

Summary

The National Defense Authorization Act (NDAA) for fiscal year 1999 directed the Secretary of Defense to establish a demonstration program, called the TRICARE Senior Supplement Demonstration (TSSD), under which eligible beneficiaries would be permitted to enroll in the Department of Defense (DoD) TRICARE health insurance program as a supplement to Medicare. Congress directed the DoD to demonstrate TSSD in two geographic areas, with enrollment beginning in March 2000 and the program ending in December 2002. The DoD was required to submit a report to Congress by December 31, 2002, evaluating TSSD and making recommendations about its suitability as a permanent national program. The DoD selected RAND to perform this evaluation and address the issues identified by Congress. This document represents RAND's final evaluation report to the DoD.

Background on the TSSD Program and TRICARE for Life

Until October 1, 2001, when the TRICARE for Life (TFL)¹ program became available, Medicare-eligible military retirees and their Medicare-eligible dependents had only limited access to military-sponsored health care. Historically, military retirees became ineligible for TRICARE at age 65 when they qualified for Medicare. Such beneficiaries were permitted to receive care in military treatment facilities (MTFs) on a space-available basis but could not use other DoD-sponsored health insurance benefits.

The 1999 NDAA (PL 105-261) included provisions for several alternative demonstration programs to provide supplemental health insurance benefits to Medicare-eligible military retirees. Section 722 authorized the DoD to implement the TSSD program. Under the TSSD, certain Medicare-eligible DoD beneficiaries were offered the opportunity to enroll in TRICARE as a supplement to Medicare and to receive prescription drug coverage through the National Mail Order Pharmacy (NMOP) and TRICARE civilian network pharmacies.

¹TFL is a permanent national supplemental insurance benefit for Medicare-eligible military beneficiaries; it includes a comprehensive prescription drug benefit that was available as of April 2001.

Eligible beneficiaries could enroll in TSSD beginning in spring 2000, and the demonstration is scheduled to end December 31, 2002. TSSD is being conducted in and around Santa Clara County, California, and Cherokee County, Texas. An eligible beneficiary must reside in a defined area around these locations and must also be either a retiree of the Uniformed Services, a dependent of a Uniformed Services retiree, or the dependent survivor of a Uniformed Services retiree or member. Additionally, eligible beneficiaries are age 65 or over, are eligible for Medicare Part A, and are enrolled in Medicare Part B. Beneficiaries enrolled in TSSD are not eligible to receive care or pharmaceuticals from military health care facilities.

While the TSSD demonstration was under way, the U.S. Congress passed the 2001 National Defense Authorization Act, which authorized the TFL program. As of October 1, 2001, TFL provides TRICARE as supplemental health insurance for all Medicare-eligible military retirees who are enrolled in Medicare Part B. In general, TFL covers all cost-sharing for Medicare-covered services and standard TRICARE cost-sharing for services that are covered by TRICARE but not by Medicare. Because TFL is a permanent national program designed to address the same goals as TSSD addresses, TFL changed the policy context in which TSSD was taking place by preempting the possibility that the TRICARE Senior Supplement Demonstration program would be instituted in any permanent way.

Because of the introduction of TFL, and the fact that TSSD enrollment was very low, RAND and the DoD revised the evaluation plan for TSSD. The overall goal remained the same: to provide the information requested by Congress regarding the experience of the TSSD demonstration. Given the passage and subsequent implementation of TFL, we additionally considered ways in which the DoD's experience with TSSD would be relevant to TFL.

Research Methods

Our evaluation activities included interviews with TSSD program staff, collection and review of written materials about the program, focus groups that included TSSD enrollees and eligible beneficiaries, and a mail survey of TSSD enrollees and eligible beneficiaries.

Research Findings

TSSD enrollment was very low, in terms of both absolute numbers (approximately 350 enrollees out of 11,000) and in the fraction of eligible beneficiaries (slightly more than 3 percent). Married, higher-income, and

relatively healthy beneficiaries were somewhat more likely to enroll than single, lower-income, and less-healthy beneficiaries, as were members of military retiree organizations and beneficiaries who retired as officers. Beneficiaries with employer-sponsored supplemental coverage prior to TSSD, or with Medicare health maintenance organization (HMO) coverage, were somewhat less likely to enroll than those without such sources of coverage.

We identified a number of factors that are likely to have inhibited enrollment in TSSD:

- Awareness of TSSD appeared to be low among eligible beneficiaries.
- Some beneficiaries confused TSSD with TRICARE Prime or, after its introduction, with TFL. The latter confusion was reinforced by the decision of the TRICARE Management Activity (TMA)² to stop publicizing TSSD due to difficulties in administering the benefit and in processing claims.
- Understanding of the TSSD benefit also appeared to be imperfect among beneficiaries who were aware of the program and even among enrollees themselves.
- TSSD beneficiaries had to receive care from TRICARE network providers in order to receive the maximum benefit, avoid liability for charges exceeding the Medicare reimbursement rates, and avoid the need to file paper claims.
- Finally, and perhaps most important, beneficiaries were uncertain about their rights to reinstate their prior, or other comparable, supplemental insurance coverage at the end of the demonstration period. This uncertainty seems understandable because in our view it is likely that beneficiaries did not have a statutory right to reinstatement (e.g., under the Balanced Budget Act of 1997).

Conclusions

The TSSD evaluation confirmed the importance of adequate health care decision support for beneficiaries. With TSSD—a demonstration program being conducted in two relatively confined geographic areas and with a clearly defined population of eligible beneficiaries—the DoD encountered difficulties educating eligible beneficiaries about the demonstration. This issue will be just as important for TFL, and our findings suggest that the DoD may face considerable challenges in communicating with TFL beneficiaries.

²TMA is an office within the Department of Defense with responsibility for overseeing the administration of health benefits to military dependents and retirees.

A second policy issue that applies to TSSD and TFL is the likely substitution of DoD-sponsored health insurance benefits for existing supplemental coverage. We found that TSSD beneficiaries with existing employer-sponsored coverage, in particular, were less likely to enroll in TSSD than those without employer-sponsored coverage, whereas those with prior private Medicare supplemental plans (commonly referred to as “Medigap” plans) were more likely to enroll than those without Medigap. In general, TFL has both more-generous benefits and lower out-of-pocket costs than TSSD or most other types of supplemental coverage. As a result, it seems likely that beneficiaries with current supplemental coverage, including employer-sponsored coverage, will drop such coverage in favor of TFL.

Overall, our results suggest that implementation of TSSD as a permanent national program would be feasible, although it is clearly unlikely to happen. Furthermore, a national program based on TSSD would have relatively high actuarial value for beneficiaries relative to private Medigap policies and many employer-sponsored supplemental plans (and relative to no supplemental insurance). A TSSD-based program also would have lower costs for the Department of Defense than would TFL due to the fact that TSSD retains modest cost-sharing for beneficiaries and a preferred-provider network structure. Any national implementation of TSSD, however, would require revision of the procedures for administering the benefit and processing claims.