Government Executive

# Who's Paying for Your Health Insurance?

By Tammy Flanagan

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I recently had an interesting email exchange with a retired U.S. Army reservist who is also a retired federal civilian employee. He told me that during the recent health benefits open season, he decided to enroll in TRICARE, the health care program for military service members and retirees. He opted to suspend his Federal Employees Health Benefit Program plan.

His question was: "What happens to the approximately 75 percent that the government was paying into the FEHBP? Was that dropped, too?" He noticed that when he received his Feb. 1 annuity statement from the Office of Personnel Management, his premium had dropped from $444 per month to $0. He wondered if the government stopped paying its portion of his former FEHBP plan, which cost $971.90 a month. "How does TRICARE cover such an amount, since they apparently take nothing out of my military annuity for health care?"

He also noted that the copays for TRICARE standard are similar to FEHBP (20 percent if in network), and the yearly family deductible to meet is actually lower than in his Blue Cross Blue Shield FEHBP plan. Expenses covered under the two plans seem fairly similar. So is it correct to assume that TRICARE must be subsidized by the government in some way, too?

The answer is yes. But it isn't simple.

First of all, there are premiums for some forms of TRICARE coverage. For example, TRICARE Reserve Select has a premium of $50.75 a month for member only and $205.62 a month for member and family. There are also modest premiums for other versions of TRICARE such as TRICARE Prime. There are no premiums for TRICARE for Life, which is available to eligible beneficiaries who are enrolled in Medicare Parts A and B.

So, if there are low or no premiums for TRICARE, then who is paying for it? If you ask many uniformed service members and their families, they will tell you that they have paid dearly for TRICARE with their service. I agree with this, and think that those of us who have not served on active duty should be grateful to them.

So, where is the money coming from? I did a little research and here's what I found.

When TRICARE for Life was created under the fiscal 2001 Defense Authorization Act, its promise was to end the need for military retirees and their spouses to pay out-of-pocket expenses and buy supplemental insurance coverage (including coverage under FEHBP).

Fast forward to January 2014: According to the Congressional Budget Office, military health care spending now claims almost 10 percent of the Defense Department's base budget. CBO reported that between 2000 and 2012, funding for military health care increased by 130 percent, over and above the effects of inflation. CBO concluded that only increased cost sharing for retirees who use TRICARE would generate significant savings for DOD.

CBO analyzed three options for doing so:

- Increase costs for beneficiaries who have already retired from the military but who are not yet eligible for Medicare (sometimes called "working-age retirees," they are generally between the ages of 40 and 65).
- Make working-age retirees and their families ineligible for TRICARE Prime, the most costly program for DOD, but allow

them to continue using other TRICARE plans if they pay an annual fee.

- Introduce minimum out-of-pocket requirements for Medicare-eligible retirees and their family members (generally those over 65) to participate in TRICARE for Life.

Option two would have the largest effect, CBO found, reducing DOD's health care costs by about $90 billion (or 17 percent) from 2015 to 2023.

In an analysis of the fiscal 2015 Defense budget proposal, the Center for Strategic and Budgetary Assessments concluded that the unfunded liability of TRICARE for Life was $173 billion over 45 years. The annual Treasury payment to cover the liability is $3.4 billion, down from a high of $20 billion in fiscal 2004.

DOD has proposed achieving savings by consolidating the three largest TRICARE health plans into one plan, with modest increases to deductibles and co-pays. That would mean shifting some of the costs from taxpayers to service members and retirees.

Given this situation, I always recommend that those people with access to FEHBP keep it in their back pockets, even if they have adequate coverage through one of the TRICARE programs. For federal retirees who are covered under TRICARE or TRICARE for Life, it generally makes sense to suspend FEHBP coverage and use a combination of a TRICARE plan and Medicare. You can always end the suspension during any open season. But don't cancel FEHBP -- that's a one-way ticket out.

I recommend that current employees who use TRICARE as their only health insurance consider enrolling in FEHBP during the open season before the year they plan to retire. Their coverage under TRICARE will be used to meet the requirement that FEHBP coverage must be maintained during the five years immediately preceding federal retirement.

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http://www.govexec.com/pay-benefits/retirement-planning/2015/02/whos-paying-your-health-insurance/105216/