THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

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

APR 28 2009

Dear Mr. Chairman:

This letter is provided in response to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2009, Senate Report 110-335, Premium Conversion and Flexible Spending Account Options for Service Members (PC/FSA) that requests the Department of Defense (DoD) to detail the plan to implement these programs for both Active Duty and Selected Reserve members or explain the decision not to offer these programs.

The Department submitted a report to Congress on May 15, 2007 on this topic and recommended that no such changes to the benefit program be introduced. The analysis provided in the report fully supported this position, and the Department's position on this matter is reinforced by the following new provisions in NDAA for FY 2009, Title VII, directed at fees, co-payments, and deductibles:

- *Prohibition on Increase in Enrollment Fee.* Section 701, among other provisions, extends by one year the current prohibition on increasing the amount of the cost-share that TRICARE beneficiaries pay for hospital stays.

- *Waiver of Cost Sharing for Preventive Services.* Section 711 authorizes the Secretary of Defense to waive all co-payments and deductibles for preventive health services for TRICARE Standard beneficiaries. The waiver applies to Active Duty family members, TRICARE Reserve Select (TRS) enrollees, and retiree beneficiaries and their dependents that are not Medicare-eligible. The Congressional Budget Office estimates that waiving co-payments and deductibles for preventive care services will shift $110 million per year in costs from beneficiaries to DoD.

- *Prohibition on Increase in Pharmacy Co-payments.* Section 702 prohibits DoD from increasing the cost-sharing amounts that beneficiaries pay for pharmaceutical drugs for one year, until 2010, for Active Duty dependents, TRS enrollees, and all retirees and their dependents.

- *TRICARE Reserve Select Premiums.* Section 704 requires the Secretary of Defense to base the actuarial calculation of the amount of the monthly premiums paid by members of the Selected Reserve for health care coverage under the TRS program on the reported costs of providing benefit. For calendar year 2009, this provision has resulted in a 44 percent and 28 percent TRS premium decrease, as compared to calendar year 2008 premiums, for individual and family coverage, respectively.

- *Smoking Cessation Program.* Section 713 requires the Secretary of Defense to establish a smoking cessation program under the TRICARE program, to be made available free of charge to all beneficiaries under the TRICARE program except those who are Medicare-eligible. Active Duty Service members, their family members, and TRS enrollees are among the beneficiaries who may use this new benefit.

Collectively, these provisions provide significant relief to our active and reserve populations and their family members and assist in achieving the overall objective of the Congress of providing cost-effective health care coverage and benefits for our beneficiaries.

In addition our previous report stipulated the following:

- Premium Conversion would not be applicable to Active Duty personnel and, given the sporadic nature of training for Reservists and the requirement for consistent payroll deductions, implementation of effective Defense Finance and Accounting Service (DFAS) support could be extremely difficult to accomplish.

- Given historically low enrollment in similar benefit programs, an Active Duty and Selected Reserve Flexible Spending Account (FSA) program might not be effective or successful in relation to the cost of implementation. Moreover, enlisted personnel with limited resources may not see the tax benefits as an effective incentive to participate. In addition, they would likely be particularly averse to the risk of losing unexpended FSA deposits.

Rather than establishing an Active Duty and Selected Reserve premium conversion plan or FSA program, the Department will implement the NDAA for FY 2009 provisions listed above, assess outcomes of the initiatives, and then determine if additional efforts are required to ensure our Active Duty and Reserve members, as well as their family members, can easily access clinical preventive services and healthy life-style assistance programs.

Thank you for your continued support of the Military Health System.

Sincerely,

S. Ward Casscells, M.D.

cc:
The Honorable John McCain
Ranking Member

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

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

APR 28 2009

Dear Mr. Chairman:

This letter is provided in response to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2009, Senate Report 110-335, Premium Conversion and Flexible Spending Account Options for Service Members (PC/FSA) that requests the Department of Defense (DoD) to detail the plan to implement these programs for both Active Duty and Selected Reserve members or explain the decision not to offer these programs.

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Thank you for your continued support of the Military Health System.

Sincerely,

S. Ward Casscells, M.D.

cc:
The Honorable John M. McHugh
Ranking Member

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

The Honorable Ben Nelson
Chairman, Subcommittee on Personnel
Committee on Armed Services
United States Senate
Washington, DC 20510

APR 28 2009

Dear Mr. Chairman:

This letter is provided in response to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2009, Senate Report 110-335, Premium Conversion and Flexible Spending Account Options for Service Members (PC/FSA) that requests the Department of Defense (DoD) to detail the plan to implement these programs for both Active Duty and Selected Reserve members or explain the decision not to offer these programs.

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Thank you for your continued support of the Military Health System.

Sincerely,

S. Ward Casscells, M.D.

cc:
The Honorable Lindsey O. Graham
Ranking Member

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

The Honorable Susan Davis
Chairwoman, Subcommittee on Military Personnel
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

APR 28 2009

Dear Madam Chairwoman:

This letter is provided in response to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2009, Senate Report 110-335, Premium Conversion and Flexible Spending Account Options for Service Members (PC/FSA) that requests the Department of Defense (DoD) to detail the plan to implement these programs for both Active Duty and Selected Reserve members or explain the decision not to offer these programs.

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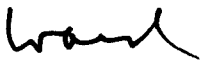

S. Ward Casscells, M.D.

cc:
The Honorable Joe Wilson
Ranking Member

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

APR 28 2009

The Honorable Daniel K. Inouye
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

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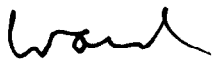

S. Ward Casscells, M.D.

cc:
The Honorable Thad Cochran
Ranking Member

THE ASSISTANT SECRETARY OF DEFENSE
1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

APR 28 2009

The Honorable David R. Obey
Chairman, Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

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S. Ward Casscells, M.D.

cc:
The Honorable Jerry Lewis
Ranking Member