1. Introduction

This document represents the final report of RAND’s evaluation of the TRICARE Senior Supplement Demonstration (TSSD), a congressionally authorized health insurance program that offered certain Medicare-eligible military beneficiaries the option of enrolling in the Department of Defense (DoD) TRICARE health insurance program as a supplement to Medicare. TSSD enrollment began in March 2000, and the program was scheduled to run through December 2002.

During the course of TSSD, the U.S. Congress enacted TRICARE for Life (TFL) with an accompanying pharmacy benefit as a permanent national program for Medicare-eligible military beneficiaries. Therefore, TSSD clearly is not being considered as a permanent national program. For this reason, and because TSSD enrollment was very low (both in absolute terms and as a fraction of the eligible population), the scope and nature of this evaluation were revised midway through the project. Throughout this report, we focus on lessons from the TSSD program that could help inform TFL implementation and administration and other health policy issues for military retirees.

Policy Context of the TRICARE Senior Supplement Demonstration

Until October 2001, Medicare-eligible military retirees and their Medicare-eligible dependents had only limited access to military-sponsored health care. For beneficiaries under age 65, the DoD provides medical care through the TRICARE program, which consists of TRICARE Prime, Standard, and Extra. TRICARE Prime is essentially a health maintenance organization (HMO); the provider network consists primarily of military treatment facilities (MTFs) (the “direct care” system), supplemented by care from designated civilian providers as authorized (the “purchased care” system). The services operated about 465 military treatment facilities in 1999, representing 91 hospitals and 374 clinics (U.S. General Accounting Office, 1999). TRICARE Standard and Extra both essentially function as a preferred provider organization, with TRICARE Extra representing the in-network benefit and TRICARE Standard the out-of-network benefit.

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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.
Since 1966, however, military retirees became ineligible for DoD-sponsored health insurance (i.e., CHAMPUS or TRICARE) at age 65 when they qualify for Medicare. Such beneficiaries were permitted to receive care in MTFs on a space-available basis, but could not use other DoD-sponsored health insurance benefits. Because Medicare benefits were generally less comprehensive and more expensive than CHAMPUS/TRICARE benefits, retirees and their advocacy groups believed, and argued in a series of court cases, that this policy violated a commitment that the DoD had made to provide military personnel with health insurance coverage for life. The groups had lobbied Congress for years to honor this perceived commitment.

Congress acted in a number of ways to address this issue. The 1999 National Defense Authorization Act (NDAA) (PL 105-261) included provisions for several alternative demonstration programs regarding insurance benefits for Medicare-eligible military retirees. In particular, section 722 authorized the DoD to implement a demonstration program known as the TRICARE Senior Supplement Demonstration. Under 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. In Section 221 of the 1999 NDAA, Congress also authorized a parallel demonstration in which selected Medicare-eligible military retirees were eligible to enroll in the Federal Employees Health Benefit Program (FEHBP) as a supplement to Medicare. In addition, the NDAA of 2000 authorized the Uniformed Services Family Health Plan Continuous Open Enrollment Demonstration. These demonstrations were designed to test possible models for providing supplemental insurance benefits to Medicare-eligible military retirees.

Eligible beneficiaries could enroll in TSSD beginning in spring 2000, and the demonstration was scheduled to end on 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

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2 This limitation followed the terms of Public Law 89-614, Military Medical Benefits Amendments of 1966, which established the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and limited coverage to beneficiaries under 65.

3 This is commonly referred to as “The Promise” by beneficiary organizations and even within TRICARE Management Activity (TMA), an office within the Department of Defense with responsibility for overseeing the administration of health benefits to military dependents and retirees.

4 See Schoenbaum et al. (2001).
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.

Congress directed the DoD to evaluate TSSD. Per the 1999 NDAA, the evaluation was to include the following:

1. An analysis of the costs of the demonstration project to the United States and to the eligible individuals who participate in such a demonstration project.
2. An assessment of the extent to which the demonstration project satisfies the requirements of such eligible individuals for the health care services available under the demonstration project.
3. An assessment of the effect, if any, of the demonstration project on military medical readiness.
4. A description of the rate of enrollment in the demonstration project of the individuals who were eligible to enroll in the demonstration.
5. An assessment of whether the demonstration project provides the most suitable model for a program to provide adequate health care services to the population of individuals consisting of the eligible individuals.
6. An evaluation of any other matters that the Secretary of Defense considers appropriate.

The DoD selected RAND to conduct this evaluation. This document represents RAND’s final evaluation report.

Overview of TRICARE for Life

During the course of TSSD, Congress passed the 2001 National Defense Authorization Act. Among other things, this law made sweeping changes to the way in which health care for Medicare-eligible military retirees is financed by directing the DoD to implement what is now commonly referred to as TRICARE for Life. As of October 1, 2001, TFL provides TRICARE as supplemental health

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5The term survivor refers to either a dependent of a deceased Uniformed Services retiree or a dependent of a Uniformed Services member who died while serving on active duty for 30 days or more.

6In an unpublished project memorandum, RAND had previously reported to TMA regarding a subset of evaluation activities, particularly relating to focus groups conducted with TSSD enrollees and nonenrolled eligible beneficiaries (Cecchine et al., unpublished). The content of that preliminary memorandum is incorporated here, with appropriate notation, to make this final evaluation report as complete as possible.
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.

TFL provides Medicare-eligible military retirees with one of the most comprehensive health insurance benefits in the United States—with no monthly premium, no enrollment requirements, and coverage for some services not covered by Medicare (particularly prescription drugs)—and it is a permanent national program. TFL thus changed the policy context in which TSSD (and the FEHBP demonstration program) were taking place by preempting the possibility that the TRICARE Senior Supplement Demonstration program would be instituted in any permanent way.

Following the passage of the 2001 NDAA, RAND worked with the TRICARE Management Activity (TMA) to revise RAND’s approach for evaluating TSSD. The goal was to identify ways in which the TSSD evaluation could inform policy toward eligible beneficiaries in the context of TFL. The revised evaluation plan is described in detail in Chapter 3, along with a description of elements of the original evaluation plan that were modified or deleted. The schedule for completing the evaluation was also accelerated, and the budget was reduced.

**Organization of This Report**

This chapter introduced the policy context within which TSSD was developed and implemented, including an overview of TRICARE for Life, a permanent national health insurance program available to all Medicare-eligible military beneficiaries as a supplement to Medicare as of October 2001. Chapter 2 provides more details about the health insurance options available to Medicare-eligible military beneficiaries prior to TSSD, through TSSD, and under TFL, and it describes the TSSD demonstration sites. Chapter 3 describes our evaluation methods. Chapters 4 and 5 present the results from focus groups that were convened and a beneficiary survey that was conducted as part of this evaluation. Chapter 6 provides a final discussion and conclusions regarding TSSD.