

The purpose of the demonstration is to test the feasibility of dual eligibles (Medicare beneficiaries and Department of Defense (DoD) retirees) enrolling in Medicare+Choice (M+C) managed care plans at military treatment facilities (MTFs). By law, the Medicare program cannot pay MTFs; the demonstration provided Medicare capitation payments to the MTFs. The capitation rate was set at a level of 95 percent of the M+C rate for the counties in the MTF service areas, after carving out the amounts attributable to graduate medical education, disproportionate share hospital payments and two-thirds of hospital capital costs. Six demonstration sites began operation in 1998 and early 1999. The demonstration was expected to end December 31, 2000, but was extended 1 year by the Floyd D. Spence National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2001 (Pub.L. 106-398).

The evaluation of the demonstration was designed and conducted by an independent contractor, RAND. Their analysis constitutes the report to Congress required by law. The RAND report analyzes the operation of the demonstration from October 1, 1998, through September 30, 1999.

Evaluation Highlights:

- The demonstration sites successfully obtained Medicare certification as Medicare M+C plans for the Senior Prime plans, organized the plans, enrolled beneficiaries, and provided services for enrollees. Enrolled beneficiaries were reported to be pleased with the improved access to military treatment facility (MTF) care and the services provided.
- The demonstration sites expressed concerns about the heavy administrative burden of operating as M+C plans.
- Enrollment rates in the plans generally were consistent with the planned enrollment levels, although a few sites did not reach those levels.
- Overall government costs for health care services at the demonstration sites (excluding administrative costs) during the first year of the demonstration (FY1999) were slightly higher than the costs for the baseline year (FY1998), when normalized to cost increases in the evaluation control sites (estimated 5.1 percent cost increase for the demonstration sites between FY1998 and FY1999 versus 4.3 percent increase for the control sites).
- Costs shifted from Medicare to DOD in the first year of the demonstration. Medicare costs declined slightly (3.4 percent) in the first year, but DOD net costs increased by 29.8 percent.
- The Medicare cost savings were obtained primarily from reductions in M+C capitation payments for beneficiaries formerly in M+C plans who switched to Senior Prime, and these savings were offset partially by increased fee-for-service expenditures for beneficiaries who did not enroll in Senior Prime. Because the results showed that the approach tested in the demonstration caused DoD to incur substantial costs and the enactment of a new program "TriCare for Life" on October 2001 which established DoD as a Medigap insurer and allowed the dual eligibles to drop their Medigap policies, DoD discontinued the subvention program.

(See downloads area below for more information: Final Report).