



Highlights of [GAO-03-547](#), a report to Congressional Committees

## Why GAO Did This Study

Prior to 2001, military retirees who turned age 65 and became eligible for Medicare lost most of their Department of Defense (DOD) health benefits. The DOD-Federal Employees Health Benefits Program (FEHBP) demonstration was one of several demonstrations established to examine alternatives for addressing retirees' lack of Medicare supplemental coverage. The demonstration was mandated by the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (NDAA 1999), which also required GAO to evaluate the demonstration. GAO assessed enrollment in the demonstration and the premiums set by demonstration plans. To do this, GAO, in collaboration with the Office of Personnel Management (OPM) and DOD, conducted a survey of enrollees and eligible nonenrollees. GAO also examined DOD enrollment data, Medicare and OPM claims data, and OPM premiums data.

# MILITARY RETIREE HEALTH BENEFITS

## Enrollment Low in Federal Employee Health Plans under DOD Demonstration

### What GAO Found

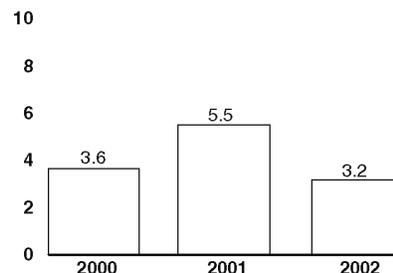
Enrollment in the DOD-FEHBP demonstration was low, peaking at 5.5 percent of eligible beneficiaries in 2001 (7,521 enrollees) and then falling to 3.2 percent in 2002, after the introduction of comprehensive health coverage for all Medicare-eligible military retirees. Enrollment was considerably greater in Puerto Rico, where it reached 30 percent in 2002. Most retirees who knew about the demonstration and did not enroll said they were satisfied with their current coverage, which had better benefits and lower costs than the coverage they could obtain from FEHBP. Some of these retirees cited, for example, not being able to continue getting prescriptions filled at military treatment facilities if they enrolled in the demonstration. For those who enrolled, the factors that encouraged them to do so included the view that FEHBP offered retirees better benefits, particularly prescription drugs, than were available from their current coverage, as well as the lack of any existing coverage.

Monthly premiums charged to enrollees for individual policies in the demonstration varied widely—from \$65 to \$208 in 2000—with those plans that had lower premiums and were better known to eligible beneficiaries, capturing the most enrollees. In setting premiums initially, plans had little information about the health and probable cost of care for eligible beneficiaries. Demonstration enrollees proved to have lower average health care costs than either their counterparts in the civilian FEHBP or those eligible for the demonstration who did not enroll. Plans enrolled similar proportions of beneficiaries in poor health, regardless of whether they charged higher, lower, or the same premiums for the demonstration as for the civilian FEHBP.

In commenting on a draft of the report, DOD concurred with the overall findings but disagreed with the description of the demonstration's impact on DOD's budget as small. As noted in the draft report, DOD's costs for the demonstration relative to its total health care budget were less than 0.1 percent of that budget. OPM declined to comment.

**DOD-FEHBP Demonstration Enrollment, 2000-2002**

12 Percentage



Source: DOD.

Note: Enrollment is expressed as a percentage of eligible beneficiaries.

[www.gao.gov/cgi-bin/getrpt?GAO-03-547](http://www.gao.gov/cgi-bin/getrpt?GAO-03-547).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marjorie E. Kanof (202) 512-7101.