



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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PERSONNEL AND
READINESS

APR 17 2019

The Honorable James M. Inhofe
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

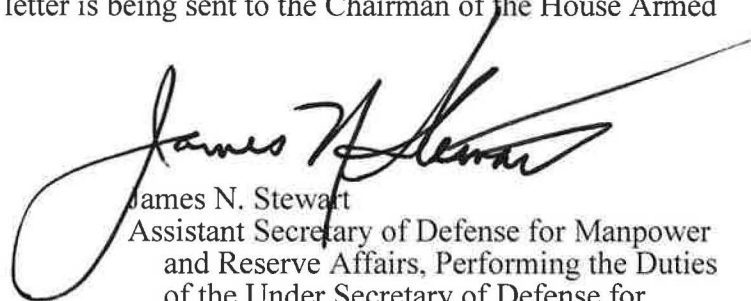
Dear Mr. Chairman:

The enclosed report is in response to the Conference Report accompanying the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232), regarding the study on the treatment of TRICARE beneficiaries who are residents of Puerto Rico.

The enclosed report identifies the number of TRICARE eligible beneficiaries in Puerto Rico, the ability of the TRICARE network to absorb additional TRICARE Prime enrollees, access to care in Puerto Rico, and the increased cost to the government should TRICARE Prime be offered to non-command sponsored Active Duty family members, retirees, and retiree family members in Puerto Rico. The study concluded that TRICARE Select beneficiaries in Puerto Rico have adequate and appropriate access to care with TRICARE network providers, which will ensure they pay a lower cost share/co-payment when accessing those network providers.

In addition, it was determined that if TRICARE Prime were to be offered to all TRICARE eligible beneficiaries residing in Puerto Rico, it would result in a net increase of \$18.5M annually. And finally, there is a concern that establishing TRICARE Prime in Puerto Rico for all beneficiary categories could lead to dissatisfaction in the 50 States and the District of Columbia, as well as in other overseas locations. It could give the appearance that the Department is offering TRICARE Prime to non-command sponsored Active Duty family members, retirees, and retiree family members in one location, and ignoring similar requests from beneficiaries elsewhere.

Thank you for your interest in the health and well-being of our Service members, veterans, and their families. A similar letter is being sent to the Chairman of the House Armed Services Committee.



James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable Jack Reed
Ranking Member



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PERSONNEL AND
READINESS

The Honorable Adam Smith
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

APR 17 2019

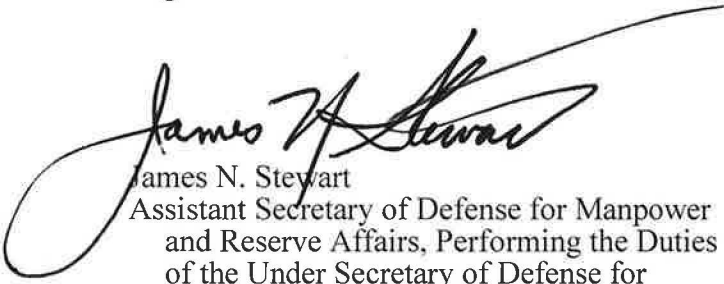
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James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness

Enclosure:
As stated

cc:
The Honorable William M. "Mac" Thornberry
Ranking Member

REPORT TO HOUSE AND SENATE ARMED SERVICES COMMITTEES



Conference Report Accompanying the John S. McCain National Defense Authorization Act for
Fiscal Year 2019 (Public Law 115-232)

Study on the Treatment of TRICARE Beneficiaries who are Residents of Puerto Rico

The estimated cost of the report for the
Department of Defense (DoD) is
approximately \$15,032.00 in Fiscal Years
2018. This includes \$11,597.00 in expenses
and \$3,435.00 in DoD labor. Generated on
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I. Introduction

The Conference Report which accompanies the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Public Law 115-232), requests the Director, Defense Health Agency review the feasibility and effect of extending TRICARE Prime to eligible beneficiaries who reside in Puerto Rico. The report states the review should: (1) determine the number of eligible beneficiaries enrolled in TRICARE Select; (2) examine prior claims data from beneficiaries who may have used TRICARE Standard while residing in Puerto Rico; (3) evaluate the ability to meet TRICARE Prime access standards by TRICARE eligible institutional and individual providers; and (4) estimate the potential increase in cost to the Department to offer TRICARE Prime to eligible TRICARE beneficiaries.

II. Background

Title 10, U.S. Code, section 1097(b)(3), provides authority for the Secretary of Defense to determine the availability of TRICARE Prime to beneficiaries who reside in designated geographic locations. In locations outside the 50 United States and the District of Columbia, TRICARE Prime enrollment is limited to the following categories:

- Active Duty Service members (ADSMs) who are permanently assigned to an overseas location, including Reserve Component ADSMs who are called to Active Duty for more than 30 consecutive days with a final assignment to an overseas duty station.
- Command-sponsored Active Duty family members (ADFM) (including ADFMs on permanent change of station (PCS) orders to accompany the sponsor overseas); ADFMs on service-funded orders or a Non-combatant Evacuation Order to relocate overseas without the sponsor; and overseas Prime-enrolled ADFMs whose sponsors are reassigned on unaccompanied PCS orders to a location that does not permit command sponsorship.
- ADFMs who resided in an overseas location prior to the activation/mobilization of a Reserve Component sponsor, as demonstrated by the residential mailing address of the sponsor prior to the activation/mobilization.
- Eligible transitional survivors, regardless of whether they remain at their original residence or relocate to another overseas location.

Non-command sponsored ADFMs, retirees, and retiree family members are not eligible for TRICARE Prime enrollment in any overseas location, including the U.S. commonwealths and territories. These beneficiaries utilize TRICARE Select, a self-managed Preferred Provider Organization program that requires enrollment. Under TRICARE Select, retirees and their family members pay an annual deductible, cost shares/copays, and may be required to pay an enrollment fee depending on the sponsor's initial enlistment or appointment date.

In overseas locations, TRICARE Prime enrollees receive "cashless, claimless" service when they obtain authorized care from a TRICARE network provider. The "cashless/claimless" benefit ensures that a TRICARE Prime enrollee does not incur any out-of-pocket expenses at the time care is rendered, and that the provider or facility will file the TRICARE claim on their

behalf. The TRICARE Overseas Program (TOP) contractor accomplishes this “cashless/claimless” benefit via the issuance of a guarantee of payment or other business arrangement between the contractor and the provider or facility. In overseas locations, non-Prime beneficiaries are often expected to pay for their care in full when services are rendered, and then must file a claim with TRICARE for reimbursement (less any applicable deductibles, co-pays, or cost shares). This process is a source of complaints from non-command sponsored ADFMs, retirees, and retiree family members, and is frequently cited as a reason for expanding the availability of TRICARE Prime to all eligible beneficiaries.

The long-standing limitation regarding TRICARE Prime enrollment in overseas locations derive from the limited number and capacity/capability of military medical treatment facilities (MTF) and staff in overseas locations, coupled with their mission-critical requirement to provide Prime coverage for ADSMs as their first priority, and to command-sponsored ADFMs as their second priority. Also, establishing and maintaining large private sector TRICARE Prime networks is a challenging and costly task in overseas locations.

III. TRICARE Prime Extension Analysis

A. Eligible Beneficiaries

As of September 2018, there were 23,203 eligible TRICARE beneficiaries under the age of 65 in Puerto Rico. Beneficiaries 65 years of age or older are not eligible for TRICARE Prime; thus, they are not included in this assessment. Of the 23,203 eligible beneficiaries, 17,111 are not enrolled in TRICARE Prime. Of the 17,111 beneficiaries not enrolled in TRICARE Prime, 2,797 are ADFMs enrolled in TRICARE Select; the rest are retirees and their family members.

B. Claims Analysis

The claims data for beneficiaries receiving care in Puerto Rico was analyzed to determine the overall cost of healthcare in Puerto Rico, the beneficiary’s cost share, and the increased cost to the government if TRICARE Prime was made available to all TRICARE eligible beneficiaries in Puerto Rico. An average of 74,208 claims, for all beneficiaries, is filed annually for health care received in Puerto Rico, at a cost of \$11.2 million. Of the 74,208 claims filed, 36,894 were for TRICARE Select beneficiaries and equaled \$6.7 million, of which the government paid \$5.4 million and the beneficiaries paid \$1.3 million.

C. TRICARE Network Assessment

There are three military outpatient clinics on the island of Puerto Rico. The Rodriguez Army Health Clinic, United States Coast Guard (USCG) Clinic - San Juan, and USCG Clinic - Borinquen serve the ADSMs and command sponsored ADFMs enrolled in Prime. These facilities have limited capability and capacity, and care for non-Prime beneficiaries is not available.

Puerto Rico is still recovering from Hurricanes Irma and Maria in 2017. The 2016 State Physician Workforce Data Book indicated there were 9,874 registered licensed active physicians in Puerto Rico, of whom 3,985 were primary care physicians. Unofficial reports indicate that in 2018 there were less than 9,000 licensed physicians and many sub-specialists have left the island.

An assessment of the TRICARE network in Puerto Rico was conducted to determine availability of network providers. Figure 1 below (Map of Puerto Rico) depicts separation of Puerto Rico into three regions; the East region includes San Juan Metropolitan Area, Caguas, Humacao, and Fajardo; the West region includes Aguadilla, Mayaguez, and Arecibo; and the Central region includes Ponce. The network assessment indicated that the healthcare services in the East region are fully able to support additional Prime beneficiaries. The network hospitals, available civilian primary care managers, and multi-specialty clinics are fully operational and able to support additional Prime workload. However, in the West and Central regions, which are the more rural areas of Puerto Rico and where recovery from the hurricanes in 2017 has been slower than in the East Region, the network could not absorb additional Prime beneficiaries. Though the network facilities in the West and Central regions have been deemed adequate, there are many smaller provider offices and facilities still experiencing power disruptions that affect operations periodically.

Figure 1: Map of Puerto Rico



Overall, the network assessment indicated that the network could absorb additional TRICARE Prime beneficiaries in the East region, but not in the West and Central regions. Additionally, there are certain specialties that are not available in Puerto Rico. Currently, nuclear radiology, immunopathology, neuropathic, and hematology-oncology specialists are not available. Travel to the 50 United States or the District of Columbia may be required if a provider specialty is unavailable and care is needed for TRICARE beneficiaries in Puerto Rico.

D. Access to Care Analysis

Due to variances in the delivery of health care in the overseas environment, the TOP contract requires the contractor to meet TRICARE access standards on a best effort basis. In many overseas locations, including Puerto Rico, providers do not offer appointments; they see patients on a first come/first serve basis. Consequently, the wait time to see some providers can exceed TRICARE access standards. Additionally, drive times may exceed TRICARE standards due to many urban areas being congested with traffic, making it difficult to navigate within these urban areas.

Urban areas can experience travel congestion, which may cause challenges with travel times in many locations. Although analysis indicated that TRICARE access to care standards are not met in Puerto Rico 100 percent of the time, beneficiaries are able to access network providers and facilities without delaying needed healthcare services. Additional Prime beneficiaries should be able to access health care with the same success as current Prime beneficiaries.

E. Prime Benefit Extension Precedent

There is a concern that establishing TRICARE Prime in Puerto Rico for all beneficiary categories could lead to beneficiary dissatisfaction in other overseas locations. It could appear that the Department was offering TRICARE Prime to non-command sponsored ADFMs, retirees, and retiree family members in one overseas location and ignoring similar requests from beneficiaries elsewhere. To ensure a uniform benefit, TRICARE Prime would have to be offered to eligible beneficiaries in all overseas locations, which would further increase the cost impact of extending Prime to all beneficiary categories overseas.

It should be noted that there are many areas in the 50 United States where TRICARE Prime is not available. If TRICARE Prime were established in Puerto Rico for all beneficiary categories, this would set a precedent for establishing TRICARE Prime anywhere. If implemented, this would be more generous than the Prime Service Area model used in the U.S.

F. Cost to the Government

Currently there are 17,111 TRICARE eligible non-command sponsored ADFMs, retirees, and retiree family members under the age of 65 in Puerto Rico. Based on projected enrollment/utilization estimates, the estimated total increase in annual cost for adding the TRICARE Prime benefit to non-command sponsored ADFMs, retirees, and retiree family members is \$21.5 million. There would be an offset of \$3 million for TRICARE Prime enrollment fees that would be collected from retirees and retiree family members. This would result in an estimated annual net increase of \$18.5 million for administrative and health care costs for this population.

IV. Summary

The Department's analysis concluded that even though the TRICARE provider network could absorb additional TRICARE Prime beneficiaries in the East region of Puerto Rico, the West and Central regions' TRICARE network could not and would have to be expanded. Additionally, there are certain specialties that are not available in Puerto Rico and travel to the 50 United States or the District of Columbia would be required if that specialty care is needed. Meeting access standards in Puerto Rico varies based on cultural nuances, of which most residents in Puerto Rico are aware. However, expanding TRICARE Prime in Puerto Rico for all beneficiary categories would result in an estimated \$18.5 million annual increase in costs and could lead to beneficiary dissatisfaction in other overseas locations. Additionally, it would offer a benefit that is more generous than what is available in the 50 United States and the District of Columbia, where the Prime benefit is limited in most cases to MTF locations.