THE ASSISTANT SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

FEB 12 2007

The Honorable Carl Levin
Chairman Committee on Armed Services
United States Senate
Washington, DC 20510-6050

Dear Mr Chairman

Section 738 of the National Defense Authorization Act for Fiscal Year 2006 directed the Secretary of Defense to conduct a study identifying the most effective mechanism or mechanisms for the payment of premiums under the Reserve dental insurance program for members of the Reserve Components of the Armed Forces and their dependents The Reserve dental insurance program is actually not a separate program rather, part of the TRICARE Dental Program which offers dental coverage not only for active duty family members but to the Reserve Component members and their families as well

The enclosed report discusses the many payment options to ensure uninterrupted availability of premium payments regardless of whether members are performing active duty with pay, or inactive duty with pay As specifically requested, the report also assesses the effectiveness of mechanisms for informing the members of the Reserve Components of the availability of and benefits under, the TRICARE Dental Program

Thank you for your support of the Military Health System

Sincerely,

William Winkenwerder Jr , M D

Enclosure
As stated

cc
The Honorable John McCain
Ranking Member

Report on:

The Reserve Dental Insurance Program

In response to:

Section 738 of the National Defense Authorization Act for Fiscal Year 2006

RESERVE DENTAL INSURANCE PROGRAM

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INTRODUCTION

Section 738 of the National Defense Authorization Act for FY06 "require[s] the Secretary of Defense to study and report to the congressional defense committees by February 1, 2007, on the most effective mechanism or mechanisms for paying premiums for the Reserve dental insurance program, and to assess the effectiveness of mechanisms utilized to inform members of the Reserve Components of the availability and benefits of the program "

The Reserve dental insurance program is actually not a separate program, rather, part of the TRICARE Dental Program (TDP) which is offered by the Department of Defense (DoD) through the TRICARE Management Activity (TMA) United Concordia Companies, Inc , administers and underwrites the TDP, which is a high-quality, cost-effective dental care benefit for eligible family members of all active duty uniformed services personnel, as well as members of the Selected Reserve and Individual Ready Reserve (IRR) and their eligible family members The TDP currently covers approximately 1 65 million active duty family members and 135,000 Reserve Component members and their families

The purpose of this study was to assess options to ensure uninterrupted availability of premium payments regardless of whether members are performing active duty with pay or inactive duty training with pay This report addresses the current mechanisms available to Reservists for payment of TDP insurance premiums, including deduction from Reserve pay and direct billing, as well as other alternative methods of payment

In addition, this study assessed the effectiveness of mechanisms for informing the members of the Reserve Components of the Armed Forces of the availability of, and benefits under, the TDP

CURRENT PREMIUM PAYMENT METHODS

(A) Premium Payroll Allotments

By law, premiums for active duty family members, active National Guard/Reserve family members and Selected Reserve members may be taken from the member's military payroll account If the member has a military payroll account, and sufficient funds are available at the time of collection, the Government will collect the member's share of the premium, in advance, through a Uniformed Services Finance Center Members should always verify that the correct dental deduction appears on their Leave and Earnings Statement (LES) The Selected Reserve members are initially set up for payroll allotments, but may choose to pay premiums via alternative methods Individual Ready Reserve (IRR) members and their families, and Selected Reserve family members, must pay premiums via direct billing since they are not available through payroll allotments

(B) Direct Billing Process

If the member is set up for direct billing, United Concordia will issue a monthly invoice to collect the premium If the Reserve member and family member(s) are both enrolled in direct billing, two monthly invoices will be issued United Concordia will automatically direct bill for premiums due from IRR service members and from Selected Reserve and IRR family members Payment options for direct billing include check, money order, electronic checking, VISA, or

MasterCard United Concordia offers electronic billing (e-Bill) on the TDP website E-Bill accepts payments via Automated Clearing House (ACH—an electronic banking network payment system), VISA, and MasterCard E-Bill also allows members to make individual monthly payments, schedule payments for a future date, or establish an automatic, recurring payment arrangement In lieu of monthly payments, members can set up lump sum payments via phone for any given period (i e , bi-annual or annual premium payments) For example, if the monthly premium is $10 51, the member can set up a one-time annual payment of $126 12 or bi-annual payment of $63 06, and be covered for the entire year

(C) Insufficient funds available for Premium Payroll Allotments

If United Concordia is unable to obtain the requested premium payment from the member's payroll account during a month, a two-month payment will be deducted in the following month If United Concordia is unable to obtain the two-month premium, the member will be responsible for paying the premium costs by means of direct billing When this occurs, premium collection will transfer from the Uniformed Services Finance Center payroll allotment to direct billing by United Concordia

United Concordia will deduct partial premium payments from the member's payroll account if the full payment is not available Continuation of partial payments via allotments will continue until the member owes the total of two months' premiums At this point, premium collection will transfer from the Uniformed Services Finance Center payroll allotment to direct billing by United Concordia

RESERVE COMPONENT PAYMENT METHOD DATA

Table 1 depicts the total number of Reserve Component contracts by Service and Reserve category As depicted in Table 2 below, 88 2 percent of Reserve Component sponsor contract premiums are paid via payroll allotment As shown in Table 3, the remaining 11 8 percent of premiums are paid via direct billing As discussed earlier, direct billing payment options include check, money order, electronic checking, VISA, or MasterCard, with the additional option of United Concordia's e-Bill service accepting payment via ACH or credit card

Statistics for the direct billing payment option show that 76 0 percent are paid by mailed check or money order, 7 6 percent are paid by ACH or credit card via telephone, and 16 4 percent are paid by ACH or credit card via e-Bill Although Selected Reserve sponsors may elect to pay premiums via direct billing, the majority of those on direct billing are due to delinquent accounts The rate of delinquent accounts is from 7 5% to 8 5%

Table 1

Total Contracts (as of 10/1/06)			
	Sel Res Sponsor	IRR Sponsor	Total
Army	21556	520	22076
Navy	6389	885	7274
Air Force	24830	295	25125
Marines	1625	411	2036
Coast Guard	692	29	721
Total	55092	2140	57232

Table 2

Contracts with Payroll Allotments			
	Sel Res Sponsor	IRR Sponsor	Total
Army	20053	0	20053
Navy	5539	0	5539
Air Force	22808	0	22808
Marines	1491	0	1491
Coast Guard	595	0	595
Total	50486	0	50486 (88 2%)

Table 3

Contracts with Direct Billing			
	Sel Res Sponsor	IRR Sponsor	Total
Army	1503	520	2023
Navy	850	885	1735
Air Force	2022	295	2317
Marines	134	411	545
Coast Guard	97	29	126
Total	4606	2140	6746 (11 8%)

POLICY AND ACTIONS FOR FAILURE TO PAY PREMIUMS

(A) IRR members and Selected Reserve and IRR family members

Accounts that are 60 days past due are individually reviewed Action varies depending upon whether or not the 12-month lock-in period has been fulfilled

(1) If the 12-month lock-in period has been fulfilled, the coverage is cancelled A letter is automatically generated to the sponsor to notify him/her of the cancellation No lock-out period is applied for re-enrollment If the member(s) is/are eligible, re-enrollment can be submitted at any time

(2) If the 12-month lock-in period has not been fulfilled, a letter is sent to the member to notify him/her of the status of the account United Concordia advises the member that the

account will be sent to collections unless payment is received within 30 days If payment is not received within 30 days, coverage is cancelled and a letter is automatically generated to the sponsor to notify him/her of the cancellation A 12-month lock-out period is applied, during which time the sponsor/family is prohibited from re-enrollment The sponsor is then responsible for 100 percent of the premiums for the remainder of the 12-month lock-in period The account is forwarded to Receivable Management Services for collection actions to begin If 100 percent payment is received, the coverage is reinstated and the lock-out period is removed

(B) Selected Reserve members

Accounts that are 90 days past due are individually reviewed Action varies depending upon whether or not the 12-month lock-in period has been fulfilled

(1) If the 12-month lock-in period has been fulfilled, the coverage is cancelled A letter is automatically generated to the sponsor to notify him/her of the cancellation No lock-out period is applied for re-enrollment If the member(s) is/are eligible, re-enrollment can be submitted at any time

(2) If the 12-month lock-in period has not been fulfilled, a letter is sent to the member to notify him/her of the status of the account United Concordia advises the member that the account will be sent to collections unless payment is received within 30 days If payment is not received within 30 days, coverage is cancelled and a letter is automatically generated to the sponsor to notify him/her of the cancellation A 12-month lock-out period is applied, during which time the sponsor/family is prohibited from re-enrollment The sponsor is then responsible for 100 percent of the premiums for the remainder of the 12-month lock-in period The account is forwarded to Receivable Management Services for collection actions to begin If 100 percent payment is received, the coverage is reinstated and the lock-out period is removed

PREMIUM PAYMENT MECHANISMS FROM THE SERVICEMEN'S GROUP LIFE INSURANCE (SGLI) PROGRAM

As requested, this study researched other means (including appropriate mechanisms from other military benefits programs), to ensure uninterrupted availability of premium payments Government coverage of past due premium payroll allotments is a current payment mechanism for the Servicemen's Group Life Insurance (SGLI) program Although not currently available as a premium payment mechanism for the TDP, this mechanism was researched for this study

Government Coverage of Past Due Premium Payroll Allotments

If the Government were to employ a policy similar to the Servicemen's Group Life Insurance (SGLI) program, reimbursement to the Government would follow the same policies and guidelines of SGLI This would allow the member to continue dental coverage without the need for direct billing The monthly premium for the RC member's TDP coverage is one-third the cost of the member's monthly SGLI premium

- For Reserve Component members who do not have sufficient Defense Finance and Accounting Service (DFAS) funds to cover the member portion of the TDP premium through payroll allotment, the member's respective Service would cover the member's share of the premium The Service would pay the member's premium while in a non-pay

status to ensure coverage, but the member would have to pay the premium back once he/she returns to a pay status

- When funds are available, deductions from pay would follow the order of precedence outlined in the Department of Defense Financial Management Regulation (DODFMR) Vol 7A chapter 52, Precedence of Pay Deductions and Collections, table 52-1 This would determine whether the TDP premium is paid, or not, from the member's pay in any given month When there are insufficient funds in the member's pay, a debt is posted to the Master Military Pay Account (MMPA)
- If this convention were applied to TDP, this may further delay debt collection from the RC member The current Defense Joint Military Pay System-Reserve Component (DJMS-RC) permits only 40 debts open per member, and once that limit has been reached, the Central Site must cancel debts and wait until the end of the processing month, then reopen the consolidated debts on the RC account
- Current Reserve Component SGLI debt includes the following
    - A Army Reserve Component
        - 1 57,552 members have SGLI debt totaling $9,369,463
            - a Army National Guard debt $4,346,272
            - b Army Reserve debt $5,023,191
        - 2 9,202 members have over 12 months of SGLI debt totaling $3,788,208 (subset of total amount above)
            - a 3,695 Army National Guard members totaling $1,524,208
            - b 5,507 Army Reserve members $2,264,000
    - B. Navy Reserve Component 3,820 members have some form of SGLI debt
    - C Air Force Reserve Component
        - 1 From May through October, debts were generated for an average of 30,718 members per month
        - 2 From May through October, the average total amount of debts generated was $810,168 per month
    - D Marine Corps Reserve Component
        - 1 857 members have SGLI debt in excess of $225
        - 2 Total SGLI debt exceeds $1 06 million
- The Defense Finance and Accounting Service (DFAS), Defense Joint Military Pay System-Reserve Component (DJMS-RC), and Marine Corps Total Force System (MCTFS) points of contact indicated disadvantages of implementing a similar reimbursement program for the TDP premiums
    - A The excessive debt currently pending from SGLI premiums would only be increased by additional TDP premium debt
    - B Extensive system changes would be required to cover TDP premiums in the same fashion as the SGLI premium coverage

INFORMING RESERVE COMPONENT MEMBERS OF THE AVAILABILITY OF ALTERNATIVE PREMIUM PAYMENT METHODS

The new TDP contract began on February 1, 2006 This new contract called for an increased and improved communication plan which included an enhanced website, benefit booklet, program brochure and newsletter The TRICARE Dental Program Benefit Booklet, program brochure, and TDP website contain all of the premium payment options that are

currently available At the onset of the contract, enrollees and all eligible sponsors not currently enrolled, to include the Reserve Component members, were sent the updated TDP brochure The TDP website *(www tricaredentalprogram com)* contains an entire section devoted specifically to National Guard and Reserve member issues and information In addition, a triennial TDP newsletter is mailed to all enrolled TDP sponsors The TDP newsletter contains program and benefit information, as well as disease prevention and health promotion articles In order to provide information in a more timely fashion, TRICARE produces news releases for distribution, as needed

The new TDP contract has called for an increased effort toward improving the enrollment of National Guard and Reserve members With this effort, and the increased communications commitment, the first semi-annual period of the contract showed a 13 4 percent increase in National Guard and Reserve member enrollment for Service Grades E-1 through E-4 This junior group was specifically targeted in the contract In addition, TDP Dental Benefit Advisors provided TDP briefings to 94 National Guard units and 122 Reserve units from February through September 2006 An additional 40 briefings were given to audiences of both active duty and Reserve members

CONCLUSION

The Department has concluded that no legislative or administrative action regarding the TDP is required The current premium payment methods are sufficient to ensure uninterrupted availability of premium payments, regardless of whether members are performing active duty with pay, or inactive-duty training with pay The premium payroll allotment and the myriad of direct billing options currently available are the most effective mechanisms for the payment of premiums under the TDP for members of the Reserve Components of the Armed Forces and their dependents