

**Department of Defense Medicare-Eligible Retiree Health Care Fund—
CBO’s May 2019 Baseline**

The Department of Defense Medicare-Eligible Retiree Health Care Fund (MERHCF) pays for the care of Medicare-eligible retirees of the armed forces and their Medicare-eligible survivors and dependents. Among the MERHCF’s benefits is TRICARE for Life (TFL), which usually pays all of a beneficiary’s physician and hospital charges that are not covered under Medicare. (Beneficiaries must enroll in Medicare’s Part B, Medical Insurance.) With copayments, TFL participants also can purchase prescription drugs through retail pharmacies or through a national mail order pharmacy. In addition, the MERHCF reimburses Department of Defense hospitals and clinics for goods or services provided to its beneficiaries. The MERHCF also pays a fee for each beneficiary who forgoes TFL and instead enrolls in the Uniformed Services Family Health Plan (USFHP), an association of six health maintenance organizations available only at selected locations. The costs per person to the MERHCF for those enrollees are greater than for TFL beneficiaries because USFHP pays the full cost of care provided to its enrollees, whereas TFL pays only the portion of allowable charges that are not paid for by Medicare or another form of health insurance.

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By Fiscal Year

May 2, 2019

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beneficiaries (Thousands)											
TRICARE for Life ^a	2,389	2,414	2,437	2,443	2,471	2,501	2,530	2,559	2,585	2,606	2,621
USFHP ^b	<u>48</u>	<u>48</u>	<u>47</u>	<u>46</u>	<u>46</u>	<u>45</u>	<u>44</u>	<u>43</u>	<u>42</u>	<u>41</u>	<u>40</u>
Total	2,437	2,461	2,484	2,490	2,517	2,546	2,574	2,602	2,627	2,648	2,661
Cost per Beneficiary (Dollars)											
TRICARE for Life											
Purchased care											
Inpatient/outpatient	1,634	1,742	1,831	1,931	2,012	2,098	2,192	2,290	2,393	2,504	2,624
Pharmacy	1,433	1,447	1,527	1,573	1,650	1,688	1,773	1,827	1,920	2,002	2,105
Military treatment facilities											
Inpatient/outpatient	677	701	731	769	800	834	871	909	949	992	1,037
Pharmacy	<u>278</u>	<u>289</u>	<u>302</u>	<u>320</u>	<u>333</u>	<u>349</u>	<u>365</u>	<u>381</u>	<u>399</u>	<u>419</u>	<u>440</u>
Total TRICARE for Life	4,023	4,179	4,392	4,592	4,796	4,969	5,201	5,406	5,661	5,916	6,206
USFHP ^c	14,990	15,609	16,321	17,076	17,865	18,692	19,591	20,534	21,522	22,571	23,672
Total Outlays From the MERHCF (Millions of dollars)											
TRICARE for Life	9,591	10,045	10,648	11,146	11,787	12,341	13,067	13,727	14,521	15,259	16,047
USFHP	<u>721</u>	<u>744</u>	<u>768</u>	<u>793</u>	<u>818</u>	<u>842</u>	<u>866</u>	<u>888</u>	<u>909</u>	<u>926</u>	<u>942</u>
Total	10,312	10,789	11,416	11,939	12,605	13,183	13,933	14,615	15,430	16,185	16,989

Components may not sum to totals because of rounding.

MERHCF = Department of Defense Medicare-Eligible Retiree Health Care Fund; USFHP = Uniformed Services Family Health Plan; TFL = TRICARE for Life

- a. TRICARE for Life beneficiaries include all military retirees, survivors, and their dependents who are eligible for benefits from the MERHCF unless they are enrolled in USFHP. For those enrolled in Medicare Part B, benefits include the TFL Medicare wrap-around benefit, pharmacy benefits, and any care provided to those beneficiaries at military treatment facilities. TRICARE for Life beneficiaries shown in this table also include those non-USFHP beneficiaries who are ineligible to use TFL because they are not enrolled in Medicare Part B but are still eligible for some benefits from the MERHCF, such as direct care at military treatment facilities. CBO estimates that about 90 percent of beneficiaries who are eligible for TFL use the benefit.
- b. The beneficiary projections for USFHP include CBO's projection of Medicare-eligible beneficiaries enrolled in that program and exclude beneficiaries enrolled in USFHP who are not Medicare eligible. Costs for those beneficiaries are not paid from the MERHCF. The enrollment of Medicare-eligible beneficiaries in USFHP is declining over time because the National Defense Authorization Act for Fiscal Year 2012 (Public Law 112-81) limits future enrollment of Medicare-eligible beneficiaries to those enrolled as of the start of fiscal year 2013.
- c. The costs per capita to the MERHCF for USFHP beneficiaries are greater than for TFL beneficiaries because USFHP is responsible for the full cost of care for its enrollees, whereas TFL pays only the portion of allowable charges that are not paid for by Medicare or another form of health insurance.