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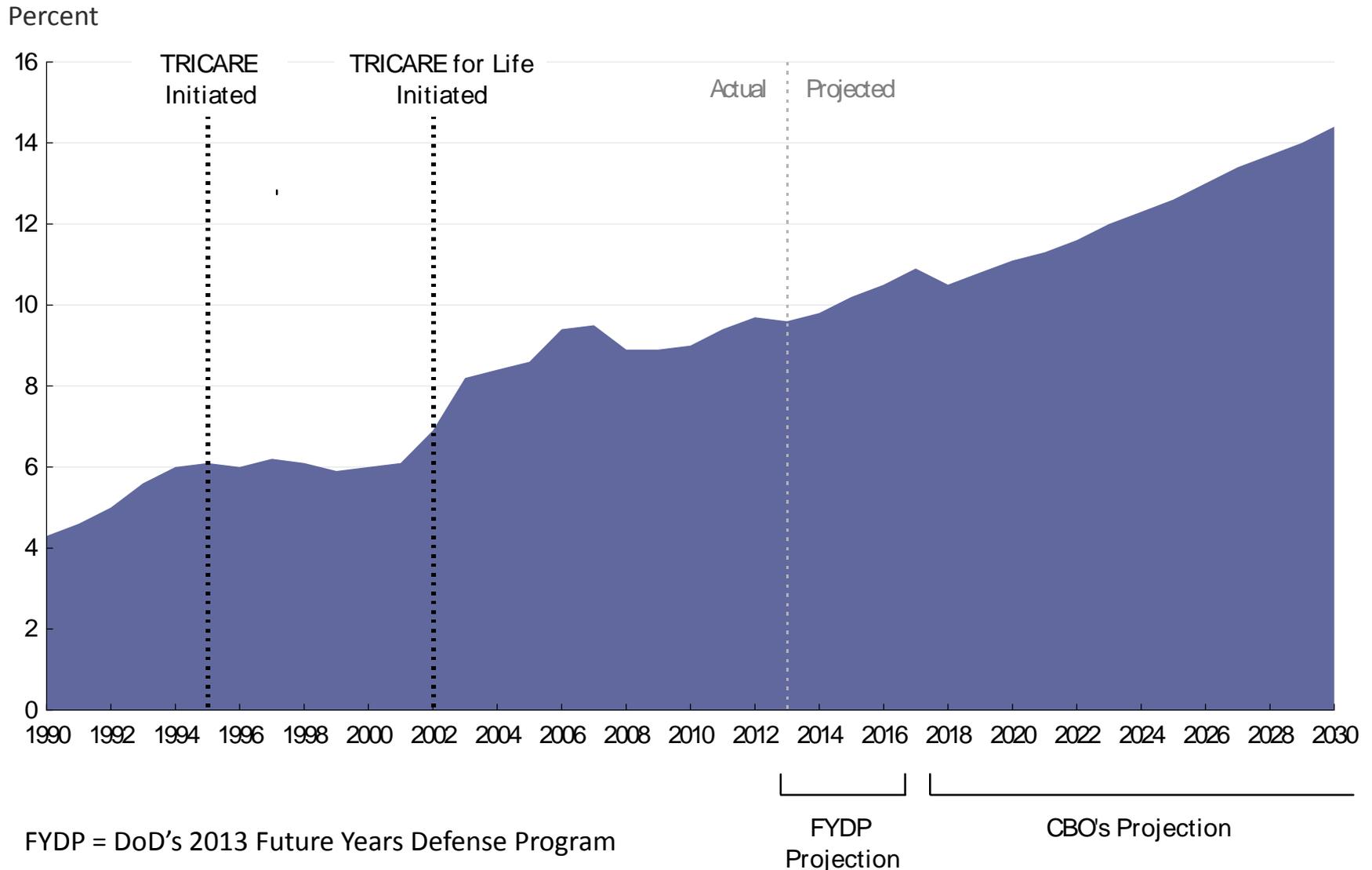
Approaches to Reduce Federal Spending on the Defense Health System

Presentation at the Western Economic Association Conference

Carla Tighe Murray

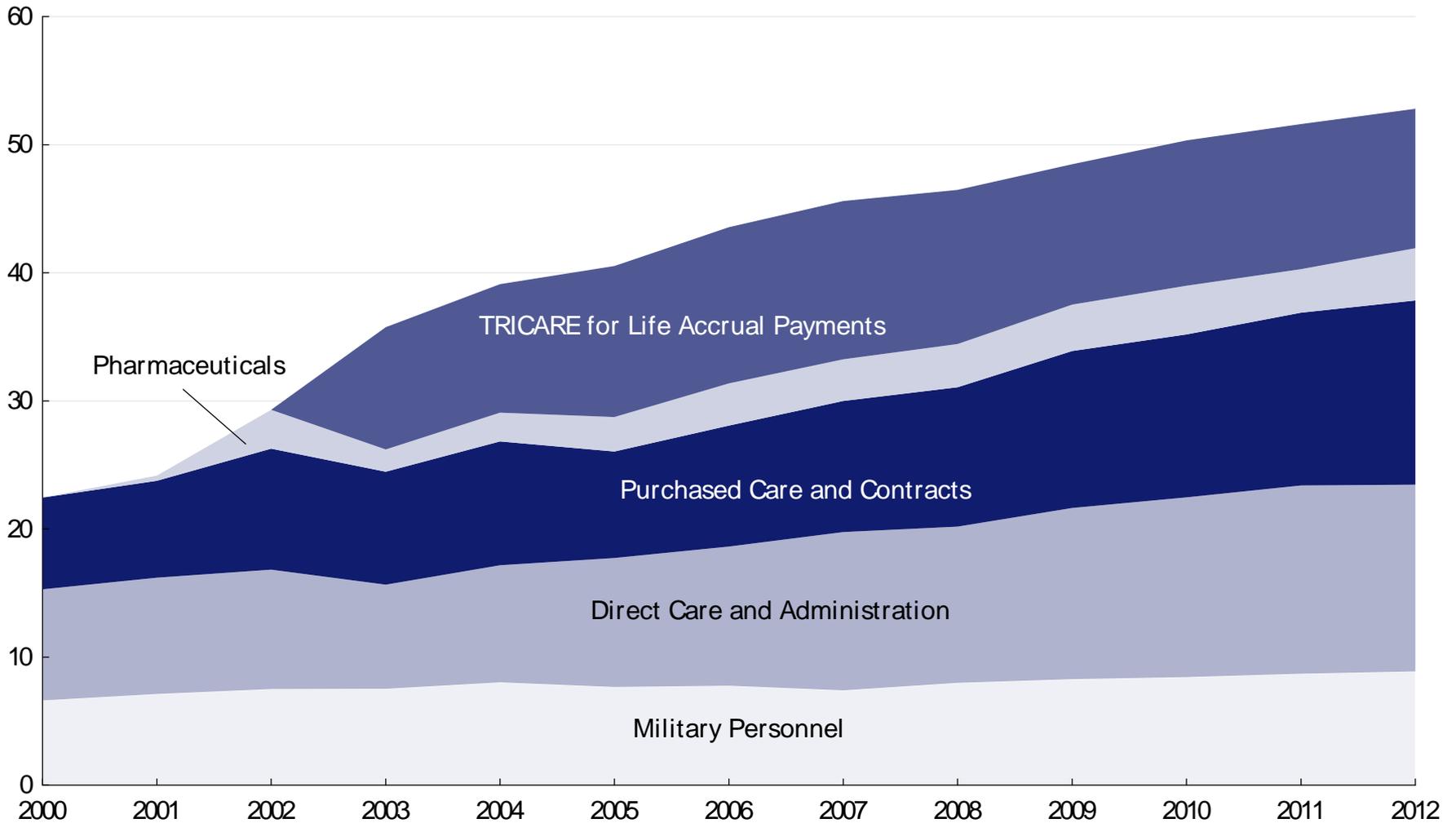
Senior Analyst, National Security Division

Actual and Projected Costs for Military Health Care as a Share of DoD's Budget, 1990 to 2030



Funding for the Military Health Care System, by Category

(Billions of 2013 dollars)



TRICARE Beneficiaries Pay Less Out-of-Pocket for Their Health Care

- Share of health care costs for a military retiree family of working age (<65) has fallen
 - 27 percent of the total cost of care in 1996, when TRICARE was first fully implemented
 - 11 percent in 2012
- In 2012, retiree families paid less than one-fifth as much for their care as civilian counterparts with employment-based insurance

Costs for Military Retiree Families Under TRICARE Plans and for Civilian Counterparts with Employment-Based Insurance, 2012

(Dollars)

	Premium or Enrollment Fee	Deductibles and Copayments	Total Annual Out-of-Pocket Costs
TRICARE Prime	520	445	965
Civilian HMO	5,080	1,000	6,080
TRICARE as a Percentage of the Civilian Plan			16%
TRICARE Standard or Extra	0	1,035	1,035
Civilian PPO	4,270	1,295	5,565
TRICARE as a Percentage of the Civilian Plan			19%

Options for Slowing the Growth of Health Care Costs

■ Cost-sharing Options

- Increase fees, copayments, and deductibles for military retirees and families
- Prevent military retirees and families from enrolling in TRICARE Prime but allow access to Standard/Extra for an annual fee
- Introduce minimum out-of-pocket costs to Tricare for Life for Medicare-eligible retirees and families

■ Other Approaches

- Expand disease management programs
- Expand scholarships and close the Uniformed Services University of the Health Sciences (USUHS)
- Hire additional auditors to combat fraud
- Combine the military departments' medical establishments

Estimated Budgetary Effects of TRICARE's Cost-Sharing Options, 2014 to 2023

Approach	Annual Savings
Increase Cost Sharing for TRICARE Users	As much as several billion dollars
Other Approaches (Disease management, close USUHS, hire more auditors, or combine medical establishments)	As much as roughly \$100 million

Potential for Savings in the Other Approaches

- Expand disease management programs
 - Studies of DoD’s existing program find small to nonexistent savings
- Expand the use of scholarships and close USUHS
 - In 2012, USUHS funding was \$190 million for operations and maintenance and \$35 million for military personnel
 - Transferring functions means continuing some funding
- Hire additional auditors
 - A cost to the government
- Combine military medical establishments
 - DoD estimated that savings from implementing the Defense Health Agency could equal \$46.5 million per year
 - GAO’s assessment was that savings would be lower