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POSITION PAPER

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FIXING TRICARE RETIRED RESERVE HEALTH CARE PROGRAM

TRICARE Retired Reserve (TRR) is a premium-based, worldwide health plan that may be purchased by qualified retired Reserve members who are younger than age 60, for themselves and their families. TRR premiums pay for a TRICARE standard program. While this health care plan covers a gap, providing a continuity of health care, the premiums offered by the Department of Defense (DoD) are higher than was expected by the members of Congress that sponsored the initial legislation.

ROA requested action:

- That Congress requests a GAO audit on the implementation of TRR, premiums rates, and enrollment methods to ensure the program is acceptably implemented for this population.
- That Congress legislates an additional premium level for “self plus one” as a TRR option.
- TRR Beneficiaries who were over-charged be credited toward future premiums.

Discussion:

Gray area Reserve Component retirees are those National Guard and Reserve members who have completed at least 20 years of service, qualify for a non-regular (Reserve) retirement, but will not receive retirement health care until age 60. TRR is a congressionally mandated health care option that permits gray area retirees to buy into TRICARE Standard paying for the full premium cost. ROA questions just how much that premium level should be.

DoD purposely isolated the gray area population into a smaller and higher risk health insurance group, justifying their rationale to charge higher premiums. Yet, the Congressional intent of the law, which ROA helped write, was to take advantage of a larger insurance pool reducing the risk and the resulting community rating to lower premiums.

The initial premiums for TRR were a lot higher than was expected. The individual monthly premiums will be 205 percent higher than the Reserve Officers Association calculated, and family coverage is 138 percent higher.

Initial 2010 TRICARE Costs

	Individual	Family	
TRICARE Prime	\$230/yr	\$460/yr	\$12/visit out
TRICARE Standard	\$150 deduct	\$300 deduct	Co-pay: 15% active/20-25% ret.
TRS	\$53.16/mo	\$197.76/mo	\$150/\$300deduct, 15-20%copay
TRR	\$388.31/mo	\$976.41/mo	\$150/\$300deduct, 20-25%copay
CHCBP	\$329.34	\$737.67/mo	\$150/\$300deduct, 20-25%copay

Note: Tricare Std. and TRS: E-4 and below \$50/\$100 deductible.

DoD Health Affairs' justification is that the gray area retiree population is a higher health risk group as it is aged between 38 and 59, when compared to the general serving population of 18 to 46 years of age. This logic is contrary to the basics of insurance where risks are reduced by having a larger population pool. The Pentagon claims that their costs are based on the gray area age group already using TRICARE, yet active duty retirees are not age tested.

In comparison, the cost of TRICARE Reserve Select (a health care program available to Reservists drilling in pay) is set by law at 28 percent of DoD overall TRICARE Standard cost. For individuals the TRS 2011 cost was \$51.62 and \$195.81 for families per month. Doing the math, that meant that the DoD monthly cost of TRICARE should have been \$189.86 for individual Reservists and \$706.28 for families.

COBRA plans provide coverage after an individual leaves employment and are not supposed to exceed 102 percent of actual cost.

The Continued Health Care Benefit (CHCBP) coverage is the COBRA transitional health care for members leaving active military service. At \$329.34/month for individuals, and \$737.67/month for families, the CHCBP cost should be comparable to a 102 percent TRICARE Standard Cost.

At implementation, the Pentagon seemed to be charging gray-area individual retirees over 118 percent of TRICARE costs and gray-area families 132 percent when compared to CHCBP; well above COBRA guidelines. It should also be noted that Reserve and Guard members in the gray-area are subject to recall to active duty, so it isn't like they have left the organization.

The TRR family premium, also fails to account for the “empty nesters”, where children are gone, leaving only the husband and wife at home. The Federal Employee Health Benefit Plan offers a self plus one premium.

Fearing the high costs of health care, DoD appears to have manipulated the maximize premiums allowable under the law. By shaping the actuarial risk assessment, they created a group that can be charged the highest health care costs, and still justify their actions to Congress.

Due to high costs only the chronically ill and the “uninsurable” will enroll. The young and the healthy will go elsewhere for less expensive health plans.

Background:

Passed by Congress as part of the Fiscal Year 2010 National Defense Authorization Act, TRICARE Retired Reserve was authorized to begin on October 1, 2009. The bill was passed on October 28, 2009. Defense Health Affairs delayed enrollment for a year; limited the 2010 premiums to several months and increased premiums another 5 percent on January 1, 2011.

There has been a downward trend in TRR premiums, dropping from the 2011 high by four percent for individuals, and by six percent for families, while CHCBP has increased 7 percent for individuals, and 22 percent for families. TRR families are still paying a 7 percent above the CHCBP premium.

2014 TRICARE Costs

	Individual	Family	
TRICARE Prime	\$273.84/yr	\$547.68/yr	\$12/visit out
TRICARE Standard	\$150deduct	\$300deduct	Co-pay: 15% active/20-25% ret.
TRS	\$51.68/mo	\$204.29/mo	\$150/\$300deduct, 15-20%copay
TRR	\$390.99/mo	\$956.65/mo	\$150/\$300deduct, 20-25%copay
CHCBP	\$397	\$894/mo	\$150/\$300deduct, 20-25%copay

Note: Tricare Std and TRS: E-4 and below \$50/\$100 deductible.

