



Restoring Tricare

Ensuring the Long Term Viability of the Military Health Care System

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Introduction and summary

Military health care costs “are eating the Department of Defense alive,” according to Defense Secretary Robert Gates.¹

The Defense Department’s fiscal year 2012 budget request includes \$52.5 billion for the Tricare military medical insurance program, a 300 percent increase over its fiscal year 2001 budget.² As a result of this unprecedented cost growth in the Tricare system, nearly 10 percent of the baseline defense budget now goes to providing medical care for active duty, reserve, and National Guard troops and their dependents, as well as military retirees of all ages and their dependents.

These skyrocketing health care costs will consume an increasingly large portion of the defense budget as the federal deficit forces the country to slow down projected increases in defense spending. The cost of military health care could eventually begin to divert funding away from other crucial national security initiatives.

Congressional inaction over the past 15 years is largely to blame for the sorry state of the military health care budget today. If lawmakers and policymakers want to support Tricare over the long term, they need to understand how and why the current crisis developed. And they need to deal with it in a way that honors commitments to those who have served their country in the armed forces—while also being fair to the American taxpayer.

This paper will challenge policymakers to “do what works,” to rethink the status quo in the military health care system, embrace innovation and experimentation, and be ready to execute changes fairly and efficiently.³ This approach has the potential to reduce spending on military health care by up to \$15 billion a year.

To that end, this report recommends policymakers adopt a menu of cost-saving solutions that reflect the work of government analysts and the best practices available. Specifically, we argue that Congress should work with the Defense Department to make changes according to the following principles:

- Reinstitute a fair cost-sharing balance between military retirees and taxpayers
- Limit double coverage for working-age retirees above a certain income level
- Create incentives to reduce overuse of services
- Establish fair procedures to regulate future cost sharing

Congress and the American public are rightly wary of asking veterans, service-men and women, and their families to shoulder increasing health care costs when so many service members are or have recently been engaged in operations in Iraq and Afghanistan.

It is important to note, however, that our recommendations would in no way affect active-duty service members, who would continue to receive health care at no cost. Nor would they impact lower-income or seriously injured veterans, who receive health coverage through the Department of Veterans Affairs rather than through the Defense Department's Tricare program.

Rather, this paper recommends restoring the cost-sharing balance between military retirees and the American taxpayer, a balance which was established in 1995 and has since been allowed to deteriorate for no good reason.

In order to address this growing imbalance, we recommend the following steps:

- Gradually phase in increased fees for military retirees, including a tiered fee structure for working-age retirees
- Increase cost sharing to encourage responsible use of Tricare for Life benefits
- Limit double coverage for high-income retirees and peg Tricare premiums to Medicare Part B costs

Once fully implemented, we estimate that these steps could save the Pentagon up to \$15 billion per year.

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