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The Honorable Pete Stark
Ranking Minority Member
Subcommittee on Health
Committee on Ways and Means
House of Representatives

The Honorable Benjamin L. Cardin
House of Representatives

Subject: *TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B*

TRICARE is the Department of Defense's (DOD) health care system for active duty and retired uniformed service members and their families. TRICARE consists of four separate programs. Three of these programs—TRICARE Prime, a managed care option; TRICARE Extra, a preferred provider option; and TRICARE Standard, a fee for service option—cover active duty personnel, their dependents, and retirees under age 65. Prior to 2001, TRICARE beneficiaries would lose their TRICARE coverage when they reached age 65, and Medicare—the federal health insurance program that provides medical benefits to over 42 million elderly and disabled Americans—would become their primary health insurer. However, in 2001, the Congress expanded TRICARE by establishing a fourth program, known as TRICARE for Life (TFL). TFL provides supplementary health care coverage for TRICARE beneficiaries[1] who are entitled to Medicare Part A,[2] and enrolled in Part B. It pays for many services that Medicare only partially covers. While TRICARE beneficiaries do not have to pay for their TFL coverage, they are required to pay premiums for Medicare Part B.

DOD generally encourages TRICARE beneficiaries to enroll in Medicare Part B when they reach age 65 or when the Social Security Administration (SSA) determines that they are disabled and they have been receiving disability benefits for 24 months. Those who do not enroll in Part B when first eligible must wait, like other beneficiaries, for Medicare's general enrollment period, which is held annually, from January 1 to March 31, with coverage beginning on July 1 of that same year. In

[1]Hereafter, we use the term TRICARE beneficiaries to include military retirees and their dependents and survivors who are entitled to Medicare Part A.

[2]Medicare Part A covers inpatient hospital, skilled nursing facility, hospice, and certain home health services. Part B covers certain physician, outpatient hospital, laboratory, and other services. Another component of the Medicare program is Part D, which provides prescription drug coverage for Medicare beneficiaries.

addition, those who enroll during the general enrollment period are assessed a surcharge for each 12-month period that enrollment was delayed after their initial eligibility. Not all TRICARE beneficiaries enrolled in Medicare Part B when they first became eligible to do so and, as a result, were assessed premium surcharges when they eventually signed up for it.

Section 625 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) provided enrollment incentives to TRICARE beneficiaries who were entitled to Medicare Part A, but were not enrolled in Medicare Part B during their initial eligibility period.[3] In particular, Section 625 waived premium surcharges for TRICARE beneficiaries who enrolled in Medicare Part B from 2001 through 2004. The law also required that the Secretary of Health and Human Services establish a method for providing rebates for Part B premium surcharges that this group had paid since 2004. Further, the law directed the Secretary to provide a Part B special enrollment period for TRICARE beneficiaries who had not enrolled in Part B as of the date of MMA's enactment—December 8, 2003. The law mandated that this special enrollment period begin as soon as possible after MMA's enactment and end on December 31, 2004.

Four federal organizations had a role in implementing Section 625 of MMA. DOD's TRICARE Management Activity (TMA), which oversees the TFL program, and DOD's Defense Manpower Data Center (DMDC), which maintains the military's personnel database in its Defense Enrollment Eligibility Reporting System (DEERS), both had key roles in implementing the new law.[4] In addition, the Centers for Medicare & Medicaid Services (CMS)—the Department of Health and Human Services agency that oversees the Medicare program—and SSA, which enrolls Medicare beneficiaries and assists with the collection of Medicare premiums on CMS's behalf, had significant responsibilities. TMA, DMDC, and CMS had to identify which TRICARE beneficiaries were targeted for the Section 625 enrollment incentives. SSA had to enroll the TRICARE beneficiaries in Medicare Part B, waive the late enrollment premium surcharges, and repay the surcharges paid for their premiums since 2004.

Although the four organizations worked together to implement the new law, there were problems with the data that were used to initially identify which TRICARE beneficiaries were targeted by Section 625. As a result, some of the TRICARE beneficiaries who should have been identified were inadvertently excluded. Interested in determining the extent to which TRICARE beneficiaries benefited from the provisions of Section 625 of MMA, you asked us to report on the implementation of this law. This report describes (1) the steps that TMA, DMDC, CMS, and SSA took in response to Section 625 of MMA, including their efforts to correct problems

[3]Pub. L. No. 108-173, § 625, 117 Stat. 2066, 2317-18 (2003).

[4]The DEERS database contains the service-related and demographic data that are used to determine eligibility for military benefits, including health care, for all active duty servicemembers, military retirees, and the dependents and survivors of activity duty servicemembers and military retirees. As individuals join the military, the various services enter information on them into DEERS and update the information as their military status changes. The individual servicemember is responsible for providing information to DEERS on dependents and for reporting changes concerning dependents.

encountered during the law's implementation, and (2) the extent to which TRICARE beneficiaries were served.

To describe the steps that TMA, DMDC, CMS, and SSA took in response to Section 625 of MMA, including their efforts to correct problems encountered, we reviewed the TMA, DMDC, and CMS agreements to share enrollment and eligibility data. We also interviewed CMS and SSA officials, as well as DOD representatives from TMA and DMDC. We focused our work on those organizations' efforts to identify, enroll, waive, and repay premium surcharges to eligible TRICARE beneficiaries.

To describe the extent to which TRICARE beneficiaries were served, we obtained data from the involved agencies on the number of TRICARE beneficiaries who were enrolled in Part B or whose premium surcharges were repaid. We assessed the reliability of the DOD, CMS, and SSA data by corroborating them with available documentation from TMA, DMDC, CMS, and SSA. While we previously reported on weaknesses in DEERS, we determined that those weaknesses were not germane for the purposes of this report.[5] We reviewed the Part B enrollment and premium surcharge data for consistency and discussed the discrepancies with CMS and SSA officials and determined that these data were reliable for purposes of this report. In addition, we examined the notices and other correspondence that the organizations sent to TRICARE beneficiaries to determine when and how they were given the opportunity to enroll in Medicare Part B. We also determined whether the notices included information on their right to appeal the amount of the premium surcharges that were repaid, if they disagreed with SSA's calculation. Our scope was limited to the actions taken by TMA, DMDC, CMS, and SSA to implement Section 625 of MMA.[6] We performed our work from July 2005 through May 2006 in accordance with generally accepted government auditing standards.

RESULTS IN BRIEF

All four organizations—TMA, DMDC, CMS, and SSA—collaborated to implement Section 625 of MMA. The organizations took a series of steps, including reaching agreement to share necessary data. To identify the targeted TRICARE beneficiaries, the organizations worked together, from May through July of 2004, to perform a data match—a process during which they compared and matched Social Security numbers and dates of birth of TRICARE beneficiaries in their respective databases. DMDC mailed information to TRICARE beneficiaries in September 2004, alerting them that they would receive important information from SSA concerning their Medicare Part B enrollment. Also in September 2004, after the data match was finalized, SSA sent

[5]See GAO, *Defense Health Care: TRICARE Claims Processing Has Improved but Inefficiencies Remain*, GAO-04-69 (Washington, D.C.: Oct. 15, 2003), and *Defense Health Care: Most Reservists Have Civilian Health Coverage but More Assistance Is Needed When TRICARE Is Used*, GAO-02-829 (Washington, D.C.: Sept. 6, 2002).

[6]The Railroad Retirement Board (RRB) also enrolls Medicare beneficiaries and collects Part B premiums on behalf of CMS. Less than 0.2 percent of the TRICARE beneficiaries targeted by Section 625 of MMA were RRB annuitants; as a result, we did not include this agency in the scope of our review.

notices to about 49,000 TRICARE beneficiaries advising them that they had been automatically enrolled in Part B or that they were eligible for a repayment of their premium surcharges. However, the data used for this match were incomplete. As a result, TRICARE beneficiaries who should have been identified were inadvertently excluded. Some of those who did not receive a notice from SSA alerted federal officials to the error, within days of the SSA mailing. Over the next several months, DOD and CMS worked unsuccessfully to resolve the error. They decided, in December 2004, that it would be more expeditious to conduct a second data match than to pinpoint and correct the problems associated with the first data match. The organizations completed the second data match by mid-February 2005. CMS extended the Part B special enrollment period mandated by Section 625 of MMA from December 2004 through June 2005. Beneficiaries identified by the second data match had the option of enrolling in any month of 2004 or in one of the first 6 months of 2005. In addition, SSA developed processes to enroll individuals who presented themselves, but had not received letters.

Information on the total number of TRICARE beneficiaries served under Section 625 of MMA is not known. Available SSA and CMS data show that over 44,000 TRICARE beneficiaries were either enrolled in Medicare Part B or repaid for their 2004 premium surcharges, under the provisions of Section 625 of MMA. About 26,000 TRICARE beneficiaries enrolled during the special enrollment period, and about 18,700 additional TRICARE beneficiaries were either credited or repaid for premium surcharges. Although SSA determined that it had received nearly 15,000 TFL-related inquiries since January 2004, it did not separately track how many of these inquiries resulted in enrollments in Part B, premium adjustments, or repayments. Further, SSA did not separately track how many TFL-related appeals it received or the disposition of such appeals, so such information is unavailable.

We provided a draft of this report to CMS, DOD, and SSA. We received written comments from CMS and DOD. SSA also provided us with comments by e-mail. All three agencies generally concurred with our findings.

BACKGROUND

The Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 authorized the creation of the DOD Medicare-Eligible Retiree Health Care Fund, which covers the full cost of TFL coverage for military retirees, certain dependents, and survivors who are entitled to Medicare Part A, and enrolled in Part B.[7] TFL alleviates the need to purchase supplemental health insurance because it covers Medicare's co-payment and deductible medical expenses. TFL also alleviates the need for TRICARE beneficiaries to enroll in Medicare Part D because, under TFL, they can obtain prescription drugs at no cost from military treatment facilities, at low cost through DOD's National Mail Order Pharmacy, or, at higher costs from retail network or non-network pharmacies. In addition, TFL pays for certain skilled nursing and inpatient hospitalization services that Medicare does not cover.

[7]Pub. L. No. 106-398, § 713, 114 Stat. 1654, 1654A-179.

Individuals who are entitled to Social Security retirement or disability benefits are automatically enrolled in Medicare Parts A and B. CMS sends these individuals an initial enrollment period package that includes information about the Medicare program, a Medicare card, and a form that can be used to decline Part B enrollment. The package does not include a similar form to decline Part A coverage because beneficiaries cannot decline Part A. All other individuals who file an application for either Social Security benefits or Medicare are automatically enrolled in Medicare Part A. If these individuals choose to elect Part B coverage, they must do so at the time the application is filed. Most people do not pay a premium for Part A;[8] however, all beneficiaries who elect Part B coverage must pay the Part B premium. People who do not receive Social Security benefits are billed for 3 months of Part B coverage at a time, with the first payment due 1 month before their 65th birthday. If individuals who accept Part B enrollment also receive Social Security benefits, SSA will deduct the Part B monthly premium from their Social Security benefit payments, beginning with the month before they are entitled to Part B. However, those who do not enroll in Part B when first eligible must wait for Medicare's annual general enrollment period, from January 1 to March 31, to sign up for coverage.

The surcharges that people pay for delayed Part B enrollment can be substantial because they are assessed 10 percent of the cost of the premium, for each full 12-month period that they delay enrolling. Moreover, these surcharges are added to the cost of the premium for the life of the coverage.[9] For example, figure 1 shows four hypothetical Medicare beneficiaries who enrolled in Part B at different ages and the impact of their enrollment dates on the premium surcharges they incurred. As shown, by the end of 2004, the Medicare beneficiary who delayed enrollment until age 68 would have paid nearly $500 in premium surcharges, or twice the amount of the Medicare beneficiary who enrolled at age 67, while those enrolling at ages 66 or 65 would pay no surcharge at all.

[8]Most people are entitled to Part A without paying a premium because they or their spouses already paid for this coverage through employer payroll deductions, including deductions paid while in military service. However, some people may not qualify for premium-free Part A because they or their spouses did not work or did not pay enough in Medicare taxes while employed. Most persons age 65 or older must have worked 10 years, or 40 quarters, to receive coverage for premium-free Part A. The Part A premium for people who are not eligible for premium-free Part A with less than 30 quarters of coverage was $343 per month in 2004 and $375 per month in 2005. The Part A premium for people not entitled to premium-free Part A but with 30 or more quarters of coverage was $189 per month in 2004 and $206 per month in 2005.

[9]The Medicare Part B premium is adjusted annually, based on the program's projected costs for the coming year. The premium for 2005 was $78.20 per person, per month. The premiums for 2001 through 2004 were $50.00, $54.00, $58.70, and $66.60, respectively.

Figure 1: Example of Medicare Part B Premium Surcharges Paid for Late Enrollment by the End of 2004

Four hypothetical Medicare beneficiaries enrolled in Part B in March 2001.
They all share a March 10 birthday, but were born in different years, consecutively from 1933 to 1936.



Medicare Beneficiary 1:
*Born on **3/10/33**, this beneficiary was **68** during the 2001 general enrollment period, and this beneficiary's initial enrollment period was **12/1/97 – 6/30/98**. This beneficiary had **33** months of delayed enrollment and **2** full 12-month periods of delayed enrollment.*

There was a 20% premium surcharge.



Medicare Beneficiary 2:
*Born on **3/10/34**, this beneficiary was **67** during the 2001 general enrollment period, and this beneficiary's initial enrollment period was **12/1/98 – 6/30/99**. This beneficiary had **21** months of delayed enrollment and **1** full 12-month period of delayed enrollment.*

There was a 10% premium surcharge.



Medicare Beneficiary 3:
*Born on **3/10/35**, this beneficiary was **66** during the 2001 general enrollment period, and this beneficiary's initial enrollment period was **12/1/99 – 6/30/00**. This beneficiary had **9** months of delayed enrollment and **no** full 12-month period of delayed enrollment.*

There was a 0% premium surcharge.



Medicare Beneficiary 4:
*Born on **3/10/36**, this beneficiary was **65** with an initial enrollment period of **12/1/00 – 6/30/01**. This beneficiary automatically enrolled and so had **no** months of delayed enrollment and **no** full 12-month period of delayed enrollment.*

There was a 0% premium surcharge.

	Year	Standard premium	Months of coverage	Premium surcharge for Medicare Beneficiary 1:	Premium surcharge for Medicare Beneficiary 2:	Premium surcharge for Medicare Beneficiary 3:	Premium surcharge for Medicare Beneficiary 4:
Amount of yearly surcharge	2001	($50.00 x (Percentage of premium surcharge)	x 6) =	$60.00	$30.00	$0	$0
	2002	($54.00 x (Percentage of premium surcharge)	x 12) =	129.60	64.80	0	0
	2003	($58.70 x (Percentage of premium surcharge)	x 12) =	140.90	70.40	0	0
	2004	($66.60 x (Percentage of premium surcharge)	x 12) =	159.80	79.90	0	0
Total premium surchage, by the end of 2004				**$490.30**	**$245.10**	**$0**	**$0**

Source: GAO.

Note: According to CMS policy, premiums that are not multiples of 10 cents are rounded to the nearest dime.

ORGANIZATIONS COLLABORATED TO IMPLEMENT LAW AND TO CORRECT INITIAL ENROLLMENT ERRORS

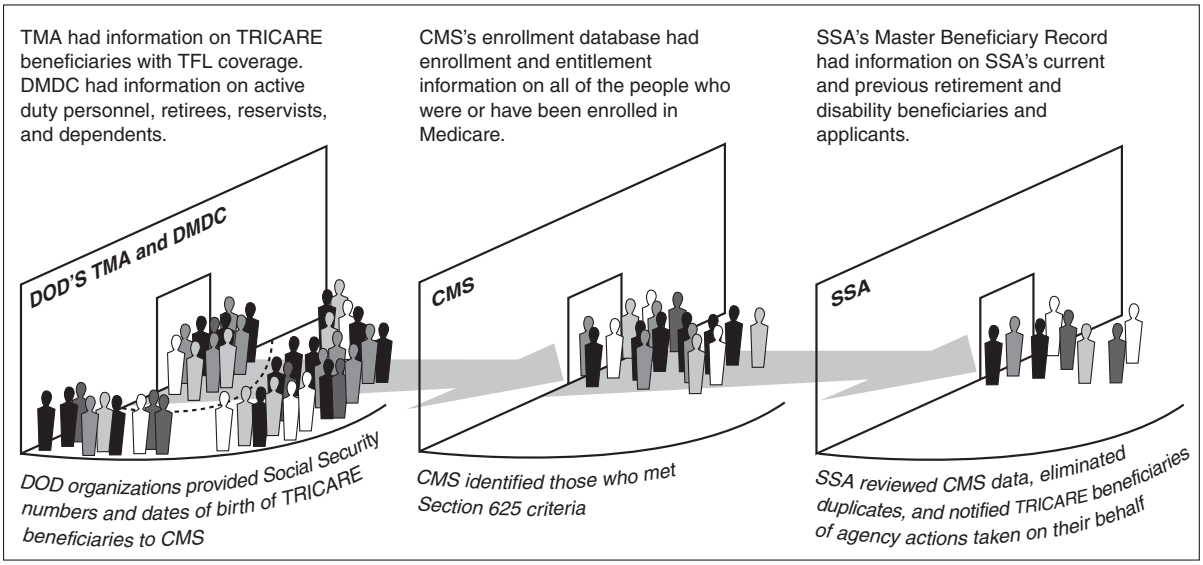
All four organizations—TMA, DMDC, CMS, and SSA—worked together to implement Section 625 of MMA. DOD and CMS signed a memorandum of understanding (MOU) in May 2004, which established the role of each organization and also recognized that the successful implementation of the law depended on their sharing accurate and complete sets of data. The organizations agreed to perform an analysis, known as a data match, to identify the TRICARE beneficiaries who were eligible under Section 625 to enroll in Part B during the special enrollment period or entitled to have their premium surcharges waived and the 2004 surcharges repaid. Despite their efforts, the data that were used in this data match were incomplete and some TRICARE beneficiaries were inadvertently excluded. The agencies conducted a second data match to develop a comprehensive list of TRICARE beneficiaries and also extended the special enrollment period.

Initial Steps to Implement Section 625

By March 2004, officials from all four organizations decided that rather than waiting for TRICARE beneficiaries to individually apply for Part B enrollment, it would be more efficient for SSA to automatically enroll them in Part B. To do this, the organizations opted to conduct a data match, which would require them to obtain and extract information from their respective databases to identify who was (1) eligible to enroll during the Section 625 special enrollment period, (2) entitled to have Part B premium surcharges waived, and (3) due a repayment for 2004 premium surcharges. TMA, CMS, and SSA officials told us that they posted information on their organizations' Web sites prior to this data match. This information was intended to alert TRICARE beneficiaries that they would be contacted by SSA as soon as implementation procedures were finalized. SSA officials also trained their field office staff on how to handle inquiries, should they be contacted before the procedures were finalized.

Each organization had different sets of information and had to take particular steps to identify the TRICARE beneficiaries. TMA had information on TRICARE beneficiaries receiving TFL coverage. DMDC, which maintains the DEERS database, had information on all active duty members of the uniformed services, military retirees, and the dependents and survivors of active duty servicemembers and military retirees. CMS, in its enrollment database, had enrollment and entitlement information on all of the people who were or have been enrolled in Medicare. CMS's data also included information on the person's age, gender, state and county of residence, and date of enrollment. SSA's Master Beneficiary Record, which is its principal beneficiary file, had information on SSA's current and previous retirement and disability beneficiaries and applicants. The Master Beneficiary Record also contained information on Medicare enrollment, premiums, and premium surcharges. TMA and DMDC provided the DOD information on TRICARE beneficiaries to CMS. CMS extracted data on those meeting the selection criteria and shared its results with SSA. SSA, in turn, eliminated duplicate entries and the names of deceased TRICARE beneficiaries, which finalized the results of the data match. Figure 2 illustrates the Section 625 data match and the information that TMA, DMDC, CMS, and SSA used to identify TRICARE beneficiaries.

Figure 2: Initial Steps Federal Organizations Took to Identify Those Eligible for Medicare Part B



Source: GAO.

Organizations Completed Data Match and Discovered Errors

TMA, DMDC, and CMS had difficulty identifying the TRICARE beneficiaries targeted by Section 625 of MMA. The MOU they signed specified the information that they would share. TMA and DMDC agreed to provide CMS with the Social Security numbers and dates of birth of TRICARE beneficiaries from the DEERS database. CMS agreed to match that information with data in its enrollment database and identify which TRICARE beneficiaries were entitled to premium-free Part A and were not enrolled in Medicare Part B. CMS also agreed to identify TRICARE beneficiaries who were eligible to have their Part B premiums surcharges waived and their 2004 premium surcharges repaid. CMS would then share the results of the data match with SSA, which would take steps to enroll the TRICARE beneficiaries in Part B and arrange for the 2004 premium surcharges to be repaid.

However, DMDC and CMS officials did not agree on how many TRICARE beneficiaries were included in the files used for this initial data match. DMDC officials told us that they sent two files to CMS, from May 10 through 13, 2004, containing data on a combined total of 7.2 million TRICARE beneficiaries. However, CMS officials told us they received one file containing information on about 6.9 million TRICARE beneficiaries—a difference of about 300,000 TRICARE beneficiaries.

From mid-May to mid-June, CMS matched the data it received from DMDC with data in its enrollment database to identify the TRICARE beneficiaries targeted for Section 625 enrollment incentives. CMS identified three distinct groups of TRICARE beneficiaries who were entitled to premium-free Part A: (1) those who were not

enrolled in Part B, (2) those who had enrolled in Part B and were paying premium surcharges and were potentially eligible for premium surcharge waivers and for surcharge repayments, and (3) those who enrolled during Medicare's 2004 general enrollment period and to whom CMS offered the choice of making their coverage retroactive to an earlier month during 2004, in addition to waiving any premium surcharge.[10] CMS electronically transmitted these three files to SSA in mid-June 2004.

According to SSA officials, in July 2004, they eliminated duplicate entries and the names of deceased TRICARE beneficiaries from the information provided by CMS. From September 4, 2004, through September 10, 2004, SSA sent notices to the over 49,000 remaining TRICARE beneficiaries concerning their eligibility under Section 625 of MMA. SSA notified the first group of TRICARE beneficiaries—those that had not enrolled in Part B—that the agency had automatically enrolled them in Part B, with a September 1, 2004, effective date. SSA also informed them that it had deducted 2 months worth of premiums from their Social Security benefit checks and that those who did not receive benefit checks would be billed separately by CMS. The notice also explained that because MMA mandated that a special enrollment period be offered to them, they could choose to make their Part B coverage effective in any month in 2004. SSA's notice to this first group of TRICARE beneficiaries also explained how to decline Part B enrollment.

SSA informed the second group of TRICARE beneficiaries—who were paying premium surcharges—that their premium surcharges would be waived and that the surcharges they paid for Part B in 2004 would either be included in their Social Security benefit checks or credited toward future premiums, if they were billed for Part B coverage. SSA notified the TRICARE beneficiaries in the third group—who had enrolled during Medicare's 2004 general enrollment period—that they could make their coverage retroactive to as early as January 2004, instead of the customary July 1 effective date. TRICARE beneficiaries in this third group were also informed that their premium surcharges would be waived and that any surcharges they might have paid would be repaid or credited toward future premiums. Additionally, SSA's notices advised them how to appeal, if they disagreed with the agency's Part B enrollment determination or the repayment calculation.

[10]MMA called for the special enrollment period to begin as soon as possible following the law's enactment. Because it took 5 months to finalize implementation procedures, CMS identified the third group of TRICARE beneficiaries—those who had enrolled during the 2004 general enrollment period—and offered them the option of beginning Part B coverage sooner than the customary July 1 effective date.

In September 2004, DMDC alerted TRICARE beneficiaries by mail that they would receive important information from SSA concerning their Medicare Part B enrollment. DMDC also categorized TRICARE beneficiaries into three groups; these groups were different from the three categories used by CMS and SSA.[11] Beginning in September 2004, within days of the SSA mailing, TMA, CMS, and SSA received inquiries from concerned TRICARE beneficiaries who had received letters from DMDC but had not received enrollment information from SSA. According to officials from TMA, CMS, and SSA, these calls were their first indication that some of the targeted TRICARE beneficiaries had not been identified through their data match efforts. TMA's and DMDC's internal quality review estimated that DMDC had mailed notices to about 42,000 more TRICARE beneficiaries than SSA had notified. According to CMS, it determined that, in early December 2004, most of the beneficiaries who said they had not received a letter from SSA were not included on the initial file received from DMDC. As a result, CMS had not transmitted data on these beneficiaries to SSA in June 2004.

Organizations Obtained Corrected Data and Extended the Enrollment Period

On December 29, 2004, TMA, DMDC, CMS, and SSA officials agreed that it would be more expeditious to perform a second data match than to continue investigating why some TRICARE beneficiaries had not been identified by their initial efforts. The next day, December 30, 2004, CMS received the Social Security numbers and dates of birth of approximately 7.4 million TRICARE beneficiaries from DMDC, which included data on over 500,000 more TRICARE beneficiaries than used for the initial data match. This time, DMDC transmitted data on all the TRICARE beneficiaries potentially eligible for TFL benefits in its database in a single file, not in two separate files as organization officials said had been done for the initial data match. Matching these data with its enrollment database, from January 10 through January 12, 2005, CMS identified two groups of TRICARE beneficiaries who were entitled to premium-free Part A: (1) those who were not enrolled in Part B and (2) those who were enrolled in Part B and potentially eligible for their premium surcharges to be waived and for the 2004 surcharges to be repaid.[12] CMS transmitted information on these TRICARE beneficiaries to SSA on January 12, 2005.

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[11]The DMDC categories were for TRICARE beneficiaries who were entitled to premium-free Medicare Part A and were (1) under age 65 and not enrolled in Part B, (2) age 65 and over and not enrolled in Part B, or (3) enrolled in the Uniformed Services Family Health Plan—a TRICARE managed care option that is only available in six areas of the country. The letters to the first and second groups contained information on their upcoming automatic enrollment in Part B, the monthly or quarterly Part B premiums they would need to pay, and the consequences of declining Part B coverage. The letter to the third group explained that once they disenrolled from the Uniformed Services Family Health Plan, they would need to immediately enroll in Medicare Part B for continued TRICARE coverage under TFL.

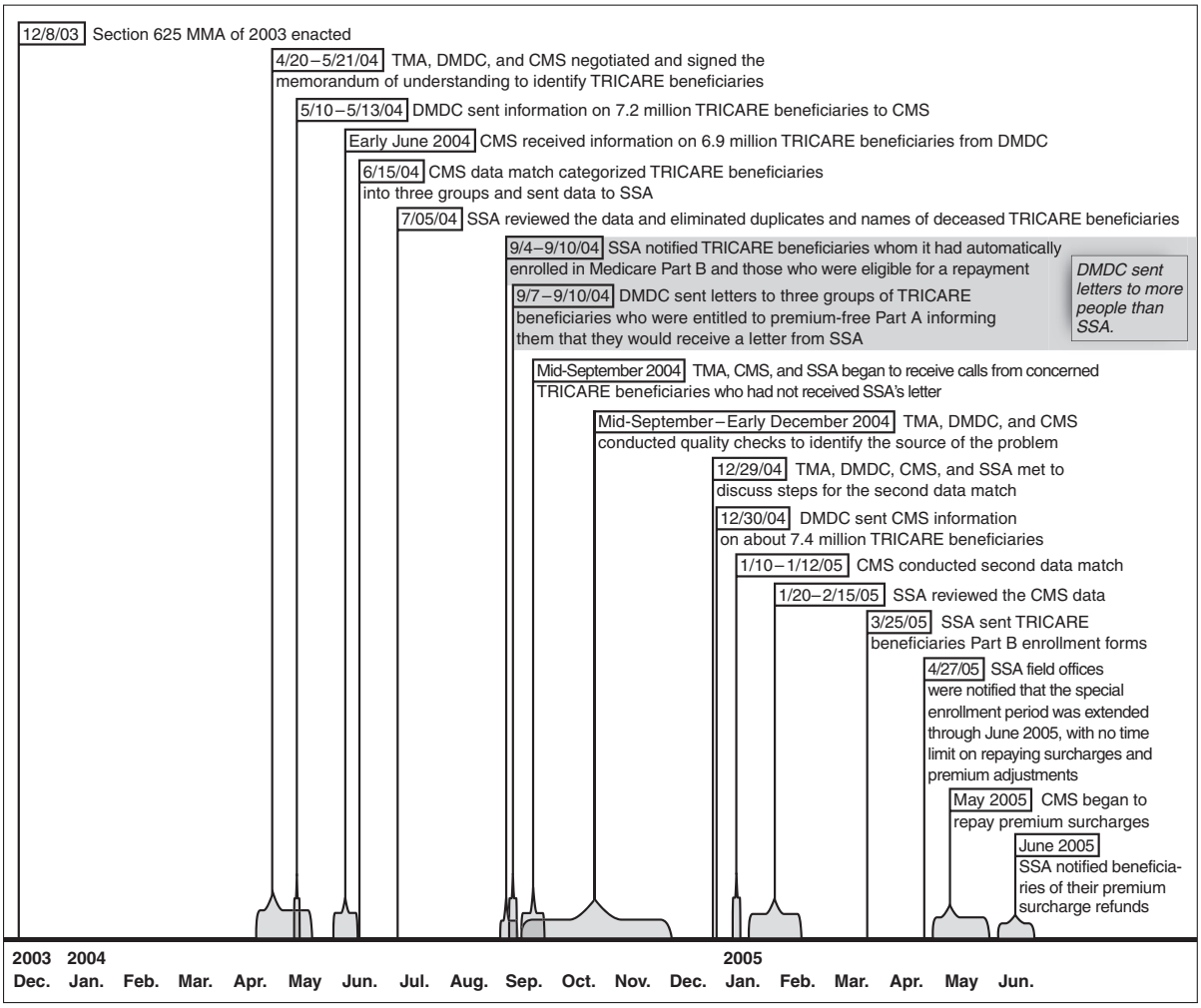
[12]Because the 2005 general enrollment period had just begun, CMS did not separately identify TRICARE beneficiaries who enrolled during general enrollment, as it had done for the first data match.

By mid-February, SSA reviewed the data it received from CMS—eliminating duplicate entries and the names of deceased persons. In March 2005, SSA sent the identified 41,345 TRICARE beneficiaries instructions on how to enroll in Part B and an enrollment form, and offered those who chose to enroll the option of selecting any month in calendar year 2004 or the first 7 months of 2005 for their Part B coverage to begin.[13] However, CMS, SSA, and TMA officials agreed that it would be preferable to offer information on Part B enrollment, rather than automatically enrolling TRICARE beneficiaries as had been done following the first data match. These officials expressed several concerns with automatic enrollment. First, CMS and SSA officials told us that an automatic enrollment would not save time. Instead, they told us that they were concerned that it would take as long to automatically enroll those identified by the second data match as it had taken them to enroll TRICARE beneficiaries after the initial data match. Second, SSA pointed out that some of the individuals identified by the second data match were already in the process of being enrolled. Third, TMA officials told us they were also concerned that some TRICARE beneficiaries might have declined coverage and would be irritated if SSA enrolled them a second time and deducted 2 months' premiums from their Social Security benefit checks.

In addition, on April 27, 2005, SSA provided written instructions to its field offices on how to enroll and process repayments for TRICARE beneficiaries who might not have received either its September 2004 or March 2005 notice, but who may subsequently have learned about their eligibility under Section 625 of MMA. These instructions also extended the special enrollment period through June 2005 because, according to CMS and SSA officials, not all of the eligible TRICARE beneficiaries had an ample opportunity to enroll during the special enrollment period specified in the law. The instructions also included provisions for enrolling eligible TRICARE beneficiaries after June 2005, on a case-by-case basis. The instructions also reminded SSA field staff that there is no time limit for waiving or repaying the Part B premium surcharges. Figure 3 illustrates the agencies' efforts to implement Section 625 of MMA, including their efforts to correct the problems encountered after the initial data match.

[13]An SSA official told us that the agency generally gives people 3 months to respond to an agency notice, so that an enrollment notice sent in March 2005 would typically give an individual until June 2005 to respond and elect Part B coverage.

Figure 3: Timeline of Federal Actions to Implement Section 625 of MMA



Source: GAO analysis of DOD, CMS, and SSA information.

Note: CMS extended the Section 625 special enrollment period through June 2005. In addition, SSA's April 27, 2005, instruction to its field offices included provisions for enrolling TRICARE beneficiaries and repaying premium surcharges after June 2005, on a case-by-case basis.

DATA ON TRICARE BENEFICIARIES SERVED UNDER SECTION 625 OF MMA ARE INCOMPLETE

Although the total number of TRICARE beneficiaries served by the implementation of Section 625 is not fully known, we found that over 44,000 TRICARE beneficiaries benefited from this law, most as a result of the first data match. Data from SSA's automated processing system showed that it enrolled or provided Part B premium surcharge repayments to 43,948 TRICARE beneficiaries, as a result of Section 625 of MMA. SSA also told us other TRICARE beneficiaries were served by Section 625 of MMA, but were not tracked by its automated systems. In addition, CMS officials reported that implementation of Section 625 of MMA resulted in premium surcharge repayments or credits toward future premiums for 462 TRICARE beneficiaries, who were billed for Part B coverage.

Over 44,000 TRICARE Beneficiaries Enrolled in Part B or Were Repaid for Premium Surcharges

By December 2005, SSA's automated processing system showed that 43,948 TRICARE beneficiaries benefited from Section 625. SSA enrolled 25,697 TRICARE beneficiaries in Part B and repaid premium surcharges to an additional 18,251 TRICARE beneficiaries. However, according to SSA officials, this does not include data on an unspecified number of TRICARE beneficiaries associated with about 2,000 Social Security numbers, who were not enrolled, repaid, nor had their premium surcharges waived by the agency's automated processing system.[14] Most of the TRICARE beneficiaries who enrolled or received repayments for their premium surcharges were as a result of the first data match.

In June 2004, CMS identified a total of 59,918 TRICARE beneficiaries who were entitled to premium-free Part A and potentially eligible for the Section 625 enrollment incentives, as a result of the first data match. CMS determined that these 59,918 TRICARE beneficiaries could be categorized into three groups. The first group comprised 32,044 TRICARE beneficiaries who were not enrolled in Part B and the second group comprised 18,700 TRICARE beneficiaries who were enrolled in Part B and were paying premium surcharges for their late enrollment. The third group comprised 9,174 TRICARE beneficiaries who had enrolled in Part B during the 2004 January-March general enrollment period. CMS offered this third group the option of making their Part B coverage retroactive to as early as January 2004, instead of the customary July 1 effective date for general enrollment.[15] After SSA reviewed the CMS data, in July 2004, SSA determined that a total of 49,117 TRICARE beneficiaries were not enrolled in Part B or were enrolled and eligible for premium surcharge waivers and surcharge repayments. Although SSA processed most—47,803—of these cases[16] through its automated processing system, 1,314 were rejected by this system and had to be processed manually.[17] SSA officials explained that the data that they provided to us were from its automated systems and, as a result, did not include information on the Part B enrollments and repayments for the 1,314 TRICARE beneficiaries whose cases were manually processed.

From the second data match, CMS identified a total of 57,480 TRICARE beneficiaries as potentially eligible for the Section 625 enrollment incentives, including an unknown number of TRICARE beneficiaries who were identified by both data

[14]An SSA official told us that in addition to the TRICARE beneficiary, a spouse and dependents may also be receiving benefits based on the TRICARE beneficiary's Social Security number. Therefore, one Social Security number may have multiple TRICARE beneficiaries associated with it.

[15]This group of TRICARE beneficiaries was also entitled to a repayment of the premium surcharges they might have paid for 2004 Part B coverage.

[16]SSA defines a case as a matter affecting a record associated with a specific Social Security number and possibly involving multiple Social Security beneficiaries.

[17]An SSA official explained that the agency's automated claims processing system can reject a case from being processed automatically for numerous reasons, including missing or conflicting information.

matches. CMS officials explained that TRICARE beneficiaries who had either declined Part B or had allowed their coverage to lapse by the time the second match was conducted would have been identified by both data matches. According to information in CMS's enrollment database, of those TRICARE beneficiaries who were entitled to premium-free Part A, (1) 55,102 TRICARE beneficiaries were not enrolled in Part B and (2) 2,378 TRICARE beneficiaries were enrolled in Part B and potentially due premium surcharge waivers and surcharge repayments.

SSA reviewed the CMS data and determined that a total of 41,345 TRICARE beneficiaries were either not enrolled in Part B or eligible for premium surcharges to be waived and repayments of their 2004 surcharges. However, of these 41,345 TRICARE beneficiaries, SSA was able to issue notices about enrolling in Part B and process premium surcharge waivers, and repayments for 40,703 through its automated systems. This number excludes 642 cases that were not processed by SSA's automated processing system. According to SSA officials, some of the TRICARE beneficiaries associated with these cases could have enrolled or pursued repayment of their premium surcharges through their local SSA field offices. Because these cases were manually processed, they were also not included in the data that SSA provided to us.

A total of 43,948 TRICARE beneficiaries had been served under Section 625 by December 2005, according to data from SSA's automated processing system. As shown in table 1, SSA enrolled 25,697 TRICARE beneficiaries in Part B and repaid premium surcharges to an additional 18,251 TRICARE beneficiaries. Initially, only TRICARE beneficiaries who received Social Security benefit checks received repayments for their premium surcharges. Those whom CMS billed for Part B coverage had their premium surcharges credited toward future premiums.

Table 1: Section 625 of MMA Part B Enrollments and Premium Surcharges Repaid by SSA, as of December 2, 2005

	First match	Second match	Total
Number of TRICARE beneficiaries SSA enrolled in Part B[a]	21,956	3,741	**25,697**
Number of TRICARE beneficiaries who received repayments[b]	16,525	1,726	**18,251**
Average amount repaid[b]	$309.96	$524.00	

Source: GAO analysis of SSA data.

[a]According to SSA, 9,322 of the 31,278 eligible TRICARE beneficiaries identified by the first match declined Part B coverage; many were already enrolled in a group health plan.

[b]The TRICARE beneficiaries who received repayments as a result of the first data match are not included among those who received repayments as a result of the second data match.

CMS subsequently determined that it would repay, rather than credit, premium surcharges for qualifying TRICARE beneficiaries. In May 2005, CMS identified 462 TRICARE beneficiaries who were billed for Part B and qualified for repayments under Section 625 of MMA. According to CMS, by the time the agency identified these 462 TRICARE beneficiaries, 195 of them had already had the money credited for their Part B premiums. By the end of June 2005, SSA had notified TRICARE beneficiaries of their premium surcharge refunds and Medicare repaid $112,300 to 267 of these

beneficiaries whose credit balances had not been depleted. In addition, CMS determined that it would repay the premium surcharges for any additional TRICARE beneficiaries who qualified under Section 625 of MMA, but had not yet been identified as eligible. In total, SSA and CMS repaid or credited 18,713 TRICARE beneficiaries for the premium surcharges they had paid for 2004 Part B coverage.

Not All Aspects of Section 625 Implementation Are Known

Despite the availability of much data, some details concerning the law's implementation are unknown. SSA officials noted that the agency's automated processing system did not track the number of TRICARE beneficiaries who changed the effective date of their Part B coverage, as a result of Section 625 of MMA. SSA also could not identify the number of appeals filed by TRICARE beneficiaries that were affected by Section 625. Although SSA tracked the number of TFL-related inquiries that its field offices had received since January 2004, the agency had not determined whether those nearly 15,000 inquiries resulted in additional enrollments, waivers of premium surcharges, or repayments for premium surcharges. According to SSA, it determined that because of the relatively small size of the TRICARE workload, it would not be cost effective to change its reporting systems to capture this information. Finally, none of the involved organizations—DMDC, TMA, CMS, or SSA—tracked data on the disposition of cases involving undelivered mail. Consequently, the number of TRICARE beneficiaries who never received notices is unknown.

AGENCY COMMENTS

We provided a draft of this report to CMS, DOD, and SSA. We received written comments from CMS and DOD. We have reprinted CMS's and DOD's letters in enclosures I and II, respectively. SSA also provided us with comments by e-mail. All three agencies generally concurred with our findings and provided additional information clarifying their respective roles in the implementation of Section 625. We revised our report to reflect this information. All three agencies also offered technical comments, which we incorporated as appropriate.

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As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will send copies to the Secretary of Defense, the Secretary of Health and Human Services, the Administrator of CMS, the Commissioner of SSA, and other interested parties. We will also make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (312) 220-7600 or aronovitzl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Geraldine Redican-Bigott, Assistant Director; Enchelle Bolden; Chir-Jen Huang; Kevin Milne; and Jessica Cobert Smith made key contributions to this report.



Leslie G. Aronovitz
Director, Health Care

Enclosures -- 2

Enclosure I

Comments from the Centers for Medicare & Medicaid Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

200 Independence Avenue SW
Washington, DC 20201

DATE: MAY 25 2006

TO: Leslie G. Aronovitz
Director, Health Care
Government Accountability Office

FROM: Mark B. McClellan, M.D., Ph.D.
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: Government Accountability Office's (GAO) Draft Correspondence: "TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B" (GAO-06-489R)

Thank you for the opportunity to review and comment on the GAO draft correspondence entitled, "TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B." The CMS and the DoD have taken steps to ensure that TRICARE beneficiaries understand the relationship between Medicare and TRICARE. CMS continually advises beneficiaries through our Initial Enrollment Period package, the *Medicare & You* handbook, and our Web site that enrollment in Medicare Part B is required to retain coverage under TRICARE. Upon notification from CMS, via our data exchanges, that a TRICARE beneficiary is not enrolled in Part B, the DoD sends a letter to the beneficiary, advising that Part B coverage is required to maintain TRICARE coverage. We hope these efforts assist our beneficiaries in making informed health care choices.

Overall we concur with the draft correspondence's discussion of the efforts put forth by the Centers for Medicare & Medicaid Services (CMS), the Department of Defense (DoD), and the Social Security Administration (SSA) to implement section 625 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). This legislation provided a special enrollment period for Medicare Part B for TRICARE beneficiaries who are entitled to Medicare Part A. Additionally, it required that the premium surcharge for late enrollment incurred by TRICARE beneficiaries be removed, beginning January 2004, and refunded to the beneficiaries. The special enrollment period and removal of the premium surcharge was to begin as soon as possible after enactment and end on December 31, 2004.

The implementation of the law required a collaborative effort between the three Federal agencies. As a result, over 44,000 TRICARE beneficiaries were enrolled in Medicare Part B or received a refund of surcharges paid beginning January 2004.

The primary challenges for the agencies were to identify an unknown number of beneficiaries who met the requirements of the legislation and to develop an enrollment and repayment process that would require no action on the part of the beneficiary. As the Federal agency responsible for developing national policy and procedures for eligibility, enrollment, and entitlement processes for Part A and Part B of the Medicare program, CMS determined that under the law,

Enclosure I

Page 2 - Leslie G. Aronovitz

TRICARE beneficiaries could be automatically enrolled in Part B, thereby alleviating the requirement for each beneficiary to file an application for Part B.

Since neither CMS nor SSA could identify TRICARE beneficiaries in their respective data bases, the DoD provided to CMS identifying data for all TRICARE eligible beneficiaries via a data match. CMS used this data to identify those TRICARE beneficiaries who met the requirements of section 625 of the MMA. This beneficiary data was then sent to SSA to process the Part B enrollments, remove the premium surcharge, refund surcharges, and issue notices to the affected beneficiaries. The Part B enrollments were processed on August 31, 2004. The Part B enrollment and surcharge repayment process was also completed on August 31, 2004. By September 10, 2004, all notices had been issued to the beneficiaries.

Each of the agencies posted fact sheets on their Web sites that explained the automatic enrollment and premium surcharge repayment process: that beneficiaries would receive a letter from SSA advising them that they had been automatically enrolled in Part B, effective September 1, 2004, or that the premium surcharge had been removed and they would receive a refund of surcharges paid. The fact sheets also provided instructions for beneficiaries to contact SSA if they believed that they were eligible to enroll in Part B or to receive a premium surcharge repayment and they did not receive a letter from SSA by October 2004.

Despite our initial efforts, some beneficiaries were not identified as being eligible for the provisions of section 625 of the MMA. To address this situation CMS, SSA, and DoD performed a second data match as quickly as possible and extended the special enrollment period until June 30, 2005. Because there was no statutory limitation for removing and repayment of the premium surcharge, an extension for this provision was not required. All identified beneficiaries were given the same considerations as those previously identified in the first data match, except that beneficiaries who were not enrolled in Part B were not automatically enrolled. These beneficiaries would have to request Part B enrollment. To ensure that all beneficiaries would be given the opportunity to enroll in Part B, CMS provided instructions to SSA to enroll TRICARE beneficiaries in Part B, if, for any reason they had not been identified.

Thank you for your efforts to study this matter. Attached are our technical comments on this correspondence for your consideration.

Attachment

Comments from the Department of Defense

THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

MAY 3 2006

Ms. Leslie G. Aronovitz
Director, Health Care
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Ms. Aronovitz:

This is the Department of Defense (DoD) response to the proposed report to Congress titled: "TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B."

The report provides a good summary of the process and actions taken by DoD, the Defense Manpower Data Center, the Centers for Medicare/Medicaid Services, and the Social Security Administration to implement the provisions of Section 625 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Incorporating the attached technical comments will improve the accuracy of the report.

My points of contact on this topic are Ms. Anne Breslin at (703) 681-0039, extension 3605 and Mr. Gunther J. Zimmerman (Audit Liaison) at (703) 681-3492, ext. 4065.

Sincerely,

For William Winkenwerder, Jr., MD

Attachment:
As stated

Enclosure II

GAO DRAFT REPORT – DATED APRIL 18, 2006
(GAO CODE – 290475/GAO-06-XXXX)

"TRICARE: Enrollment of the Department of Defense's TRICARE Beneficiaries in Medicare Part B" (GAO-06-489R)

DEPARTMENT OF DEFENSE COMMENTS

The proposed report contains no recommendations; however, the Department would like to offer several comments.

Overall Comments:

- The report provides a good summary of the process and actions taken by DoD, DMDC, CMS and SSA to implement the provisions of Section 625 of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

- Incorporating the technical comments attached will improve the accuracy of the report.

(290475)

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