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Most Reservists Have Civilian Health Coverage but More Assistance Is Needed When TRICARE Is Used

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Abbreviations

CBO	Congressional Budget Office
DOD	Department of Defense
DEERS	Defense Enrollment Eligibility Reporting System
FEHBP	Federal Employees Health Benefits Program
MTF	military treatment facility
NDAA	National Defense Authorization Act
SSCRA	Soldiers' and Sailors' Civil Relief Act of 1940
TMA	TRICARE Management Activity
TPR	TRICARE Prime Remote
USERRA	Uniformed Services Employment and Reemployment Rights Act of 1994

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Congressional Committees

To expand the capabilities of our nation's active duty forces, the Department of Defense (DOD) relies on the 1.2 million men and women of the Reserve and National Guard.[1] Currently, reserve components constitute nearly half our total armed forces. Reservists mobilized[2] under federal authorities are covered by TRICARE, DOD's health care system.[3] Also, their dependents, which include spouses, children, and others who qualify, are eligible for TRICARE benefits. While DOD requires reservists to use TRICARE for their own health care, using TRICARE is an option for their dependents. During mobilizations some reservists may choose to save the cost of premiums by dropping civilian insurance for their dependents and relying on TRICARE, which has no associated premium. However, doing so means that dependents must learn the benefits and requirements of a new health plan. It also means that they may be unable to use the same civilian providers if these providers do not participate in TRICARE networks or accept TRICARE patients. To minimize potential disruptions resulting from dropping and resuming civilian coverage, military advocates have recommended that DOD provide a health benefit to reservists and their dependents when reservists are not on active duty.

The National Defense Authorization Act (2002 NDAA) for Fiscal Year 2002[4] directed that we study the health care benefits of reserve component

[1]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. National Guard components carry out a dual mission. They are responsive both to the federal government for the national security mission and to governors for state missions.

[2]Mobilization is the process by which the armed forces are brought into a state of readiness for war or national emergency or to support some other operational mission. In this report, mobilization means calling up reserve components for active duty.

[3]When a governor mobilizes the state's National Guard under state authorities, the personnel and their dependents are not eligible for federal TRICARE benefits. However, the state may provide health coverage for them during this period. The benefits discussed in this report apply to the men and women of the National Guard when they are called up by the federal government.

[4]Pub. L. No. 107-107, § 721, 107 Stat. 1012, 1167 (2001).

members and dependents and the effect mobilization may have on these benefits. We (1) identified the health care coverage reservists have when not on active duty, (2) determined the extent to which mobilizations cause disruptions in coverage for reservists and their dependents, and (3) assessed the costs of various options specified in the 2002 NDAA, including providing reservists and their dependents health care through TRICARE, the Federal Employees Health Benefits Program (FEHBP), or civilian coverage.

To determine the coverage reservists have when not on active duty and the extent to which mobilizations cause disruptions in coverage, we obtained preliminary analyses of responses to health care related questions from DOD's 2000 Survey of Reserve Component Personnel. [5] We also used a questionnaire to obtain information from 360 mobilized reservists on the type of civilian health care coverage they and their dependents had and the extent to which mobilizations caused disruptions in coverage. Included in these contacts were 286 reservists from three judgmentally selected reserve component units of at least 50 reservists—representing the Army, Navy, and Air Force—that, at the time of our audit, were currently mobilized or had recently completed a mobilization.[6] We also contacted by telephone 74 reservists (or knowledgeable dependents) from a randomly selected sample of 100 reservists, from about 100,000 who had been mobilized since July 2000. We interviewed officials and representatives from the Office of the Assistant Secretary of Defense for Reserve Affairs, the Office of the Assistant Secretary of Defense for Health Affairs, the TRICARE Management Activity (TMA), reservist advocacy groups, and others. We also reviewed our prior work on reservists and military health care. For costs of the different 2002 NDAA options for providing coverage to reservists and their dependents, we relied on estimates made by the Congressional Budget Office (CBO). [7] (For more on our scope and methodology, see app. I.) We conducted our work from

[5]The survey was administered to a generalizable sample of 74,487 Selected Reserves. Selected Reserves are those reservists who are most likely to be among the first to be mobilized. The term "reservists" in this report will be used to refer to Selected Reserves.

[6]These reservists agreed to meet with us during site visits to an Air Force and a Navy site where reservists were currently mobilized and to an Army unit that had recently completed a mobilization and, at the time of our audit, was conducting its regular weekend drill.

[7]In the absence of specific legislative language, CBO's estimates should be considered preliminary. Final CBO estimates would reflect actual legislative language and CBO's then current baseline assumptions.

November 2001 through July 2002 in accordance with generally accepted government auditing standards.

Results in Brief

Nearly 80 percent of reservists had health care coverage when they were not on active duty, according to DOD's survey. This rate is similar to that of comparable groups within the overall U.S. population. Reservists obtained coverage through a variety of sources, and some reservists had more than one source of coverage. The most frequently cited sources of coverage were civilian employer health plans (75 percent of reservists) and spouses' employer health plans (28 percent of reservists). Reservists with dependents were more likely to have health care coverage than those without dependents.

Few dependents of mobilized reservists experienced disruptions in their health coverage—primarily because most maintained civilian health coverage while reservists were mobilized, according to DOD's survey. Of reservists with civilian coverage, about 90 percent maintained it. Reservists we interviewed often told us that they maintained this coverage to better ensure continuity of health benefits and care for their dependents. While most of the reservists we interviewed continued to receive assistance from their employers for their premiums, out-of-pocket costs for a few were increased because they not only continued to pay their employee contribution but also paid the employer contribution. Reservists who dropped civilian insurance and whose dependents used TRICARE reported difficulties moving into the system—finding a TRICARE provider, establishing eligibility, understanding TRICARE benefits, and obtaining assistance when questions or problems arose. While full-time active duty beneficiaries have reported similar difficulties, problems can be magnified for reservists' families. For example, 70 percent of reservists live and work in areas distant from military treatment facilities (MTF). Like the 5 percent of active duty families in these locations, mobilized reservists' families cannot take advantage of the assistance and array of services found near MTFs. However, we found that when education and administrative assistance were targeted to mobilized reservists and their dependents, reported problems with TRICARE were reduced, even in situations where dependents did not live near MTFs.

The 5-year cost (2003 through 2007) of the coverage options delineated in the 2002 NDAA range from about $89 million, for expanding the transition benefit following mobilizations, to about $19.7 billion, for continuous coverage under FEBHP with no premium, as estimated by CBO. Providing continuous TRICARE coverage for reservists and their dependents during

the entire enlistment period—regardless of reservists' mobilization status—with benefits similar to those for active duty personnel is estimated to cost DOD about $10.4 billion. Providing insurance through FEHBP would be more expensive to DOD because the premium would be based on the existing FEHBP pool—an older population using more health care services than would be expected to be used by reservists and their dependents. While CBO estimates the cost of providing health care for reservists and their dependents under FEHBP to be about $10.9 billion, similar to the cost of providing the TRICARE benefit, it estimates DOD's health insurance premium costs for FEHBP to be about $19.7 billion. Costs could be reduced if reservists paid a portion of the premium. Providing alternative coverage only during periods of mobilization would be less costly. For example, CBO estimates that paying reservists' entire civilian health insurance premiums while they were mobilized would cost about $1.8 billion.

Because problems could be reduced through improved education about TRICARE's benefits and better assistance while navigating the TRICARE system, we are recommending that DOD ensure that reservists receive information throughout their careers about TRICARE benefits and that during mobilizations DOD provide TRICARE administrative and customer service assistance targeted to the needs of reservists and their dependents. In commenting on a draft of this report, DOD concurred with our recommendations.

Background

Reserve components participate in military conflicts and peacekeeping missions in areas such as Bosnia, Kosovo, and southwest Asia, and assist in homeland security. From fiscal year 1996 through fiscal year 2001, an average of about 11,000, or 1 percent, of the roughly 900,000 reservists were mobilized each year. [8] The length of mobilizations can be as long as 2 years[9] with the mean length of mobilizations for the 6-year period we reviewed being 117 days.[10] As of April 2002, about 80,000, or 8 percent, of

[8]These data represent mobilizations and may overstate the number of unique reservists mobilized since some reservists may have been mobilized more than once during this period. The numbers do not include those who have served voluntarily.

[9]In the event Congress declares war or a national emergency, reservists could be mobilized for 6 months longer than the war or emergency.

[10]According to an Office of Reserve Affairs official, mobilization orders for these operations were for periods of 180 days to 1 year.

reservists had been mobilized for 1 year for operations related to September 11, 2001.[11] At the same time, additional reserve personnel continued to be deployed throughout the world on various peacekeeping and humanitarian missions.

The rights of mobilized personnel of the reserve components are protected under the Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA),[12] as amended, and by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA),[13] as amended. Included in these acts are protections related to health care coverage. For example, SSCRA provides protections for reservists who have individual health coverage. Specifically, for individually covered reservists returning from active duty, SSCRA requires private insurance companies to reinstate coverage at the premium rate they would have been paying had they never left.[14] Under SSCRA, the insurance company cannot refuse to cover most preexisting conditions.[15] During military service, USERRA protects reservists' employer-provided health benefits. Specifically, for absences of 30 days or less (training periods typically last 2 weeks or less), health benefits continue as if the employee had not been absent. For absences of 31 days or more, coverage stops unless (1) the employee elects to pay for the coverage, including the employer contributions,[16] or (2) the employer voluntarily agrees to continue coverage.[17] Under USERRA, employers must

[11]From fiscal years 1996 through 2001, only Selected Reserves were involuntarily mobilized. However, about 2 percent of reservists mobilized for operations Noble Eagle and Enduring Freedom were Individual Ready Reserves, a manpower pool comprised principally of individuals with previous training, with active duty service or service in the Selected Reserves, and with a period of their military obligation remaining.

[12]50 U.S.C. App. §§ 501-593 (2000). National guardsmen mobilized by a governor under state authorities are not eligible for SSCRA protection.

[13]38 U.S.C. §§ 4301-4333 (2000).

[14]The reservist's individual insurance premium may be increased during this period, but only if it would have increased had the coverage been uninterrupted by mobilization.

[15]Preexisting conditions that are service connected are excluded from coverage. For example, individual policies would not have to cover battle injuries, which are covered by the Department of Veterans Affairs.

[16]For deployments of 31 days or more, USERRA permits the employer to assess an additional 2 percent administrative fee if reservists elect to continue with civilian insurance and pay the full premium, including the employer share.

[17]When the employer elects to continue mobilized reservists' health insurance, the reservist may continue to be liable for the employee portion of the premium. However, some employers pay the full premium.

reinstate reservists' health coverage the day they apply to be reinstated in their civilian positions—even if the employers cannot put the employees back to work immediately.

Reservists mobilized under federal authorities are covered by TRICARE, DOD's health care system. If they are ordered to active duty for 31 days or more, reservists are enrolled in Prime, TRICARE's managed care option, and—like other active duty personnel—are required to receive care through TRICARE, either through 1 of 580 MTFs worldwide, or through TRICARE's network of civilian providers.[18] When reservists' mobilization orders are for 31 to 178 days, their dependents are eligible for the Standard and Extra options—TRICARE's fee-for-service and preferred provider options, respectively. Once eligible for TRICARE, reservists and their dependents also become eligible for prescription drug benefits.[19] When reservists' orders are for 179 days or more, dependents are eligible for health care under Prime. Under TRICARE, active duty personnel, including mobilized reservists, do not pay premiums for their health care coverage; however, depending on the option chosen, they may be responsible for copayments, deductibles, and enrollment requirements for their dependents. (For an overview of these benefits, see table 1.)

[18] Reservists ordered to inactive duty training or active duty for less than 31 days are entitled to medical care for any injury, illness, or disease that they might incur or aggravate in the line of duty.

[19] For dependents' prescriptions filled by MTFs, no copayment applies; for prescriptions filled by DOD's mail order pharmacy or network pharmacies, a $3 to $9 copayment applies. For prescriptions filled by non-network pharmacies, copayments are the greater of $9 or 20 percent of total prescription costs.

Table 1: Health Care Benefits Available for Dependents of Mobilized Reservists by TRICARE Plan Option

	Standard (fee-for-service)	Extra (preferred provider)	Prime (managed care)
Eligibility requirements	Reservist must be mobilized 31 days or more	Reservist must be mobilized 31 days or more	Reservist must be mobilized for 179 days or more; dependents must enroll to be eligible for Prime
Yearly deductible	$50-$300	$50-$300	None
Copayment	20%	15%	None
Providers	Non-network providers who will accept TRICARE rates	Network providers	Network providers

Source: TRICARE Management Activity as of June 2002.

Mobilized reservists are eligible for dental care through the military health care system. However, like active duty dependents, mobilized reservists' dependents are only eligible for dental care if they participate in DOD's voluntary dental insurance program, which requires enrollment and has monthly premiums.

Because mobilized reservists' dependents could be liable for two health coverage deductibles in 1 year—their civilian insurers' deductible prior to mobilization and the TRICARE Standard or Extra deductible once mobilized—DOD has used authorities included in the National Defense Authorization Acts for 2000 and 2001 to provide financial assistance through several demonstration programs.[20] For example, the Reserves Component Family Member Demonstration Project—available for those currently mobilized under DOD's Operation Noble Eagle and Operation Enduring Freedom—eliminates the TRICARE deductible and the requirement that dependents obtain statements that inpatient care is not available in an MTF before obtaining nonemergency treatment from a civilian hospital. In addition, DOD may pay non-network physicians up to 15 percent more than the TRICARE rate for treating dependents of

[20]Pub. L. No. 106-65 §§ 714, 716, 113 Stat. 512, 689, 690-1 (1999) (codified at 10 U.S.C. §§ 1095d and 1097b (2000)) and Pub. L. No. 106-398, § 721, 114 Stat. 1654, 1654A-184 (2000).

mobilized reservists—a cost that otherwise would be borne by dependents if physicians required this additional payment.[21]

Until recently, DOD had administered a transitional benefit program that provided demobilized reservists and their dependents 30 days of additional TRICARE coverage as they returned to their civilian health care. The 2002 NDAA extended the transitional period during which reservists may receive TRICARE coverage from 30 days to 60–120 days, depending on the length of active duty service. This change more closely reflects the 90 days that USERRA provides reservists to apply for civilian reemployment when they are mobilized for more than 181 days, and the change will provide health care coverage if they elect to delay return to their employment subsequent to demobilization. However, the 2002 NDAA did not provide any transitional benefit for dependents.[22]

Percentage of Reservists with Coverage Is Similar to That Found in the General Population

Overall, the percentage of reservists with health care coverage when they are not mobilized is similar to that found in the general population—and, like the general population, most reservists have coverage through their employers. According to DOD's 2000 Survey of Reserve Component Personnel, nearly 80 percent of reservists reported having health care coverage. In the general population, 81 percent of 18 to 65 year olds have health care coverage. Officers and senior enlisted personnel were more likely than junior enlisted personnel to have coverage.[23] Only 60 percent of junior enlisted personnel, about 90 percent of whom are under age 35, had coverage—lower than the similarly aged group in the general population.[24] Of reservists with dependents, about 86 percent reported having coverage. Of reservists without dependents, about 63 percent reported having coverage.

[21]DOD uses a fee schedule based on Medicare rates as the maximum amount that it will pay civilian physicians. However, non-network physicians are allowed to charge patients an additional fee up to 15 percent above the fee schedule rate.

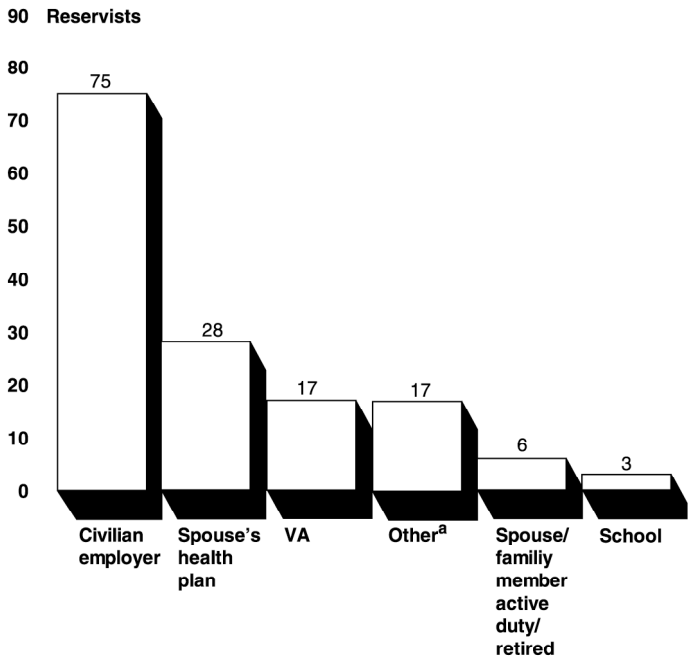
[22]In response to the loss of family member transitional benefits, DOD published notice in the June 12, 2002, *Federal Register* of a demonstration program that extends transitional benefits to dependents retroactive to January 1, 2002.

[23]DOD categorizes enlisted personnel as E-1 to E-9, with E-1 to E-4 considered junior enlisted and E-5 to E-9 senior enlisted. The average age of junior enlisted ranges from 19.9 years for E-1 personnel to 27.8 years for E-4; the average age of senior enlisted ranges from 34.4 years for E-5 to 49.8 for E-9. The average age for officers is 40 years.

[24]In the general population, about 73 percent of 18 to 24 year olds and 79 percent of 25 to 34 year olds had health insurance in 2000.

More than three-quarters of reservists were provided health care coverage by their civilian employers' health plans or their spouses' health plans. (See fig. 1.) Some reservists were covered by more than one health plan.

Figure 1: Types of Health Care Coverage of Reservists Other than Active Duty Coverage



Note: Percentages total more than 100 because survey respondents were allowed to choose as many options of coverage as applied.

[a]The survey did not define the "other" category.

Source: DOD's 2000 Survey of Reserve Component Personnel.

Most Mobilized Reservists Maintain Civilian Coverage; Dropping It May Result in TRICARE Problems

Most reservists maintained their civilian coverage when mobilized. Reservists generally maintained this coverage to better ensure continuity of health benefits and care for their dependents, sometimes at an additional cost. However, some reservists who dropped their civilian insurance to use TRICARE reported that their dependents had problems finding providers, establishing eligibility, understanding TRICARE's benefits, and obtaining assistance when questions or problems arose. We found that such problems could be ameliorated through additional education and assistance targeted to reservists and their dependents.

Few Mobilized Reservists' Dependents Experience Disruptions Because Most Reservists Maintain Civilian Coverage, Some at Additional Cost

Because most reservists maintained their civilian coverage when mobilized, few dependents experienced disruptions in coverage. According to DOD's 2000 survey, about 87 percent of reservists who had been mobilized at least once reported having civilian insurance at the time they were mobilized. The remaining 13 percent did not have civilian coverage. Of those who had civilian coverage, about 90 percent maintained it while mobilized.

According to DOD officials and reservists we interviewed, many reservists maintained their civilian coverage to avoid disruptions associated with a change to TRICARE and to ensure that their dependents could continue seeing their current providers—who may not accept TRICARE reimbursements, either as network providers or under the Standard option. Preserving provider relationships was especially important to reservists whose dependents with special needs had specialists familiar with their care or to dependents who had long-standing relationships with civilian providers.

Reservists we contacted reported varying financial arrangements for covering the costs of their civilian premiums while they were mobilized.[25] USERRA does not require employers to continue paying their share of health insurance premiums when mobilizations extend beyond 30 days. However, employers continued to pay at least their portion of health insurance premiums beyond this 30-day period for about 80 percent of the reservists we contacted who maintained their employer-sponsored coverage. Sometimes, these employers paid all costs, both their own and the employee portion, while in other instances reservists continued to pay the employee portion of the premium. The remaining reservists paid the total insurance premium while mobilized. In the general population in 2001, the average employer-sponsored premium for a family plan was $588 per month with the employee generally paying about 26 percent of this premium.[26]

[25]DOD's survey data do not provide information on how reservists who maintained their civilian insurance financed this civilian health care—that is, how much, if any, of the full premium they were required to pay—nor do the data provide information on whether the coverage was under the reservists' or family members' policies. Of the reservists we interviewed, 9 percent maintained coverage through spouses' employer-sponsored health plans.

[26]The Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits 2001 Annual Survey* (Menlo Park, Calif., and Chicago, Ill.: 2001).

Mobilized Reservists Who Dropped Their Civilian Insurance Sometimes Experienced Problems with TRICARE

Mobilized reservists who used TRICARE reported a variety of problems that they and their dependents experienced when they tried to access the system.[27] However, when DOD provided information and assistance targeted toward the situations reservists and their dependents face, these types of problems were more likely to be averted.

Reservists Reported Problems Moving into System

The most common problems that reservists reported were difficulties they and their dependents had moving into the system—finding TRICARE providers, establishing eligibility, understanding TRICARE's benefits, and obtaining assistance when questions or problems arose. While similar problems have been reported by other active duty personnel, reservists and their dependents are more likely to experience such problems because they often live in areas distant from MTFs, and their active duty service is brief and episodic.

Of the 360 reservists with recent mobilization experience that we contacted, about 38 percent reported some kind of problem with TRICARE. One problem, constituting about a quarter of the reported problems, was finding a TRICARE provider. Mobilized reservists and their dependents can have more difficulty finding TRICARE providers because many do not live in areas where the network is robust. Compared to 5 percent of active duty personnel, about 70 percent of reservists live and work more than 50 miles (or an hour's drive) from an MTF—areas DOD has designated as remote. Because DOD's civilian contractors are generally not required to establish TRICARE civilian networks in these areas, a network of providers may not exist. Where networks do exist, provider choice may be limited.[28] TRICARE Prime Remote (TPR) and TPR for Active Duty Family Members were established to help improve access to care in remote areas for active duty and mobilized reservists and their dependents. However, dependent eligibility is statutorily based on residing with a service member who both lives and works in a remote area.[29] As a

[27]In cases where reservists are mobilized to locations distant from MTFs, they must obtain health care through TRICARE network providers and, thus, share many of the same problems dependents experience.

[28]We reviewed DOD's networks and found them to be generally adequate with spotty deficiencies in rural areas—particularly those that are considered medically underserved and those with low managed care penetration. U.S. General Accounting Office, *Military Health Care: TRICARE's Civilian Provider Networks*, GAO/HEHS-00-64R (Washington, D.C.: Mar. 13, 2000).

[29]Pub. L. No. 106-398 § 722(b), 114 Stat. 1654, 1654A-185 (2000).

result, because mobilized reservists are most often assigned to work in a location near an MTF or deployed overseas, few dependents of reservists who are mobilized for 179 days or more are eligible for these programs.

About 17 percent of reported problems involved documenting and establishing eligibility. For example, reservists had problems with DOD not providing identification cards acknowledging that they and their dependents were TRICARE beneficiaries. They also had difficulties with the accuracy of information in the Defense Enrollment Eligibility Reporting System (DEERS),[30] DOD's database that maintains benefit eligibility status. In order to ensure TRICARE eligibility, any status changes must be reported to DEERS, and according to a DOD civilian contractor, the services do not always send these changes to DEERS promptly.

Reservists reported a variety of situations in which DEERS inaccuracies created problems. DEERS did not reflect that some reservists were on active duty; therefore, they and their dependents appeared to be ineligible for services and were denied care or medications. Further, in instances in which DEERS failed to reflect Prime enrollment for a dependent, claims were paid under Extra, resulting in charges for copayments that should not have been required. Also, mobilized reservists married to active duty personnel reported problems ensuring that DEERS accurately reflected their mobilized status so that they were eligible for active duty, rather than dependent, benefits and access privileges. Active duty families also have problems with DEERS, but, according to a TRICARE adviser at one site we visited, DEERS problems are accentuated for reservists because they move in and out of the system. However, determining the extent of such DEERS problems was beyond the scope of our work.

Finally, about 40 percent of the problems reservists reported related to understanding TRICARE's benefits and obtaining assistance when questions or problems arose. According to DOD officials, mobilized reservists have greater difficulty understanding and navigating TRICARE than other active duty personnel. First, reservists have less incentive to become familiar with TRICARE because mobilizations are for a limited period[31] and because TRICARE only becomes important to them and their

[30]Reservists are required to report changes in address, marital status, number of dependents, and other personal data and to ensure that this information is correct in DEERS.

[31]From 1996 through 2001 the average length of mobilizations was 117 days.

dependents if they are mobilized.[32] Further, when first mobilized, reservists must accomplish many tasks in a compressed period. For example, they must prepare for an extended absence from home, make arrangements to be away from their civilian employment, obtain military physical examinations, and ensure that their families are registered in DEERS. DOD officials told us that learning about TRICARE may be a low priority for reservists when they are mobilizing.

Targeted Education and Assistance Have Helped Minimize Some Reservists' and Dependents' TRICARE Problems

According to interviews with reservists and support personnel at sites we visited, problems with TRICARE could be reduced if education and administrative assistance were available and information was targeted to the needs of reservists. In addition, when beneficiaries, especially reservists' dependents, were provided assistance with using the TRICARE system—identifying contact points and understanding TRICARE benefits and how to use them—they generally were able to obtain appropriate, timely health care through TRICARE.

At one site we visited, assistance had been lacking or inadequate, and reservists were experiencing numerous difficulties with TRICARE. Here, 1,100 personnel, who were mobilized beginning in late September 2001 under Operation Noble Eagle and Operation Enduring Freedom, initially had no on-base MTF or TRICARE assistance. As a result, when questions arose, these mobilized reservists and their dependents sometimes obtained and passed along inaccurate information. In other instances they contacted TRICARE's civilian contractor directly, sometimes waiting for over an hour on hold trying to obtain information. In November 2001, two administrative personnel were assigned, including a health benefits expert, and at the time of our visit in February 2002, progress was being made to resolve reservists' and their dependents' health care questions. However, because this assistance was initially delayed, two staff members were insufficient to address the volume of misinformation and problems that existed on site. Beneficiaries told us they were still confused about TRICARE regulations at the time we visited. Some mobilized reservists still did not understand that they had to select a TRICARE primary care manager and were continuing to use their non-network providers, even though regulations require active duty personnel to participate in Prime. Likewise, their dependents were continuing to have problems, such as

[32]At the time of DOD's 2000 survey, about 75 percent of reservists reported never having been mobilized.

determining whether they could continue to see their civilian providers under TRICARE.

At another site we visited, which had an MTF and better on-base assistance, we observed that reservists and their dependents generally were not experiencing problems with TRICARE. In this location DOD had a mobilization team on site to help explain the benefits and had a staff on base to offer assistance when needed. To help ensure that reservists and dependents understood the various TRICARE options, the mobilization team presented general information on TRICARE and tailored benefits discussions to beneficiaries' specific circumstances. For example, the mobilization team tailored TRICARE information depending on whether reservists' dependents lived in areas with established networks or in areas where TRICARE networks were minimal or nonexistent. For the latter, the mobilization team discussed how TRICARE's Standard option could permit dependents to continue relationships with civilian physicians by paying copayments similar to those required by many civilian insurers. The mobilization team members also referred reservists to TRICARE offices, Internet Web links, and toll-free information lines, and provided backup telephone numbers, including their own, to handle additional questions.

Alternative Coverage Options Presented in 2002 NDAA Vary Widely in Cost

The 2002 NDAA directed us to evaluate several health coverage options through TRICARE, FEHBP, or civilian insurance as possible mechanisms for ensuring continuity in benefits for reservists and their dependents. Some of the options would provide coverage on a continuous basis during the entire enlistment period, regardless of reservists' mobilization status, while others would provide additional or alternative coverage only during or following periods of mobilization. Cost estimates for these options, which were provided by CBO,[33] range from a low of about $89 million to a high of about $19.7 billion over a 5-year period. (See app. II for estimate assumptions.)

For 2003 through 2007, the estimated cost to DOD for providing reservists and their dependents continuous health care coverage, regardless of reservists' mobilization status, would range from about $4 billion to $19.7 billion for the 5-year period, depending on how the benefit was

[33]In the absence of specific legislative language, CBO's estimates should be considered preliminary. Final CBO estimates would reflect actual legislative language and CBO's then current baseline assumptions.

provided. CBO estimates that providing the benefit through TRICARE with no premium for reservists would cost DOD about $10.4 billion. (See table 2.) DOD's cost would be reduced to about $7 billion if reservists paid a premium similar to that paid by active duty retirees under age 65[34] or to about $4 billion if reservists paid a premium share similar to that paid by federal employees for FEHBP.[35]

Table 2: Costs to DOD of Providing Continuous Coverage under TRICARE

Benefit option	Option description	Cost for 2006[a] (in billions)	Total cost for 2003-2007 (in billions)
TRICARE (no premium)	No premium for reservists	$2.8	$10.4
TRICARE with cost-share similar to under age 65 active duty retirees	All reservists pay an annual premium of $230 for individual coverage or $460 for family coverage	1.9	7.0
TRICARE with premium similar to that of FEHBP[b]	Reservists (or their employers) would pay an annual premium for TRICARE	1.1	4.0

Note: The difference in the cost to DOD among the three types of options is affected by both the percentage that reservists share in the premium and the number of reservists expected to participate at that level of premium sharing. See app. II for a discussion of these assumptions.

[a]Based on costs for 2006 assuming all eligible beneficiaries who are going to enroll in the program will actually be using the program.

[b]Federal employees are responsible for about 28 percent of health insurance premium costs.

Sources: GAO analysis; cost estimates from CBO.

Providing insurance through FEHBP would be more expensive to DOD because CBO estimated the premium would be based on the existing FEHBP pool—an older population using more health care services. (See table 3.) While CBO estimates that the actual cost of providing health care for reservists and their dependents under FEHBP would be about

[34]Active duty retirees under age 65 and their dependents must pay an annual premium of $230 per individual or $460 per family to enroll in Prime. Active duty personnel and their dependents have no premium requirements.

[35]Federal employees are responsible for about 28 percent of FEHBP premium costs. The difference in the cost to DOD of the no-premium option versus the premium option is affected by both the percentage that reservists share in the premium and the number of reservists expected to participate at that level of premium sharing. See app. II for a discussion of these assumptions.

$10.9 billion,[36] similar to the cost of providing the TRICARE benefit, it estimates the DOD health insurance premium costs for FEHBP to be about $19.7 billion.[37] If reservists paid the typical FEHBP employee portion of the premium, CBO estimates that DOD premium costs would be reduced to about $10.2 billion.[38]

Table 3: Costs to DOD of Providing Continuous Coverage under FEHBP

Benefit option	Option description	Cost for 2006[a] (in billions)	Total cost for 2003-2007 (in billions)
FEHBP (no premium)	Cost to DOD for insurance (no premium for reservists)	$5.3	$19.7
FEHBP (regular premium)[b]	Similar to current federal employees, reservists would share in the costs of FEHBP for coverage	2.8	10.2

Note: The difference in the cost to DOD between the no premium and regular premium options is affected by both the percentage that reservists share in the premium and the number of reservists expected to participate at that level of premium sharing. See app. II for a discussion of these assumptions.

[a]Based on costs for 2006 assuming all eligible beneficiaries who are going to enroll in the program will actually be using the program.

[b]Federal employees are responsible for about 28 percent of health insurance premium costs.

Sources: GAO analysis; cost estimates from CBO.

The cost for options providing health care coverage only during mobilizations or for expanding the benefit after mobilizations would be from $89 million to $1.8 billion over the 5-year period, according to CBO estimates. (See table 4.) For example, in lieu of a TRICARE benefit, DOD might assume the costs of reservists' civilian coverage during mobilization. The value of this benefit would vary from reservist to reservist depending on (1) the cost of the reservist's portion of the premium, (2) the extent of

[36]Costs of care are based on the FEHBP (no premium) share option.

[37]Some reductions to rates might occur over time as a result of adding reservists and their dependents to the FEHBP pool, but these adjustments are not reflected in these estimates.

[38]The difference in the cost to DOD between the two types of premium options is affected by both the percentage that reservists share in the premium and the number of reservists expected to participate at that level of premium sharing. See app. II for a discussion of these assumptions.

employer coverage, and (3) whether the employer continued to pay the premium during the reservist's mobilization. CBO estimates that if each year 80,000 reservists, the approximate number mobilized in April 2002, were mobilized for a 1-year period, the cost to fully pay for civilian health coverage for the 5-year period would be about $1.8 billion.[39] The cost of DOD allowing dependents with civilian insurance the choice of TRICARE or a monetary voucher equivalent to the estimated value of the TRICARE benefit would be about $1.1 billion over 5 years, according to CBO's estimate. Although the amount of this voucher would be based on the average cost of the TRICARE benefit for which the dependent is eligible, this option would increase DOD's costs because historically many dependents of mobilized reservists have relied on their civilian coverage and have not used their TRICARE benefit. Revising the transitional period that DOD has provided so that demobilized reservists retain their TRICARE benefits for an additional 30 days and their dependents retain benefits for a 90-day period would cost $89 million for the 5-year period, according to CBO's estimate.

[39]As of April 2002, about 80,000 reservists were mobilized. If 50,000 were mobilized, the estimated cost for the 5-year period would be $1.1 billion. If 150,000 were mobilized, the cost would be $3.3 billion.

Table 4: Costs to DOD of Providing Coverage during/following Mobilizations

Benefit option	Option description	Cost for 2006[a]	Total cost for 2003-2007
During periods of mobilization only			
Pay civilian insurance	Federal government pays the reservist's entire civilian insurance premium, including employer and reservist contributions	$ 394 million	$ 1.8 billion
Provide voucher for civilian insurance	Federal government provides reservists with vouchers to assist in paying their civilian insurance in an amount equal to the estimated cost of the TRICARE benefit coverage (for fiscal year 2003, $126 individual and $431 family per month)	250 million	1.1 billion
Following mobilizations			
Extend/offer transition period	Extend transition benefits for reservists by 30 days and provide dependents a 90-day benefit	19 million	89 million

[a]Based on costs for 2006 assuming all eligible beneficiaries who are going to enroll in the program will actually be using the program.

Sources: GAO analysis; cost estimates from CBO.

Conclusions

Because most reservists have civilian insurance and maintain it while mobilized, few of their dependents experience problems with disruptions to their health care, such as being forced to change providers, learn new health care plan requirements, and adjust to different benefit packages. However, when using TRICARE some dependents of mobilized reservists have experienced certain problems—in part, because they do not adequately understand how the plan works.

Problems that reservists and their dependents face with health coverage during mobilizations could be mitigated if DOD improved the information and assistance provided them. Reservists are confronted with choices and circumstances that are more complex than those faced by active duty personnel. Their decisions about health care are affected by a variety of factors—length of orders, where they and their dependents live, whether they or their spouses have civilian health coverage, and the amount of support civilian employers would be willing to provide with health care premiums. In addition, reservists must determine whether their existing civilian providers would be willing to accept TRICARE while they are

mobilized since their desire not to disrupt these relationships during a temporary mobilization may outweigh other considerations.

Recommendations for Executive Action

We recommend that the Secretary of Defense direct the Assistant Secretary of Defense for Health Affairs to

- ensure that reservists, as part of their ongoing readiness training, receive information and training on health care coverage available to them and their dependents when mobilized and
- provide TRICARE assistance during mobilizations targeted to the needs of reservists and their dependents.

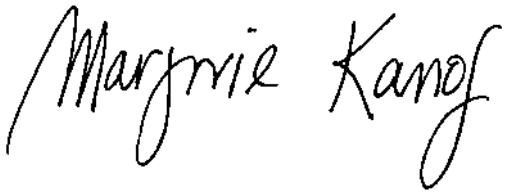
Agency Comments

DOD reviewed and commented on a draft of this report. It concurred with the report's recommendation and generally agreed with its findings. DOD stated that it recognized the importance of a well-informed TRICARE beneficiary population and to that end has already taken a number of steps to ensure that reservists understand their health care benefits. For example, the TRICARE Management Activity website and the Reserve Affairs portion of the Department of Defense website provide information about the health benefits available for reservists. Further, DOD stated it will continue to emphasize the importance of health care education and, as problem areas are identified, will immediately take steps to correct them. DOD's comments are reprinted in appendix III.

DOD provided additional comments from the Department of the Army and technical comments from the TRICARE Management Activity and from the Office of the Assistant Secretary of Defense for Reserve Affairs. The Army took exception to some of the information presented in the report that was obtained from DOD's 2000 Survey of Reserve Component Personnel. The Army stated that the number of reservists who continued to retain their civilian health care coverage "seems exceptionally high" although they could provide no basis to support this claim. Nevertheless, because of their concern, we subsequently contacted DOD officials at the Defense Manpower Data Center, who were responsible for the survey, to reconfirm the information they provided. After we explained the Army's position to them, they reaffirmed that the data from the survey instrument were correct. They stated that for the period covered by this survey prior to the 2001 partial mobilization there was no reason to question the accuracy of the estimate. The Army also asked for other analyses, such as a cost-benefit analysis of various TRICARE demonstration programs that were

beyond the scope of our work. Technical corrections and clarifications have been incorporated into the text as appropriate.

We are sending copies of this report to the Secretary of Defense, appropriate congressional committees, and other interested parties. Copies will also be made available to others on 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 about this report, please contact me at (202) 512-7101. Other contacts and major contributors are listed in appendix IV.



Marjorie E. Kanof
Director, Health Care—Clinical
and Military Health Care Issues

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Chairman
The Honorable John Warner
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman
The Honorable Ted Stevens
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Bob Stump
Chairman
The Honorable Ike Skelton
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Committee on Armed Services
House of Representatives

The Honorable Jerry Lewis
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Scope and Methodology

To determine whether reservists had health coverage when not on active duty and the source of any civilian coverage, we obtained analyses from the Department of Defense's (DOD) 2000 Survey of Reserve Component Personnel.[1] Although all survey questions had not been analyzed, we obtained information from DOD on selected questions for which survey processing had been completed. Because DOD had not yet completed processing for all questions, we were unable to obtain a more thorough DOD analysis or to obtain data for our own analyses. Using the analyses DOD provided, we were able to do limited checks for consistency of results, but, for the most part, we were not able to verify the accuracy of DOD's data.

To learn about the type of civilian health care coverage reservists and their dependents have and the extent to which mobilizations caused disruptions in coverage, we obtained information from 286 mobilized, or recently mobilized, reservists from three judgmentally selected reserve units—representing the Army, Navy, and Air Force. We selected these units with the help of DOD personnel using two criteria: (1) the unit consisted of at least 50 reservists and (2) at the time of our audit work, the unit was mobilized or had recently completed a mobilization and was drilling. We visited these sites and administered a questionnaire to identify the types and volume of problems that reservists and their dependents were experiencing with health care coverage. Sometimes we used the questionnaire as a structured interview guide and administered it to individuals; more frequently, reservists completed the questionnaires in a group and spoke with us individually afterwards if they had issues they wanted to discuss. During these visits, we also interviewed unit commanders, personnel responsible for mobilization activities, TRICARE personnel, and medical staff, when available.

We also used our questionnaire as a guide in conducting a telephone survey of an additional 74 reservists or their family members.[2] We obtained a randomized list of reservists who had been mobilized during the period July 2000 through December 2001, along with the sampled reservists'

[1]The survey was administered in October 2000 to a generalizable sample of 74,487 Selected Reserves. Selected Reserves are those reservists who are most likely to be among the first to be mobilized.

[2]If we were unable to contact the reservist and a spouse or other dependent was able to supply the information we needed, we interviewed the spouse or the dependent. This was the case in 28 of the 74 interviews.

home addresses and telephone numbers, from DOD's Defense Manpower Data Center. We first excluded from the sample those reservists whose records lacked both addresses and telephone numbers; then proceeded in order from the first name on the list, either calling the telephone number provided or attempting to locate a telephone number using the name and address. When we were not able to obtain a telephone number or when the telephone number given to us had been disconnected or was determined to be inaccurate, we also excluded that reservist. Of 100 reservists whom we were able to contact or leave messages for, we ultimately completed an interview with 74 reservists or family members. The remaining 26 reservists either did not return our calls or refused to participate in our survey.

Finally, we interviewed officials in the offices of the Assistant Secretary of Defense for Reserve Affairs and the Assistant Secretary of Defense for Health Affairs; the TRICARE Management Activity; the National Guard Bureau; the Department of Labor;[3] representatives of the Army, Navy, and Air Force Reserve Components; and reservist advocacy groups, including the Enlisted Association of the National Guard of the United States, the National Guard Association of the United States, the National Military Family Association, the Ohio Air National Guard, the Reserve Officers Association, the Retired Officers Association, and the Retired Enlisted Association. We also reviewed our prior work on reservists and military health care.

The Congressional Budget Office (CBO) calculated costs associated with options specified in the 2002 NDAA for providing coverage for reservists.[4] We did not independently verify data used to calculate the cost estimates. See appendix II for CBO's assumptions.

[3]We interviewed Department of Labor personnel to obtain information on the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and the Soldiers' and Sailors' Civil Relief Act of 1940 (SSCRA).

[4]In the absence of specific legislative language, CBO's estimates should be considered preliminary. Final CBO estimates would reflect actual legislative language and CBO's then-current baseline assumptions.

Appendix II: CBO's Assumptions for Cost Estimates

In calculating the cost estimates specified in the National Defense Authorized Act for FY 2002 for providing health care coverage to reservists,[1] CBO used the following basic assumptions:[2]

- The estimates were based on 865,000 reservists, unless otherwise indicated.
- The benefit would start on January 2003.
- The percentage of the reserve force with dependents is 50.42.
- Reservists with dependents each have about 2.17 dependents.
- Inflation would be 8.5 percent in 2003, 7.5 percent in 2004, and 6.5 percent in the remaining years.
- The 14 percent of reservists who were federal employees were excluded from the estimates because they presumably have health insurance coverage under Employees Health Benefits Program (FEHBP).

The specific assumptions used to develop each benefit option are discussed below.

Options for Continuous Coverage under TRICARE (Shown in Table 2)

TRICARE (no premium)

- Ninety percent of reservists would take advantage of this option.
- Reservists and their dependents would use TRICARE-approved civilian physicians with little use of military treatment facilities (MTF).
- TRICARE costs were weighted from FEHBP costs, assuming that reservists cost about 40 percent of the FEHBP premium and families cost about 60 percent.
- TRICARE costs were estimated at $1,513 for a single reservist and $5,173 for a family during 2003.
- Costs of TRICARE Prime and TRICARE Standard are the same.
- Some beneficiaries would use TRICARE as a second payer insurance. (The 14 percent of reservists who presumably were enrolled in FEHBP was used as a proxy for this purpose.)
- Second payer costs were 25 percent of the regular TRICARE costs.
- Reservists will enroll over 3-year phase-in period.

[1]As in other places in this report, the term "reservists" refers to Selected Reserves.

[2]In the absence of specific legislative language, CBO's estimates should be considered preliminary. Final CBO estimates would reflect actual legislative language and CBO's then current baseline assumptions.

TRICARE with premium similar to under 65 active duty retirees

- Premium consists of $230 per year for individuals and $460 per year for families.
- Seventy percent of reservists would enroll in TRICARE under these conditions.
- Reservists and their dependents would use TRICARE-approved civilian physicians with little use of MTFs.
- TRICARE costs were weighted from FEHBP costs, assuming that reservists would cost about 40 percent of the FEHBP premium and families would cost about 60 percent of the FEHBP premium.
- TRICARE costs were estimated at $1,513 for an individual and $5,173 for a family during 2003.
- Costs of TRICARE Prime and TRICARE Standard are the same.
- No second payer costs exist.
- Reservists will enroll over 3-year phase-in period.

TRICARE with premium-share equal to that of FEHBP

- Reservists would pay 28 percent of premium costs, which is similar to the percentage of FEHBP premiums paid by civilian federal employees.
- Fifty percent of reservists would enroll in TRICARE under these conditions.
- Reservists and their dependents would use TRICARE-approved civilian physicians with little use of MTFs.
- TRICARE costs were weighted from FEHBP costs, assuming that reservists cost about 40 percent of the FEHBP premium and families cost about 60 percent.
- Cost for an individual would be $1,513 and cost for a family would be $5,173 during 2003.
- Costs of TRICARE Prime and TRICARE Standard are the same.
- No second-payer costs exist.
- Reservists will enroll over 3-year phase-in period.

Options for Continuous Coverage under FEHBP (Shown in Table 3)

FEHBP (no premium)

- Ninety percent of reservists would enroll in this program.
- DOD would pay the employee's share of the premium for the 14 percent of reservists who presumably were enrolled in FEHBP.
- Blue Cross/Blue Shield and Kaiser Permanente premiums were used to calculate costs.
- The estimated average annual cost was $3,760 for individuals and $8,718 for families during 2003.

- Reservists will enroll over 3-year phase-in period.

FEHBP (regular premium)

- Seventy percent of reservists would enroll in FEHBP if they had to pay the employee's share of the premium.
- No cost was included for the 14 percent of reservists who presumably are enrolled in FEHBP.
- Average premiums for individuals and families were based on data provided by FEHBP actuaries.
- During 2003, the estimated cost for an individual would be $3,670 with DOD paying about 71 percent, and cost for a family would be $8,635 with DOD paying about 73 percent.
- Reservists will enroll over 3-year phase-in period.

Options during Mobilizations (Shown in Table 4)

Pay civilian insurance

- Costs are based on 80,000 reservists—the approximate number mobilized in April 2002.
- No cost was included for the 14 percent of reservists who presumably are enrolled in FEHBP.
- Ninety percent of reservists would enroll in the program.
- Average cost of employee premium and employer's share were based on Kaiser Family Foundation data.
- During 2003, cost for an individual would be $2,877 with DOD paying 86 percent, and cost for a family would be $7,656 with DOD paying 74 percent.
- There is no phase-in period.

Provide voucher for civilian insurance

- Costs are based on 80,000 reservists—the approximate number mobilized in April 2002.
- Voucher could be used to pay for any current health insurance coverage, including both employee's and employer's share.
- FEHBP enrollees would not receive vouchers.
- Ninety percent of reservists would use vouchers.
- Voucher costs were based on 2003 estimated TRICARE costs of $1,513 for individuals and $5,173 for families. (TRICARE costs were weighted from FEHBP costs, assuming reservists would cost about 40 percent of the FEHBP premium and families would cost about 60 percent.)
- Voucher may not be used to cover the cost of paying second payer insurance—only covers primary insurance.

- There is no phase-in period.

Option following Mobilizations (Shown in Table 4)

Extend/Offer transition period following demobilization

- Costs are based on 80,000 reservists— the approximate number mobilized in April 2002.
- Forty percent of demobilized reservists would use this option.
- No cost was included for the 14 percent of reservists who presumably were enrolled in FEHBP.
- Reservists would use TRICARE-approved civilian physicians with little use of MTFs.
- TRICARE costs were weighted from FEHBP costs (assuming reservists would cost about 40 percent of the FEHBP premium and families would cost about 60 percent of the FEHBP premium).
- All reservists were eligible regardless of existing insurance coverage.
- Benefit for reservist is only 30 days since the first 60 days are currently covered.
- Dependents would be covered for 90 days.
- There is no phase-in period.

Appendix III: Comments from the Department of Defense

THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301-1200

HEALTH AFFAIRS

AUG 2 3 2002

Marjorie E. Kanof, MD, Director
Health Care-Clinical and Military Health Care Issues
U.S. General Accounting Office
Washington, DC 20548

Dear Dr. Kanof:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report GAO-02-829, "DEFENSE HEALTH CARE: Most Reservists Have Civilian Health Coverage But More Assistance Needed When TRICARE Is Used," dated July 9, 2002 (GAO Code 290151).

The Department concurs with the GAO recommendation, and a response to the recommendation is enclosed (Enclosure 1). The TRICARE Management Activity has also made several technical change suggestions which are enclosed (Enclosure 2). Several general comments from the Department of the Army and from the Office of the Assistant Secretary of Defense (Reserve Affairs) are also enclosed (Enclosures 3 and 4).

Sincerely,

William Winkenwerder, Jr., MD

Enclosures:
As stated

Appendix IV: GAO Contacts and Staff Acknowledgments

GAO Contacts

Deborah L. Edwards, (202) 512-7101

Lois L. Shoemaker, (404) 679-1806

Acknowledgments

In addition to those named above, the following staff members made key contributions to this report: Aditi Archer, Richard Wade, Julianna Williams, Mary W. Reich, and Karen Sloan.

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