CONGRESSIONAL POLICY REPORT

TO: Members of Congress, Armed Services Committees & Legislative Policy Directors

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SUBJECT: *CBO Economic Scoring Briefing & Statutory Analysis: Reframing Budgetary Offsets for TRICARE Market Parity Reform*

EXECUTIVE SUMMARY

A primary consideration among Congressional policy staff evaluating the *Military Health Care Accountability and Parity Act of 2026* is the potential score from the Congressional Budget Office (CBO) regarding the removal of TRICARE's grandfathered statutory status under Title 10, U.S. Code.

This official report outlines the economic logic, structural budget offsets, and empirical survey data required to neutralize a negative CBO cost projection. Removing TRICARE's legacy grandfathered posture does not create a new entitlement program or expand eligible beneficiary pools. Instead, it enforces commercial health market compliance, Non-Quantitative Treatment Limitation (NQTL) parity, and third-party independent appeals within existing managed care support contracts.

When evaluated across total Department of Defense (DoD) appropriations, the bill generates direct, scoreable cost avoidances by mitigating active-duty human capital flight and eliminating federal-to-state Medicaid cost-shifting.

Summary of Core Budgetary Offsets

Offset Category	Statutory Mechanism	Primary Budgetary Impact
1. No Mandatory Entitlement Spend	Amends 10 U.S.C. § 1079 market compliance parameters	Enforces compliance within existing multi-year T-5 support contracts, yielding minimal scoreable direct outlays.
2. Warfighter Retraining Avoidance	Mitigates human capital flight among elite MOS fields	Retaining just 15 specialized operators/year saves up to $150M annually in direct pipeline retraining expenses.
3. Federal Medicaid Offload	Restores TRICARE as primary healthcare payer	Removes military dependents from state Medicaid waivers, saving an estimated $6,383 in federal FMAP matching per child annually.

Offset Category	Statutory Mechanism	Primary Budgetary Impact
4. Overhead Consolidation	Sunsets perpetual 10 U.S.C. § 1092 demonstrations (>5 years)	Integrates mature programs into TRICARE Basic, eliminating duplicate contractor management fees.

SECTION 2: THREE PRIMARY BUDGETARY OFFSETS

Offset A: Warfighter Pipeline Replacement & Retraining Savings

The Defense Health Agency's current administrative care exclusions generate substantial indirect waste within Department of Defense personnel and training budgets. When healthcare friction forces experienced mid-career operators to separate early from active duty, the military incurs high retraining costs to replace them.

Economic Comparison: Retraining vs. Continuous Care

Cost Metric	Financial Value	Economic Ratio & Return on Investment
Pipeline Retraining Cost	**$5,600,000 to $10,000,000+**	Cost to replace a single tactical pilot, EOD tech, nuclear engineer, or special operator who separates early.
Annual Pediatric Healthcare Cost	**~$15,000 to $25,000**	Annual outlay to provide continuous evidence-based care (ABA, Speech, OT, Mental Health) for a military dependent.
Fiscal Net Balance	**20+ Years of Care**	Retaining **one** mid-career specialized operator pays for up to 20 years of continuous healthcare for an entire military family.

Offset B: Federal Medicaid Outlay Reductions (FMAP Offload)

When TRICARE contractors issue non-clinical care denials (such as setting bans on school-based care), 57% of impacted military families are forced to enroll their dependents in State Medicaid Home and Community-Based Services (HCBS) Waivers.

- **Federal Outlay Impact:** Under Federal Medical Assistance Percentage (FMAP) matching rules, federal tax revenues fund between 50% and 78% of state Medicaid outlays. TRICARE care denials do not eliminate healthcare spending; they shift it directly onto federal Medicaid budgets.

- **Calculated Offset:** Restoring TRICARE primary coverage offloads military dependents from Medicaid rolls, generating an estimated **$6,383 annual federal matching savings per child**.

Offset C: Administrative Overhead Consolidation (10 U.S.C. § 1092)

Operating temporary demonstration projects perpetually for over 12 consecutive years requires separate billing infrastructure, redundant contractor reporting, and auxiliary administrative oversight. Mandating the automatic integration of mature demonstrations (>5 years) into standard TRICARE Basic medical benefits consolidates administrative overhead and eliminates redundant program management fees.

SECTION 3: EMPIRICAL SURVEY DATA SUPPORTING COST MODELING

Field survey data collected by The Military Family Advocacy Group (MFAG) provides empirical verification for CBO offset calculations:

Survey Variable	Empirical Finding	Relevance to Budgetary Scoring
Active-Duty Retention Risk	**100%** consider early separation due to TRICARE friction	Verifies high retention impact across specialized MOS fields.
Non-Clinical Care Denials	**88%** of denials based on location/billing rules, not clinical need	Demonstrates care suppression rather than clinical necessity.
State Medicaid Enrollment	**57%** enrolled dependent in Medicaid due to TRICARE denials	Confirms federal-to-state cost-shifting baseline.
Appeal Overturn Rate	**0%** overrule rate (57% upheld internally, 43% abandoned)	Proves lack of independent external review structure.
Financial Out-of-Pocket Strain	**63%** pay out-of-pocket; 38% pay $5,000–$10,000+ annually	Documents financial hardship forced onto active-duty families.

SECTION 4: FORMAL CBO DIRECTIONAL MEMORANDUM OUTLINE

Congressional staff may adapt the following structured table when requesting an official preliminary cost estimate from the Congressional Budget Office:

CBO Directional Cost Estimate Framework

Memorandum Section	Targeted CBO Analysis Parameter	Guidance & Score Avoidance Baseline
Target Office & Scope	Health & Defense Financial Analysis Divisions, Congressional Budget Office	Preliminary scoring request for Title 10 U.S.C. market parity amendments under the *Military Health Care Accountability and Parity Act of 2026*.
1. Direct Spending Analysis	Amendment to 10 U.S.C. § 1079 for mandatory NQTL parity and independent external reviews.	Creates no new entitlement authority. Compliance costs are absorbed through standard regional managed care support contract adjustments.
2. DoD Retraining Offsets	Mitigates human capital flight among Aviation, EOD, Special Ops, and nuclear fields.	Retraining a single operator costs $5.6M–$10.0M+. Retaining 10–20 operators annually yield **$100M–$200M in Personnel appropriations savings**.
3. Medicaid Revenue Offsets	Offloads military dependents from State Medicaid HCBS Waivers.	Restoring primary TRICARE coverage reduces federal FMAP matching outlays by an estimated **$6,383 per child annually**.

CONCLUSION

Removing TRICARE's grandfathered statutory status aligns defense healthcare with commercial market standards without creating fiscal expansion. By preventing human capital flight among elite warfighters and ending improper Medicaid cost-shifting, the *Military Health Care Accountability and Parity Act of 2026* protects both force readiness and the defense budget.