



Military Healthcare Pilot Programs to Inform U.S. Healthcare Reform

The Department of Defense (DoD) is in the unique position of being able to use the reform process directed by the Congress not only to gain information to improve the performance of its own healthcare programs, but also to generate information that could help U.S. policy makers confront the challenges the U.S. healthcare system faces.

TRICARE is an important element of military compensation that provides comprehensive health benefits to current and retired members of the U.S. military and their families. Yet, public healthcare programs like TRICARE, Medicare, and Medicaid face challenges similar to those the overall U.S. healthcare system faces. Piloting different reform policies is one way to understand these complex problems when choosing the best path forward. The policies that deliver the optimum balance of cost control, beneficiary satisfaction, and health outcomes can then be determined, based on the relative performance of alternative measures and the relative importance of incentives to beneficiaries and delivery systems alike. DoD's mandate from the National Defense Authorization Act for Fiscal Year 2017 to experiment with reforms to TRICARE through pilot programs is an opportunity for DoD to experiment with the best future course, yielding results that may also inform the national debate on healthcare reform.

IDA reviewed DoD's TRICARE program challenges and evaluated the similarities between these challenges and those of civilian healthcare. We then developed options for pilot designs and assessment strategies and identified implementation issues. Three potential pilot designs emerged: one to address supply-side reform, one to address demand-side reform, and one to address both supply-side and demand-side reform.

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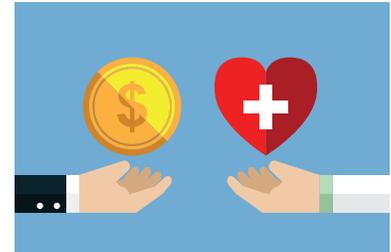
Supply-side reforms would target the structure of the TRICARE contracts by introducing greater contractor risk-bearing and greater competition among contractors. The new contract structures would incentivize contractors to reimburse providers using value-based reimbursement models.



Demand-side reform would test the effects of non-premium cost shares and a lump-sum subsidy on utilization and health outcomes, leaving supply-side incentives and other benefit attributes unchanged.

A pilot design with integrated supply- and demand-side interventions would test the full range of issues, including the

relationship of cost shares to utilization and outcomes, value to beneficiaries of choice and expanded access, and effectiveness of non-price tools for utilization and outcomes.



Healthcare reform is one of the most important challenges facing U.S. policy makers today. In the past, policy experiments and pilot programs have provided evidence that helped shape the chosen reform strategy. Congressionally directed TRICARE pilots present an opportunity for DoD to not only inform its own reform strategy but also provide results that help to inform the national reform agenda.

TRICARE's defined population, long-term association with beneficiaries, and strong mandate for reform make it an ideal venue for gaining information of national significance.



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