

Department of Defense Medicare-Eligible Retiree Health Care Fund—

CBO's January 2020 Baseline

The Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) pays for the care of Medicare-eligible retirees of the armed forces and their Medicare-eligible survivors and dependents. Among the MERHCF's benefits is TRICARE for Life (TFL), which usually pays all of a beneficiary's physician and hospital charges that are not covered under Medicare. (Beneficiaries must enroll in Medicare's Part B, Medical Insurance.) With copayments, TFL participants also can purchase prescription drugs through retail pharmacies or through a national mail order pharmacy. In addition, the MERHCF reimburses Department of Defense hospitals and clinics for goods or services provided to its beneficiaries.

The MERHCF also pays a fee for each beneficiary who forgoes TFL and instead enrolls in the Uniformed Services Family Health Plan (USFHP), an association of six health maintenance organizations available only at selected locations. The costs per person to the MERHCF for those enrollees are greater than for TFL beneficiaries because USFHP pays the full cost of care provided to its enrollees, whereas TFL pays only the portion of allowable charges that are not paid for by Medicare or another form of health insurance.

Department of Defense Medicare-Eligible Retiree Health Care Fund—CBO's January 2020 Baseline
By Fiscal Year

January 28, 2020

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beneficiaries (Thousands)											
TRICARE for Life ^a	2,405	2,426	2,446	2,445	2,469	2,495	2,517	2,536	2,551	2,562	2,567
USFHP ^b	<u>47</u>	<u>47</u>	<u>46</u>	<u>46</u>	<u>45</u>	<u>44</u>	<u>43</u>	<u>42</u>	<u>41</u>	<u>40</u>	<u>38</u>
Total	2,452	2,473	2,492	2,491	2,514	2,539	2,560	2,578	2,592	2,602	2,605
Cost per Beneficiary (Dollars)											
TRICARE for Life											
Purchased care											
Inpatient/outpatient	1,739	1,825	1,910	2,014	2,097	2,190	2,290	2,395	2,508	2,629	2,759
Pharmacy	1,467	1,547	1,569	1,666	1,691	1,775	1,822	1,916	1,992	2,092	2,183
Military treatment facilities											
Inpatient/outpatient	701	730	761	801	831	868	907	948	992	1,038	1,087
Pharmacy	<u>297</u>	<u>310</u>	<u>326</u>	<u>344</u>	<u>360</u>	<u>376</u>	<u>394</u>	<u>412</u>	<u>433</u>	<u>455</u>	<u>479</u>
Total TRICARE for Life	4,204	4,412	4,566	4,825	4,979	5,209	5,413	5,671	5,925	6,214	6,508
USFHP ^c	16,092	16,626	17,535	18,086	19,020	20,007	21,003	22,006	22,971	23,937	25,557
Total Outlays From the MERHCF (Millions of dollars)											
TRICARE for Life	10,106	10,677	11,145	11,762	12,261	12,955	13,584	14,337	15,070	15,870	16,658
USFHP	<u>756</u>	<u>781</u>	<u>807</u>	<u>832</u>	<u>856</u>	<u>880</u>	<u>903</u>	<u>924</u>	<u>942</u>	<u>957</u>	<u>971</u>
Total	10,862	11,458	11,952	12,594	13,117	13,835	14,487	15,261	16,012	16,827	17,629

Components may not sum to totals because of rounding.

MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund; USFHP = Uniformed Services Family Health Plan; TFL = TRICARE for Life

- a. TRICARE for Life beneficiaries include all military retirees, survivors, and their dependents who are eligible for benefits from the MERHCF unless they are enrolled in USFHP. For those enrolled in Medicare Part B, benefits include the TFL Medicare wrap-around benefit, pharmacy benefits, and any care provided to those beneficiaries at military treatment facilities. TRICARE for Life beneficiaries shown in this table also include those non-USFHP beneficiaries who are ineligible to use TFL because they are not enrolled in Medicare Part B but are still eligible for some benefits from the MERHCF, such as direct care at military treatment facilities. CBO estimates that about 90 percent of beneficiaries who are eligible for TFL use the benefit.
- b. The beneficiary projections for USFHP include CBO's projection of Medicare-eligible beneficiaries enrolled in that program and exclude beneficiaries enrolled in USFHP who are not Medicare eligible. Costs for those beneficiaries are not paid from the MERHCF. The enrollment of Medicare-eligible beneficiaries in USFHP is declining over time because the National Defense Authorization Act for Fiscal Year 2012 limits future enrollment of Medicare-eligible beneficiaries to those who were enrolled as of the start of fiscal year 2013.
- c. The costs per beneficiary to the MERHCF for USFHP beneficiaries are greater than for TFL beneficiaries because USFHP is responsible for the full cost of care for its enrollees, whereas TFL pays only the portion of allowable charges that are not paid for by Medicare or another form of health insurance.