SEC. 703. AUTHORITY FOR AUTOMATIC ENROLLMENT IN TRICARE PRIME OF DEPENDENTS OF MEMBERS IN PAY GRADES ABOVE PAY GRADE E-4.

Subsection (a) of section 1097a of title 10, United States Code, is amended to read as follows:

"(a) AUTOMATIC ENROLLMENT OF CERTAIN DEPENDENTS.—(1) In the case of a dependent of a member of the uniformed services who is entitled to medical and dental care under section 1076(a)(2)(A) of this title and resides in an area in which TRICARE Prime is offered, the Secretary—

"(A) shall automatically enroll the dependent in TRICARE Prime if the member is in pay grade E-4 or below; and

"(B) may automatically enroll the dependent in TRICARE Prime if the member is in pay grade E-5 or higher.

"(2) Whenever a dependent of a member is enrolled in TRICARE Prime under paragraph (1), the Secretary concerned shall provide written notice of the enrollment to the member.

"(3) The enrollment of a dependent of the member may be terminated by the member or the dependent at any time.".

Section-by-Section Analysis

This proposal would modify section 1097a(a) of title 10, United States Code, to permit the Secretary the option of automatically enrolling all dependents of a Service member entitled to medical and dental care under section 1076(a)(2)(A). Under present law, all Active Duty Service Members (ADSMs) and only the dependents of Service members in pay grades E-1 to E-4 are automatically enrolled into TRICARE Prime. All other dependents are "defaulted" into TRICARE Standard and have to formally enroll into TRICARE Prime as detailed in sections 1097a and 1099 of title 10.

Statistically, 89 percent of all qualifying dependents are enrolled in TRICARE Prime. Enrolling all dependents into TRICARE Prime in a "default" manner would immediately result

in an administrative processing cost avoidance of approximately $8.64 per enrollment. The small group (11 percent) of ADSM's who do not want TRICARE Prime for their dependents would complete a simple "opt-out" form. Frequently, these individuals are using the non-active duty spouse's employer sponsored health plan and/or a TRICARE supplement insurance policy to help pay their cost-shares. Even if these dependents were automatically enrolled in TRICARE Prime, the ADSM sponsor could change back to TRICARE Standard by updating their DEERS registration at any time.

Defaulting dependents into TRICARE Prime will reduce the number of waivers processed to enroll newborns who were not timely enrolled (within 60-days) by the sponsor. In a recent twelve month period, 872 waivers were approved by the TRICARE Regional Offices. Defaulting to TRICARE Prime would also solve a "dissatisfaction issue" that occurs when ADSMs do not enroll new spouses and step- or adopted children into TRICARE Prime in a timely manner. If dependents are not formally enrolled into TRICARE Prime when eligibility is first established, the effective date is based on the date of their enrollment, which could result in them having to wait several months before being enrolled and active in TRICARE Prime.

Changing over to provide that dependents are "default" enrolled into TRICARE Prime will require change to existing law and regulations as well as adapting Department information processing systems. The non-recurring implementation cost of information system changes in order to effect this proposal is estimated to be $2.5 million (DEERS and Managed Care Support Contractors (MCSCs) combined). Break-even return on this investment from avoidance of enrollment form processing costs would occur in the second year, with over $2.0 million saved in each subsequent year beginning FY2015.

Budget Implications: We estimate the Department of Defense's costs to administer Prime Enrollment for this proposal as follows for fiscal years (FY) 2013 through 2017:

RESOURCE REQUIREMENTS ($ MILLIONS) REFLECTED IN PRESIDENT'S BUDGET (Savings)								
	FY 2013	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**
Enrollment Processing Costs	($0.8)	($1.8)	($2.0)	($2.1)	($2.3)	DHP O&M	BA-01	010
Implementation Costs	$2.5	$0.0	$0.0	$0.0	$0.0	DHP O&M	BA-01	010
TOTAL Costs	$1.7	($1.8)	($2.0)	($2.1)	($2.3)			

Cost Methodology: This proposal will reduce the costs of administering TRICARE Prime enrollment since fewer enrollment forms will be processed annually by the MCSCs. The costs were computed assuming full implementation in April 2013 to allow time for legislative approval, policy manual changes and MCSC contract modifications.

Enrollment costs were computed by subtracting the costs under the legislative proposal from the current costs. For example, in FY 2013 we subtracted $10.4 million from the current costs of $11.2 million and followed that same calculation for FY 2014-FY 2017. FY 2013 includes non-recurring implementation costs for DEERS and the MCSCs for the programming changes to their respective information processing systems to allow defaulting to Prime. The enrollment costs also include $2.0 million in FY 2013 and $4.0 million in FY 2014-2017 to account for a possible 1 percent increase in the number of dependents (about 20,000) in Prime that may result by defaulting enrollment. If these beneficiaries have health care claims as Prime beneficiaries, the government's cost would be higher as Prime beneficiaries cost more than those in Standard. The incremental cost to the government for a Prime beneficiary versus Standard is about $200. Discounting the initial cost to upgrade the information processing systems, the savings over a five year period is $9.0 million. If defaulting enrollment only increases Prime enrollment by .25%, the savings is $22.5 million ongoing in five year periods.

We do not believe defaulting the dependents of service members in grades E-5 and above will significantly increase Prime enrollment. As noted above, 89 percent of all dependents are enrolled in Prime and we already default the large majority of new accession dependents each year (service members in grades E-1 to E-4). Those who would be defaulted under this proposal are the new accessions in grades E-5 and above. This includes (1) new officer accessions, (2) Reserve Component members in grades E-5 entering active duty, and (3) former service members in grades E-5 and above who are returning to active duty. All of those service members, except the new officer accessions, were previously in Prime, so they are aware of the military health system and TRICARE options available to dependents. We also believe that the dependents currently defaulted into Standard to not remain there unless they have other insurance. Many enroll in Prime when they are either denied an appointment at their military treatment facility (MTF) or upon receipt of a bill for the $150 Standard deductible and 20 percent cost-share. Again, we believe the 11 percent of dependents historically using Standard are those with other health insurance (e.g., spouse's employer sponsored insurance or a TRICARE Supplement). Both of those options minimize the out-of-pocket costs and provide direct access to providers without a referral.

Based on actual Calendar Year 2010 data, we estimate that 1.3 million enrollment forms will be processed each year under the current law. This includes forms from both active duty and retired beneficiaries. Under this proposal, we expect a 25 percent reduction in the number of forms processed by the MCSCs in FY2013 and a 50 percent reduction in FY2014-FY2017. We estimate an average cost for the front-end processing of a Prime enrollment form to be $8.64 per form in FY2013 and a 3 percent annual increase. This reflects an assumed average of 7 minutes per form and fully loaded cost of $74.00 per hour (7 minutes/60 = .1167 hours x $74/hour = $8.64). This estimate does not include the back-end development, which would still occur if we defaulted enrollment into Prime; for example, the cost does not include Primary Care Manager assignment, Other Health Insurance development, etc. The $74.00/hour represents the level of administrative work required to process an enrollment form. It includes salaries, benefits, supervisors' cost, and overhead (rent, furniture, phones, equipment, etc).

Changes to Existing Law: This proposal would make the following changes to section 1097a of title 10, United States Code:

§ 1097a. TRICARE Prime: automatic enrollments; payment options

(a) AUTOMATIC ENROLLMENT OF CERTAIN DEPENDENTS.— ~~Each~~ (1) In the case of a dependent of a member of the uniformed services ~~in grade E4 or below~~ who is entitled to medical and dental care under section 1076(a)(2)(A) of this title and resides in ~~the catchment~~ an area ~~of a facility of a uniformed service offering~~ in which TRICARE Prime is offered, the Secretary— ~~shall be automatically enrolled in TRICARE Prime at the facility. The Secretary concerned shall provide written notice of the enrollment to the member. The enrollment of a dependent of the member may be terminated by the member or the dependent at any time.~~

(A) shall automatically enroll the dependent in TRICARE Prime if the member is in pay grade E-4 or below; and

(B) may automatically enroll the dependent in TRICARE Prime if the member is in pay grade E-5 or higher.

(2) Whenever a dependent of a member is enrolled in TRICARE Prime under paragraph (1), the Secretary concerned shall provide written notice of the enrollment to the member.

(3) The enrollment of a dependent of the member may be terminated by the member or the dependent at any time.

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