THE MILITARY COALITION
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Alexandria, Virginia 22314
(703) 838-8143

November 2, 2017

The Honorable John McCain
Chairman, Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Mac Thornberry
Chairman, Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Jack Reed
Ranking Member, Armed Services Committee
United States Senate
Washington, DC 20510

The Honorable Adam Smith
Ranking Member, Armed Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Messrs. Chairmen and Ranking Members:

The Military Coalition (TMC), a consortium of uniformed services and veterans associations representing more than 5.5 million currently serving, retired, and former service members and their families and survivors, is deeply concerned with the Defense Health Agency's (DHA) recent publication of their Interim Final Rule (IFR) published in the Federal Register, Volume 82, No. 188, dated 29 September 2017.

This IFR outlines the intention of the DHA to implement an across-the-board fixed-fee copayment schedule for the new TRICARE Select. This is intended to replace the existing TRICARE Standard/Extra percentage based on services-used model. We believe these structural fee changes undermine the intention of last year's NDAA law which prescribed current military members, their families and retirees were to be grandfathered from cost-share increases.

Many of our Coalition organizations have heard loud and clear from their members that these changes attempt to leverage cost share increases for programs not aligned to health care. Most beneficiaries have done their math regarding their personal and family health care situations. Understandably, all categories of beneficiaries, regardless of their geographic location, are disappointed and concerned these changes will have a negative and costly impact on them.

The following emphasize some of TMC's observations and key concerns.

Attempt to Eliminate 2017 NDAA Grandfathering Provision- DHA's new Select fixed dollar copayments for their Group A/Grandfathered beneficiaries, in most instances, are higher than those for the Group B/New beneficiary copayments and higher than what existing beneficiaries are currently paying for their Standard and Extra encounters. An examination of a wide range of actual beneficiary Explanation of Benefits (EOB) statements confirms this.

Sec. 701 of the FY17 NDAA stated that for Group A/Grandfathered beneficiaries, "the cost-sharing requirements shall be calculated as if the beneficiary were enrolled in TRICARE Extra or Standard as if TRICARE Extra or Standard, as the case may be, were still being carried out by the Secretary." In

keeping with this provision, the DHA contends the new TRICARE Select fixed dollar copays represent an average of the percent cost shares beneficiaries currently pay for TRICARE Extra visits. We believe the methodology DHA used to calculate these fees is flawed, or intentionally calculated, to result in TRICARE Select copays which are significantly inflated as compared to current TRICARE Extra cost shares.

DHA's Methodology- DHA's approach of folding all ancillary services into each encounter drives up the average copayment. It shifts costs from those receiving more complex medical care to those receiving less complex care. DHA contends this will even itself out for most beneficiaries. However, this will result in more beneficiaries opting out of the provider network to use non-network provider cost-shares which are comparatively cheaper.

An examination of the math shows a fundamentally flawed approach in how the new costs were derived. There are several aspects of the calculations in the methodology performed by the DHA which include costs contained in the numerator which should have been excluded, thereby inflating it. For example, the network costs for Prime are included in this. *This demonstrates a perceived manipulation of the cost data as a means to an end – which are higher cost shares for the beneficiary*.

In addition to an inflated numerator, it appears the denominator used to calculate the average cost share was lower than would be expected, thereby raising the average. For example the DHA used approximately 17 million primary/urgent/specialty care outpatient encounters while the *Evaluation of the TRICARE Program: Fiscal Year 2017 Report to Congress* reports approximately 32 million outpatient encounters.

Lastly, an examination of Federal Employee Health Benefit Plans (FEHBP) primary and specialty outpatient visits show their co-payments significantly lower than the new TRICARE Select visits. A sample of 10 FEHBP plans examined all had copays which do not fold in ancillary services, but all had separate percent cost shares within the plans (beneficiaries pay for what they use). Thus, the DHA seems to be creating a fee structure unlike most other health plans, and will make it difficult to compare TRICARE to commercial plans to determine the relative value of the benefit in the future.

Conclusion

First and foremost, TMC opposes the cost sharing language in the IFR which seeks to impose fee increases on currently serving and retired members and families. TMC requests Congress to enforce the commitments it made less than a year ago and insist language be added to the conference report of the NDAA which would prohibit the DHA from implementing the IFR cost increases for current military families and retirees.

Sincerely,

The Military Coalition
(Signatures enclosed)

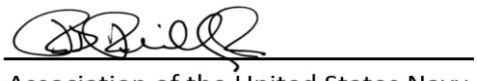
Air Force Sergeants Association

Air Force Women Officers Associated

AMVETS

Army Aviation Association of America

AMSUS, the Society of Federal Health Professionals

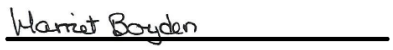


Association of the United States Navy

Commissioned Officers Assn. of the US Public Health Service, Inc

CWOA, US Coast Guard

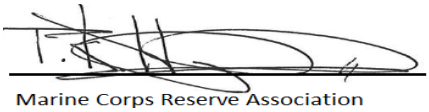
Fleet Reserve Association



Gold Star Wives of America

Iraq & Afghanistan Veterans of America

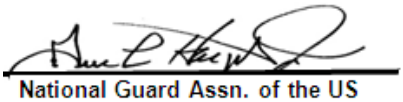
Jewish War Veterans of the USA



Marine Corps Reserve Association

Military Officers Association of America

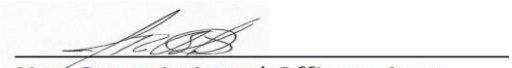
Military Order of the Purple Heart



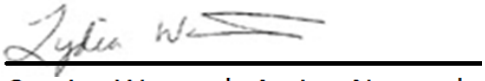
National Guard Assn. of the US

National Military Family Association

Naval Enlisted Reserve Assn.



Non Commissioned Officers Assn. of the United States of America



Service Women's Action Network

The Military Chaplains Assn. of the USA

The Retired Enlisted Assn.

Tragedy Assistance Program for Survivors

USCG Chief Petty Officers Assn.

US Army Warrant Officers Assn.

Veterans of Foreign Wars of the US

Vietnam Veterans of America

Wounded Warrior Project