

Government to Save Tax Dollars at the Expense of Military Retirees

By Ted S. Painter, Director – American Military Retirees Board of Directors

Are working-age military retirees allowing the Department of Defense (DoD) and Congress to save money at their expense? On October 1st 2013, 171,000 military retirees under 65 years old who live beyond 40 miles of a Military Treatment Facility will lose all access to the military HMO-style health insurance plan called TRICARE Prime. If these retirees want to continue to use their earned TRICARE benefit they will have to use TRICARE Standard and pay *up to* \$3,000.00 per year in additional out-of-pocket costs. With the costs of private health insurance continuing to rise, the relatively low cost of TRICARE Prime is a benefit that most military retirees factor into their retirement plans. On October 1st, 171,000 retirees will have to modify those plans.

This is not the first time that the (DOD) and Congress have taken advantage of those who serve selflessly for twenty or more years. When Congress passed the National Defense Authorization Act (NDAA) in 2007, it included "Section 707" which, among other things, prevents employers from incentivizing employees to leave a company plan in favor of TRICARE. However, this overly broad provision also makes it illegal for employers of military retirees to pay the relatively low cost (\$2K-\$3K annually) of TRICARE supplemental insurance plans that are designed to absorb the out-of-pocket costs associated with TRICARE Standard. Prior to Section 707, a retiree could have 100% coverage (Standard is a 75/25% PPO style insurance plan) at no additional cost to themselves through an employer-sponsored supplemental insurance plan. Retirees could also choose to use TRICARE Prime or private sector insurance.

Section 707 was an effort to reduce the DoD's health care costs which, in 2006, accounted for nearly 10% of the entire DoD budget. Section 707 was supposed to encourage retirees to leave TRICARE for private insurance. The theory was that if retirees could no longer get an employer-sponsored supplement, they would give up on TRICARE and move to private insurance—shifting the cost of retiree health care to the private sector and away from the DoD and taxpayers. Unfortunately for the DoD, military retirees overwhelmingly did what they were trained to do over the course of twenty or more years—assess the situation and make a decision. The choice was clear: Prime costs a fraction of what private insurance costs and therefore those using Standard simply migrated to Prime. The downside for the DoD? Prime costs taxpayers between 15 and 30 percent more than TRICARE Standard. The DoD and Congress have now decided to simply make Prime inaccessible to some retirees.

In an effort to work with the DoD and Congress, the American Military Retirees Association (AMRA) developed a common sense solution to the DoD's decision to force retirees onto TRICARE Standard: amend Section 707 of the NDAA allowing employers to pay the cost of a supplement while maintaining the illegality of employer incentives. This will allow those who will be affected to have 100% coverage while avoiding up to \$3,000, GQ in annual out-of-pocket expenses,

AMRA has spent the last several months talking with DoD/TRICARE officials and Members of Congress and their staffs, including many on the key committees. As is often the case, it is extremely difficult to persuade busy lawmakers that they should step up to the plate and do the right thing—in this case—provide a way for costs to be covered for military retirees who are being left without choices by the very government that they served for over 20 years. Unfortunately, those who spent military careers fighting for others are now remarkably silent when their own benefits are in danger. If military retirees allow the DoD and lawmakers to force 171,000 to pay more for health care on October 1st, how long will it be before another 171,000 retirees lose access to TRICARE Prime? How long will it be before all 3.4 million working-age retirees and their dependents are blocked from using TRICARE Prime?

The American Military Retirees Association has developed a plan that will allow the DoD and taxpayers to save money while allowing retirees to maintain full coverage at no additional cost to themselves. Unfortunately, the push-back to the DoD and Congress from retirees has been nearly non-existent and therefore, lawmakers see no reason to act. If apathy is preventing an outcry among retirees regarding their own benefits, they certainly cannot expect lawmaker's to become vigorous defenders of those benefits.