UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND
READINESS

MAY 12 2021

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

Dear Mr. Chairman:

The Department's report in response to House Report 116-120, pages 166-167, accompanying H.R. 2500, the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020, "TRICARE Reserve Select Study," which requests examination of the impact of expanding TRICARE Reserve Select (TRS) to Selected Reserve/National Guard members eligible for the Federal Employee Health Benefit Plan (FEHBP) beginning in 2030, is enclosed.

Selected Reserve and National Guard dual-status technicians and their family members eligible for TRS are currently using a more expensive healthcare insurance option offered under the FEHBP. Current Federal law prohibits dual-status technicians who are Federal employees, either eligible for or enrolled in FEHBP, from participating in TRS. However, under section 701 of the NDAA for FY 2020 (Public Law 116-92), TRS enrollment restrictions are being lifted. This will redress the benefit imbalance for dual-status technicians, reduce the Service member cost of health care, and improve health care quality through continuity.

Thank you for your continued strong support for the health and well-being of our Service members, veterans, and families.

Sincerely,

Virginia S. Penrod

Virginia S. Penrod
Acting

Enclosure:
As stated

cc:
The Honorable Mike D. Rogers
Ranking Member

Report to the Congressional Armed Services Committees

TRICARE Reserve Select Study

In Response to: House Report 116-120, Pages 166-167, Accompanying H.R. 2500, the National Defense Authorization Act for Fiscal Year 2020

The estimated cost of this report or study for the Department of Defense (DoD) is approximately $4,200. This includes $0 in expenses and $4,200 in DoD labor. Generated on 2020Oct29 RefID: B-9EACA36

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I. Summary

Selected Reserve and National Guard dual-status technicians and their family members eligible for TRICARE Reserve Select (TRS) are currently using a more expensive healthcare insurance option offered under the Federal Employee Health Benefit Plan (FEHBP). Current Federal law prohibits dual-status technicians who are Federal employees and eligible for or enrolled in FEHBP, from participating in TRS.

Over 113,000 eligible Selected Reserve and National Guard members are Federal employees. Included in this number are 67,000 dual-status technicians who are restricted from enrolling in TRS because they are eligible for FEHBP. However, section 701 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2020 (Public Law 116-92), redresses the benefit balance for dual-status technicians and their families and lifts the TRS enrollment restriction in the year 2030.

Considering both health benefit plans, TRS is a more affordable option for members of the Selected Reserve/National Guard and their families compared to options offered by FEHBP. For example, the widely used FEHBP Blue Cross Blue Shield (BCBS) Basic Option rate cost $164.55 per month for self-only and $376.12 per month for individual and family in calendar year (CY) 2020.[1] TRS coverage during CY 2020 cost $44.17 for self-coverage and $228.27 for member and family coverage, with additional deductibles and cost-shares applicable. Further, expanding TRS eligibility for members of the Selected Reserve and National Guard, to include those who are eligible for FEHBP, will provide the continuity of care throughout the mobilization cycle (before, during, and after) which is currently impacted based on restrictions under the Federal law.

The key advantages of extending TRS benefits to dual-status technicians earlier than 2030 include: (1) reduced out-of-pocket costs to the Service members and their families; (2) continuity of care provision during mobilization and de-mobilization; (3) improved retention; and (4) increased member satisfaction by allowing Service members and their families to maintain continuity with their provider.

[1] www.fepblue.org

II. Introduction

This report is in response to House Report 116-120, pages 166-167, accompanying H.R.2500, the NDAA for FY 2020, "TRICARE Reserve Select Study:

> The committee remains concerned about Reserve Component service members using limited training time to address required health evaluations. The consumption of training time for purposes like medical preparedness that is not directly related to military readiness training may inhibit unit lethality. The lack of a TRICARE Reserve Select option for dual-status technicians affects Reserve Component recruiting and retention efforts. The committee therefore directs the Secretary of Defense to submit a report to the Committee on Armed Services of the House of Representatives not later than April 1, 2020, that includes the following:

Section III below addresses the history of the TRICARE Reserve Select Program.

Section IV below addresses:

> (1) administrative, policy, statutory, and technical changes that could reduce the administrative burden on the military

Section V below addresses:

> (2) the program cost associated with providing TRICARE Reserve Select for medical, dental, and vision care to dual-status technicians
> (3) the out-of-pocket costs involved with providing TRICARE Reserve Select for medical, dental, and vision care to dual-status technicians compared to the Federal Employees Health Benefits Program
> (4) the amount of funding currently budgeted for Reserve Component health care

Section VI below addresses:

> (5) the readiness and quality of life impacts associated with providing Reserve Component service members with TRICARE Reserve Select
> (6) an economic analysis of whether the cost of providing TRICARE Reserve Select for dual-status technicians is feasible when considering the readiness and time constraints of Reserve Component service members

Section VII below addresses:

> (7) the overall conclusion which substantiates extending TRICARE Reserve Select to all eligible Selected Reserve and Guard members in the year 2030

III. History of the TRICARE Reserve Select Program

TRS was established by Congress in the NDAA for FY 2004 (Public Law 108-136) as a way for Selected Reserve and National Guard (Selected Reserve) members to obtain TRICARE coverage when not on a period of active duty. Previously, Selected Reserve members only had access to TRICARE coverage while in a period of qualifying duty.

Congress has long reserved the top-level benefit of cost-free healthcare to Active Duty Service members, not only for readiness of the force, but also as a key recruitment and retention incentive. To address gaps in coverage due to coverage disruptions when mobilizing and demobilizing, Congress expanded access of the TRICARE benefit, at a cost, to part-time Service members during a period of historic changes in mobilization patterns. The NDAA for FY 2005 allowed more reservists to qualify for TRS. Specifically, it addressed readiness concerns surrounding uninsured members who required adjudication of significant health issues in order to be in a deployable status.

Over the initial years of implementation, the program went through several iterations regarding eligibility and premium costs. Originally, only Selected Reserve members who were ineligible for civilian healthcare coverage through their employer or who were eligible for unemployment compensation were qualified to purchase TRS coverage. The NDAA for FY 2005 expanded TRS coverage to Selected Reserve members who mobilized for more than 90 continuous days in support of a contingency operation. Further, the NDAA for FY 2006 created a 3-tiered premium program, which expanded access to all Selected Reserve members, depending on their recent mobilization and deployment status, except those eligible for the FEHBP through their Federal employment.

The current state of TRS, enacted in the John Warner NDAA for FY 2007 (Public Law 109-364), sets premiums at 28 percent of program costs for all TRS enrollees, regardless of their tier. Section 701 of the NDAA for FY 2020 eliminated the FEHBP exclusion beginning in 2030. Thus, in 2030 all Selected Reserve and National Guard members will be eligible for TRS.

Current CY 2020 monthly premiums are $44.17 for a member and $228.27 for a member with family members, with additional deductibles and cost-shares applicable. This provides for a low-cost access option to the full TRICARE benefit and has continuous open enrollment, provided the member is not currently in a lockout period following involuntary disenrollment. Payment of monthly premiums is required in order to maintain coverage, and TRS enrollees are authorized space-available care at military medical treatment facilities.

The Department has fully supported expanding the TRS benefit to include all Selected Reserve and National Guard members, including those who are restricted to FEHBP. In the report to the congressional committees submitted December 2018 in response to sections 748(a) and 712(a) of the NDAA for FY 2017 (Public Law 114-328), the Department of Defense (DoD) stated that eliminating the FEHBP exclusion would not only reduce expenses for beneficiaries, but also reduce the overall cost due to lower DoD contributions.

IV. Reduction of Administrative Burdens

The Department considered this requirement within the limits of providing healthcare and health-related readiness concerns during limited training time as outlined in the congressional language. A myriad of other requirements, including both Departmental and congressionally required training, may reduce time from war-fighter training. Within the scope of this study, the Department foresees other measures that may confound administrative requirements in the implementation of TRS to dual-status technicians.

The Department can only mandate the compliance of Service members for requirements within the timeframe they are on an approved duty status. For example, a Service member may be required to report for duty in an appropriate condition to perform a physical fitness test; however, the Service may not require the member to conduct specific physical training outside of the periods of qualifying duty. Similarly, while a Service member may be expected to report to a period of qualifying duty status in a medically ready posture, the Services have limited ability to compel compliance.

As a result, it is a challenge to distinguish what effects these measures will have on the administrative requirements to implement the TRS program to dual-status technicians. However, a supplementary study could give the Department further insight into the administrative, policy, statutory, and technical changes that could reduce the administrative burden on the military as requested by Congress.

Regarding TRS eligibility specifically, Congress approved the removal of the current FEHBP exclusion for Selected Reserve and National Guard members who are eligible for FEHBP effective January 1, 2030. A substantial majority of the estimated FEHBP-eligible employees are working within the Department (approximately 67,000 dual-status technicians) and are required to remain on duty in the Selected Reserve, as a condition of their civilian employment. Overall, based on eligible TRS members of the Selected Reserve, using a 5-year estimate compared with an approximated total population of 113,000 (last measured in 2014 with the Office of Personnel Management), the DoD cost for the TRS member and family coverage remains less than the maximum contribution for FEHBP individual and family coverage resulting in a cost-neutral alternative. [2]

The current state of TRS, enacted in the NDAA for FY 2007, sets premiums at 28 percent of program costs for all TRS enrollees, regardless of their tier. Section 701 of the NDAA for FY 2020 eliminated the FEHBP exclusion beginning in 2030. Thus, in 2030 all Selected Reserve and National Guard members will be eligible for TRS.

[2] DHA (2018, May). Evaluation of the TRICARE Program: Fiscal Year 2017 Report to Congress: Continuity of Health Care Coverage for Reserve Components and Assessment of Transition to TRI CARE Program by Families of Reserve Components Called to Active Duty: Fiscal Year 2017 Report to Congress. Washington

V. Program and Out-of-Pocket Costs

A. Program Costs

(2) the program costs associated with providing TRICARE Reserve Select for medical, dental, and vision care to dual-status technicians

The net Government cost in CY 2019, including healthcare and administrative costs and removing enrollment fees, for TRS enrollees was $1,614 per individual enrollee, $8,084 per family contract, and $2,200 per family enrollee. The additional annual Government cost represented under TRS would be about $498 million with 100 percent of the dual-status technicians enrolled, which assumes that approximately 67,000 dual-status technicians would be distributed between individual and family contracts in a similar distribution as current TRS enrollees (about 90 percent family). However, if they enrolled at a rate similar to those Reservists who are currently eligible for TRS (33 percent enrollment rate), the annual Government cost would have been about $166M. This initial upfront cost is projected to balance out over a ten year time period.

Dental and vision benefits were not analyzed separately as dental coverage for Reservists is provided through the TRICARE Dental Program, for which dual-status technicians are currently eligible. Thus, the dental benefit is not germane to this analysis. The limited TRICARE vision benefit is included within the TRS benefit package.

B. Out-of-Pocket Costs

(3) the out-of-pocket costs involved with providing TRICARE Reserve Select for medical, dental, and vision care to dual-status technicians compared to the Federal Employees Health Benefits Program

The total out of pocket spending in CY 2019, considering both cost sharing and premium amounts, was $672 per individual enrollee, $3,420 per family contract, and $932 per family enrollee. Assuming 67,000 TRS enrolled dual-status technicians, the total out of pocket spending estimate under TRS in CY 2019 would have been about $162 million. At the approximated 33 percent Reservist enrollment rate, the total out of pocket spending would have amounted to about $54 million.

For estimates of FEHBP spending, the Department analyzed four popular plan options, three nationwide and one regional: BCBS Basic, BCBS Standard, Government Employees Health Association (GEHA) Standard, and Kaiser Mid-Atlantic High. These four plans provide a representative range of FEHBP benefit richness. The Department does not have access to the enrollment data necessary to calculate the average amounts across all FEHBP plans. The U.S. Office of Personnel Management has published data on plan premiums and other out-of-pocket spending estimates derived from data reported in the Consumers' Checkbook publication.[3] The

[3] www.checkbook.org

Checkbook illustrations are provided separately for enrollees under and over age 55. Estimates are based on the published values for individuals under age 55, as this should most closely resemble the Reserve population.

For each of the four plans, the employee share of premium for each of the three premium tiers (self-only, self-plus-one, and family) was determined and a factor derived from the Checkbook data was applied to estimate the total annual out of pocket spending in CY 2019 for FEHBP enrollees under age 55. These estimates are summarized in the table below.

Table 1: Estimated Out-of-Pocket Spending in FEHBP, CY 2019

	Total Estimated Out of Pocket Expense (Premium + Cost Sharing)		
Plan	Self-Only	Self-Plus-One	Family
BCBS Basic	$2,827	$6,013	$6,642
BCBS Standard	$4,059	$8,719	$9,515
GEHA Standard	$2,759	$5,415	$6,777
Kaiser High	$2,797	$7,175	$6,603

C. Funding for Reserve Component Health Care

(4) the amount of funding currently budgeted for Reserve Component health care

The total cost of care for TRS enrollees in CY 2019, net of enrollment fees, which includes private sector care, the variable cost associated with direct care, and direct administrative expenses, was $838M. Of note, this does not specifically encompass a budgeted total, as there are no separate budget lines within the Defense Health Program (DHP) specific to all Reserve Component healthcare. Resource requirements associated with extending TRS to dual-status technicians are based on a shift in the costs from Military Branch Federal employee accounts used to pay the Government portion of FEHBP plans to the DHP.

Although the DHP would also absorb FEHBP costs for non-DoD Federal employees who purchase TRS coverage, these costs are more than offset by the reduction in Military Branch accounts yielding a net cost avoidance to DoD. Additionally, there are Military Service-funded portions, such as for readiness like the Reserve Health Readiness Program and other missions, directly funded by each of the Military Services.

VI. Readiness and Economic Analysis

A. General Considerations

Availability of TRS, as approved in section 701 of the NDAA for FY 2020 effective 2030, to all FEHBP-eligible Selected Reserve and National Guard Service members, will provide a final resolution of this long-standing dissatisfaction with dual-status technicians and other FEHBP-eligible Service members. The Department is aware that determining empirical evidence of an increased readiness posture for TRS participants vice non-TRS Selected Reserve and National Guard Service members would require a multi-year longitudinal study, which is considered outside the scope of this report. However, the Department considers further study to be of limited value in providing conclusive data either supporting or refuting a direct correlation between readiness and TRS enrollment vice enrollment in other health insurance. This consideration is based on the pending elimination of the FEHBP exclusion for eligible Service members effective in 2030, along with the average participation rate of TRS-eligible Service members averages around 33 percent (e.g., those eligible for TRS coverage who choose to purchase the coverage).

While primarily anecdotal in nature, changing of providers and the effect on continuity of care is a primary concern from both Selected Reserve and National Guard Service members and their families when transitioning both into and out of periods of qualifying Active Duty service (generally title 10 activations for periods of greater than 30 days, dependent on order type). Service member activation that triggers TRICARE Prime benefits can be a significant change for both Service members and their family members due to the intricacies of TRICARE Prime.

B. Health Maintenance Organization vs. Preferred Provider Organization Plans

TRICARE Prime is a Health Maintenance Organization (HMO)-style plan, which is a Primary Care Manager (PCM)-centric model with oversight and management of specialty care referrals. In contrast, TRICARE Select, and the related TRICARE Reserve Select for Selected Reserve and National Guard Service members, are Preferred Provider Organization (PPO)-style plans, wherein a beneficiary is not required to maintain a specific primary care provider or obtain referrals for specialty care.

FEHBP plans provide a mix of both HMO and PPO plans, depending on the needs of the beneficiary; however, the predominant FEHBP plans used by the majority of beneficiaries are PPO plans. As noted above, the difference between being able to self-manage providers vice receiving referrals to specific network providers may be a dissatisfier with activated Reserve or National Guard members, however, this is a function of changing the status of the individual from a PPO-style to a HMO-style coverage plan, rather than an actual impact on the quality of healthcare provided.

A primary reported concern from activating Service members and their families is the potential for changes in providers, both in primary and specialty care. A change in a provider,

particularly if an individual is within the course of treatment, can certainly invoke continuity-of-care concerns. Insofar as a provider is a TRICARE authorized or TRICARE network provider, most beneficiaries in an ongoing-care situation should be able to remain with their current provider. The primary change for them on an activation or de-activation would be a change in the referral process required (if in TRICARE Prime) in order to maintain continuity of care. While referrals for TRICARE Prime are defaulted to TRICARE network providers, all TRICARE authorized providers may receive referrals, and a beneficiary may work with their PCM and/or the TRICARE regional contractor in order to obtain requisite care at their desired provider when appropriate. Given the disparate directives of the HMO and PPO models, this may not always result in care with the preferred provider, but should never result in a decrease in the quality of care. Care may even be enhanced, due to the PCMs' relationships and knowledge of the capabilities of their specialist communities.

C. Economic Analysis

As noted in Section V above, the total net Government cost in CY 2019, including healthcare and administrative costs and removing enrollment fees, for TRS enrollees was $1,614 per individual enrollee and $8,084 per family contract. In contrast, estimated Government expenses for an average FEHBP plan for an individual are $5,211- $6,130, and a range of $12,077- $14,208 for a family plan. There are significant cost factors to consider for dual-status technician who receive FEHBP benefits that would decrease if permitted to enroll in TRS. The Department asserts that Service members also experience out of the pocket expenses beyond the Government's contribution (deductibles and copays) that are substantially higher in FEHBP than TRS.[4]

The Government's cost to provide a TRS plan for dual-status technicians is lower than the Government cost for an FEHBP plan, resulting in lower costs for Selected Reserve and National Guard members and their families. Thus, any shift from FEHBP plans to TRS should provide a net savings to the Government. Additionally, Service members and their families would find it easier to transition to TRICARE upon activation of the Selected Reserve member if they have TRS (member and family coverage) when not activated.

[4] ASD(RA) 2018, Dec. Assessment of Transition to TRICARE Programs by Families of Members of Reserve Components Called to Active Duty: Fiscal Year 2017 Report to Congress. Washington, DC.

VII. Conclusion

The Department supports the access provided through the TRS program to all members of the Selected Reserve and National Guard in 2030 provided in section 701 of the NDAA for FY 2020.

The Department recognizes that the increase in DHP appropriations may be a challenge, however, the decrease in both DoD and Federal expenditures due to a shift from higher FEHBP costs to lower TRS costs should outweigh the DHP increase as a benefit not only to the agency and the Service member, but also to the taxpayer at large.

VIII. Glossary

A. Acronyms

BCBS	Blue Cross Blue Shield
CY	Calendar Year
DHP	Defense Health Program
DoD	Department of Defense
FEHBP	Federal Employees Health Benefits Program
FY	Fiscal Year
GEHA	Government Employees Health Association
HMO	Health Maintenance Organization
NDAA	National Defense Authorization Act
PCM	Primary Care Manager
PPO	Preferred Provider Organization
TRS	TRICARE Reserve Select