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Military Officers Association of America

Reject Disproportional TRICARE Fee Hikes and Health Plan Changes

Issue: The FY15 DoD budget will shift costs to military beneficiaries over 10 years by:

- Consolidating the TRICARE Health Plans into one – results in much higher costs while reducing access
- Raising annual fees for retired and active duty families of all ages and categories
- Dramatically increasing pharmacy copays to surpass the median of civilian plans
- Imposing means-testing of military retiree health benefits – which no other federal retirees endure

Background: DoD proposed similar fee increases last year and in the past, but the current approach is not a rational proposal. Congress enacted selected current and future increases in 2011 and 2012, but explicitly limited discretionary increases by DoD. Congress rejected larger increases on the basis that Pentagon leaders need to better manage costs instead of shifting costs onto beneficiaries.

"Cost Growth since 2000/2001" claims are misleading – not "exploding"

- 2000/2001 is inappropriate baseline; that era reflected spending and retention low points
- Health cost growth spiked in 2002-03 after TFL enactment, but has been declining ever since
- Combined personnel and health costs are approximately 1/3 of DoD budget – same as they've been for 30 years and as outlined in the FY 2015 Defense Budget Overview
- At 10% of DoD budget, DoD is getting health care cost bargain – vs. 16% share if all national spending

DoD fee plan is a "bait and switch" breach of faith. Defense leaders talk of grandfathering retirement for current troops, but would cut their future health benefits by ***$1,000 a year or more***. This proposal breaks faith with the currently serving families as well as those who already completed 20-30-year careers.

Proposed increases are out of line with the changes already authorized by Congress. Both the FY2012 and FY2013 Defense Authorization Acts increased fees (16% increase), including large Rx copays, instituted the mandatory Home Delivery Pilot, and indexed future increases to rate of growth in military retired pay growth – implementation of the Defense Health Agency (DHA), it will even further "slow the growth" of health care costs.

TFL Enrollment fee is out of line with original law. The 2001 law specified that no enrollment fee beyond Medicare Part B costs should be required for beneficiaries over 65, recognizing their lengthy service as their premium – this was not intended to be an "insurance product."

Proposed health fee schedules discriminate against military retirees. No other federal employee or retiree pays income-based fees for service-earned health coverage, and it's rare in the private sector.

Comparison with civilian/corporate cash fees is inappropriate. Military retirement and medical benefits are the primary offsets for enduring decades of extraordinarily arduous service conditions. Military retirees pre-pay huge "up front" health premiums through 20-30 years of service and sacrifice.

DoD leaders should be held accountable to fix program inefficiencies. Studies show consolidation of budget oversight would save billions vs. having three separate service programs and multiple contractors vie for budget share. Much more can be done to save money through chronic disease management and increased use of pharmacy home delivery.

These changes fly in the face of Commission's ongoing work. These piecemeal changes are inappropriate since the Military Compensation and Retirement Reform Commission will be offering more comprehensive reform recommendations to all pay and benefits next year – these proposals are simply budget-driven and shifts cost onto beneficiaries while reducing access standards.

Recommendation: Reject disproportional TRICARE fee hikes and plan changes. Changes enacted in 2011 and 2012 as well as the DHA implementation have already "slowed the growth" and will generate sufficient savings from the beneficiary contribution towards cost containment.

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