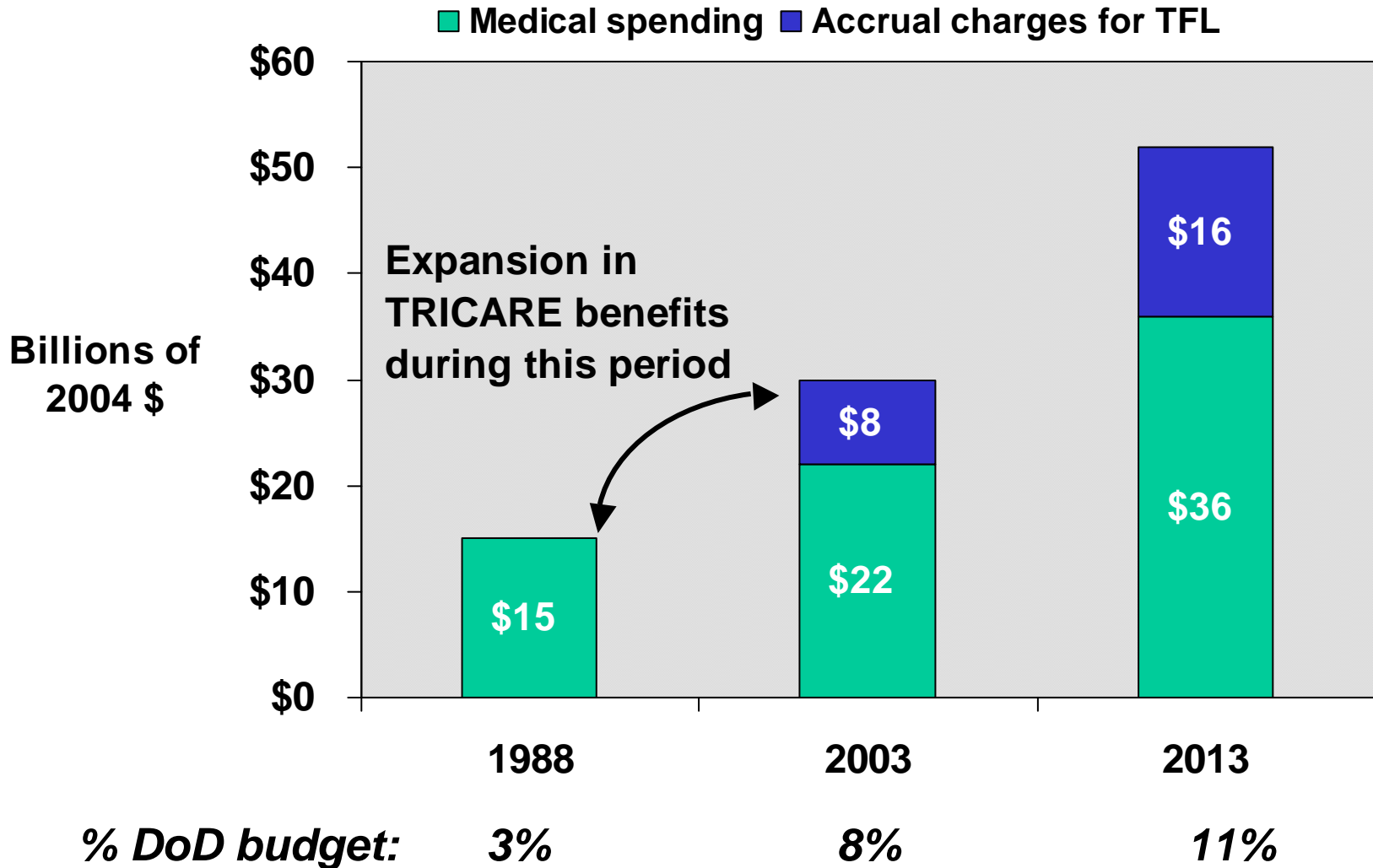


Congress Has Added New Plans for Retirees/Dependents 65+ and Reservists

- **TRICARE for Life (TFL, 2001)**
- **TRICARE Reserve Select (2005)**
- **Medicare supplement**
 - **Eliminates most beneficiary cost sharing**
- **For reservists when they are not on active duty**
 - **Requires enrollment and 28% premium contribution**

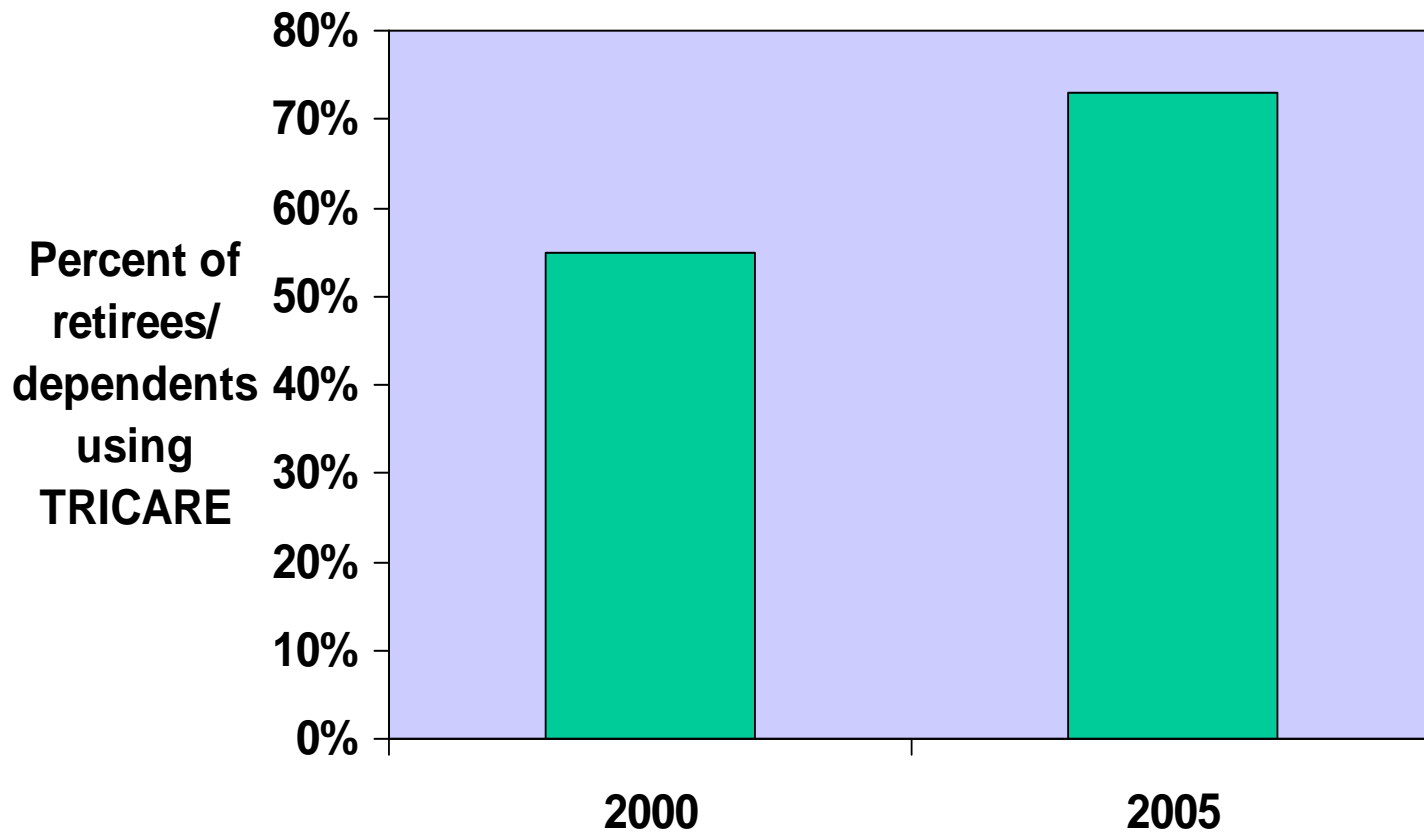


DoD's Health Care Costs Are Rising Rapidly





Retirees/Dependents Under 65 Are Increasing Their Reliance on TRICARE





Shift from Employer Insurance to TRICARE Is Across the Board

Insurance Access

No access to other insurance

Access to other insurance

Insurance Use

Use TRICARE

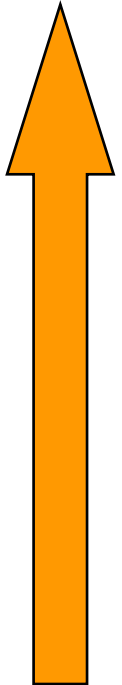
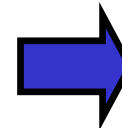
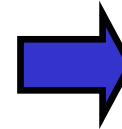
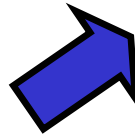
Do not use TRICARE

User Group

Reliant Users

Non-reliant Users

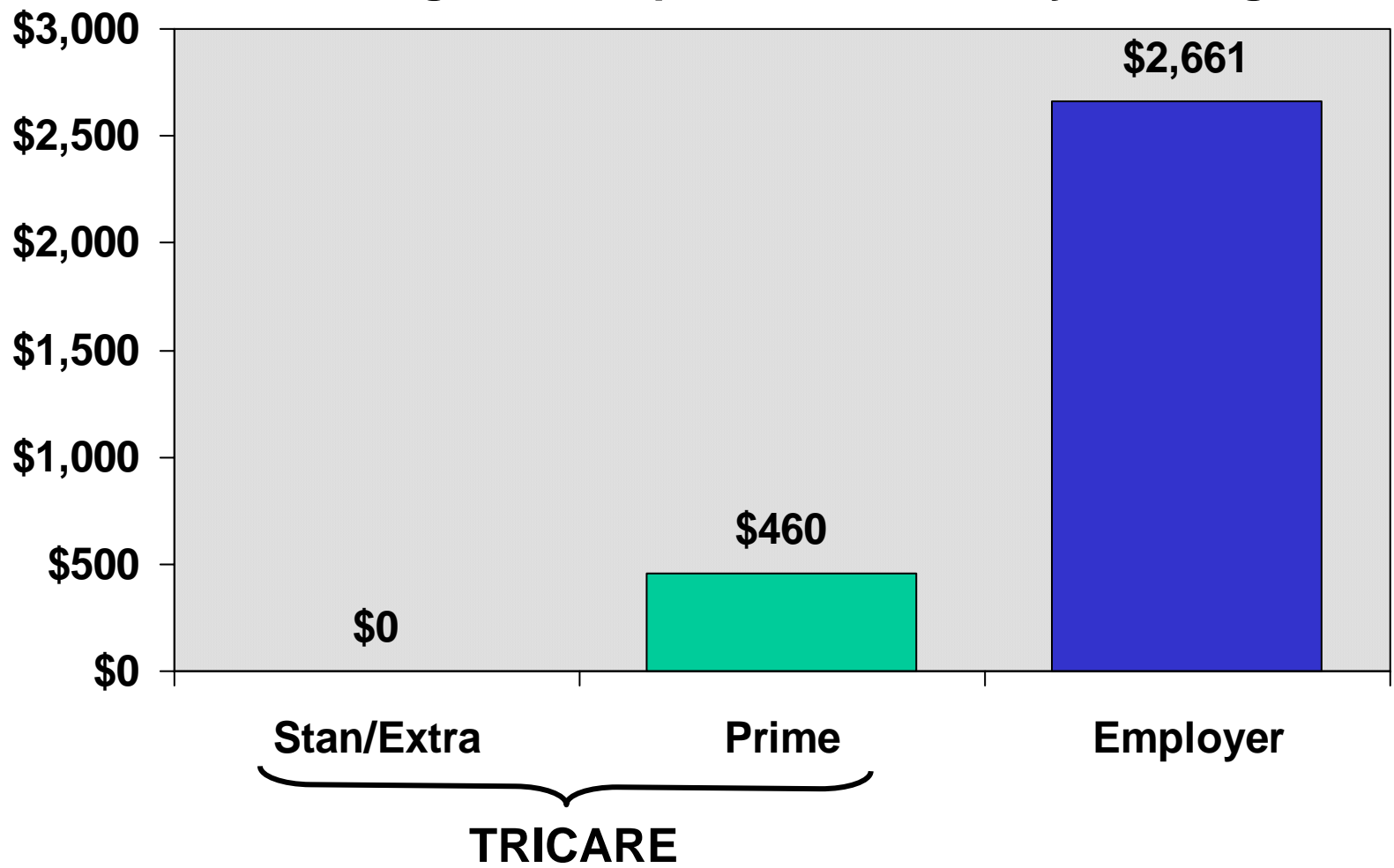
Non-reliant Non-users





Low Premiums Make TRICARE Attractive

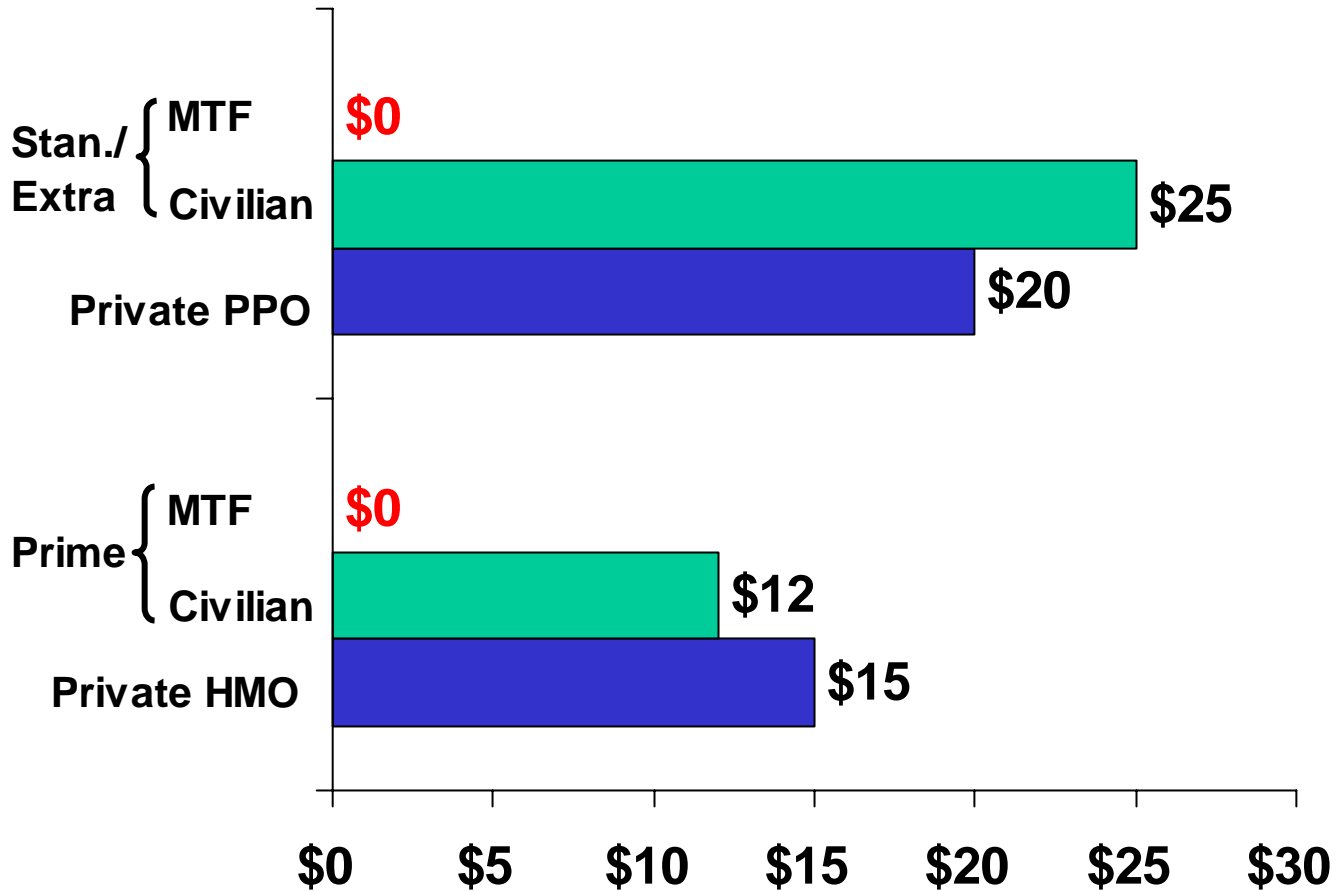
Average annual premium for family coverage





Free MTF Care Is Another TRICARE Advantage...

Office visit copays

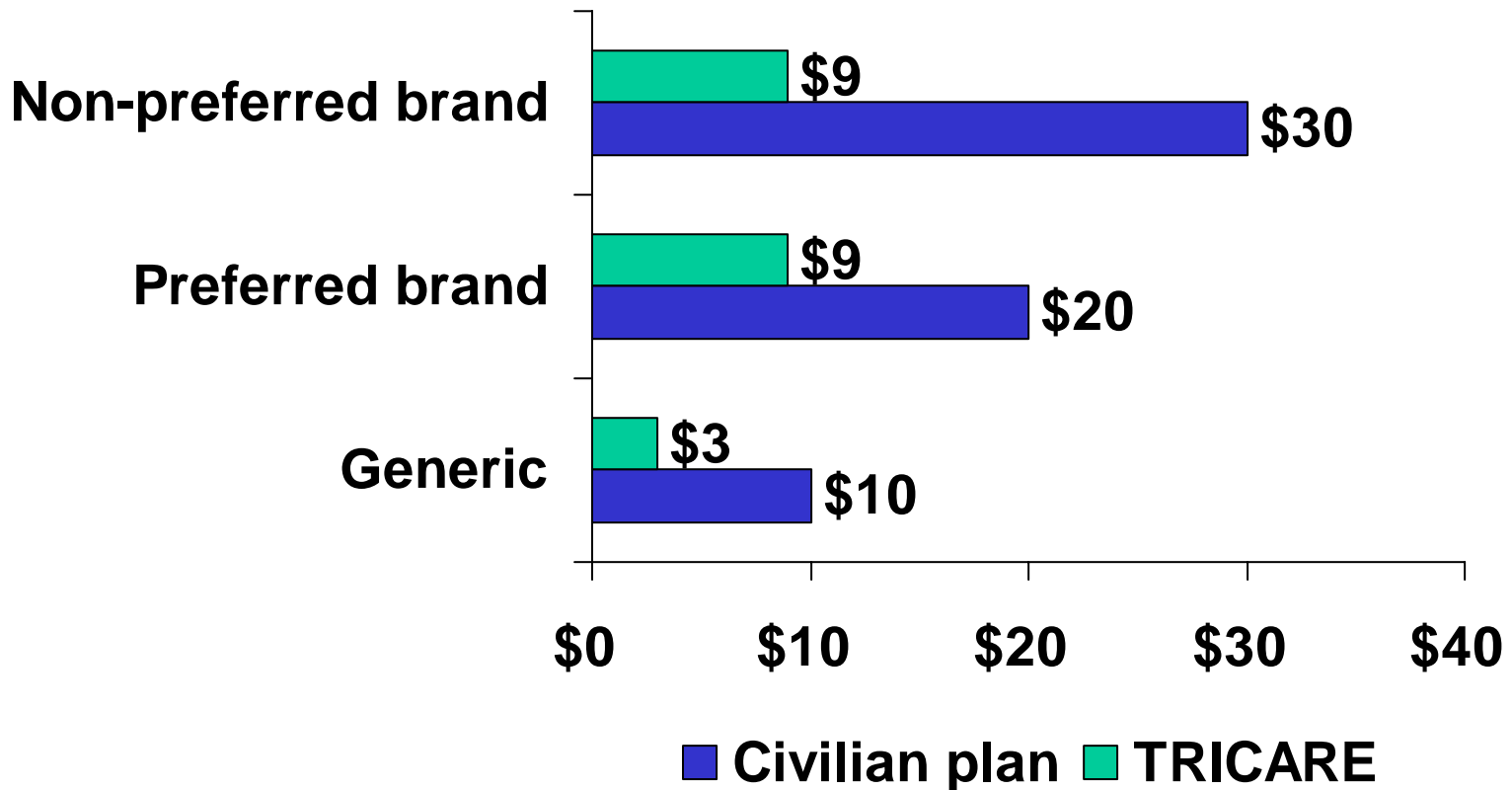


**Expected spending given Stan./Extra's 20-25% coinsurance*



As Are Prescription Drug Costs

Pharmacy co-payments





Containing Future Cost Growth Will Require Benefit Changes

Modify Cost Sharing

Initiate or increase premiums in TRICARE Standard, Extra, and Prime

Initiate or increase cost sharing

- Copays at MTFs
- Pharmacy copays

Index to keep up with civilian plans

New Benefit Options

Incentivize use of employer-provided health insurance through

- Health Savings Account
- Other new benefits

Health benefits for retirees under 65 should be included in accrual charge on active-duty personnel, now used only for TFL



Cost Sharing Will Reduce DoD Costs, But Reductions May Be Modest

Increase co-payments

Reduces utilization

Reliant Users

Increase premiums

Reduces enrollment

Non-reliant Users

Non-reliant Non-users

Increased Cost-sharing

- Literature suggests that utilization is relatively insensitive to price
- Cost-sharing would shift some costs to beneficiaries

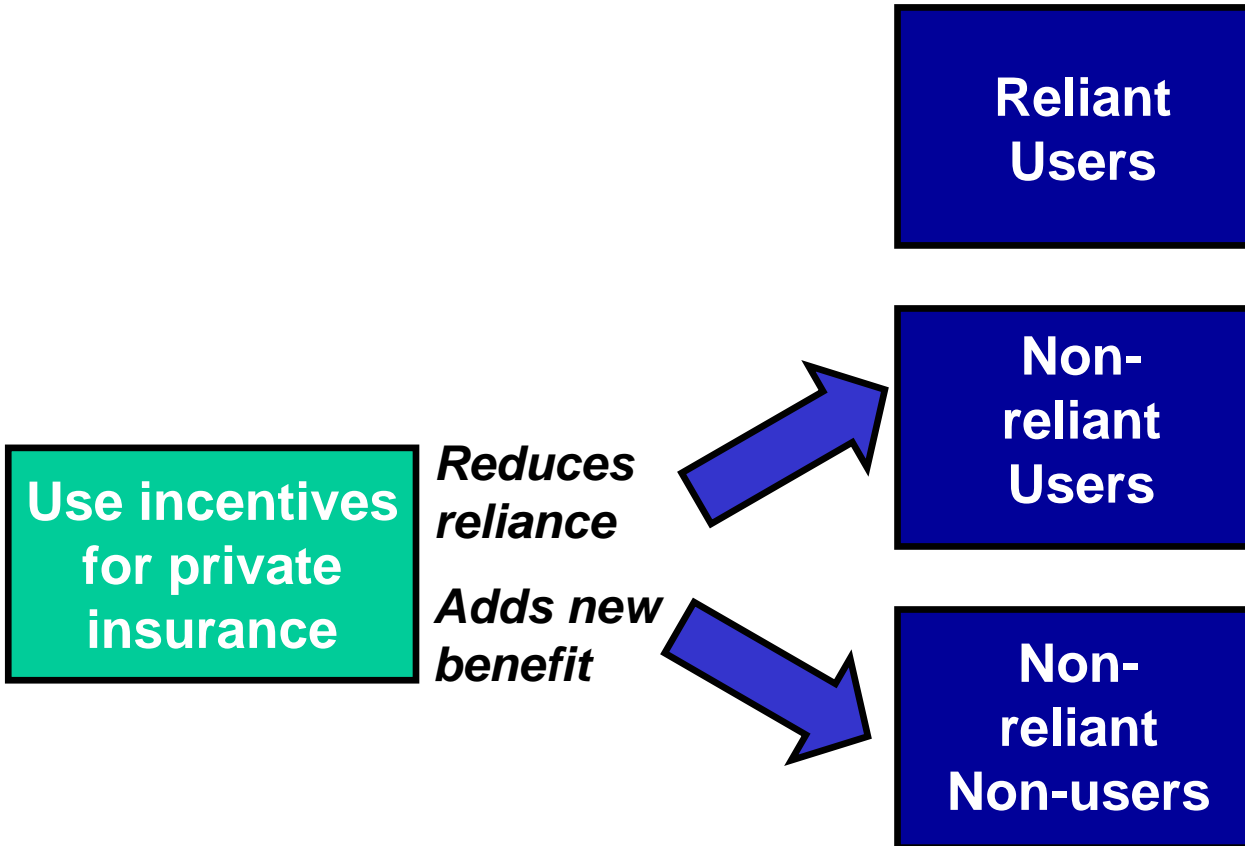
Increased Premiums

- Even with large increases, DoD premiums may still be lower than private sector

These changes will be viewed as a benefit cut



New Options Could Reduce Costs, But They Could Also Backfire



HSA

- Could be used to incentivize employer-provided coverage
- Net impact is unclear

Careful design is needed to minimize offsetting costs