



**POSITION PAPER**  
**TRICARE Prime Safety Net**

Issue: Due to the rising costs of military healthcare as a percentage of the DoD budget, DoD officials, Congressional Budget Office proposals, and civilian analysts support prohibiting military retirees from having access to TRICARE.

Background: The cost of military healthcare has increased dramatically over the last decade. The DoD would like to reduce that cost, as a percentage of its overall budget, by limiting the availability of TRICARE to military retirees.

Initial steps toward this goal were taken in October, 2013 when 171,000 retirees living beyond 40 miles of a military treatment facility (MTF) were prohibited from using TRICARE Prime. Although some of these retirees were later allowed to opt back into TRICARE Prime, they were required to waive drive time standards and choose a primary care manager (PCM) within 40 miles of the nearest MTF. For many, this has meant drive distances of up to 90 miles and having to find a new PCM. For the majority that could not opt back in, their alternative was to enroll in TRICARE Standard—a plan within the military healthcare system that, according to the CBO, annually costs DoD and taxpayers, on average, \$900.00 less per beneficiary than TRICARE Prime. However, TRICARE Standard, as opposed to TRICARE Prime, can cost retirees up to \$3,300.00 annually in out-of-pocket costs.

Most recently, there has been talk within the DoD and the CBO of forcing military retirees off of TRICARE altogether and instead forcing them to enroll in one of the many Affordable Care Act exchanges.

Prior to 2007, the DoD was realizing substantial savings within the military retiree community due to the fact that employers of working-age retirees were allowed to pay the cost of TRICARE Standard supplemental insurance plans designed and administered to pay the uncovered costs associated with the Standard plan. This allowed these retirees to have 100% coverage for about the same cost that they would have paid if enrolled in Prime. However, because the DoD mistakenly believed that this policy encouraged the use of TRICARE instead of employer-based insurance, Section 707 of the 2007 NDAA was enacted to make this policy illegal and encourage these retirees to enroll in their employer-provided insurance plan. This did not happen. Instead, retirees who were using TRICARE Standard migrated to the more costly (to DoD and taxpayers) TRICARE Prime due to the simple fact that any version of TRICARE is substantially less costly than civilian insurance.

Amending Section 707 of the 2007 NDAA would provide a TRICARE Safety Net—a way for working-age military retirees to continue to use their earned TRICARE benefit while also allowing the DoD and taxpayers to realize substantial savings. Military retirees prefer the care received under TRICARE Standard but rarely use it due to the out-of-pocket costs. However, if Section 707 were amended to allow employers to pay the cost of a TRICARE supplement, many working age

retirees would migrate from Prime to Standard. For example, if 30% of the 1.62 million working-age retirees currently using Prime migrated to Standard while utilizing an employer-funded supplement, the savings to DoD and taxpayers would be nearly \$500 million annually. If all 1.62 million were able to migrate at little or no additional cost to themselves the savings would be nearly 1.5 billion annually.

AMRA Position: TRICARE is an earned benefit of twenty or more years of service. Our members, and all retirees, have earned the right to use TRICARE. Amending Section 707 will allow working-age retirees to continue to use TRICARE and at the same time provide significant annual savings to DoD and taxpayers.