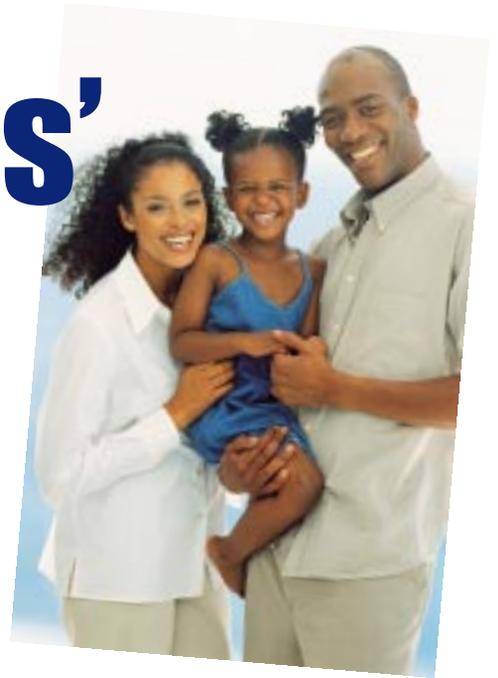


2001 TRICARE
Stakeholders'
Report
Volume III



The Winning is Just Beginning



A Message to Stakeholders

The changes taking place in military health care today are simply breath-taking. New legislation has enacted sweeping improvements in the TRICARE benefit. The size, complexity and speed of the changes make the head spin. And yet, surely, steadily—TRICARE adapts to these changes, incorporates the new benefits into the TRICARE program and continues to deliver the finest health care program on earth.

One phrase captures TRICARE's current position for our stakeholders: "The Winning is Just Beginning." TRICARE is winning the battle to:

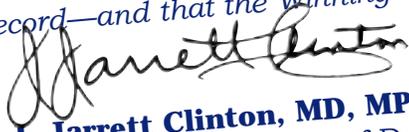
- ◆ Improve access to care and increase patient satisfaction
- ◆ Establish a robust program for active duty members and their families in remote locations
- ◆ Hold the line on costs—especially for active duty members and their families
- ◆ Deliver exciting new pharmacy and health care benefits for our 65 and older beneficiaries
- ◆ Enhance the efficiency, productivity and service quality of all our medical treatment facilities worldwide
- ◆ Make our program THE leader in claims processing in all of American health care
- ◆ Maintain our bedrock commitment to support the medical readiness mission of the armed forces, and to keep our fighting forces fit and ready for their operational taskings



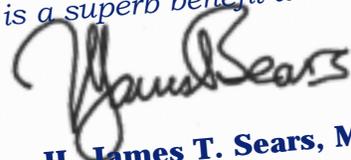
People sometimes ask us, "What one message would you like to convey to everyone in the military family about TRICARE?" A complex question—but a very important one. We answer:

TRICARE is a great reason to join the military, to stay in the military, and to remain in the military all the way to retirement. TRICARE is good for military people and great for military families. For these reasons, TRICARE is absolutely essential to the continued success of the Armed Forces of the United States. It is perhaps the best health plan in the country today.

This report, "TRICARE Stakeholders' Report 2001," captures some of the good news about TRICARE, while providing a balanced look at the problems we're still working to solve. Please take a careful look, and we think you'll agree that TRICARE is a superb benefit with a great track record—and that the Winning is Just Beginning!



J. Jarrett Clinton, MD, MPH
Acting Assistant Secretary of Defense
(Health Affairs)

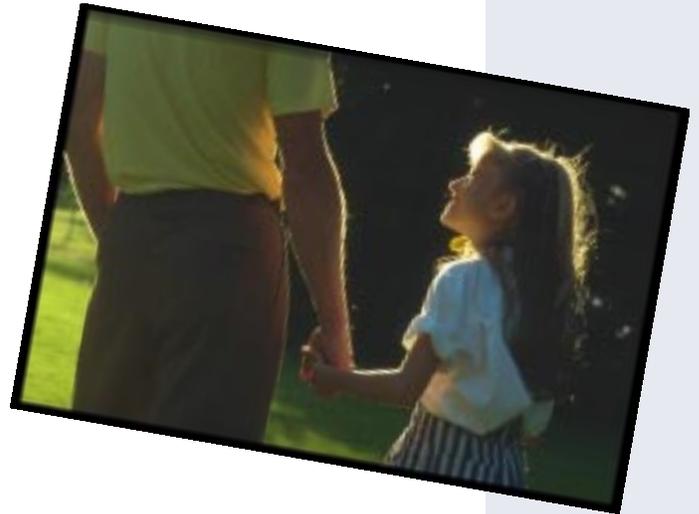


H. James T. Sears, MD
Executive Director
TRICARE Management Activity

What is TRICARE?

TRICARE is our health care program using military treatment facilities as the main delivery system

- Augmented by a civilian network of providers and facilities
- Providing integrated health care services to our active duty, their families, retired military, their families and survivors worldwide



Why TRICARE?

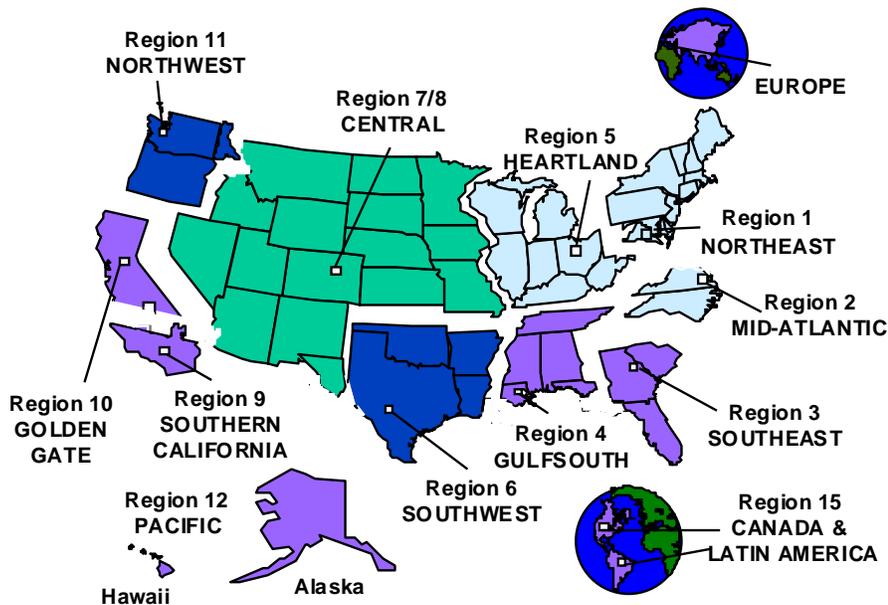
- TRICARE is the vital link that ensures our nation's military readiness
- TRICARE is essential to Force Health Protection
- TRICARE provides peacetime health care for military families, retirees and their families worldwide
- Medical care is one of the most important indicators of quality of life for military families

Who is TRICARE?

TRICARE is ...

- Over **8 million** active duty, retirees, family members and survivors who are eligible for military health care
- Over **4 million** people enrolled in TRICARE Prime
- Over **160,000** Military Health System personnel who run **80** military hospitals and medical centers and **513** clinics
- Over **161,000** providers, **2,000** facilities and **28,000** pharmacies in the TRICARE civilian network

Where is TRICARE?



TRICARE is now operational worldwide

What Improvements Did TRICARE Make in 2000?

Speedier Claims Processing

Throughout the year 2000, claims processing has been addressed as a priority issue. Debt Collection Assistance Officers became primary points of contact to help beneficiaries resolve problems with collectors related to TRICARE claims.

The majority of all claims met or exceeded our processing standards.

33.2 million claims are processed annually

96% of all claims are processed in 30 days or less

Physicians accepted the TRICARE payment rate as full payment 97% of the time



Enrollment Made Easier

Enrollment procedures have been simplified.

84% of Eligible Active Duty Family Members are Enrolled in TRICARE Prime

83% of Prime Enrollees are Enrolled at a Military Treatment Facility

TRICARE Prime Remote for Active Duty

TRICARE Prime Remote (TPR) began in October 1999 for active duty personnel in remote locations of the United States and was extended to all Uniformed Services in October 2000. TPR will be extended to active duty family members in 2001.



Dental Benefit Improved

The new TRICARE Dental Program (TDP) which replaces the TRICARE Family Member Dental Plan as well as the TRICARE Selected Reserve Dental Program, began February 1, 2001. The TDP, administered by United Concordia Companies, Inc., (www.ucci.com) will provide improved dental benefits to over 3 million active duty family members, Selected Reserve and Individual Ready Reserve members and their families worldwide.

In early October, the TRICARE Retiree Dental Plan (TRDP) significantly expanded its dental benefit package for uniformed services retirees and their family members. Some of the enhancements include coverage for cast crowns, onlays, bridges, diagnostic and preventive services and much more. Delta Dental of California administers the TRDP for the 4.2 million eligible retirees. (www.ddpdelta.org)

The Winning is Just Beginning

Your TRICARE Scorecard

**Take a look at TRICARE's performance.
We've created a comprehensive health program for the
military family...and made improvements along the way!**

Issue	Completed	Coming Soon
Implement Retiree Dental Program	✓	
Implement Standards for Access to Care	✓	
Provide Nurse Advice Lines -- Toll-free Worldwide	✓	
Establish Mail Order Pharmacy	✓	
Eliminate Co-pays & Deductibles for Overseas Prime Enrollees	✓	
Provide Easy Access to Civilian Health Care to Active Duty Members Serving in Remote Locations -- TRICARE Prime Remote for Active Duty	✓	
Establish PCS "Portability" Policy	✓	
Ensure that TRICARE Provider Payment Rates are Equal to or Higher than Medicare Rates	✓	
Stop Balance Billing by Non-participating Providers	✓	
Limit Balance Billing from Non-institutional Providers (e.g., ambulance companies)	✓	
Test/Demonstrate Ways to Provide Care to Beneficiaries Age 65 and Over; TRICARE Senior Prime, Federal Employees Health Benefits Program, TRICARE Senior Supplement Program Demo	✓	
Simplify Claims Processing	✓	
Implement Primary Care Manager by Name Policy		✓
Extend Pharmacy Benefits to Eligible Beneficiaries Age 65 and Over		✓
Extend Benefits to Medicare Eligible Beneficiaries Age 65 and Over (TRICARE Becomes Second Payer to Medicare)		✓
Implement TRICARE Prime Remote for Families		✓
Eliminate Co-pays for Active Duty Family Members Enrolled in Prime		✓
Reduce Catastrophic Cap for Retirees/Families		✓
Establish Chiropractic Health Care Benefit for Active Duty		✓

It all adds up to a superb benefit, a vital link to medical readiness and a great reason to stay in the military!

The Change of the Century

The National Defense Authorization Act for Fiscal Year 2001 brings many new initiatives to the TRICARE program, including dramatic improvements for Medicare-eligible uniformed services beneficiaries age 65 and over.

Visit the TRICARE Web site at www.tricare.osd.mil /ndaa for the latest information on these sweeping changes

- Beginning April 1, 2001, TRICARE will offer pharmacy benefits to approximately 1.4 million Medicare-eligible uniformed services beneficiaries age 65 and older, enabling them to use the TRICARE retail and mail order drug benefits, in addition to military treatment facility pharmacies. They must be eligible for Medicare Part A and be enrolled in Part B. Beneficiaries who turn 65 before April 1, 2001, are not required to have Part B for the pharmacy benefit.
- Effective October 1, 2001, Medicare-eligible uniformed services beneficiaries, age 65 and over who are enrolled in Part B become eligible for the same TRICARE benefits offered to other uniformed services retirees and their family members. TRICARE will be second payer to Medicare. This initiative is known as "TRICARE For Life."
- TRICARE For Life will be funded, beginning in Fiscal Year 2003, through the Department of Defense Medicare-eligible Retiree Health Care Fund established by the Department of the Treasury.
- Co-payments to civilian providers for active duty family members enrolled in TRICARE Prime will be eliminated in April 2001.
- The TRICARE Prime Remote (TPR) program will be expanded to active duty family members throughout the United States by October 1, 2001. Their co-payments and deductibles will be waived in the interim.
- The chiropractic health care demonstration program became a permanent benefit for active duty personnel at designated MTFs. A five-year phased-in implementation will begin in 2001.

"Keeping our promise of ensuring quality health care for military retirees is not only the right thing to do, it is also a pragmatic decision because it sends a strong signal to all those considering a career in uniform."

**General Henry H. Shelton
Chairman, Joint Chiefs of Staff**



TRICARE For Life

Preparing for Change . . . What Our Military/Medicare Beneficiaries Need to Know

- **Medicare Part B:** They should **strongly consider enrollment** in Medicare Part B when they turn 65. Beneficiaries with questions regarding Medicare should:
 - ◆ Visit a Social Security Administration (SSA) office,
 - ◆ Call the (SSA) toll-free number, 1-800-772-1213, or
 - ◆ Call the toll-free Medicare number, 1-800-633-4227
 - ◆ Visit the Medicare Web site at <http://www.medicare.gov>.

“The legislation include(s) a number of health care provisions that collectively represent the most significant change to military health care benefits since the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) was established by Congress in 1966.”

J. Jarrett Clinton, MD, MPH
Acting Assistant Secretary of Defense (Health Affairs)

- **Supplemental Policies:** Coverage under TRICARE For Life will not start until 1 October 2001. Therefore, it is **premature now to drop** a Medicare supplemental insurance policy (known as Medigap). TRICARE is working with the Health Care Financing Administration (HCFA), The Military Coalition (TMC) and the National Military & Veterans Alliance (NMVA) to provide the most accurate information beneficiaries should consider in making decisions on supplemental coverage.

- **DEERS Information:** Their information in the Defense Enrollment Eligibility Reporting System (DEERS) **should be up to date.** It will be used for determining eligibility and mailing information about the new entitlement.

To update DEERS address information only, beneficiaries can:

- Call the Defense Manpower Data Center Support Office (DSO) Telephone Center at 1-800-538-9552. (The best time to call the Telephone Center is Wednesday-Friday, between 9 - 3 (Pacific Time) to avoid delays.)
- Visit a military treatment facility.

To update addresses and other DEERS information, they can:

- Visit local personnel offices that have an ID card facility.
- Fax address changes to 1-831-655-8317.
- Mail the change information to the DSO, Attn: COA, 400 Gigling Road, Seaside, CA 93955-6771.

NOTE:

To learn what documentation is required, you can call an ID card facility or the DSO toll-free number, 1-800-538-9552. The hours of operation for DSO are Monday - Friday (excluding federal holidays), 0600-1530 (Pacific Time).



The State of TRICARE

TRICARE Program Evaluation

Each year the Center for Naval Analyses (CNA) and the Institute for Defense Analyses (IDA) conduct a congressionally-directed, independent evaluation of TRICARE. The study compares the state of military health care before and after TRICARE.

Significant Findings, FY 2000 Report

In the First Eight Regions, TRICARE:

- Improved access to care
 - ✓ Greater use of preventive care
 - ✓ Easier to get appointments
 - ✓ Shorter wait to see provider
 - ✓ Decreased emergency room use
- Increased satisfaction with quality of care
- Increased satisfaction over time and across all regions



**CNA/IDA Survey says -
The longer people have TRICARE, the more they like it:**

Measure of Beneficiary Satisfaction	Region Maturity (Years of TRICARE)			
	Pre-TRICARE	+1 Year	+2 Years	+3 Years
Satisfaction with Access to Care when Needed	70%	78%	80%	83%
Satisfaction with Overall Quality of Care	79%	85%	88%	90%

Note: This year, the CNA/IDA study covered eight TRICARE regions for which at least one full year of TRICARE data were available: Southeast (Region 3), Gulf South (Region 4), Southwest (Region 6), Central (Region 7/8), Southern California (Region 9), Golden Gate (Region 10), Northwest (Region 11) and Hawaii.

TRICARE: Making Improvements Where You Live and Work

Primary Care Manager by Name

In the interest of optimizing care, the Primary Care Manager by Name concept is currently 88% complete for beneficiaries enrolled in TRICARE Prime. The relationship between primary care provider and patient is the cornerstone of high quality, prevention-oriented, continuous and coordinated health care.

School Physicals

The 2001 National Defense Authorization Act authorizes coverage of school-physical examinations to TRICARE-eligible beneficiaries ages 5 through 11 that are required in connection with school enrollment. These physicals will be recognized as preventive services.

Worldwide Appointment Standardization

A worldwide appointment standardization process is being implemented to improve beneficiary customer service and simplify the appointing and referral processes. The process will match the *right patient* to the *right provider* at the *right time* at the *right place*.

This process will reduce thousands of appointment types down to nine by the end of FY 2001.

“E-Health” www.tricare.osd.mil

- ➔ 7.2 million hits per month
- ➔ Comprehensive source for TRICARE news, policies, and beneficiary information



- ➔ In 2001, TRICARE will demonstrate a cutting-edge, interactive, beneficiary-oriented Web site at 3 military treatment facilities

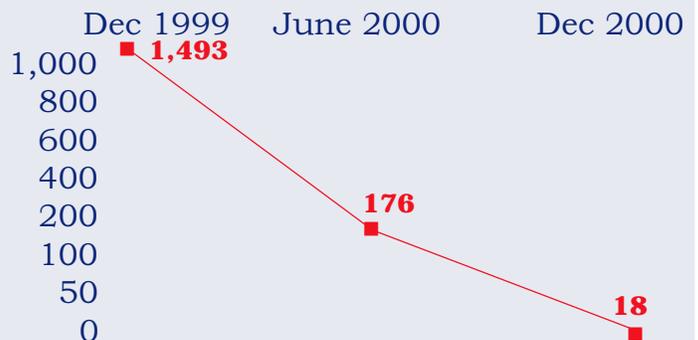
Dramatic Improvements in Claims Processing

In 1999-2000, TRICARE reengineered its management of claims, which significantly reduced the volume of pending claims.

TRICARE Claims Over 60 days old



TRICARE Claims Over 120 days old



TRICARE: Good for Recruitment and Good for Retention

Why Stay in the Military?

The 5 most frequently selected reasons to stay in the military among surveyed service members in retention-critical specialties indicating an intention to stay.

Officers

1. Military values & lifestyle
2. Sense of esprit de corps
3. Retirement pay
4. Military training opportunities
5. Promotion opportunities

Enlisted

1. Medical care for military members
2. Retirement pay
3. Education assistance
4. Military values & lifestyle
5. Base pay

Source: GAO Report/NSIAD-99-197BR Quality of Life and Retention, Dec 98-Mar 99

Career Retention Checklist

Are you looking for an employer who ...

- ✓ has held the line on out-of-pocket health care expenses
- ✓ doesn't base health insurance premiums on pre-existing conditions
- ✓ offers a prime benefit in remote locations
- ✓ delivers increasing customer satisfaction year after year
- ✓ looks out for your family while you're deployed
- ✓ includes benefits such as vision, clinical trials and preventive care

then ... TRICARE is a good reason to join the military and ... TRICARE is a good reason to stay in the military

He's Staying Air Force

"Not only are the health care professionals awesome, so are all of my superiors who never once lost faith in my abilities to continue serving my Air Force. I'm staying!"

Robert W. Newman, MSgt, USAF
Fabrication Flight Superintendent

Marine Returns to Active Duty

"I decided to give civilian life a try' after four years in the Corps, he (Robert Sorge) said. But he soon learned that working at Kmart didn't pay as much as he earned as an E-3 and offered zero health care benefits."

Navy Times, 19 April 1999, p. 15

Health Benefit Brings Sailor "Back on Board"

He (Aviation Electronics Technician 1st Class Tom Robinson) lists 'benefits for my family' as one of the most important reasons for dusting off his Navy uniform, rating medical care at the top. He figures he saves up to \$400 a month in insurance costs."

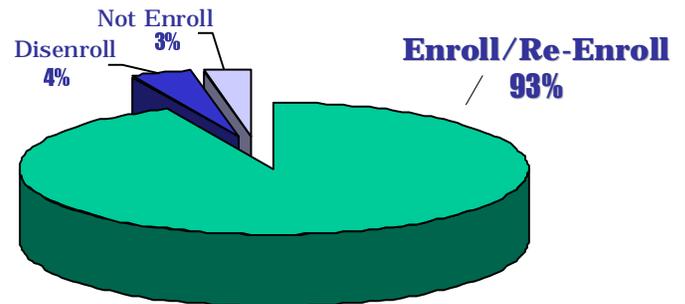
Navy Times, 19 April 1999, p. 14

Bringing It All Together

- ◆ TRICARE is our health care program using military hospitals and clinics as the main delivery system.
 - Operational worldwide, it is the **vital link** that ensures our nation’s military readiness and guarantees Force Health Protection.
- ◆ We have shown how TRICARE has improved access to care and increased patient satisfaction.
 - **93%** would re-enroll (see chart on right)
- ◆ According to the Defense Manpower Data Center, when deployed service members were asked what their greatest concerns were -- health care was NOT among the responses.
 - Issues such as managing expenses and communicating with their family topped the list.

We asked Prime enrollees,

“If you were given the option, would you...?”



All Prime Enrollees, System-wide

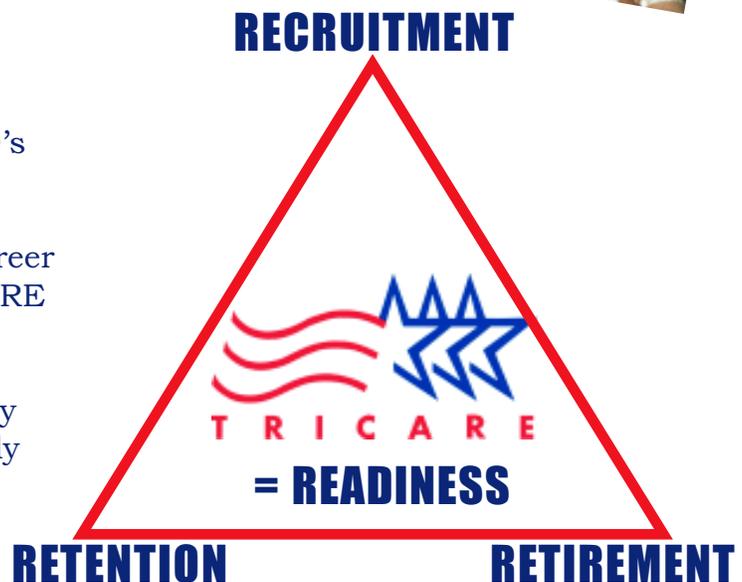
Source: May - July 2000 Customer Satisfaction Survey



4 R's of TRICARE

TRICARE is a key component of our nation’s readiness:

- ◆ A strong incentive for the new **recruit**
- ◆ A big factor in that superb NCO’s **retention** decision
- ◆ A solid reason to serve a full career and enjoy the benefits of TRICARE in **retirement**
- ◆ It all adds up to a **ready** military force and a **ready** military family



The Triumph of TRICARE

The World's Best Health Care for the World's Best Military

When TRICARE began in the mid-1990s, people asked some tough questions:

- “If America’s health care costs are skyrocketing, how will TRICARE control costs?”
- “Will ‘space-available’ care for our 65 and older retirees disappear?”
- “What will DoD do when all the patients leave our hospitals and go to civilian hospitals instead?”
- “What do military people know about managing a worldwide health plan?”
- “When health care contractors take over the military health system, how will we maintain our medical readiness for war?”
- And finally: “Will TRICARE fail?”

**Well, the results are in. The answers are known.
And TRICARE has passed with flying colors.**

In stark contrast to industry trends in the American health care industry, TRICARE has held the line on costs while improving both quality and access to care. Again contrary to trends in civilian health care, TRICARE has *enhanced* its benefits while not increasing fees to patients. TRICARE has gone from a poor performer in processing claims to an industry leader. While commercial firms have pulled out of *entire regions* where they could not make a profit, TRICARE has stood firm and never left a community behind. And, while high-profile cases have found fraud and illegal practices in the commercial health care sector, TRICARE has been a model of honesty and program integrity. Finally, and most importantly, TRICARE has supported and improved the medical readiness of our armed forces.

With the addition of the “TRICARE For Life” benefits and other enhancements described in this report, TRICARE emerges as one of the—if not the—best health care benefits in the United States.

So spread the word:

- **TRICARE is a good reason to join the military and a good reason to stay in the military.**
- **TRICARE is one of the most progressive, successful health care programs in the United States.**
- **From the prenatal visit, to the over-age-65 retiree prescription, “TRICARE has got you covered.”**
- **TRICARE has gone through the fire...TRICARE has been through the trial...and TRICARE has triumphed!**

