

**FY 2013 BUDGET
TALKING POINTS – TRICARE FEE CHANGE IN
FY 2013 BUDGET PROPOSAL**

BACKGROUND:

The President's FY 2013 Federal Budget Proposal announced February 13, 2012 includes Department of Defense priorities reflecting the changing defense landscape in line with Budget Control Act requirements to reduce Defense Department future expenditures by approximately \$487 billion over the next decade or \$259 billion over the next five years. For the Military Health System and TRICARE, the proposed budget reflects the need to protect a robust and valued healthcare benefit for military service members, families and retirees, while sharing responsibility to manage and reduce unsustainable growth in health care costs. The approach is four pronged:

- **Healthcare to Health** – promoting health behaviors, lifestyles and choices by transitioning the focus from healthcare to health; including patient-centered medical home, and incentivizing beneficiaries to use preventive services and switch to lower cost pharmacy options.
- **Provider Payments**– aligning provider payments with other Federal Health programs and other competitive healthcare plans; including further alignment with Medicare payments and best pricing from pharmaceutical manufacturers.
- **Internal Efficiencies** – continue to reduce the Department's administrative overhead in managing and overseeing healthcare delivery; including continued reorganization and scrutiny for efficiency and reductions in contractor costs.
- **Beneficiary Cost Shares** – Adjusting beneficiary cost shares for retirees while maintaining fees well below comparable civilian equivalents.
 - TRICARE Prime fees for retirees under 65 will increase annually using a tiered approach based on retired pay.
 - TRICARE-for-Life enrollment fee using a tiered approach, increasing annually.
 - TRICARE Standard/Extra enrollment fees for retirees under 65 with modest annual increases; gradual increases in annual deductibles are also proposed.
 - Prescription co-pays adjusted annually.

KEY MESSAGES:

- DoD offers one of the most comprehensive healthcare benefits in the country - and it stays that way.
- The proposed budget reflects the need to protect a robust and valued healthcare benefit for military service members, families and retirees, while sharing responsibility to manage and reduce unsustainable growth in healthcare costs.

- Enrollment fee proposals do not affect active duty personnel and their families, medically retired service members and survivors of service members who died while on active duty.
 - Pharmacy copays will affect all except active duty
- The rate of growth in the TRICARE benefit is unsustainable; without these adjustments, the cost of healthcare will continue to crowd out more and more programs critical to supporting the war fighter and National Defense.
- The Military Health System has a shared responsibility to manage costs in line with DoD and Federal budget priorities. This proposal is part of a multi-prong effort to bring the Department's health care costs under control.
- We continue to invest in improved services and share responsibility for cost control among government, providers and beneficiaries.
- These adjustments are an important step to setting the TRICARE benefit on a more sustainable path and restores beneficiary cost shares closer to the original levels mandated by Congress when the program was first established in 1996.
- Despite these changes, the medical benefit – even after changes – will remain one of the best in the country, with low out-of-pocket costs well below 1990 levels.
- The MHS is committed to the Quadruple Aim goal of readiness through a focus on population health and experience of care while responsibly managing costs.



Note For Overseas:

We recognize that Medicare does not provide coverage to our overseas TRICARE For Life (TFL) beneficiaries, however in order to utilize the TFL benefit, the law requires Medicare eligible beneficiaries to purchase Medicare Part B. Additionally, in order to maintain and preserve the comprehensive health care benefit our military retirees so richly deserve, a TRICARE enrollment fee may be implemented for those beneficiaries electing to continue to use their TFL benefit. The TFL enrollment fee will be required regardless of the beneficiary's residence.

In addition, retired beneficiaries residing overseas who do not have an APO/FPO address and do not have access to a U.S licensed provider are unable to use the TRICARE mail order pharmacy. This restriction is based on international laws restricting the mailing of pharmaceuticals and the U.S. Food and Drug Administration regulations for dispensing pharmaceuticals in the U.S. Most retirees residing overseas use a local retail pharmacy and the applicable pharmacy co-pays will be applied.

Q&A

1. Q: Is this budget final?

A: No. The legislative process is long; however, in anticipation of the recommended increases taking affect, TMA will proceed with planning accordingly.

2. Q: Is the TRICARE Prime Annual Family Enrollment Fee tier based on the sponsor's annual retiree pay.

A: Yes. The reflected rates are based on the sponsors annual retired pay.

3. Q: Do the proposed increases apply to medically retired service members?

A: No. All proposals exempt medically retired service members and their families, and families of service members who died while on active duty.