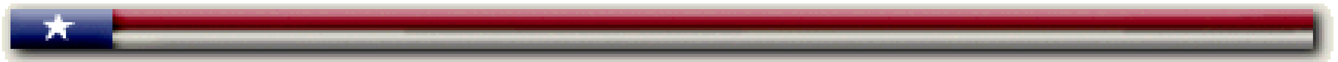

VALUATION OF THE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND

SEPTEMBER 30, 2023

DoD Office of the Actuary
January 2025

ACTUARIAL CERTIFICATION

This report on the valuation of the Medicare-Eligible Retiree Health Care Fund (MERHCF) as of September 30, 2023, has been prepared in accordance with all applicable Actuarial Standards of Practice. In preparing this report, we have relied upon information maintained by other Department of Defense activities. The purpose of the actuarial valuation documented in this report is to calculate actuarial liabilities and funding amounts to meet the requirements of Chapter 56, Title 10, United States Code. The use of this report for other purposes may not be appropriate.

The DoD Office of the Actuary performed the valuation using methods and assumptions approved by the Board. The annual economic assumptions include a 2.75% inflation rate, 4.50% discount rate and 4.75% ultimate medical trend rate. The actuarial methods and assumptions used in the preparation of this report are reasonable, and the valuation results are actuarially sound.

Underlying data, methods, and assumptions used to calculate actuarial liabilities and funding amounts that are not included in this report can be provided upon request. Please contact Drew May at Drew.T.May.civ@mail.mil for further information.

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INTRODUCTION

The Fiscal Year (FY) 2001 National Defense Authorization Act contained a provision for extending TRICARE coverage to Medicare-eligible members of the uniformed services (and their Medicare-eligible dependents and survivors) entitled to retired or retainer pay. The Act also created a mechanism to fund benefits for these beneficiaries. Specifically, United States Code (U.S.C.), Chapter 56, Title 10 established the Department of Defense (DoD) Medicare-Eligible Retiree Health Care Fund (MERHCF or Fund), administered by the Secretary of the Treasury.

A description of the medical benefits provided to Medicare-eligible retirees and their eligible dependents can be found in Appendix A.

Section 1114 of Title 10 created a Medicare-Eligible Retiree Health Care Board of Actuaries (Board). The three independent members who comprise the Board are appointed by the Secretary of Defense for a fifteen-year term. The Board is required to approve methods and assumptions used in actuarial valuations of the MERHCF, to approve the method of amortizing unfunded liabilities, to report annually to the Secretary of Defense, and to report to the President and Congress on the status of the MERHCF at least every four years[1]. The DoD Office of the Actuary (OACT) provides technical and administrative support to the Board. As of the August 2024 meeting, the members were David Osterndorf (Chairperson), Stuart Alden, and Jian Yu. The DoD Chief Actuary is the Executive Secretary for the Board.

Chapter 56 of Title 10, U.S.C., also requires that an actuarial valuation be performed at least once every four years, using the aggregate entry-age normal cost funding method. Under this law, the Treasury Department makes payments from general revenues to amortize the unfunded liability, including any gains or losses that have arisen from assumption or benefit changes, or from deviations between actual and expected experiences. On behalf of the uniformed services, the Treasury Department also deposits funds for the annual accrued benefits based on each current year of service (normal cost), and the uniformed services reflect these normal cost contributions in their budgets.

NOTIFICATION

OACT reviews the data used in the valuation for reasonableness and consistency. OACT does not audit it, and relies on the file suppliers for accuracy and comprehensiveness.

Throughout this report (including the appendices), numbers may not appear to add due to rounding.

[1]For access to the official transcripts from the August 2024 Board meeting, follow this link: https://actuary.defense.gov/MinutesandOtherReports/. The purpose of the Board meeting was to approve the September 30, 2023, valuation assumptions, the FY 2025 MERHCF per capita normal costs, and the FY 2024 unfunded liability payment.

SUMMARY OF VALUATION RESULTS

The purpose of the September 30, 2023, MERHCF valuation was to develop normal costs (NCs), unfunded accrued liabilities (UFLs), and UFL amortization payments.

The 2023 valuation used census population data as of September 30, 2023, aggregate claims data for FY 2023, and detailed claims data from fiscal years 2015 to 2023. The 2023 valuation produced UFL figures as of September 30, 2023, an UFL amortization payment for October 1, 2024, and per capita NCs for FY 2024 that are projected to FY 2026. The total October 1, 2024, Treasury payment is the sum of the October 1, 2024, UFL amortization payment and the October 1, 2024, Treasury NC payment. The October 1, 2024, NC payment is a function of FY 2025 per capita NC amounts promulgated by the Board in calendar year 2023, as well as budgeted average force strengths for FY 2025. The per capita normal costs are contributed for each eligible full-time (active duty) and part-time (reserve) participant each year. The per capita normal costs are determined by projecting a new-entrant cohort and their expected benefit payments for 100 years. Table 1 is a summary of the Fund's liabilities, Table 2 shows the October 1, 2024, Treasury payment, and Table 3 shows the FY 2026 per capita normal costs.

OACT has made certain pandemic-related adjustments to the medical trend rate assumptions used in this report. In future Fund valuations, OACT will continue to assess the impact of the pandemic on the medical trend rate. Additionally, medical trends were adjusted to reflect better health due to emerging blockbuster drugs. For further information see Appendix D.

The model was updated to incorporate future mortality improvement past the valuation year. To reflect morbidity improvement associated with the future mortality improvement, adjustments were made in the claims cost development. For further information see Appendix E.

TABLE 1

LIABILITY SUMMARY

($ millions)

	AL	Fund	UFL
As of September 30, 2023	$606,308	$369,018	$237,290

TABLE 2

TREASURY PAYMENT

($ millions)

Payable	UFL Amortization	NC	Total
October 1, 2024	$14,569	$11,377	$25,946

TABLE 3

FY 2026 PER CAPITA NORMAL COSTS

Payable	Active Duty	Reserve
October 1, 2025	$7,961	$2,877

Additional tables containing further breakdowns of the AL and per capita normal costs are presented in Appendix B.

FUNDED STATUS

The Actuarial Liability (AL) is defined as the Present Value of Future Benefits (PVFB) minus the Present Value of Future Normal Costs (PVFNC). The Unfunded Liability (UFL) is the AL minus the Fund balance. The Fund balance is adjusted to be on an incurred basis. Table 4 shows the funded status as of September 30, 2023.

TABLE 4

FUNDED STATUS AS OF SEPTEMBER 30, 2023

($ millions)

PVFB	$700,552
PVFNC	$94,244
AL	$606,308
Fund	$369,017
UFL	$237,290

ASSETS

The assets of the Fund are invested in special issue Treasury obligations bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields for outstanding marketable U.S. obligations of comparable maturities. Each security issued to the fund mirrors a security that has been issued to the public, i.e., it has the same maturity date and coupon rate. The special issue security that is mirrored may have been issued recently, or at any time in the past.

Under current Treasury procedures, the investment manager is permitted to redeem long-term special issue securities at any time before maturity for their fair market value, which is based on the bid price for the public issue with the same maturity date and coupon rate. However, Treasury policy encourages a buy-and-hold approach considering the needs of the Fund in determining the maturities of securities purchased.

For purposes of determining the unfunded liability, the assets of the fund are valued using the amortized cost method. Under this method, the yield to maturity of a security valued at any point in time is equal to the yield to maturity at the time of purchase. In the valuation of the MERHCF, the amortized cost value is referred to as the "actuarial value of assets." The actuarial value of assets is determined by amortizing premium and discount over the life of the securities. The total investment return includes the interest coupons received, the change in the actuarial value of assets during the year, and the inflation compensation accrued from the holdings of Treasury Inflation-Protected Securities.

The actuarial value of assets used in the determination of the unfunded liability includes the accrued interest, which is the amount of the next semiannual interest coupon payment that has

accrued since the date of the last coupon payment. The amount of the accrued interest is determined by multiplying the coupon payment by the ratio of the time that has elapsed since the last coupon payment date to the total time between coupon payments. Table 5 shows the statement of the actuarial value of assets as of September 30, 2023; Table 6 shows the statement of changes in the actuarial value of assets.

TABLE 5

STATEMENT OF ACTUARIAL VALUE OF ASSETS AS OF SEPTEMBER 30, 2023
($ millions)

Assets at Book Value	$369,998
Less Accounts Payable	$250
Less IBNR	$731
Actuarial Value of Assets	$369,017

TABLE 6

FY 2023 STATEMENT OF CHANGES IN THE ACTUARIAL VALUE OF ASSETS
($ millions)

Actuarial Value of Assets, Beginning of Year	$344,635
Contributions	
Amortization of UFL	$9,981
Normal Cost	$10,033
Nonrecurring, other	$0
Investment Income	$16,021
Total Additions	$36,034
Less Benefit Payments	$11,652
Actuarial Value of Assets, End of Year	$369,017

ACTUARIAL GAINS AND LOSSES

The total gain or loss is the difference between the actual and expected unfunded liabilities. The categories of gain/loss are:

- Experience
- Assumption changes
- Plan changes

Tables 7, 8, and 9 show summary level (gain)/loss information from the September 30, 2023, valuation. A more detailed explanation is contained in Appendix B.

TABLE 7

TOTAL (GAIN)/LOSS SUMMARY

($ millions)

	AL	Fund	UFL
September 30, 2022 (actual)	$540,328	$344,635	$195,693
September 30, 2023 (expected)	$563,472	$369,403	$194,069
September 30, 2023 (actual)	$606,308	$369,017	$237,290
(Gain)/Loss			$43,221

TABLE 8

SEPTEMBER 30, 2023 ASSET AND LIABILITY (GAIN)/LOSS SUMMARY
($ millions)

	Liability	Asset	Total
Experience	($664)	$386	($278)
Assumption	$43,499	$0	$43,499
Plan Change	$0	$0	$0
Total	$42,835	$386	$43,221

(Gain)/Loss Expressed as a % of September 30, 2023 AL

	Liability	Asset	Total
Experience	-0.1%	0.1%	0.0%
Assumption	7.2%		7.2%
Plan Change	0.0%		0.0%
Total	7.1%	0.1%	7.1%

TABLE 9

CHANGE IN UNFUNDED LIABILITY*

($ millions)

1. Actual Unfunded Accrued Liability, Sept. 30, 2023	$237,290	39.1%
2. Expected Unfunded Accrued Liability, Sept. 30, 2023	$194,069	32.0%
3. Total (Gain)/Loss	$43,221	7.1%
a. Total experience (gain)/loss	($269)	0.0%
Census	$2,506	0.4%
Claims	($3,170)	0.5%
Asset	$395	0.1%
b. Total benefit change (gain)/loss	$0	0.0%
c. Total assumption (gain)/loss	$43,499	7.2%
Medical trends	$22,550	3.7%
Admin load and Rx rebate	($270)	0.0%
Demographic	$21,220	3.5%
Interest rate	$0	0%

* Percentages shown are ratios of absolute values of each gain or loss component to the actuarial accrued liability. In this table, negative values represent actuarial gains.

PAST AND PROJECTED UNFUNDED LIABILITY PAYMENTS

The UFL is comprised of the initial UFL and the three categories of (gain)/loss. The last payment on the initial unfunded liability is expected to be made on October 1, 2039, with payments increasing at the rate of 3.00%. The gain or loss amortization period is calculated as 20 years weighted by the absolute value of the new (gain)/loss and the remaining period weighted by the absolute value of the existing unamortized balance**.**

Historical and projected components of the UFL amortization payments and UFL balances are shown in Appendix B.

PLAN AMENDMENTS

Plan changes or amendments are amortized over 20 years. There were no new plan changes in the 2023 valuation.

VALUATION DATA AND PROCEDURE

Census Data

The valuation census data comes from files maintained by the Defense Manpower Data Center and made available to the Beacon Analytic Environment. A summary of active service member and retiree census data is provided in Appendix C.

Active service member data comes from files provided by the military personnel centers (Army, Navy, Air Force, Space Force, and Marines). The MERHCF also provides benefits for retirees of the U.S. Coast Guard, Public Health Service (PHS), and National Oceanic and Atmospheric Administration (NOAA). The total number of covered service members as of September 30, 2023, is shown in Table 10.

TABLE 10

ACTIVE SERVICE MEMBERS AS OF SEPTEMBER 30, 2023

DoD	
Active Duty	1,363,540
Reserve	669,174
Coast Guard	
Active Duty	38,820
Reserve	6,178
PHS	
Active Duty	5,513
Reserve	96
NOAA	
Active Duty	334
Reserve	N/A
Total	
Active Duty	1,408,207
Reserve	675,448

The population projection structure used by OACT includes four categories of personnel, representing the starting status of the population. Each of the four categories is further divided into 12 subcategories, representing projected future status, for a total of 48 categories.

The four categories (starting status) are:

- All Uniformed Services and Retirees
- DoD Retirees
- DoD Active Service Members (active duty and reserve)
- New Entrant Cohort

The 12 subcategories (future status) are:

- Retiree, Active Duty, Nondisabled, Enlisted
- Retiree, Active Duty, Nondisabled, Officer
- Retiree, Active Duty, Disabled, Enlisted
- Retiree, Active Duty, Disabled, Officer
- Retiree, Reserve, Nondisabled, Enlisted
- Retiree, Reserve, Nondisabled, Officer
- Retiree, Reserve, Disabled Enlisted
- Retiree, Reserve, Disabled Officer
- Survivor, Active Duty, Enlisted
- Survivor, Active Duty, Officer
- Survivor, Reserve, Enlisted
- Survivor, Reserve, Officer

A summary of the valuation's retiree and survivor census is contained in Appendix C.

The starting populations are projected by year. Each year personnel are moved from one population category to another (e.g., from active to disabled or nondisabled retiree, or dropped from the system altogether) by means of decrement rates such as withdrawal, nondisability retirement, temporary disability, permanent disability, transfer, death with and without survivors, etc. At the end of each year, the number of people is saved, and the population is aged. After 100 years, when none of the current active or retired personnel are left in the system, the present values of the series of future benefit payments are determined using the valuation interest rate. Because no new entrants come into the system, the projection is a "closed group" model.

Claims Data

Detailed claims data and workload files from DoD's Medical Data Repository for FYs 2015, 2016, and 2017 were used to develop claim vectors (CVs), which were trued-up to FY 2023 completed incurred cost levels.

Claims costs are separated by whether a member is Medicare-eligible or not. OACT produces average expected family claims costs per retired sponsor and per survivor. The claims costs include benefits received from Direct Care (DC), Purchased Care (PC), and the US Family Health Plan (USFHP).

The FY23 valuation includes a morbidity adjustment to the claims to reflect the improved health status associated with additional longevity due. The adjustments remove aging factors from claims for all populations and incorporate a 3-year age setback factor for new entrants.

DC workload data is for care received in Military Treatment Facilities (MTFs). The Defense Health Agency provides OACT with an annual cost-allocation analysis obtained from the MTFs' Medical Expense and Performance Reporting System. This analysis allows OACT to convert workloads into claims costs. DC comprises a relatively small portion of total medical care received by Medicare-eligible retirees since they receive care on a space-available basis and most do not live near an MTF.

PC claims are for care obtained in the private sector.

USFHP is TRICARE's designated provider plan. The plan providers receive per capita rates and provide comprehensive patient care.

See Appendix E for more information on claims data.

Economic Assumptions

The economic assumptions include the inflation rate, medical trend rates, and the interest rate. See Appendix D for more information on economic assumptions.

Decrement Rates

Active duty, drilling and non-drilling (with 20 good years) reservists, retiree, and survivor populations are modeled using decrement and other non-economic rates. See Appendix F for more information on the decrement rates.

MEDICAL TREND SENSITIVITY ANALYSIS

Future medical trend rates assumed in this valuation (described in Appendix D) represent an estimate of average annual change in the cost, mix, and utilization of medical care over the next 100 years.

A one percentage point change in the assumed medical trend rates would have the following effects on the Actuarial Liability and per capita normal cost.

TABLE 11

MEDICAL TREND SENSITIVITY ANALYSIS

	Assumed Trend	1% Higher Trend	1% Lower Trend
Actuarial Liability as of 09/30/23 ($ millions)	$606,308	$776,702	$481,662
FY 2026 Per Capita Normal Cost			
Active Duty	$7,961	$13,113	$4,858
Reserve	$2,877	$4,661	$1,780
Percentage Change in:			
Actuarial Liability as of 09/30/23		28.1%	-20.6%
FY 2026 Per Capita Normal Cost			
Active Duty		64.7%	-39.0%
Reserve		62.0%	-38.1%

APPENDIX A

ELIGIBILITY AND PLAN PROVISIONS

Page

Introduction A-2

Eligibility Requirements A-2

Summary of Plan Provisions A-2

INTRODUCTION

The military medical care program known as TRICARE has gone through many changes over the years, and it continues to change each year according to provisions made in the annual National Defense Authorization Act (NDAA). The 2001 NDAA created TRICARE For Life (TFL), a benefit plan for Medicare-eligible retired beneficiaries.

The information in this Appendix describes plan eligibility requirements and benefit provisions.

ELIGIBILITY REQUIREMENTS

Military retirees and their family members are eligible for TRICARE. This includes the U.S. armed services, the U.S. Coast Guard, the Public Health Service, and the National Oceanic and Atmospheric Administration. There are several different TRICARE beneficiary categories: nondisabled retirees from active duty and reserves, disabled retirees, surviving/former spouses, and dependents.

See the following website for details on eligibility: tricare.mil/plans/eligibility.

SUMMARY OF PLAN PROVISIONS

Medicare-eligible retired beneficiaries and survivors are enrolled in the following health plan options:

- TRICARE (if under age 65)
- US Family Health Plan (in specific U.S. locations)
- TRICARE For Life (with Medicare Parts A and B coverage)

Medicare-eligible retired beneficiaries can receive benefits under TFL if they enroll in Medicare Part B. There is no member contribution for TFL. Medicare-eligible retirees can choose to enroll in (and pay for) a US Family Health Plan (USFHP) if the plan is available in the member's location instead of TFL. The member contribution and copayments for USFHP are waived if the member pays for Medicare Part B. Medicare-eligible retired beneficiaries who are under age 65 can also elect TRICARE Prime, and the member contribution is waived if the member pays for Medicare Part B. Eligibility for USFHP when a member is eligible for Medicare due to age is restricted to a grandfathered group of beneficiaries who have been enrolled in USFHP since September 30, 2012.

TFL is a Medicare wraparound plan that also covers prescription drugs. Therefore, Medicare is the primary payer for Medicare Part A and Part B services. If a member is covered by other health insurance (other than Medicaid), that coverage pays second, and TFL pays last.

See the following website for details on plan provisions: tricare.mil/plans.

APPENDIX B

SUPPLEMENTAL VALUATION RESULTS

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Table B6: Asset (Gain)/Loss B-7

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Table B8: Past and Projected Unfunded Liability Balances B-9

SUPPLEMENTAL VALUATION RESULTS

Tables B1 through B4 provide additional breakdowns of the actuarial liability and per capita normal costs (NCs). Table B5 shows the reconciliation of the MERHCF liability gain/loss. Table B6 provides details regarding the MERHCF's asset gain/loss.

Historical and projected components of the unfunded liability (UFL) amortization payments are shown in Table B7. Historical and projected UFL balances are shown in Table B8, and no future gains/losses are projected.

TABLE B1

SEPTEMBER 30, 2023, ACTUARIAL LIABILITY BY BENEFIT TYPE

($millions)

				Proportion of Total		
	DC	PC	Total	DC	PC	Total
Inpatient	$19,504	$48,468	$67,971	3.2%	8.0%	11.2%
Outpatient	$48,968	$200,715	$249,683	8.1%	33.1%	41.2%
Pharmacy	$44,279	$227,758	$272,037	7.3%	37.6%	44.9%
USFHP	$0	$16,616	$16,616	0.0%	2.7%	2.7%
Total	$112,750	$493,557	$606,308	18.6%	81.4%	100.0%

TABLE B2

SEPTEMBER 30, 2023, ACTUARIAL LIABILITY

BY SPONSOR STATUS

($millions)

	Active Duty		
	DC	PC	Total
In-service	$27,722	$91,786	$119,507
Inactive	$74,852	$284,178	$359,030
Total	$102,573	$375,964	$478,537

	Reserve		
	DC	PC	Total
In-service	$6,252	$66,620	$72,872
Inactive	$3,925	$50,974	$54,899
Total	$10,177	$117,594	$127,771

	Total		
	DC	PC	Total
In-service	$33,974	$158,406	$192,379
Inactive	$78,777	$335,152	$413,928
Total	$112,750	$493,557	$606,308

TABLE B3

FY 2026 ACTIVE DUTY PER CAPITA NORMAL COST

	DC	PC	Total	Proportion of Total DC	Proportion of Total PC	Proportion of Total Total
Inpatient	$285	$574	$859	3.6%	7.2%	10.8%
Outpatient	$775	$2,641	$3,415	9.7%	33.2%	42.9%
Pharmacy	$633	$3,054	$3,686	7.9%	38.4%	46.3%
USFHP	$0	$0	$0	0.0%	0.0%	0.0%
Total	$1,693	$6,268	$7,961	21.3%	78.7%	100.0%

	Non-disabled Retiree	Disabled Retiree	Survivor	Total	Proportion of Total Non-disabled Retiree	Proportion of Total Disabled Retiree	Proportion of Total Survivor	Proportion of Total Total
Total	$4,812	$1,880	$1,269	$7,961	60.4%	23.6%	15.9%	100.0%

TABLE B4

FY 2026 RESERVE PER CAPITA NORMAL COST

	DC	PC	Total	Proportion of Total DC	Proportion of Total PC	Proportion of Total Total
Inpatient	$39	$214	$253	1.4%	7.4%	8.8%
Outpatient	$108	$1,076	$1,184	3.8%	37.4%	41.2%
Pharmacy	$135	$1,305	$1,440	4.7%	45.4%	50.0%
USFHP	$0	$0	$0	0.0%	0.0%	0.0%
Total	$282	$2,595	$2,877	9.8%	90.2%	100.0%

	Non-disabled Retiree	Disabled Retiree	Survivor	Total	Proportion of Total Non-disabled Retiree	Proportion of Total Disabled Retiree	Proportion of Total Survivor	Proportion of Total Total
Total	$1,934	$462	$482	$2,877	67.2%	16.0%	16.7%	100.0%

TABLE B5

SEPTEMBER 30, 2023, LIABILITY (GAIN)/LOSS RECONCILIATION

	Actuarial Liability				Normal Cost					
Step	As of 09/30	Amount ($millions)	% Change From Prior Step	Fiscal Year	Active Duty	% Change From Prior Step	Reserve	% Change From Prior Step	Actuarial Liability (Gain)/Loss ($millions)	(Gain)/Loss Category
	2022	$540,328		2025	$6,951		$2,523			
0	2023	$563,472	4.28%	2026	$7,282	4.76%	$2,643	4.75%		Expected
1	2023	$565,979	0.44%	2026	$7,282	0.00%	$2,643	0.00%	$2,506	Experience
2	2023	$566,184	0.04%	2026	$7,367	1.17%	$2,649	0.21%	$205	Assumption
3	2023	$573,799	1.35%	2026	$7,465	1.34%	$2,683	1.32%	$7,615	Assumption
4	2023	$573,706	-0.02%	2026	$7,464	-0.02%	$2,683	-0.02%	($93)	Assumption
5	2023	$573,263	-0.08%	2026	$7,464	0.00%	$2,759	2.85%	($443)	Assumption
6	2023	$587,198	2.43%	2026	$7,608	1.92%	$2,682	-2.81%	$13,935	Assumption
7	2023	$584,028	-0.54%	2026	$7,568	-0.52%	$2,705	0.88%	($3,170)	Experience
8	2023	$583,758	-0.05%	2026	$7,564	-0.04%	$2,704	-0.05%	($270)	Assumption
9	2023	$606,308	3.86%	2026	$7,961	5.24%	$2,877	6.40%	$22,550	Assumption

A description of the steps shown in Table B5 follows.

0. Expected results on September 30, 2023, based on a roll forward of September 30, 2022, valuation results.

1. Update census (as of September 30, 2023).

2. Add one more year of Mortality Improvement (MI). Mortality rates are improved to the valuation date.

3. Update Mortality Improvement Rates.

4. Update Survivor Qx Rates

5. Update New Entrant Distributions

6. Update model to include future Mortality and Morbidity Improvements

7. Claims True-up

8. Update Admin Loads

9. Update Select Period Medical Trend Rates.

TABLE B6

SEPTEMBER 30, 2023, ASSET (GAIN)/LOSS

($millions)

	(Gain)/Loss	% of Fund
1. Incurred Benefit Payments vs. Expected	($248)	-0.07%
2. Implemented Per Capita NCs vs. Expected	$813	0.22%
3. Force Strength vs. Expected	($309)	-0.08%
4. Unexpected, Nonrecurring Deposit	$0	0.0%
5. Yield vs. Expected	$129	0.03%
6. Total	$386	0.10%

Percentages shown are ratios of absolute values of each gain or loss component to the actuarial value of the MERHCF.

TABLE B7
PAST AND PROJECTED UNFUNDED LIABILITY PAYMENTS
ON OCTOBER 1
($millions)

Calendar Year	Original UFL Pmt	Assumption Changes	Benefit Changes	Actuarial Experience	Total UFL Pmt
2002	$14,369	$0	$0	$0	$14,369
2003	$16,260	$0	$0	$0	$16,260
2004	$16,082	($1,014)	$0	$653	$15,721
2005	$16,686	($973)	$0	$899	$16,612
2006	$17,311	($1,968)	$0	$265	$15,608
2007	$17,164	($3,256)	$0	($978)	$12,930
2008	$17,016	($4,239)	$0	($2,117)	$10,660
2009	$17,654	($5,031)	$0	($2,617)	$10,006
2010	$18,316	($6,303)	$0	($2,228)	$9,785
2011	$19,003	($9,254)	($478)	($2,555)	$6,716
2012	$21,603	($10,919)	($1,543)	($2,999)	$6,142
2013	$23,214	($12,229)	($3,209)	($3,526)	$4,250
2014	$24,027	($13,113)	($3,321)	($3,588)	$4,005
2015	$24,827	($13,625)	($3,789)	($4,089)	$3,324
2016	$25,633	($13,420)	($4,094)	($2,449)	$5,670
2017	$31,404	($16,666)	($5,026)	($3,145)	$6,567
2018	$32,424	($17,219)	($6,102)	($3,383)	$5,720
2019	$32,665	($16,175)	($6,148)	($3,705)	$6,637
2020	$33,658	($16,413)	($6,331)	($3,931)	$6,983
2021	$33,887	($14,911)	($6,371)	($5,102)	$7,503
2022	$34,904	($12,336)	($6,448)	($6,139)	$9,981
2023	$35,951	($10,998)	($6,553)	($8,816)	$9,584
2024	$37,030	($7,340)	($6,438)	($8,683)	$14,569
2025	$38,141	($7,561)	($6,631)	($8,943)	$15,006
2026	$39,285	($7,787)	($6,830)	($9,212)	$15,456
2027	$40,463	($8,021)	($7,035)	($9,488)	$15,919
2028	$41,677	($8,262)	($7,246)	($9,773)	$16,396
2029	$42,928	($8,510)	($7,463)	($10,066)	$16,889
2030	$44,215	($8,765)	($7,687)	($10,368)	$17,395
2031	$45,542	($9,028)	($7,917)	($10,679)	$17,918
2032	$46,908	($9,299)	($8,155)	($10,999)	$18,455
2033	$48,315	($9,577)	($8,400)	($11,329)	$19,009
2034	$49,765	($9,865)	($8,652)	($11,669)	$19,579
2035	$51,258	($10,161)	($8,911)	($12,019)	$20,167
2036	$52,795	($10,465)	($9,179)	($12,380)	$20,771
2037	$54,379	($10,780)	($9,454)	($12,752)	$21,393
2038	$56,011	($4,891)	($4,290)	($5,786)	$41,044
2039	$57,691	$0	$0	$0	$57,691
2040	$0	$0	$0	$0	$0

TABLE B8

PAST AND PROJECTED UNFUNDED LIABLITY BALANCES ON SEPTEMBER 30

(BEFORE PAYMENT)

($millions)

Calendar Year	Original UFL	Assumption Changes	Benefit Changes	Actuarial Experience	Total UFL
2002	$442,054	$0	$0	$0	$442,054
2003	$454,416	($20,704)	$0	$13,339	$447,050
2004	$465,540	($20,454)	$0	$18,703	$463,789
2005	$477,550	($40,252)	$0	$6,187	$443,485
2006	$489,668	($68,708)	$0	($20,195)	$400,765
2007	$500,698	($91,839)	$0	($46,424)	$362,435
2008	$511,337	($107,567)	$0	($57,265)	$346,505
2009	$522,745	($133,109)	$0	($48,757)	$340,879
2010	$534,133	($195,223)	($10,411)	($54,141)	$274,358
2011	$545,477	($228,850)	($33,859)	($62,584)	$220,184
2012	$556,746	($244,824)	($68,265)	($70,540)	$173,116
2013	$565,914	($257,241)	($70,559)	($70,419)	$167,695
2014	$573,905	($260,797)	($78,848)	($79,136)	$155,125
2015	$580,121	($251,805)	($83,580)	($50,289)	$194,448
2016	$585,836	($278,969)	($84,179)	($52,563)	$170,124
2017	$589,613	($280,132)	($98,394)	($54,901)	$156,186
2018	$587,515	($259,685)	($98,270)	($58,916)	$170,644
2019	$582,846	($251,127)	($96,777)	($59,986)	$174,956
2020	$576,314	($223,781)	($94,934)	($74,882)	$182,718
2021	$567,076	($179,861)	($92,590)	($87,195)	$207,430
2022	$557,182	($152,716)	($90,098)	($118,675)	$195,693
2023	$545,781	($103,197)	($87,415)	($117,878)	$237,290
2024	$532,772	($96,348)	($84,501)	($113,970)	$237,953
2025	$518,051	($93,014)	($81,575)	($110,025)	$233,436
2026	$501,506	($89,298)	($78,317)	($105,631)	$228,260
2027	$483,020	($85,179)	($74,704)	($100,758)	$222,380
2028	$462,473	($80,630)	($70,714)	($95,377)	$215,752
2029	$439,731	($75,625)	($66,324)	($89,456)	$208,327
2030	$414,659	($70,135)	($61,510)	($82,963)	$200,052
2031	$387,114	($64,132)	($56,245)	($75,861)	$190,877
2032	$356,943	($57,583)	($50,502)	($68,115)	$180,742
2033	$323,987	($50,457)	($44,253)	($59,687)	$169,590
2034	$288,077	($42,720)	($37,466)	($50,534)	$157,357
2035	$249,036	($34,333)	($30,111)	($40,614)	$143,978
2036	$206,678	($25,260)	($22,154)	($29,881)	$129,383
2037	$160,808	($15,461)	($13,559)	($18,289)	$113,499
2038	$111,218	($4,891)	($4,290)	($5,786)	$96,251
2039	$57,691	$0	$0	$0	$57,691
2040	$0	$0	$0	$0	$0

APPENDIX C

VALUATION POPULATION DATA

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Table C1: Summary: Active Duty and Reserve C-3

Table C2: Summary: Eligible Retired Beneficiaries C-4

VALUATION POPULATION DATA

The population data used in the MERHCF valuation is summarized in the tables below.

All Uniformed Military Personnel

Table C1 includes summary data of military personnel. Full-time support Reserves are included in the Active Duty counts. Non-Selected Reserves only include those who have qualified for nondisabled retirement, are not drilling, and have not yet reached age 60.

All Uniformed Retirees and Surviving Spouses

Table C2 includes summary data of military retirees, dependents (spouses, children, and other), and surviving spouses.

TABLE C1
ACTIVE DUTY AND RESERVE AS OF 09/30

	2022	2023	% Change
DoD			
Active Duty	1,393,696	1,363,540	-2.2%
Selected Reserve	675,807	669,174	-1.0%
Non-Selected Reserve	198,587	197,781	-0.4%
Coast Guard			
Active Duty	39,471	38,820	-1.6%
Selected Reserve	6,164	6,178	0.2%
Non-Selected Reserve	2,304	2,356	2.3%
PHS			
Active Duty	5,814	5,513	-5.2%
Reserve	64	96	50.0%
NOAA			
Active Duty	334	334	0.0%
Reserve	N/A	N/A	N/A
Total			
Active Duty	1,439,315	1,408,207	-2.2%
Selected Reserve	681,971	675,352	-1.0%
Non-Selected Reserve	200,891	200,137	-0.4%

TABLE C2
ELIGIBLE RETIRED BENEFICIARIES AS OF 09/30

	2022	2023	% Change
Retired Sponsors			
Non-Medicare-eligible	1,031,402	1,038,354	0.7%
Medicare-eligible	1,211,196	1,221,849	0.9%
Total	2,242,598	2,260,203	0.8%
Spouses of Retirees			
Non-Medicare-eligible	909,228	912,667	0.4%
Medicare-eligible	735,249	740,483	0.7%
Total	1,644,477	1,653,150	0.5%
Children of Retirees			
Non-Medicare-eligible	876,042	894,103	2.1%
Medicare-eligible	8,760	8,692	-0.8%
Total	884,802	902,795	2.0%
Other Dependents of Retirees			
Non-Medicare-eligible	2,317	2,329	0.5%
Medicare-eligible	4,579	4,639	1.3%
Total	6,896	6,968	1.0%
Survivors			
Non-Medicare-eligible Spouses	76,235	75,314	-1.2%
Non-Medicare-eligible Children	30,943	30,496	-1.4%
Non-Medicare-eligible Other	150	157	4.7%
Medicare-eligible Spouses	522,773	529,325	1.3%
Medicare-eligible Children	8,055	8,255	2.5%
Medicare-eligible Other	351	365	4.0%
Total Spouses	599,008	604,639	0.9%
Total Children	38,998	38,751	-0.6%
Total Other	501	522	4.2%
Retirees, Dependents, Survivors			
Non-Medicare-eligible	2,926,317	2,953,420	0.9%
Medicare-eligible	2,490,963	2,513,608	0.9%
Total	5,417,280	5,467,028	0.9%

APPENDIX D

ECONOMIC ASSUMPTIONS

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Economic Assumptions D-2

Table D1: MERHCF Valuation Medical Trend Assumptions D-5

ECONOMIC ASSUMPTIONS

In August 2024, the MERHC Board of Actuaries (Board) adopted the following long-term economic assumptions for use in the valuation as of September 30, 2023:

- General inflation rate = 2.75%
- Valuation discount rate = 4.50%
- Ultimate medical trend rate = 4.75%.

For the select medical trend rate assumptions, see the Board meeting minutes found in this link: https://actuary.defense.gov/MinutesandOtherReports/.

Inflation

The CPI is used as an inflation assumption, a component of nominal interest and long term-medical trend.

The CPI assumption chosen in 2024 by the Board is 2.75%, unchanged from the prior year. This assumption is reasonably consistent with the 2.50% CPI assumption selected in 2024 by the DoD Board of Actuaries for the Military Retirement Fund, and the 2.40% intermediate CPI assumption selected by both the Trustees of the Center for Medicare and Medicaid Services and the Trustees of the Social Security Administration in their 2024 Trustees' Reports.

Interest Rate

The real interest rate is defined as the difference between the nominal interest rate and the CPI.

The rate of real interest chosen in 2024 by the Board is 1.75%, unchanged from last year. Since 2.75% had been adopted as the inflation rate, the nominal rate of interest is 4.50%. This rate reflects the expected long-term rate of return on the MERHCF's assets. This rate is reasonably consistent with the 1.50% real interest rate assumed by the DoD Board of Actuaries in the valuation of the Military Retirement Fund. The Trustees of the Center for Medicare and Medicaid Services and the Trustees of the Social Security Administration both used an intermediate ultimate real interest rate assumption of 2.30% in their 2024 Trustees' reports.

Medical Trend Rates

Medical trend rates are used in the actuarial valuation to project the starting average plan costs to each future year's cost level. During a 25-year select period, there are separate trend rate assumptions for Inpatient costs (IP), Outpatient costs (OP), Pharmacy costs (Rx), and USFHP costs. In addition, these trend rates are determined separately for Purchased Care (PC) and Direct Care (DC) costs. All costs grow at the same ultimate trend rate since over the long term all plan costs are assumed to experience the same growth in prices and utilization of services.

At its 2024 meeting, the Board approved the use of medical trend rates for the MERHCF actuarial valuation as of September 30, 2023. The rates were then adjusted to reflect lower IP and OP costs to offset expected ultization of blockbuster drugs. The ultimate medical trend rate remains 4.75%.

Inpatient Medical Trend

OACT used the Medicare Part A deductible and copayment trends in the development of IP trend rates. CMS provided the following tables from its 2024 Medicare Trustees Report:

- Table V.E1 ─ HI Cost Sharing and Premium Amounts
- Projected Medicare Part A utilization and enrollment

OACT developed inpatient medical trend rates on a fiscal year basis through 2033. For the remainder of the 25-year select period, the inpatient trend rates grade linearly to the ultimate assumption of 4.75%. The following adjustments were made to obtain the final IP trend rates:

- The first four years IP trend rates were adjusted to reflect the ultization trend between DC and PC.
- The IP trends for years five through ten were decreased 0.25%. This adjustment is a combinaton of higher growth in the utilization component of trend relative to Medicare Part A utilization and anticipated lower medical costs due to blockbuster drugs.

Outpatient Medical Trend

OACT used CMS Medicare Part B out-of-pocket costs to develop preliminary OP medical trends. CMS provided the following tables from its 2024 Medicare Trustees Report:

- Table IV.B1 ─ Increases in Total Allowed Charges per Fee-for-Service Enrollee for Practioner Services
- Table IV.B2 ─ Incurred Reimbursement Amounts per Fee-for-Service Enrollee for Practitioner Services
- Table IV.B4 ─ Incurred Reimbursement Amounts per Fee-for-Service Enrollee for Institutional Services
- Projected per capita Medicare Part B deductible and coinsurance payments for fee-for-service enrollees

OACT developed outpatient medical trend rates on a fiscal year basis through 2033. For the remainder of the 25-year select period, the outpatient trend rates grade linearly to the ultimate assumption of 4.75%. The following adjustments were made to obtain the final OP trend rates:

- The first four years of OP trend rates were adjusted to reflect the ultization trend between PC and DC.
- The OP trends for years five through ten were decreased 0.25%. This adjustment is a combinaton of higher growth in the military utilization component of trend relative to Medicare Part B utilization and anticipated lower costs due to blockbuster drugs.

Prescription Drug Trend

OACT used FY 2018 to FY 2023 prescription drug data to develop per capita cost and utilization trend rates for the first three years. The trend rates incorporate assumed inflation in

drug prices, changes in utilization, the introduction of new brand drugs, the emergence of blockbuster drugs, and the expiration of patent protections.

The Board approved short term Rx trend rates in the select period. For the remainder of the 25-year select period, the Rx trend rates grade linearly to the ultimate assumption of 4.75%.

USFHP Trend

The Board approved USFHP trend rate calculated based on the weighted average of PC and DC trend rates. The weighting was used during each of the 25 years in the select period. The USFHP trend rates grade to the ultimate assumption of 4.75%.

Table D1

MERHCF MEDICAL TREND RATES FOR THE SEPTEMBER 30, 2023 VALUATION

		DC			PC			
From FY:	To FY:	IP	OP	Rx	IP	OP	Rx	USFHP
2023	2024	6.60%	6.08%	7.35%	6.60%	5.57%	9.81%	6.40%
2024	2025	4.03%	6.07%	5.42%	4.03%	6.07%	7.44%	5.45%
2025	2026	4.02%	6.05%	4.19%	4.02%	6.30%	5.62%	5.37%
2026	2027	4.00%	6.56%	4.22%	3.50%	6.56%	5.59%	5.33%
2027	2028	4.43%	4.00%	4.24%	4.43%	4.00%	5.55%	4.31%
2028	2029	4.68%	4.87%	4.27%	4.68%	4.87%	5.51%	4.86%
2029	2030	4.26%	5.01%	4.29%	4.26%	5.01%	5.47%	4.78%
2030	2031	4.48%	5.02%	4.32%	4.48%	5.03%	5.43%	4.86%
2031	2032	4.60%	5.11%	4.34%	4.60%	5.11%	5.40%	4.95%
2032	2033	4.41%	5.68%	4.36%	4.41%	5.69%	5.36%	5.18%
2033	2034	4.44%	5.63%	4.39%	4.44%	5.63%	5.32%	5.16%
2034	2035	4.46%	5.57%	4.41%	4.46%	5.57%	5.28%	5.14%
2035	2036	4.48%	5.51%	4.44%	4.48%	5.51%	5.24%	5.11%
2036	2037	4.50%	5.45%	4.46%	4.50%	5.45%	5.21%	5.08%
2037	2038	4.52%	5.39%	4.48%	4.52%	5.39%	5.17%	5.06%
2038	2039	4.54%	5.33%	4.51%	4.54%	5.34%	5.13%	5.03%
2039	2040	4.56%	5.28%	4.53%	4.56%	5.28%	5.09%	5.00%
2040	2041	4.58%	5.22%	4.56%	4.58%	5.22%	5.05%	4.98%
2041	2042	4.60%	5.16%	4.58%	4.60%	5.16%	5.02%	4.95%
2042	2043	4.62%	5.10%	4.60%	4.62%	5.10%	4.98%	4.92%
2043	2044	4.65%	5.04%	4.63%	4.65%	5.04%	4.94%	4.89%
2044	2045	4.67%	4.98%	4.65%	4.67%	4.98%	4.90%	4.86%
2045	2046	4.69%	4.93%	4.68%	4.69%	4.93%	4.86%	4.84%
2046	2047	4.71%	4.87%	4.70%	4.71%	4.87%	4.83%	4.81%
2047	2048	4.73%	4.81%	4.73%	4.73%	4.81%	4.79%	4.78%
Ultimate		4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

APPENDIX E

AVERAGE BENEFIT COSTS

Page

Development of Expected Average Benefit Costs E-2

Table E1: Direct Care Costs E-3

Table E2: Purchased Care Incurred Claims E-3

DEVELOPMENT OF EXPECTED AVERAGE BENEFIT COSTS

The expected average claim costs are calculated as the ratio of total family claims to the total number of retired sponsors or survivors. These costs are stored in claim vectors (CVs) and input to the valuation model. The CVs are arrayed by sponsor or survivor age and only include costs while beneficiaries are eligible for Medicare. The CVs are available upon request.

The MERHCF valuation includes 84 CVs, derived from seven benefit categories and 12 population subcategories. The seven benefit categories are:

- Direct Care inpatient (DC IP)
- Direct Care outpatient (DC OP)
- Direct Care prescription drugs (DC Rx)
- Purchased Care inpatient (PC IP)
- Purchased Care outpatient (PC OP)
- Purchased Care prescription drugs (PC Rx)
- Purchased Care US Family Health Plans (USFHP)

DC refers to care obtained at a military treatment facility (MTF) and PC refers to care obtained in the private sector. USFHP is a managed care program; the USFHP CVs are based on global rates. The 12 population subcategories are defined in the "Valuation Data and Procedure" section of this report.

For the September 30, 2023, valuation, the Board approved adjustments to claims anticipating improved health status due to future mortality improvement (aging). The following adjustments were made to all population subcategories and all benefit categories (except USFHP):

- CVs from ages 66 to 80, use the minimum of the current claim assumption and the average claim over those ages
- CVs from ages 81 to 94, use the average claim over those ages

Additionally, CVs for calculating the per capita normal cost are set back 3 years.

<u>Direct Care Claim Costs</u>

DC CVs are calculated using workload units calibrated to aggregate incurred DC claims levels (with no reimbursement from Medicare). No additional loads are applied for administrative costs. For the September 30, 2023, valuation, DC CVs were developed and smoothed using data from FYs 2015 to 2017.

Estimates of 2023 incurred DC claims were provided by DHA. The DC costs are shown in Table E1.

TABLE E1

FY 2023 MERHCF DIRECT CARE COSTS

($millions)

Inpatient Hospital	$375
Outpatient	$876
Pharmacy	$894
Total	$2,145

Purchased Care Claim Costs

PC CVs are calculated on an incurred claims basis with administrative loads added. For the September 30, 2023, valuation, PC CVs were developed and smoothed using data from fiscal years 2015 to 2017.

For the September 30, 2023, valuation, the Board approved administrative loads of 1.40% (IP and OP) and 1.70% (Rx). The pharmacy claims were also adjusted by approximately 16% to reflect rebates.

Estimates of 2023 incurred PC claims were calibrated to aggregate claims paid through March 2024. Table E2 shows the FY 2023 incurred PC claims. Incurred pharmacy claims in Table E2 have not been adjusted to reflect rebates.

TABLE E2

FY 2023 MERHCF PURCHASED CARE INCURRED CLAIMS

($ millions)

Inpatient Hospital	$851
Outpatient	$3,375
Pharmacy	$4,560
Total	$8,786

U.S. Family Health Plan (USFHP) Claim Costs

USFHP is a managed care plan offered in several US hospitals funded on a fully capitated basis (with no reimbursement from Medicare). The USFHP CVs are adjusted to calibrate the initial

MERHCF valuation year's cash flow to the aggregate incurred global rate payments. Only 2% of the Medicare-eligible military retired population is enrolled in a USFHP plan. The population is projected to decrease due to grandfathering of the Medicare-eligible USFHP members (i.e., no future entrants). Since the USFHP rates cover all benefits, there are only 12 CVs—one for each population subcategory.

For the September 30, 2023, valuation, the total payments were $830 million and the administrative load was 0.30% for the USFHP CVs.

APPENDIX F

DECREMENT RATES

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Active Duty Rates F-2

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Reserve Rates F-4

Table F2: Summary of Fiscal Years on which Reserve Rates are Based F-5

Retiree and Survivor Rates F-6

Table F3: Summary of Fiscal Years on which Retiree and Survivor Rates are Based F-7

DECREMENT RATES

The rates are derived using the files maintained by DMDC and made available in the Beacon Analytic Environment. Each year DoD Office of the Actuary reviews and the rates to ensure they are appropriate for use with the current population. The rates are available upon request.

ACTIVE DUTY RATES

The active duty rates are used to project members leaving for the following reasons: death, temporary and permanent disability retirement, nondisability retirement, and net withdrawal. There is also a new entrant distribution and rates of transfer from enlisted to officer.

Death rates are arrayed by age nearest birthday for officer and enlisted. The Society of Actuaries' MP-2021 mortality improvement scales assuming an 80%/20% male/female mix is used to improve active duty death rate. The remaining rates are arrayed by completed years of service for officer and enlisted.

Table F1 presents the fiscal years on which the rates are based.

TABLE F1
SUMMARY OF FISCAL YEARS ON WHICH ACTIVE DUTY RATES ARE BASED

RATE	2015-2019	2021-2023
Death	X	
Nondisability Retirement	X	
Temporary Disability Retirement	X	
Permanent Disability Retirement	X	
Withdrawal (other losses)	X	
Reentrant Ratios	X	
New Entrant Distribution		X
Paygrade Transfer	X	

RESERVE RATES

Selected reserve and grey area retiree populations are projected using separate rates. The selected reserves are those members for whom part-time normal costs are paid. Grey area retirees (non-selected with 20 years of service) are reservists who have qualified for retirement at age 60 and are no longer drilling.

The model includes a new entrant distribution; a set of reentrant ratios; rates of transfer to 20-year non-Selected Reserve status; and blow-up factors. Blow-up factors are used to account for retiring reservists who were not on the reserve file at the beginning of the year. The rates are arrayed by age nearest birthday at entry and completed years of service for officers and enlistees.

The Society of Actuaries' MP-2021 mortality improvement scales assuming an 80%/20% male/female mix is used to improve reserve death rate.

Table F2 presents the fiscal years on which the rates are based.

TABLE F2

SUMMARY OF FISCAL YEARS ON WHICH RESERVE RATES ARE BASED

RATE	2015 - 2019	2017 - 2019	2018 - 2019	2021 - 2023
Death (Selected and Non-Selected)	X			
Separation (Selected)		X		
Separation (Non-Selected)		X		
Transfer (Selected-to-Non-Selected)		X		
Retirement (Selected and Non-Selected)		X		
New Entrant Distribution (Selected)				X
Reentrant (Selected)		X		
Paygrade Transfer (Selected)		X		
Disability Retirement (Selected)		X		
Transfer Blow-up Factors (Selected-to-Non-Selected)		X		
Retirement Blow-up Factors (Non-Selected)			X	

RETIREE AND SURVIVOR RATES

Retiree and survivor rates were developed using age nearest birthday for officer and enlisted and by nondisability, temporary disability, and permanent disability.

Table F3 presents the fiscal years on which the rates are based.

TABLE F3

SUMMARY OF FISCAL YEARS
ON WHICH RETIREE AND SURVIVOR RATES ARE BASED

	2007 - 2010	2014 - 2016	2017 - 2020	2022	2020, 2022, 2023*
DEATH RATES					
ND Officer			X		
ND Enlistee			X		
PD Officer			X		
PD Enlistee			X		
TD Officer	X				
TD Enlistee	X				
OTHER LOSS RATES					
TD Officer	X				
TD Enlistee	X				
TRANSFER RATES FROM TD TO PD					
Officer	X				
Enlistee	X				
SURVIVOR RATES					
Remarriage		X			
Survivor Death					X
SPOUSES GENERATED PER SPONSOR					
Officer				X	
Enlistee				X	

ND = Nondisabled
PD = Permanently Disabled
TD = Temporarily Disabled

* FY2021 excluded due to excess deaths

APPENDIX G

GLOSSARY

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Terms G-2

TERM / ACRONYM	DEFINITION
AL	Actuarial Accrued Liability
All Uniformed Services	Refers to the population containing DoD, Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.
CMS	Center for Medicare and Medicaid Services
CPI	Consumer Price Index
CV	Claim Vectors, an array of average claims costs by age.
DC	Direct Care, care received at a Military Treatment Facility.
DEERS	Defense Enrollment Eligibility Reporting System
DHA	Defense Health Agency
FY	Fiscal Year
Global rate	The single rate that covers the full cost of care provided under USFHP.
IBNR	Claims incurred but not reported
Interest rate	The single rate that is used to discount all projected benefit payments back to the actuarial valuation date.
MERHCF	Medicare-Eligible Retiree Health Care Fund, or Fund
MRF	Military Retirement Fund
MTF	Military Treatment Facility
NC	Normal Cost, determined on a per capita basis, multiplied by endstrength to determine annual contribution to the Fund.
NDAA	National Defense Authorization Act
Nominal interest rate	Real interest rate adjusted for inflation
Non-Selected Reserves with 20 good years	Reservists who are not in the Selected Reserve and who have completed 20 "good" years toward retirement, but who have not yet reached retirement age. Also known as “grey area” retirees.
OACT	DoD Office of the Actuary
PACT	Honoring our Promise to Address Comprehensive Toxics Act of 2022
PC	Purchased Care, care received in the private sector.
PVFB	Present Value of Future Benefits, also called PVB.

TERM / ACRONYM	DEFINITION
PVFNC	Present Value of Future Normal Costs
Real interest rate	The difference between the nominal interest rate and CPI, real rate of growth.
Selected Reserves	Reservists actively drilling who must complete 48 drills plus two weeks of annual training each year.
Strength	Military service member head counts (or count of sponsors)
TFL	TRICARE For Life, the medical plan offered to retired members and their eligible spouses, dependents and survivors who are eligible for Medicare.
U.S.C.	United States Code
UFL	Unfunded Liability
USFHP	US Family Health Plan, a TRICARE medical plan with a managed care design.