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March 17, 2004

The Honorable John W. Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

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

Subject: *Defense Health Care: Status of Fiscal Year 2004 Requirements for Reservists' Benefits and Monitoring Beneficiaries' Access to Care*

Since September 2001, about 360,000 reservists have been called to active duty to support the war on terrorism, conflicts in Afghanistan and Iraq, and other operations. Some reservists have been on active duty for a year or more, and the pace of reserve operations is expected to remain high for the foreseeable future. When mobilized for active duty under federal authorities, reservists are eligible to receive health care benefits through DOD's military health care system, TRICARE. When reservists are ordered to active duty for more than 30 days, their families are also eligible for health benefits.

DOD supplements its military health care facilities with civilian health care providers through its triple-option TRICARE program. DOD's beneficiaries may enroll in TRICARE's Prime option and go to a network provider to receive care; without enrolling, they can see a network provider through the preferred provider option, Extra; or they may elect to use Standard, the fee-for-service option.¹ Some beneficiaries have raised concerns about difficulties in finding civilian providers—particularly Standard, non-network providers—who will accept TRICARE beneficiaries as patients.

¹ All beneficiaries may receive care at military treatment facilities (MTF) as space and capabilities are available. TRICARE Prime enrollees have priority for care in MTFs.

The National Defense Authorization Act (NDAA) for Fiscal Year 2004, enacted on November 24, 2003, required the Department of Defense (DOD) to make changes in its delivery and monitoring of health benefits. In addition, the law directed us to review and report on aspects of these requirements.² As agreed with the committees of jurisdiction, we are providing the status of DOD's progress in implementing five requirements—three related to health benefits for reservists and two related to monitoring beneficiaries' access to care under TRICARE Standard.

To obtain information about DOD's progress in implementing these requirements, we reviewed relevant documentation from DOD and applicable laws. We also interviewed the DOD officials responsible for implementing them. Our work was conducted in March 2004 in accordance with generally accepted government auditing standards.

In summary, DOD is in various stages of implementing the three requirements related to health care coverage for reservists. DOD has implemented the requirement extending the time reservists and their families can use TRICARE and is in the process of implementing the other two requirements. DOD has not implemented the two requirements directed at enhanced monitoring of beneficiaries' access to care under TRICARE Standard. We will report further on these requirements as DOD makes progress.

Background

The NDAA 2004 required DOD to temporarily extend the period of TRICARE coverage for reservists and their families and provided the option for some reservists to buy into the TRICARE program. Specifically, the NDAA 2004 provisions required DOD to

- 1) extend the Transitional Assistance Medical Program (TAMP) to allow recently demobilized reservists and their families to retain TRICARE benefits up to 180 days;³
- 2) make reservists and their families eligible for TRICARE benefits as soon as they receive a delayed-effective-date order for activation or 90 days before activation—whichever is later; and
- 3) allow certain reserve members, who are not mobilized, and their families who do not have any other health care benefits to enroll in TRICARE by paying 28 percent of program costs.⁴

² See Pub. L. No. 180-136, tit. VII, subtit. A, 117 Stat. 1392, 1524 (2003).

³ Under TAMP, DOD provides a transitional period of benefits that allows reservists and their families to retain TRICARE benefits for a period following demobilization. The NDAA for Fiscal Year 2002 previously extended the transition period from 30 days to 60 or 120 days depending on the members' accrued total active federal military service. Pub. L. No. 107-107, § 736, 115 Stat. 1012, 1172 (2001) (codified at 10 U.S.C. §1145(a)(3) (2000)).

⁴ This enrollment would allow them to receive TRICARE benefits for any period that the member is an eligible unemployment compensation recipient or is not eligible for health care benefits under an employer-sponsored health benefit plan.

DOD decided that the TAMP benefit and the provision of benefits upon activation would be retroactive to November 6, 2003. The provision allowing qualified reservists and their families to enroll in TRICARE requires DOD to issue regulations to administer the program. Congress limited expenditures for these three provisions to a combined total of \$400 million for fiscal year 2004. All of the provisions are temporary, expiring December 31, 2004.

In addition, the NDAA 2004 required DOD to enhance its monitoring of beneficiaries' access to care for TRICARE Standard including

- 1) designating an official to ensure the adequacy of provider participation in the Standard option in each of TRICARE's market areas;⁵ and
- 2) conducting surveys in 20 market areas every fiscal year until all markets have been surveyed to determine how many providers are accepting new patients under TRICARE Standard.

Status of Implementation of NDAA 2004 Requirements

DOD is in varying stages of implementing the provisions for reservists' health care under NDAA 2004. First, in order to extend the TAMP benefit period to 180 days as required by law, DOD modified its Defense Enrollment Eligibility Reporting System (DEERS), the database that maintains information about TRICARE eligibility. This modification, which also included changes that allowed DOD to track expenditures for the benefit, was completed in January 2004. According to DOD, reservists who separated prior to that period will be retroactively reimbursed for their own or family members' medical expenses that were incurred on or after November 6, 2003.

Second, DOD has not completed all of the changes that will allow it to make reservists and their families eligible for TRICARE benefits as soon as they receive delayed-effective-date orders for activation or 90 days before activation—whichever is later. This benefit could not be immediately implemented because it also required DEERS modifications to record eligibility and track benefit expenditures. In addition, according to DOD officials, it required other complicated changes, including changes to TRICARE's contracts that are used to deliver health care through civilian providers. Further, each of the seven components that constitute the reserves had to change the process for ordering reservists to active duty, ensuring that DEERS receives mobilized reservists' eligibility information.⁶ According to a DOD official, the department expects to implement this benefit this month, and reservists with qualifying orders issued on or after November 6, 2003 will receive retroactive payments for these benefits.

⁵ DOD has identified 182 TRICARE market areas across the United States where there are large numbers of beneficiaries. The market areas were identified as part of DOD's awarding of new TRICARE support contracts that are scheduled to be implemented in June 2004.

⁶ The armed forces reserve components consist of the Air Force Reserve, the Air National Guard, the Army Reserve, the Army National Guard, the Navy Reserve, the Marine Corps Reserve, and the Coast Guard Reserve.

Third, DOD has not completed drafting the regulations to implement the provisions allowing certain reservists and their families who do not have other health insurance to enroll in TRICARE by paying 28 percent of program costs. According to a DOD official, regulations that involve new populations and new benefits generally take 12 to 18 months to develop. Further, according to DOD officials, this benefit must have a reliable cost estimate before regulations are finalized, and to date, estimates from the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) differ widely. According to DOD, CBO's estimated costs for this provision were about \$70 million for fiscal year 2004 while OMB estimated that these costs would be \$1 billion. Further, DOD officials anticipate that TAMP and the expanded period of eligibility for benefits could cost up to the \$400 million allocated to cover the three provisions and little would subsequently be available to fund the enrollment benefit.

Furthermore, DOD has not implemented the requirements in NDAA 2004 regarding monitoring of the TRICARE Standard benefit. First, DOD has not designated the official responsible for ensuring adequate participation of Standard providers. According to a DOD official, it is likely that this responsibility will be assigned to the Assistant Secretary of Defense for Health Affairs, who will delegate the responsibility to the three TRICARE Regional Directors. These Directors will oversee the new TRICARE support contracts, which are scheduled to begin implementation in June 2004.

Finally, according to a DOD official, the department has not received the approval from OMB required by the Paperwork Reduction Act to conduct its initial market survey.⁷ DOD has requested emergency approval from OMB. Based on an anticipated approval in April 2004, the first surveys are expected to be sent out May 31, 2004. DOD officials are uncertain when the analysis of the first set of surveys will be complete. Meanwhile, DOD has a Standard Directory feature on its Web page to help beneficiaries identify potential providers. The Web page explains that managed care support contractors will also help beneficiaries locate Standard providers.

We will continue to monitor and report on DOD's progress in implementing these requirements.

Agency Comments

DOD officials reviewed a draft of this report and provided technical comments, which we incorporated where appropriate.

⁷ 44 U.S.C. §3501 et seq. (2000).

We are sending copies of this report to the Secretary of Defense and other interested parties. We will provide copies of this report to others upon request. In addition, the report is available at no charge on the GAO Web site at <http://www.gao.gov>. If you or your staffs have any questions, please contact me at (202) 512-7119 or Bonnie W. Anderson at (404) 679-1900. Lois Shoemaker and Allan Richardson made key contributions to this report.



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