

**Department of Defense Medicare-Eligible Retiree Health Care Fund—
CBO's Baseline as of March 6, 2020**

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.

These budget projections reflect legislation, administrative actions, and regulatory changes through March 6, 2020. They are based on the economic forecast that CBO completed on January 7, 2020, and do not account for changes to the nation's economic outlook and fiscal situation arising from the recent and rapidly evolving public health emergency related to the novel coronavirus.

Department of Defense Medicare-Eligible Retiree Health Care Fund—CBO's Baseline as of March 6, 2020
By Fiscal Year

March 19, 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	1,509	1,592	1,614	1,714	1,739	1,826	1,874	1,971	2,049	2,152	2,246
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	4,246	4,457	4,611	4,873	5,027	5,260	5,465	5,726	5,982	6,274	6,571
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	10,202	10,784	11,255	11,879	12,381	13,082	13,716	14,476	15,216	16,024	16,818
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	10,958	11,565	12,062	12,711	13,237	13,962	14,619	15,400	16,158	16,981	17,789

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Components may not sum to totals because of rounding.

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

- a. TFL beneficiaries include all military retirees, survivors, and their dependents who are eligible for benefits from the MERCHF 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. TFL 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 MERCHF, 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 MERCHF. The enrollment of Medicare-eligible beneficiaries in USFHP is declining over time because the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112-81) limits future enrollment of Medicare-eligible beneficiaries to those enrolled as of the start of fiscal year 2013.
- c. The costs per capita to the MERCHF 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 is not paid for by Medicare or another form of health insurance.