

## **DOD MEDICAL COSTS**

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Defense leaders have complained for years about “*spiraling military health costs*,” and their main proposals for action have centered on foisting more costs on beneficiaries. Congress has acted on those concerns by raising TRICARE Prime enrollment fees **23 percent since 2011**, doubling or tripling most TRICARE pharmacy copayments over that period, and requiring annual inflation-based fee hikes going forward.

The president’s budget projections still show military health care costs growing in the out years. Armed Services Committee leaders say they intend major action next year to reform military health coverage and that “increased fees will be a necessary part of this reform.” But looking at the health care cost *facts* rather than the rhetoric also will be crucial in that effort.

**Fact 1:** Every year, the Pentagon budget forecasts significant cost increases for future years.

**Fact 2:** For the past five years, those projections have proven false, as overall DoD health costs (as reflected in annual Pentagon reports to Congress) have stayed flat.

**Fact 3:** DoD fee hike proposals, in the main, have targeted beneficiaries who get their care outside military hospitals and clinics.

**Fact 4:** For the past five years, these “purchased care” costs have remained flat (other than a \$2 billion anomaly for FY 2015 that DoD has acknowledged was a one-time oversight failure on compounded medications that has now been brought under control).

**Fact 5:** DoD costs for TRICARE For Life (TFL) (that is, annual Pentagon deposits to the TFL trust fund, which cover both care and medications) have declined dramatically, from \$10.8 billion in FY 2010 to \$6.6 billion for FY 2016.

**Fact 6:** Virtually the only elements of the DoD health care budget that have been increasing over the past five years are care delivered in military facilities (over which the Pentagon has the most control and which mainly reflect military readiness needs) and pharmacy costs for non-Medicare-eligibles.

**Fact 7:** At current levels, TRICARE pharmacy copayments are at about the 50th percentile of copayments charged by civilian employer plans (as measured by the Hay Group, one of the most respected surveyors of benefit programs).

**Fact 8:** Congress’ multiple recent adjustments to TRICARE pharmacy copayments have been relatively arbitrary, driven in part by the need to raise more revenue to

pay for other programs.

**Fact 9:** The 2016 \$10 retail pharmacy copayment for generic drugs is more than twice the \$4 copayment Wal-Mart charges for most common generics for people with no insurance.

So what can we conclude from all these facts?

**Conclusion 1:** DoD consistently projects large cost increases that don't materialize. If they've been consistently bad at making past projections, why should we give much weight to their current projections?

**Conclusion 2:** If past misprojections formed the entire basis for pushing more costs to beneficiaries, one has to question the validity of continuing that argument.

**Conclusion 3:** If you believe the military health benefit should be at the very top tier — the gold standard that exceeds private-sector plans in recognition of currently serving and career members' and families' decades of service and sacrifice — then pharmacy copayments already are plenty high. The 50th percentile is not a gold standard.

**Conclusion 4:** If the main area of cost increases has been in care delivered through military facilities rather than care obtained from civilian providers, then maybe, just maybe, the focus of future cost-containment efforts should be on DoD's inefficient management of those in-house programs rather than simply blaming beneficiaries for cost problems they're not causing.

**Conclusion 5:** One of the main pillars of any major health care reform effort should be an explicit acknowledgement of the significant, in-kind premium value of servicemembers' and their families' decades of service to their country.

#### *About the Author*

*Colonel Steve Strobbridge, a native of Vermont, is a 1969 ROTC graduate from Syracuse University in Syracuse, N.Y. He was called to active duty in October 1969 and began his career as a Basic Military School training officer and commander and as a military personnel officer. He subsequently served as a compensation and legislation analyst at HQ U.S. Air Force and in the Office of the Secretary of Defense as director, Officer and Enlisted Personnel Management, with intervening assignments in Thailand and Germany.*

*His final assignment was as chief of the Entitlements Division at HQ U.S. Air Force, with policy responsibility for military compensation, retirement and survivor benefits, and all legislative matters affecting the military community. He is a graduate of the Armed Forces Staff College and National War College. Strobbridge retired from the Air Force in January 1994 to become MOAA's deputy director for Government Relations.*

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