



# AUSA BACKGROUND BRIEF



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No. 71

April 1996

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## REALISTIC PLANNING FOR RETIREMENT HEALTH CARE

### Introduction

Gather together a group of retired soldiers and the one thing they all will agree on is the “fact” that they were “promised” free lifetime medical care. Promised or not, it is becoming increasingly obvious to nearly everyone that military medical care will not be free and, in many cases, will not be as available to the retiree in the future.

Unfortunately, most soldiers don't think about health care until they (or family members) need it. They retire and transition into civilian life with the assumption that if medical care is needed it will be provided.

For some the gamble pays off. They (or family members) become ill and receive care at a military hospital, thus incurring little cost. However, increasingly they will be told to seek care in the civilian sector — in other words, to use CHAMPUS (Civilian Health and Medical Program of the Uniformed Services, the Department of Defense cost-sharing health plan), or its successor, TRICARE (Triservice Care).

### CHAMPUS

The CHAMPUS cost-share for retirees and their families is substantial: 25 percent of the allowed charge plus the balance over the allowed charge (also called the excess charge). CHAMPUS caps the cost-share for retiree families at \$7,500 per year. After the cap is reached, CHAMPUS pays one hundred percent of the *allowed charge*. Excess charges are *not* applied to the cap.

Providers of health services may or may not accept the allowed charge set by CHAMPUS. CHAMPUS has tried to limit the excess charge by stating that the health provider's bill may be only up to 15 percent more than the CHAMPUS allowable charge. However, CHAMPUS cannot enforce this limit. If a beneficiary complains to CHAMPUS, CHAMPUS can only advise the physician that CHAMPUS may not pay for future claims. However, the beneficiary is still liable for the excess charges.

At this point it is hardly comforting for the military retiree to be given a CHAMPUS handbook and advised to enroll in a CHAMPUS supplemental insurance plan that pays the retiree's cost-

share of allowable charges. The retiree may even be given a list of associations that provide CHAMPUS supplements. While some retirees may think that using CHAMPUS and buying a CHAMPUS supplement isn't so bad, most are soon disappointed.

CHAMPUS has earned a reputation for slow processing and low payments. CHAMPUS is not a favorite insurance plan of private doctors. In fact, many doctors will not see patients who use CHAMPUS. Additionally, a medical condition diagnosed prior to the purchase of a CHAMPUS supplement (called a preexisting condition) is not covered under any supplement for a specified period of time (usually three months to two years).

Supplemental plans may also deny coverage to those with serious illnesses. This means that when retirees need help the most, they may have to pay all of their medical expenses after CHAMPUS.

### **Before Retirement**

“About-to-be retirees” need to start planning for their future health care at least a year before their retirement date. This allows plenty of time to review the options that are available.

The first thing an about-to-be retiree may want to do is enroll in an Active Duty CHAMPUS supplement plan — *one that guarantees conversion to a Retired CHAMPUS supplement plan*. It is usually easier to obtain insurance while still on active duty, and it is always less expensive than the retiree plan. Enrollment after retirement could be contingent on evidence of acceptable health.

Information should be obtained on both the Active Duty and the Retiree supplement plans. The plan chosen should offer the best coverage at an affordable price. This prior planning helps avoid the abandoned feeling at the time of retirement.

About-to-be retirees should also check that all eligible family members are registered in the Defense Enrollment Eligibility Reporting System (DEERS). CHAMPUS claims cannot be processed if this information is not in place. DEERS information can be obtained by calling (toll-free) 1-800-538-9552. California residents call 1-800-334-4162. Hawaii and Alabama residents call 1-800-527-5602.

Retirees lose CHAMPUS eligibility at age 65 when they become eligible for Medicare. A Medicare supplement is strongly recommended. Retirees also need to be aware that unlike CHAMPUS, Medicare does *not* cover prescription drugs, and Medicare supplements offering drug coverage are expensive.

### **How Retired Will You Be?**

Retirees usually fall into one of the following categories — “second career” retirees, “own business” retirees or “fully retired” retirees.

“Second career” retirees usually work for companies that provide health insurance benefits to their employees. Retirees will be offered this coverage either immediately or after a “waiting” or “probationary” period, usually three months. Retirees may find employer coverage is expensive because some employers pay only part of the expense for the employee, leaving the employee to pay the full premium for the family portion of the coverage. Family premiums can range from \$100 to \$500 per month.

Retirees should carefully compare the cost and benefits of:

- employer-provided coverage, with CHAMPUS ideally paying most of the balances due after the employer coverage has paid (CHAMPUS considers employer-provided coverage as the primary insurance coverage); or
- continuing to use CHAMPUS as primary insurance while retaining CHAMPUS supplement coverage for the remaining balances.

Covered benefits, out-of-pocket expenses, and premiums should be compared carefully, *especially* if family members have special medical needs.

Military retirees who are planning to retire from their civilian employment before age 65 (before becoming eligible for Medicare) also need to be aware that many civilian companies’ health care plans end at retirement from the company. By law, companies with twenty or more full-time employees must allow a former employee to remain in the company health care plan for up to eighteen months. However, the former employee is required to pay *all* premiums. (Additional information on this benefit should be obtained from the company’s personnel office.) The retiree therefore needs to plan ahead or again face the prospect of having only CHAMPUS coverage.

“Own business” and “fully retired” retirees usually find it best to enroll in a CHAMPUS supplement plan because purchasing primary health insurance coverage on an individual basis is very costly.

## **Location**

Many older retirees settled near an active duty installation to enjoy the many benefits provided there. The most important benefit is health care at the military treatment facility. However, with downsizing of the armed forces, reduced medical resources and base closures, the needed health care may become unavailable at the retirement location.

Before selecting a retirement location, retirees should check the area carefully with regard to what kind of health care is available. Keep in mind that “nothing is guaranteed forever,” and availability of medical specialists can vary widely. You should consider *both* military medical treatment facilities and Veterans Affairs medical facilities where you may be able to receive treatment, depending on your VA disability status (discussed below).

## **TRICARE**

While checking different retirement areas, retirees may hear about TRICARE (Triservice Care), the new Department of Defense health care program which will replace CHAMPUS. TRICARE is a triple-option program offering STANDARD, EXTRA and PRIME coverage.

STANDARD is the same as CHAMPUS, with the usual deductibles and cost-shares.

EXTRA is similar to CHAMPUS, with deductibles and cost-shares; however, the cost-shares have been reduced by five percent. This is possible because DoD negotiates agreements with networks of local doctors. To take advantage of TRICARE/EXTRA, the beneficiary must use a doctor from the network.

PRIME is an HMO (health maintenance organization) plan with enrollment fees and cost-shares. Only retirees are required to pay the enrollment fee of \$230 per individual (\$460 per family) per year. When you enroll in TRICARE/PRIME you are restricted to a primary provider (a "gatekeeper") who approves all care. There are costly penalties if you seek care elsewhere or go around the primary provider.

TRICARE is scheduled to be operating by the end of 1997. However, TRICARE is in its very early stages and many suspect that there will be changes throughout its implementation. There are discussions being held in Congress which may slow down TRICARE's implementation. A certain degree of healthy skepticism is appropriate.

Retirees are urged to review the TRICARE options carefully. TRICARE supplemental plans are available to pay for the cost-share/copayment charges under the PRIME, EXTRA and STANDARD options.

Health care in general, with the many insurance plans and health care options, is confusing to even the most informed individual. But being well informed will lessen the chances of unanticipated outcomes in future health care. Work your way through the information available and consult knowledgeable counselors. Making health care decisions is a necessity that cannot be avoided and *must* be approached with seriousness. The choices are not easy, but they are important. For the about-to-be retiree the sooner health care planning begins, the better. Being well informed will lessen the chance of making poor decisions.

## **Department of Veterans Affairs (VA) Health Care Benefits**

VA offers a wide range of veterans' programs — medical, education, life insurance, real estate mortgage guarantee. This section is limited to medical benefits. Information on medical and other benefits, and individual counseling on benefits, is available at any local VA office. To reach the nearest VA regional office, call (toll-free) 1-800-827-1000. In addition, you should obtain the following publication from VA: "Federal Benefits for Veterans and Dependents." It is also available from the Government Printing Office; the ISBN number is 0-16-045476-x.

## VA Disability Evaluation

*All* retiring personnel should apply to the VA for a medical evaluation to validate the need for a disability rating. This rating: (1) provides the retiree a priority for treatment in the VA Medical System; (2) establishes a record for future medical evaluations, should your medical condition deteriorate; and (3) could mean you will receive appropriate compensation for medical problems experienced while on active duty.

The VA will assign you a disability rating based on your degree of disability as determined by *their* evaluation of your medical condition. This can range from 10 percent through 100 percent disability, based on increments of 10 percent. The dollar amount for each VA-established disability percentage is set by law. VA compensation will reduce, dollar for dollar, the amount of retired pay you receive; however, the VA compensation is tax free.

During retirement out-processing you will be given VA Form 21-526, Veterans Application for Compensation or Pension. Otherwise, obtain the form from the Retirement Services Officer at your military facility. Review your medical records thoroughly and record on the VA form *all* the medical problems experienced during your active duty. These problems will form the basis for your medical review by VA. After filing the proper forms, you will be contacted by the VA and directed to the closest VA medical facility or contract medical facility for a medical review and evaluation of the medical items for which disability compensation may be warranted.

This procedure takes some time and effort on your part, but is *extremely important*. It establishes your record in the VA, which is required for you, your family or survivors to subsequently obtain medical and other benefits based on your service.

## VA Medical Care

The VA can provide hospital care covering the full range of medical services. Outpatient treatment is available for all service-connected conditions, as well as nonservice-connected conditions in certain cases. Copayments may be required depending on your degree of medical disability and financial situation.

There is *no* special category for treating retired soldiers; they are treated as veterans. Eligibility for care is based on your status *as determined by VA eligibility criteria*. Your local VA office can provide specific information and will help determine your eligibility under the VA medical system. Central to this determination is the disability rating you receive from VA resulting from the application and medical evaluation process described earlier. Family members are *not* eligible for treatment in VA facilities unless they are veterans.

*Central* to the determination of eligibility for medical care is the initial disability rating the retiree receives as a result of the application and medical evaluation process described above. The importance of completing the process cannot be emphasized enough. *All* retirees should complete this process. The long-term consequences for eligibility to receive VA medical care later can be enormous.

## VA Dental Care

You may receive dental care from VA for service-connected conditions. Otherwise, you have 90 days from your date of retirement to apply to VA for dental work that was not completed by the time you retired. If you received complete dental treatment within 90 days of retirement, you are not entitled to this benefit. Your retirement papers will contain a statement about your eligibility to use VA dental care. Check this official status of dental care provided to ensure it is accurately documented.

### Summary

- Promised or not, free health care will be increasingly difficult to obtain for military retirees and their families.
- The availability of military health care will vary tremendously from area to area.
- CHAMPUS/TRICARE, without a supplemental policy, is inadequate in nearly all cases.
- The VA medical disability application and evaluation process must be completed; failure to do so could preclude you from receiving VA medical care in the future.
- The time to enroll in a supplemental health care plan is *before* you are sick (and before you retire if possible).
- This is a complicated topic that should be studied carefully. Take full advantage of pre-retirement counseling to obtain up to date information about the availability of military and veterans' health care.

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