



G A O

Accountability • Integrity • Reliability

United States General Accounting Office  
Washington, DC 20548

---

March 21, 2003

The Honorable Duncan L. Hunter  
Chairman  
The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Strom Thurmond National Defense Authorization Act for Fiscal Year 1999, H.R. 3616-142, directed the Department of Defense (DOD) to establish a "TRICARE as Supplement to Medicare Demonstration," also known as TRICARE Senior Supplement (TSS). The demonstration was scheduled to run from January 1, 2000 to December 31, 2002. This act required DOD to submit to Congress an evaluation of this demonstration by December 31, 2002. The Comptroller General was required to review this evaluation.

Prior to 2001, military retirees who reached age 65 were eligible for Medicare but lost most of their DOD health care benefits. Medicare's traditional fee-for-service benefit package and cost-sharing requirements can leave Medicare beneficiaries liable for high out-of-pocket costs. The TSS demonstration provided an opportunity for military retirees age 65 and over, living in selected areas, to enroll in a DOD-run program that gave them health care coverage supplementing Medicare.

In 2001, the context for the TSS demonstration changed fundamentally, when military retirees age 65 and over became eligible nationwide for broad, supplemental coverage. On April 1, 2001, qualifying military retirees became eligible for the TRICARE pharmacy program; on October 1, 2001, military retirees age 65 and over became eligible for the TRICARE For Life (TFL) program.

While eligibility requirements for TSS and TFL are the same—age 65 or older and enrollment in Medicare part B—TFL combined with the pharmacy benefit offers military retirees health benefits more comprehensive and less expensive than those offered by TSS. In particular, as described in DOD's report on the TSS demonstration:

- Enrollees paid a monthly premium of \$48 under TSS but under TFL pay no premium.
- TSS covered most outpatient and inpatient Medicare cost sharing; TFL covers all cost sharing.

- While TSS and TFL pharmacy benefits were the same, under TFL enrollees are allowed to use Military Treatment Facility (MTF) pharmacies to obtain free drugs.
- Under TSS, enrollees had to use a TRICARE network of selected providers to obtain lower cost sharing; TFL does not have this requirement.
- Under TSS, coordination of benefits with Medicare was only guaranteed if the beneficiary uses TRICARE network providers; under TFL, coordination of benefits for any provider is automatic.
- TSS limited a retiree's catastrophic out-of-pocket expenses to \$7,500 (above that amount the retiree did not have to pay); TFL capped a retiree's exposure to such expenses at a much lower amount--\$3,000.
- Under TSS enrollees were not allowed to use MTFs; TFL allows enrollees access to free MTF care when space and resources are available.

In light of TFL's broader benefits and lower out-of-pocket costs, DOD terminated the TSS demonstration early and transferred its 392 enrollees to TFL on October 1, 2001—the day that TFL started. In contrast to the time-limited TSS demonstration, TFL is a permanent, nationwide program that accomplishes the same purpose, but is more generous to beneficiaries. As discussed with the committees of jurisdiction, because of TSS's very limited enrollment and because Congress has established TFL, supplanting TSS, the Comptroller General will not issue a review of DOD's evaluation of TSS.

Please feel free to contact me on (202) 512-7101, Jonathan Ratner, Assistant Director, on (202) 512-7107 or Phyllis Thorburn, Assistant Director, on (202) 512-7012 for further information on this subject.

A similar letter has been sent to the Honorable John Warner, Chairman, and the Honorable Carl Levin, Ranking Minority Member, Senate Committee on Armed Services.



Marjorie E. Kanof  
 Director, Health Care—Clinical  
 and Military Health Issues