SEC. 702. TRANSITION ENROLLMENT OF UNIFORMED SERVICES FAMILY HEALTH PLAN MEDICARE-ELIGIBLE RETIREES TO TRICARE FOR LIFE.

Section 724(e) of the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201; 10 U.S.C. 1073 note) is amended—

(1) by striking "If a covered beneficiary" and inserting "(1) Except as provided in paragraph (2), if a covered beneficiary"; and

(2) by adding at the end the following new paragraph:

"(2) After September 30, 2011, a covered beneficiary (other than a beneficiary under section 1079 of title 10, United States Code) who is also entitled to hospital insurance benefits under part A of title XVIII of the Social Security Act due to age may not enroll in the managed care program of a designated provider unless the beneficiary was enrolled in that program on September 30, 2011.".

Section-by-Section Analysis

This proposal would modify section 724 of the National Defense Authorization Act for Fiscal Year (FY) 1997 (Public Law 104-201) to transition future enrollees in the Uniformed Services Family Health Plan (USFHP) to TRICARE for Life (TFL) once they become Medicare-eligible due to age. This legislation would have no impact on current USFHP enrollees. Current USFHP enrollees who are Medicare-eligible or who become Medicare-eligible in the future can continue in the program. Those who enroll in USFHP after September 30, 2011 would be required to transition to Medicare and TFL once they become Medicare-eligible due to age to receive TRICARE benefits.

Through this proposal, there would be no new enrollment of Medicare-eligible retirees age 65 or older to USFHP after September 30, 2011, unless the beneficiary was enrolled in USFHP before that date. These beneficiaries would still have comprehensive health care coverage, including pharmacy benefits, through the combination of Medicare and TFL, in which the Department acts as the secondary payer to Medicare leaving the beneficiary with no out-of-pocket costs for covered services. Future retirees covered by the proposal would still be able to obtain services from providers associated with USFHP as long as the providers accept Medicare. The enactment of this proposed legislation provides equitable treatment for all Medicare-eligible beneficiaries by offering a single, comprehensive program design across the country. Most

Medicare-eligible beneficiaries do not live in one of the USFHP service areas, and their only option for health care under the Military Health System is TFL (requiring payment of their Medicare Part B premium).

Currently, over 113,000 Military Health System (MHS) beneficiaries are enrolled in the USFHP, including over 37,000 Medicare-eligible retirees age 65 or older. Under the USFHP, the Department of Defense (DoD) paid, on average, nearly $17,000 in FY 2009 for a Medicare-eligible beneficiary over the age of 65. By comparison, under TFL and Medicare, the Government paid on average approximately $13,000 for a beneficiary during this period.

The Administration estimates this legislation would reduce Federal outlays by $279 million over the next decade. The reduced Federal outlays result from increased Medicare outlays of $530 million and decreased DoD outlays of $809 million. The Congressional Budget Office has agreed in its preliminary analysis that the proposal would reduce Federal outlays. In addition, this proposal generates discretionary savings for DoD because the Uniformed Services contribute annually to an accrual account, the Medicare-Eligible Retiree Health Care Fund (MERHCF), to pay for the future benefits of current servicemembers.

While current law precludes the Department from spending more on USFHP beneficiaries than they would otherwise cost the Government, the law requires a negotiation and mutual agreement between the Secretary of Defense and USFHP Providers in determining the capitated payments. Since the inception of USFHP, the rates provided to these plans for Medicare-eligible beneficiaries have been based primarily on data from the general Medicare population. However, since TFL began in 2001, the Department has been able to gather more detailed data specific to the Medicare-eligible TRICARE beneficiary population. The savings estimated for the proposal are based on the difference between the historically agreed to rates and estimates derived from the actual data accumulated for Medicare-eligible TRICARE beneficiaries.

The Uniformed Services' contributions to the MERHCF are estimated to decrease over the next five years by $3.3 billion, of which $3.2 billion pertains to the Department of Defense, because the Services would no longer be the primary payer for these beneficiaries. The FY 2012 President's Budget request assumes the reduced MERHCF contributions start in FY 2013 due to the MERHCF Board of Actuaries' cycle for determining normal cost rates.

Budget Implications: Savings to the Government associated with this proposal are as follows:

RESOURCE SAVINGS ($MILLIONS)					
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
Proposed Change from Current Law	-1	-4	-12	-4	-13

Changes to Existing Law: This proposal would amend section 724 of the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201; 10 U.S.C. 1073 note) as follows:

SEC. 724. ENROLLMENT OF COVERED BENEFICIARIES.

(a) ***

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(e) SPECIAL RULE FOR MEDICARE-ELIGIBLE BENEFICIARIES.— ~~*If a covered beneficiary*~~ *(1) Except as provided in paragraph (2), if a covered beneficiary* who desires to enroll in the managed care program of a designated provider is also entitled to hospital insurance benefits under part A of title XVIII of the Social Security Act (42 U.S.C. 1395c et seq.), the covered beneficiary shall elect whether to receive health care services as an enrollee or under part A of title XVIII of the Social Security Act. The Secretary may disenroll an enrollee who subsequently violates the election made under this subsection and receives benefits under part A of title XVIII of the Social Security Act.

(2) After September 30, 2011, a covered beneficiary (other than a beneficiary under section 1079 of title 10, United States Code) who is also entitled to hospital insurance benefits under part A of title XVIII of the Social Security Act due to age may not enroll in the managed care program of a designated provider unless the beneficiary was enrolled in that program on September 30, 2011.