EXECUTIVE POLICY BRIEFING

Modernizing TRICARE: Ending Grandfathered Exemptions to Protect Force Readiness & Ensure Market Parity

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1. THE PROBLEM: Obsolete Statutory Exemptions Shield TRICARE from Market Standards

- **The Grandfathered Loophole:** Under current administrative practices, the Military Health System (MHS) relies on obsolete "grandfathered" statutory exemptions (such as Section 1251 of the Affordable Care Act and legacy provisions in Title 10, U.S.C.) to bypass federal health insurance market reform rules.
- **Contractor-Driven Exclusions:** While civilian group health plans are legally prohibited from restricting coverage without clinical justification, TRICARE managed care contractors (e.g., Humana East) enforce non-clinical administrative exclusions, such as setting-based bans (e.g., in-school care restrictions) and exclusions on Activities of Daily Living (ADLs).
- **Systemic Impact:** This regulatory exemption isolates TRICARE from basic consumer protections, including Non-Quantitative Treatment Limitation (NQTL) parity standards, external independent clinical appeals, and adherence to consensus medical science.

2. FORCE READINESS & FISCAL IMPACT: Human Capital Flight

- **Warfighter Attrition:** Unnecessary administrative care barriers create severe domestic strain, directly driving experienced mid-career warfighters, including EOD technicians, tactical aviators, and specialized operators, to separate early from active duty.
- **Excessive Training Costs:** Replacing a single specialized mid-career operator or fighter pilot costs the Department of Defense between $5.6M and $10M+ in direct pipeline retraining expenses.
- **Cost-Shifting to Local Taxpayers:** When TRICARE contractors arbitrarily deny community or setting-based care, active-duty families are forced onto state-funded Medicaid waivers, shifting an estimated $6,383 annual net tax burden per child directly onto state taxpayers for care a federal program should cover.

3. THE SOLUTION: The Military Health Care Accountability and Parity Act

Amending Title 10, U.S.C., to strip away TRICARE's grandfathered statutory exemptions establishes a clean, non-legislative-gridlock solution that creates a positive domino effect across all military health services:

1. **Mandates Federal Health Market Parity:** Formally requires TRICARE to adhere to standard federal health insurance market rules, external independent clinical appeals, and NQTL parity.
2. **Prohibits Arbitrary Administrative Exclusions:** Bans non-clinical care-setting restrictions and mandates coverage alignment with established scientific consensus (including NASEM clinical guidelines and standard DSM-5 diagnostic criteria).
3. **Automatically Normalizes Long-Term Benefits:** Eliminates perpetual "demonstration" or "pilot" status for programs operating over 5 consecutive years, integrating them as standard, permanent TRICARE Basic benefits.

4. KEY ADVANTAGES FOR CONGRESSIONAL SPONSORS

- **Fiscal Responsibility:** Requires no new entitlement authorizations; saves millions in warfighter retraining costs and stops improper cost-shifting to state taxpayers.
- **Free-Market Fairness:** Holds defense health contractors to the exact same market standards and accountability rules required of private-sector commercial insurers.
- **Bipartisan Force Protection:** Directly protects active-duty warfighter retention and military family readiness across all service branches.

POLICY SUMMARY: Closing TRICARE's grandfathered regulatory loopholes isn't about expanding government spending, it's about holding defense contractors accountable to standard health insurance rules, keeping our elite warfighters mission-ready, and ensuring military families receive the evidence-based care they deserve.