

**STATEMENT OF**  
**ADMIRAL ROBERT F. WILLARD, U. S. NAVY**  
**VICE CHIEF OF NAVAL OPERATIONS**  
**BEFORE THE**  
**MILITARY PERSONNEL SUBCOMMITTEE**  
**OF THE**  
**HOUSE ARMED SERVICES COMMITTEE**

- **March 29, 2006**

# Admiral Robert F. Willard

## Vice Chief of Naval Operations



Admiral Robert F. Willard, son of Ed and Sharon Willard of San Diego, California is a Los Angeles native and a 1973 graduate of the United States Naval Academy.

An F-14 Naval Aviator, Admiral Willard served consecutively in Fighter Squadron Twenty Four (VF 24), Fighter Squadron One Twenty Four (VF-124), and Fighter Squadron Two (VF-2) at NAS Miramar, deploying aboard *USS Constellation*, *USS Ranger* and *USS Kitty Hawk*. He then joined Navy Fighter Weapons School (Top Gun) as Operations Officer and Executive Officer, as well as Aerial Coordinator for the Paramount movie *Top Gun*.

In 1987 Admiral Willard reported to Fighter Squadron Fifty One (VF 51), where he served as Executive Officer and Commanding Officer of the Screaming Eagles, embarked in *USS Carl Vinson* (CVN 70). He subsequently attended Navy Nuclear Power Training before rejoining *Carl Vinson* as Executive Officer. Admiral Willard then commanded the flagships *USS Tripoli* (LPH 10) and *USS Abraham Lincoln* (CVN 72) in various operations including Somalia, and the Persian Gulf.

As a flag officer, Admiral Willard has served on the Joint Staff as Deputy Director for Operations (Current Readiness and Capabilities); Commander, Carrier Group Five embarked in *USS Kitty Hawk* (CV 63); Deputy and Chief of Staff, Commander in Chief, U.S. Pacific Fleet; Commander, Seventh Fleet, embarked in *USS Blue Ridge* (LCC 19) in Yokosuka, Japan; and most recently, Director for Force Structure, Resources and Assessment (DJ8) on the Joint Chiefs of Staff.

Admiral Willard's awards include the Defense Distinguished Service Medal, Distinguished Service Medal, four Legions of Merit and other various awards. He was the 1984 Pacific Fleet Tailhooker of the Year.

Admiral Willard is married to the former Donna Yelverton of Falls Church, Va. Their three grown children, Jennifer, Bryan and Mark, and two grandchildren live in San Diego.

## **Introduction**

Chairman McHugh, Representative Snyder, and distinguished members of the Subcommittee, thank you for this opportunity to testify about Navy Medicine and our exceptional health care benefit.

Navy Medicine's mission is multi-faceted. It is deployed globally, providing health care in support of combat operations. It stands ready to respond to any number of humanitarian crises and natural disasters, and it continues to provide our Sailors and their families with world-class health care.

## **Sustaining the Benefit**

The Navy is proud of the exceptional health benefit and health care delivery system that Congress and the Defense Department have built and improved upon throughout the years. Since TRICARE's inception in 1995, both congressional and departmental initiatives have introduced significant program enhancements, including elimination of co-pays for active duty families, reduction in retiree catastrophic caps from \$7,500 to \$3,000, and implementation of new prescription drug coverage. Thanks to improved care and access for millions of beneficiaries, these new benefits have made a positive contribution to our recruitment and retention efforts, and we wish to sustain them for the long-term.

In order for the Department to sustain the benefits that so many deserve, the long-term costs of the program must be contained. TRICARE benefits have been expanded and implemented, however, there has been no change in beneficiary cost shares since 1995.

The Department of Defense (DoD) proposes to re-norm beneficiary contributions to proportions similar to when TRICARE was established. These changes will ensure continued access and quality of care enjoyed by our beneficiaries today. As Chairman Pace testified earlier this year, the Joint Chiefs have unanimously recommended that we re-norm the cost sharing for the health care benefit.

### **Health Care Costs**

As overall health care costs have grown for both the Department and the private sector, the expanding disparity in out-of-pocket costs between TRICARE and civilian health plans has led to a significant increase in the overall proportion of costs borne by DoD.

In many respects, the rising costs in TRICARE are caused by factors that also affect the private sector--a sharp increase in the use and costs of prescription drugs; a corresponding rise in the use of new and expensive medical technology; and an increasingly aging population. Yet there are factors unique to TRICARE that have brought this problem to the forefront:

- *Benefit expansion.* While the private sector has curbed benefits and reduced obligations, TRICARE has moved in the opposite direction. We have added TRICARE benefits secondary to Medicare; added a prescription drug benefit for Medicare-eligible beneficiaries; reduced co-payments for active duty families; reduced catastrophic caps for retirees; introduced a subsidized benefit for Reservists and their families; and lowered costs for active families in remote areas.
  
- *Unchanged Out-of-Pocket Costs for Beneficiaries.* While private sector and other government agencies have asked employees to cost-share, TRICARE has not. As a percent of healthcare costs per family, out-of-pocket costs for military families (active and retired) have dropped over the last 11 years. Plus, in the case of active duty families, we reduced costs in actual dollars by eliminating co-pays for outpatient care.
  
- *Migration to TRICARE Coverage.* For most of the 1980s and 1990s, the percent of retirees who used TRICARE as their primary source of health coverage remained relatively constant. However, we have witnessed a steady increase in the number of retirees and their families selecting TRICARE over other health insurance plans. In some instances, employers and State governments offer to pay TRICARE enrollment fees in lieu of enrolling these employees in their own plans—thereby providing substantial savings to the employer and significant cost increases to TRICARE.

The combination of the above factors has resulted in a dramatic increase in the health care costs borne by DoD. Those costs have doubled from \$19 billion in fiscal year 2001 to \$38 billion in fiscal year 2006. Analysts assigned to the Office of the Assistant Secretary Defense (Health Affairs) project these costs will reach \$64 billion by 2015, over 12 percent of the Department's budget. This current rate of medical cost growth is unsustainable.

### **Solutions**

In the interests of stemming the tide of rising health care costs, DoD and Navy have introduced more efficient practices within the Military Health System. Recent actions include a reduction in administrative costs through renegotiation of TRICARE contracts, standardization of medical supply requirements among the three services, closure of specialty clinics where there was insufficient patient population to maintain clinical skills, and pursuit of joint activities with the VA. Though we will continue to seek such efficiencies, ultimately they will not be enough to sustain the military health care benefit.

In order to preserve that benefit for all of our deserving members, the Department is proposing that beneficiaries help share costs in the form of increased TRICARE enrollment fees. Current TRICARE Prime annual enrollment fees of \$230 per individual and \$460 per family have not changed since 1995. The Department proposes to increase these fees for retired officers to \$700 per individual and \$1400 per family by

2008. In keeping with the general pay scale, the increase for enlisted retirees would be less. Retired E-7 and above would pay \$475 per individual and \$950 per family, and retired E-6 and below would pay \$325 per individual and \$650 per family. Further increases in enrollment fees would be indexed to Federal Employee Health Benefits Plan (FEHBP) rates.

In addition to proposed cost sharing, we are incentivizing all TRICARE beneficiaries to obtain their prescriptions from the TRICARE Mail Order Pharmacy Program by reducing co-pays for generic drugs and increasing co-pays for drugs in the retail pharmacy program.

Importantly, our proposal will not impact active duty troops or retirees over age 65, nor will it alter the annual catastrophic cap from \$1000 for active duty family members and \$3,000 for retirees. Furthermore, what we are creating with these proposed changes is a more predictable and certain future for military healthcare, which should enhance recruiting and retention.

### **Continuing Health Care for our Nation's Heroes**

The proposed increases in TRICARE fees reflect the Department's interest in sustaining the comprehensive health benefit we have today, while also ensuring the continued readiness, quality and outstanding customer service of the military health care system.

Since we propose these changes during a time of war, we understand that we will be asking wounded and medically retired personnel to pay increased enrollment fees.

There is no way to put a dollar value on the sacrifice of those who have been killed or wounded in action, nor can we put a price tag on the sacrifices of their families. Yet we can value our commitment to these heroes, by continuing to provide them with a superior and lifelong health benefit. Our proposal is consistent with that commitment, and that commitment will never change.

That same commitment applies to our retirees. While it is possible that some of our retirees will opt for employer-provided insurance over TRICARE, the intent of our cost-sharing proposal should not discourage them from using the benefit they rightfully earned. Yet, over 80 percent of retirees under the age of 65 are employed, and more than two-thirds report access to employer insurance. Meanwhile the greatest area of program growth—namely, the increase in retirees electing TRICARE as their primary health coverage—has produced costs that are unsustainable to DoD. By re-norming costs between TRICARE and private health care plans, we aim to reduce what amounts to government subsidization of private employers.

Lastly, our proposal is based upon principles endorsed by the President, the Joint Chiefs of Staff, and military leadership. Foremost among them—active duty members will not be charged for the healthcare services they receive. Also in keeping with those principles are proposed changes in enrollment fees and co-payments designed to help



guide beneficiaries in their selection of the most appropriate, and most cost-effective health care options.

### **Summary**

Chairman McHugh, Representative Snyder, and distinguished members of the Subcommittee, on behalf of the men and women in uniform, I thank you for your commitment, your service and your continued support of the armed forces.

Navy honors the service and sacrifice of our active duty members and retirees, as well as their families. Because of their service and sacrifice the Navy will continue to provide a truly outstanding health benefit for them, and we strongly support your efforts toward this shared goal. By guaranteeing the viability and affordability of that benefit far into the future, we will best serve those who protect our freedoms with their lives.