

TRICARE Fee Indices Matter

As always, before you sign anything, read the small print. This saying applies all too well to DoD budget submissions of the past few years - and now to the Senate Armed Services Committee's (SASC) 2018 defense authorization bill.

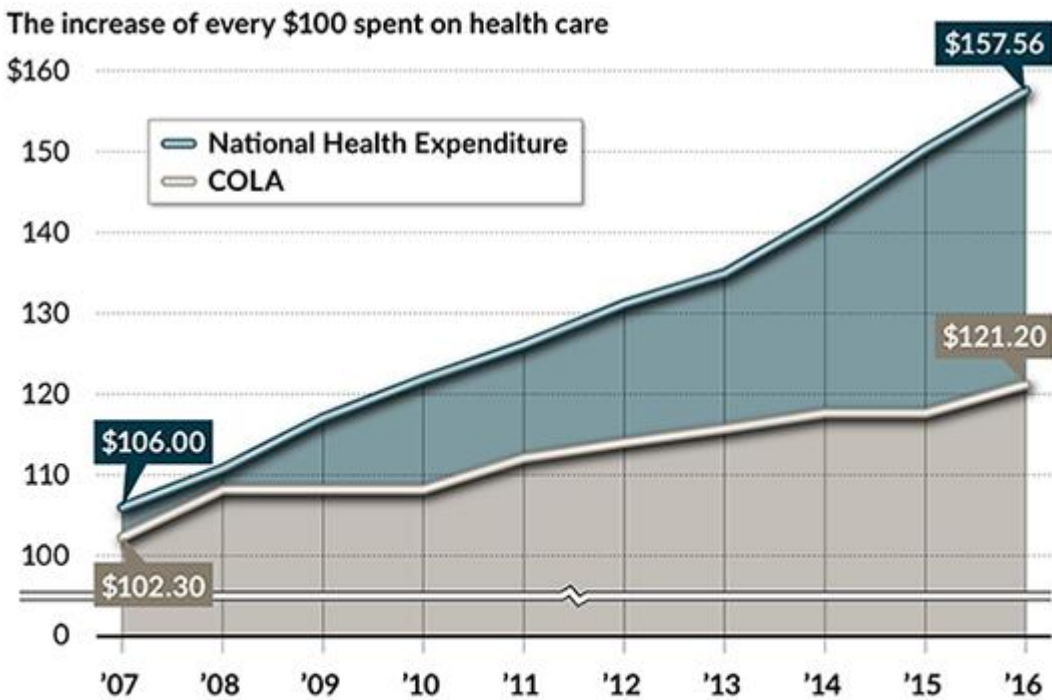
TRICARE fee increases in the SASC bill are the same, if not worse, than those proposed in DoD's 2018 budget submission. If they are included in the final FY18 National Defense Authorization Act (NDAA), they will directly affect what you and your family will pay for health care.

But one has to read the small print and understand its impact. What's in the small print, you ask? Some not-so-small changes. According to DoD's own language, "Increases in premiums, co-pays, deductibles and catastrophic caps would increase annually based on the increases in health care costs as measured by the growth in the National Health Expenditures (NHE) per capita." Currently, TRICARE fees and applicable cost shares are tied to the annual rise in the COLA. Swapping this index out for an arbitrarily selected index, the NHE, will result in beneficiaries paying substantially more for health care over time - as shown in this chart:

COLA vs NHE

In an ongoing effort to get beneficiaries to pay more, a frequent tactic of budgeteers is to tie a different index, other than the current COLA, to the TRICARE fee and cost share structure. The index used to achieve this is the National Health Expenditure index (NHE). Contained in the NHE is every component of U.S. healthcare. NHE projections are presented by type of good or service delivered (hospital care, physician and clinical services, retail prescription drugs, etc.) and by source of funding for those services (private health insurance, Medicare, Medicaid, out-of-pocket spending).

The chart below demonstrates the compounded effect over the past decade of the NHE versus the COLA, using an example of every \$100 spent on health care.



SOURCES: SOCIAL SECURITY ADMINISTRATION,
CENTER FOR MEDICARE AND MEDICAID SERVICES

GRAPHIC BY JOHN HARMAN/STAFF

The compounding effects from this index, if applied, will gradually erode every category of TRICARE beneficiaries' earned health care benefits. MOAA strongly believes beneficiaries' TRICARE fees and cost shares should not rise faster than the annual COLA. The rate of inflation resulting from the NHE index is unacceptable.

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The Gulf Widens Between Two Legislative Marks

The Senate's mark for the 2018 defense authorization bill was revealed this week. The Senate aligned itself with DoD's budget request to increase pharmacy copayments and to repeal a grandfathered TRICARE fee structure, under the guise that it is too confusing and costly.

This legislative proposal goes even further and aims to raise pharmacy cost shares even higher. By contrast, the House voted to maintain the current grandfathered TRICARE fee structure and pharmacy cost shares and maintain fee increases tied to COLAs. MOAA strongly supports the House proposal to stick with the current TRICARE fee structure, which prevents disproportional fee increases foisted onto military beneficiaries.

The fee increases proposed by the Senate are nothing short of an assault on beneficiaries' hard-earned benefits. Beneficiaries are being asked, *again*, to fund readiness accounts and other DoD projects with money out of their own pockets, rather than asking the broader base of American taxpayers for their support. Sadly, this regrettable practice has become almost routine. The chart below compares TRICARE proposals from the administration, the House, and the Senate.

	Administration Budget	House bill (H.R. 2810)	Senate bill (S. 1519)
Enrollment	Repeals Grandfathered Fees	Existing (Grandfathered) Fee Structure	Repeals Grandfathered Fees
New TFL fees	No	No	No
Pharmacy fees	Tripled fees over 10-year period	Fee increases remain indexed to COLA	Fee increases more than tripled over 10 years
Fee Indexing	Health index [†]	COLA	Health index

[†] The National Health Expenditure index far exceeds COLA increases. It is currently projected to be 5.9 percent in FY 2018.

Other provisions included in the legislation and supported by MOAA include:

- A five-year demonstration project to examine the feasibility of offering Medicare Advantage customized for TRICARE For Life (TFL) beneficiaries. Medicare Advantage plans are offered by private companies that contract with Medicare to provide Part A and Part B benefits. Medicare Advantage plan options include health maintenance organizations (HMOs), preferred provider organizations (PPOs), and others. DoD will select certain markets and contractors for the demonstration. TFL beneficiaries will be either enrolled or may choose to opt out of participation.

- An expedited process for evaluation and treatment of TRICARE beneficiaries requiring prenatal surgery.
- Establishing specific TRICARE policy which states hospice care can be provided to beneficiaries under age 21. This is a provision MOAA has advocated for strongly.
- Allows for the lower-cost TRICARE Reserve Select (TRS) health insurance for drilling Reserve and Guard members who are full-time federal employees.
- Proposes DoD, the VA, and the Department of Health and Human Services create a pilot program to establish an integrated health care delivery system between the military health system and other federal and private-sector health systems.

Steep Pharmacy Cost Share Increases

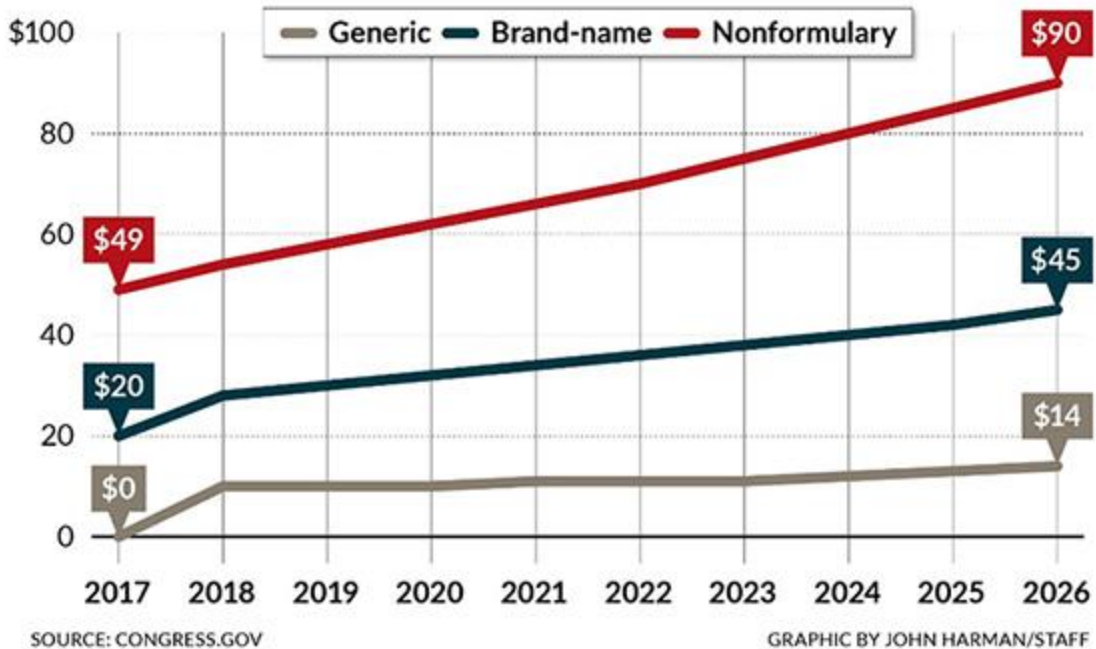
Regarding pharmacy cost shares, the Senate proposal goes much further than even DoD's proposed fee hikes. The intent is to raise fees to encourage beneficiaries to fill their prescriptions for free on base. This logic presumes most retirees -- who are, incidentally, the ones who use mail order the most -- live near a base; the large majority do not. These proposed fee hikes will hit TRICARE For Life beneficiaries and members of the reserve components the hardest.

A common example would be a retired beneficiary using TRICARE home delivery who is on three generic medications and uses one brand-name medication. Their current out-of-pocket cost share for a 90-day supply is \$0 for the generic medications and \$20 for the brand-name. Under the new proposal, their annual costs would increase, starting next year, from \$80 annually to \$232. Annual COLA increases would not even come close to covering these new costs.

The chart below demonstrates the rise in beneficiary costs over time that would result from this proposal:

Pharmacy Copayments on the Rise

2018 proposed Senate pharmacy copayments for 90-day home delivery



Another rationale of their proposal is to bring mail-order generic medications to parity with retail generics by adding a \$10 copayment for mail-order generics, which will rise to \$14 by 2026. The current cost is \$0. The end result: a military beneficiary's TRICARE pharmacy benefit becomes no better than going to Wal-Mart, as the display below illustrates.

Senate Rx Fees in Context

Retail (30 day supply)				What Wal-Mart Charges	
	Current	2018	2026	Retail (30 day supply)	
Generic	\$10	\$10	\$14	Generic	\$4
Brand name	\$24	\$28	\$45	Brand name	\$10
Non-formulary	\$50	\$49	\$90	Mail-Order (90 day supply)	
	Mail-Order (90 day supply)			Generic	\$10
Generic	\$0	\$10	\$14	Brand name	\$24
Brand name	\$20	\$28	\$45		
Non-formulary	\$49	\$54	\$90		
MTF	Remains \$0				

Source: Congress.gov, Walmart.com

MOAA believes increasing these fees to pay for readiness improvements, fund other military personnel benefits, and fix the Widow's Tax (the Survivor Benefit Plan-Dependency and Indemnity Compensation offset) is a breach of Congress' inherent obligation to preserve and care for those who serve and have served.

Good Morning

I am the Legislative Affairs guy for the Huntsville, Alabama Chapter of MOAA. Our chapter members have questions regarding the article that appeared in the latest Military Officer magazine. Specifically the article on pages 27 and 28 dealing with the markup of the FY 2018 NDA Senate bill. Our questions involve the five-year study supported by MOAA looking at the feasibility of offering a customized version of Medicare Advantage for TFL beneficiaries. Please offer some detail why this is being studied and explain why MOAA supports this study. Is this potential customized version of Medicare Advantage a substitute for TFL or is it additive? For those not old enough for TFL and Medicare why is there a need for a supplement?

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 Huntsville Chapter of MOAA
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Parks (MOAA)

Sep 7, 09:33 EDT

Dear Colonel Clements,

Thank you for contacting MOAA with your inquiry. This study would be a cost-benefit analysis of Medicare Advantage plans for TFL beneficiaries. Currently, most TFL beneficiaries do not acquire such a plan nor

are the plans recommended as a need-to-have for beneficiaries. The study would determine if there is any benefit to offering specific customized plans to TFL beneficiaries. The study would look at such things like how covered benefits, premiums, copays/cost shares, average annual out-of-pocket costs, and beneficiary experience would be affected by having a Medicare Advantage plan in conjunction with TRICARE for Life.

MOAA and our partners on the Military Coalition have long endorsed such an initiative, but we believe it will be essential to ensure all affected beneficiaries receive complete information on the program well in advance of implementation and their ability to opt out of participation at any time is not constrained in any way. Medicare Advantage would be additive wrap around to both Medicare Parts A & B and TRICARE for Life. If a retired servicemember is not on Medicare and TFL, then they would be unaffected by such a study or its implementation.

It is important to note that this study is a provision in the Senate version of the 2018 NDAA, and the bill has not been voted on or implemented into law yet. Hence, the study is not for sure going to happen yet. Rest assured that MOAA will continue to fight to protect our servicemembers' earned compensation and benefits.

Please do not hesitate to contact us if you have any additional questions or concerns. Thank you for your Life Membership and 21 years of continued support.

Sincerely,

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