

The Healthcare Savings & OCONUS Equity Act

A Voluntary Medicare Suspension Framework for Americans Residing Overseas

TO: Senator, Representative American Citizens Abroad (ACA)

FROM:

DATE:

SUBJECT: Eliminating a Hidden Tax on Americans Living Abroad — A Voluntary Medicare Suspension Framework for OCONUS Residents

I. Executive Summary

Approximately 9 million Americans living outside the United States (OCONUS) face a systemic injustice: they are legally compelled to pay Medicare Part B premiums of \$2,100 to \$4,500 per year for coverage that has no legal standing, no provider network, and no usable value in their country of residence. Those who stop paying face a permanent 10% annual penalty upon return to the United States — effectively a lifetime financial sanction on the choice to live abroad.

Simultaneously, the federal government subsidizes 75% of every enrolled participant's premium through the Supplementary Medical Insurance (SMI) Trust Fund — funding a benefit that delivers zero service to this population. This is not a fiscal edge case. It is a structural waste of billions of dollars annually.

The Healthcare Savings & OCONUS Equity Act proposes a straightforward remedy: a voluntary suspension mechanism allowing Medicare-eligible Americans residing overseas to pause Part B enrollment without penalty, paired with a guaranteed Special Enrollment Period upon repatriation. The estimated result is \$3.15 billion in annual Treasury savings — redirectable to the Social Security Trust Fund or improved veteran healthcare services.

II. The Problem — Three American Populations Affected

This is not a niche or military-specific issue. Three distinct civilian and non-civilian populations share the identical structural burden:

Case 1: The Private-Sector and Federal Civil Service Expat

The Core Population: Retired federal employees and private-sector Americans living abroad — the largest segment of the affected population.

- **The Burden:** They pay Part B premiums out of fear. Stopping payments while abroad triggers a 10% permanent penalty per unenrolled year upon return to the U.S.
- **The Inequity:** They are paying for insurance that has no network, no providers, and no legal standing in their country of residence. It is, in effect, a tax on the choice to live abroad.

- **Fiscal Impact:** The Treasury subsidizes \$6,300+ per participant annually for a benefit that delivers zero service.

Case 2: The Spouse or Dependent Who Turns 65 OCONUS

The Scenario: A spouse of an expat or veteran who reaches Medicare eligibility while living abroad.

- **The Burden:** Must enroll in Part B to maintain eligibility for secondary insurance (FEHB, TFL, or private). This doubles the household's dead-weight cost to approximately \$9,000 per year for zero local medical value.
- **The Injustice:** The spouse has no choice, no opt-out, and no alternative. The penalty structure traps them in a system that cannot serve them.

Case 3: The Military Retiree (TRICARE for Life)

The Scenario: A U.S. military retiree living overseas on TRICARE for Life (TFL).

- **The Problem:** Forced to pay Part B premiums (\$2,100–\$4,500/yr) solely to maintain TFL eligibility, despite Medicare paying \$0 for OCONUS care.
- **The Compulsion:** Unlike the civilian expat, the military retiree's dependency is explicit — losing Part B means losing TFL entirely. There is no alternative.
- **Fiscal Impact:** The Treasury pays an additional \$6,300+ per retiree in subsidies to a fund that will never be utilized for their care.

III. The Healthcare Savings & Equity Act — Three Pillars

This proposed legislation modernizes the Social Security Act to reflect the reality of a globalized American population. It is built on three pillars:

Pillar 1: The Voluntary Suspension Provision

Establish the right for any Medicare-eligible American residing OCONUS for more than 180 days per year to voluntarily suspend Part B enrollment without penalty, provided they demonstrate Creditable Coverage — a host-nation healthcare system (such as Italy's SSN) or qualifying private international insurance. This eliminates the penalty trap for all three affected populations simultaneously.

Pillar 2: The OCONUS Special Enrollment Period (SEP)

Mirroring the existing Peace Corps Model, create a guaranteed 90-day Special Enrollment Period upon repatriation to U.S. soil. This ensures that no returning American is left uninsured during transition — they can reactivate Part B the moment they return, without penalty, without delay. The suspension is voluntary and reversible. This is not a withdrawal from Medicare; it is a pause.

Pillar 3: Treasury Windfall Redirection

By allowing a conservative estimate of 500,000 Americans to exercise voluntary suspension:

- **Gross Annual Savings:** 500,000 × \$6,300 (average federal subsidy) = \$3.15 Billion.

- **Direct Impact Options:** Redirection toward the Social Security Trust Fund, improved MTF referral services, or deficit reduction.
- **No New Taxes:** This is savings recapture, not new spending. It cuts waste from a benefit that is already delivering zero service.

IV. Fiscal and Political Realities — Why This Passes

For the Fiscal Hawk

This bill cuts billions in unnecessary federal subsidies. The government is currently paying 75% of the cost for a benefit that provides 0% of the service to OCONUS residents. This is not reform — it is the elimination of documented waste.

For the Expat Advocate

The permanent 10% penalty is a financial sanction on Americans who choose to live abroad — a choice that is legal, common, and increasingly prevalent. It is constitutionally dubious and practically punitive. This legislation removes that sanction for Americans who carry creditable coverage in their country of residence.

For the Veteran and Military Advocate

By saving the \$4,500 annual Part B premium, a military retiree overseas can comfortably afford Italy's voluntary SSN registration — **roughly €2,000–€2,800 per year per person** (income-based: 7.5% of income up to €20,658, then 4% on the portion above, with a €2,000 statutory minimum) — restoring professional medical coordination that DHA Optimization has progressively eroded. This is not a benefit cut; it is a benefit restoration through smarter design.

For the Constitutionalist

The current system imposes a lifetime financial penalty on Americans for the exercise of a legal right — the right to reside abroad. This legislation removes that penalty for those who demonstrate responsible coverage, consistent with the constitutional principle that lawful choices should not carry permanent financial punishment.

V. Conclusion — A Modern Win for All Americans Abroad

The Healthcare Savings & OCONUS Equity Act recognizes a simple reality: in a globalized world, “one size fits all” healthcare is a relic of 1965. Nine million Americans living abroad deserve the right to manage their healthcare responsibly through host-nation systems — without being penalized for doing so, and without the U.S. Treasury subsidizing a benefit they cannot use.

This is not a military proposal. It is not a niche proposal. It is a fiscally responsible, constitutionally sound modernization that serves every Medicare-eligible American who chooses to live beyond U.S. borders — and saves the Treasury \$3.15 billion annually in the process.

I am available for a video call at any time to discuss the proposal in detail or to answer questions from your policy team.

Respectfully submitted,