

**STATEMENT OF  
THE MILITARY COALITION (TMC)**

**before the**

**Subcommittee on Personnel**

**House Committee on Armed Services**

**March 16, 2005**

**Presented by**

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Fleet Reserve Association  
Co-Chairman, Personnel, Compensation and Commissaries Committee**

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Co-Chairman, Guard and Reserve Committee**

**Michael Jordan, Colonel, USAF (Ret)  
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Co-Chairman, Retirement Committee**

**Joyce Wessel Raezer  
National Military Family Association  
Co-Chairman, Personnel, Compensation and Commissaries Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

**Joseph L. Barnes**  
**National Executive Secretary**  
**Fleet Reserve Association**

The Fleet Reserve Association's (FRA's) National Board of Directors (NBOD) selected Joseph L. (Joe) Barnes, FRA Branch 181, to serve as the Association's National Executive Secretary (NES) during a pre-national convention meeting in Kissimmee, Fla., in September 2002. He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. In addition, he is the chief assistant to the National President and the NBOD, and is responsible for managing FRA's National Headquarters in Alexandria, Va.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes works effectively as Co-Chairman of The Military Coalition's (TMC's) Personnel, Compensation and Commissaries Committee and testifies frequently on behalf of FRA and TMC on Capitol Hill. He is also a member of the Defense Commissary Agency's (DeCA's) Patron Council.

Barnes joined FRA's National Headquarters team in 1993 as editor of On Watch, FRA's bimonthly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

He is a member of the U.S. Navy Memorial Foundation's Board of Directors and in recognition of his work on behalf of enlisted personnel, Barnes was appointed an Honorary Member of the United States Coast Guard by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton at FRA's 74th National Convention in September 2001.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC, and earned the Certified Association Executive (CAE) designation from ASAE in 2003. He's an accredited member of the International Association of Business Communicators (IABC), a member of the ASAE and the American League of Lobbyists.

He has served in a variety of volunteer leadership positions in community and school organizations and is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

# **Erin M. Harting**

## **Deputy Director of Legislative Affairs**

### **The Enlisted Association of the National Guard of the United States**

Erin M. Harting currently serves as Deputy Director of Legislative Affairs for the Enlisted Association of the National Guard of the United States (EANGUS). She previously served as Legislative Analyst, and in an administrative position. She has been with EANGUS for nine years. Her duties include responsibility for the legislative activities at the association's national headquarters in Alexandria, Virginia. She is responsible for assisting the Executive Director in carrying out the association's legislative agenda which includes personnel issues, procurement, counterdrug and military construction issues.

Ms. Harting also serves as the Co-Chair of The Military Coalition's Guard and Reserve Committee. She has held that position since 1997. The Military Coalition is a consortium of 35 nationally prominent uniformed services and veterans' organizations representing 5.5 million members who come together to work on issues of importance to all uniformed service members. The Guard and Reserve Committee has oversight on all issues involving National Guard and Reserve Component personnel.

Ms. Harting is a former elected Town Council Member for the Town of Quantico. She has served the town since 1998 as Councilmember, Planning Commission Member, or as Special Events Chair. She is married and has one son.

**Colonel Michael Jordan**  
**United States Air Force, Retired**

Michael Jordan is the Deputy Director, Government Relations of the Military Officers Association of America (MOAA), formerly The Retired Officers Association (TROA). He retired from the United States Air Force in March 2001, after completing 32 years of active service.

Colonel Jordan enlisted in the Air Force immediately upon graduation from high school in 1967. He served as an enlisted member from 1967 through 1975, when he separated from the Air Force to pursue a college education and a commission through Air Force ROTC. In 1978, he was commissioned a second lieutenant in the United States Air Force.

Colonel Jordan served in the personnel career field and completed assignments at Eglin Air Force Base, Florida; Headquarters Air Force Systems Command, Andrews Air Force Base, Maryland; and the Air Force Military Personnel Center, Randolph Air Force Base, Texas.

In June 1991, Colonel Jordan assumed command of the 3<sup>rd</sup> Mission Support Squadron, Clark Air Base, Republic of the Philippines. During this assignment, he was one of the original “ash warriors” serving on Joint Task Force Fiery Vigil, where he directed various aspects of the closing of Clark Air Base, following the eruption of the volcano, Mount Pinatubo. He was then assigned as the Deputy Chief, Air Force General Officers Group, Headquarters United States Air Force, Pentagon, Washington, D.C.

In 1994, he attended the Industrial College of the Armed Forces (ICAF), Fort McNair, Washington, D.C. Following ICAF, he was assigned as the Deputy Director, Manpower and Personnel, and Squadron Element Commander, United States Transportation Command, Scott Air Force Base, Illinois. In June 1997, Colonel Jordan became the Chief, Personnel Readiness Division, J-1, the Joint Staff, Pentagon, Washington, D.C. From June 1999 until his retirement, he was the Director of Personnel, Air Force Office of Special Investigations, Andrews Air Force Base, Maryland.

Colonel Jordan holds a Bachelor’s degree in Business Administration from Georgia State University; a Master’s degree in Business Administration from the University of West Florida; and a Master’s of Science degree in National Resource Strategy from the National Defense University. His decorations include the Legion of Merit, the Defense Superior Service Medal, with one oak leaf cluster, the Defense Meritorious Service Medal, with one oak leaf cluster, the Meritorious Service Medal, with six oak leaf clusters, the Air Force Commendation Medal, and the Air Force Achievement Medal.

Colonel Jordan resides in Springfield, Virginia, with his wife Linda.

## **Joyce Wessel Raezer**

### **Director, Government Relations**

Joyce joined the staff of the Government Relations Department of the National Military Family Association as a volunteer in September 1995. In February 1998, she was selected for the paid position of Senior Issues Specialist for the Association and subsequently served as the Department's Deputy Associate Director and Associate Director before being promoted to Director in December 2001. In that position, Joyce monitors issues relevant to the quality of life of the families of the Uniformed Services and represents the Association at briefings, hearings, and meetings of other organizations, Members of Congress and their staffs, and members of the Executive branch.

Joyce has represented military families on several committees and task forces for offices and agencies of the Department of Defense and military Services, including the Department of Defense Education Activity (DoDEA) and the TRICARE Management Activity (TMA). She has been a member of the Defense Commissary Agency (DeCA) Patron Council since February 2001. She is a member of the Army's Youth Education Working Group and the DoD Joint Family Readiness Working Group. Joyce serves on four committees of The Military Coalition and is co-chair of the Personnel, Compensation and Commissaries Committee. She served as a beneficiary representative, from September 1999 to December 2000, on a Congressionally mandated Federal Advisory Panel on DoD Health Care Quality Initiatives. From June 1999 to June 2001, Joyce served on the first national Board of Directors for the Military Child Education Coalition. In 2004, she authored a chapter on "Transforming Support to Military Families and Communities" in a book published by the MIT Press, *Filling the Ranks: Transforming the U.S. Military Personnel System*.

Joyce was the 1997 recipient of NMFA's Margaret Vinson Hallgren Award for her advocacy on behalf of military families and the Association. She also received the "Champion for Children" award from the Military Impacted Schools Association in 1998.

A Maryland native, Joyce earned a B.A. in History from Gettysburg College, Gettysburg, Pennsylvania and a M.A. in History from the University of Virginia. An Army spouse of 22 years and mother of two children, she has lived in the Washington, D.C. area (4 tours), Virginia, Kentucky, and California. She is a former teacher and was elected to the Fort Knox (KY) Community Schools Board of Education in 1993, serving until August 1995. She is an active volunteer parent in her son's school in Fairfax County, Virginia, and sings in her church choir.

## **EXECUTIVE SUMMARY**

### **RECOMMENDATIONS OF THE MILITARY COALITION**

#### **ACTIVE FORCE ISSUES**

**Personnel Strengths and Operations Tempo.** The Military Coalition continues to strongly recommend increased Service end strengths to sustain the long-term global war on terrorism and fulfillment of national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.

**Pay Raise Comparability and Pay Table Reform.** The Military Coalition urges the Subcommittee to restore full pay comparability as soon as possible and to reject any request from the Administration to cap pay raises or provide smaller increases to servicemembers in any of the uniformed services, including the US Public Health Service or National Oceanic and Atmospheric Administration. The Coalition believes all members of the uniformed services need and deserve annual raises at least equal to private sector wage growth. The Coalition supports “targeted” raises to align the pay of career servicemembers with earnings in the private sector for civilians with comparable experience and education. However, to the extent that “targeted” raises are needed, the Department of Defense should define the ultimate objective pay table toward which these targeted raises are aimed.

**Combat and Incentive Pays during Hospitalization.** The Military Coalition strongly urges the Subcommittee to take action to ensure combat-wounded servicemembers do not have their pay reduced or their taxes increased during periods of hospitalization and rehabilitation. The Coalition believes that such compensation treatment is essential for servicemembers who continue to suffer from the hazardous conditions that combat-related incentive pays and tax relief were created to recognize.

**Pre-tax Treatment for Child Care Expenses.** The Military Coalition urges the Subcommittee to direct the Department of Defense to implement flexible spending accounts for pre-tax payment of child care expenses if this is allowable by law. If not, the Coalition urges the Subcommittee to coordinate with the Ways and Means Committee to enact such authority as may be needed as soon as possible.

**Commissaries.** The Military Coalition opposes initiatives that would reduce benefits or savings for members and strongly supports full funding of the commissary benefit to sustain the current level of service for all beneficiaries including retirees, Guard and Reserve personnel, and their families.

**Family Readiness and Support.** The Military Coalition recommends a family support structure, with improved education and outreach programs and increased childcare availability, to ensure a high level of family readiness to meet the requirements of increased force deployments for active, National Guard and Reserve members.

**GI Bill Incentives for the 21st Century Force.** Montgomery GI Bill education benefits need to be upgraded to support active and reserve forces recruitment programs, allow equitable benefit usage on active duty, restore proportional benefits for Guard and Reserve initial entrants, allow

career servicemembers who declined 'VEAP' a MGIB enrollment opportunity, and other initiatives.

**Basic Allowance for Housing (BAH).** The Military Coalition urges an adjustment to grade-based housing standards to more accurately reflect enlisted members' realistic housing options and members' out-of-pocket housing expenses.

**Permanent Change of Station (PCS).** The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances including expedited implementation of the Families First Program, modifying personal property weight allowances for senior enlisted grades (E-7, E-8 and E-9), and authorizing shipment of a second POV at government expense to Alaska, Hawaii and other overseas accompanied assignments.

## **NATIONAL GUARD AND RESERVE ISSUES**

**Stress on Guard and Reserve Forces.** The Military Coalition urges additional resources for reserve recruitment, retention, and family support to relieve enormous pressure on overstressed Guard and Reserve forces.

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

**Review and upgrade the Reserve Compensation System to Match the New “Contract”.** Develop and implement improvements to Reserve compensation. Restore the Selected Reserve Montgomery GI Bill (SR-MGIB) to 50 percent parity with the active duty MGIB; authorize retirement credit for all earned drill points; increase reserve bonuses, special and incentive pays; simplify the Reserve duty system without compromising the current or future value of Reserve compensation; eliminate BAH II; and award full veteran status to Guard and Reserve servicemembers who successfully complete 20 qualifying years of Reserve service, but do not otherwise qualify as veterans under Title 38.

**Guard/Reserve Retirement Upgrade.** The Military Coalition urges lowering the reserve retirement age from 60 to 55 as an option to partially offset loss of civilian retirement benefits resulting from greatly increased military service requirements.

**Guard/Reserve Family Support Programs.** The Military Coalition urges support and funding for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life. Programs should promote better communication and enhance education for Reserve component family members about their rights and benefits and available services.

**Financial Relief for Activated Reservists and Their Employers.** The Military Coalition urges reintroduction of legislation to relieve financial strains on Guard and Reserve members and to



recognize their employers in a tangible way: tax credits for employers who pay wage differentials to activated employees, similar tax credits for hiring temporary workers, and authority for penalty free withdrawals and reinvestment into civilian retirement plans due to economic pressures associated with mobilization.

## **SURVIVOR PROGRAM ISSUES**

**SBP-DIC Offset.** The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated. Indemnity payments when the service causes death should be added to—not substituted for—retiree-purchased SBP. Active duty spouses, many of whom have their entire SBP offset by DIC, deserve more than a \$993 monthly annuity, considering police and firefighter survivors often receive 100 percent of pay.

**30-Year Paid-Up SBP.** The Military Coalition strongly recommends the Subcommittee to accelerate the implementation date for the 30-year paid-up SBP initiative to October 1, 2005. A 1972 retiree who already paid almost 20 percent more premiums than a 1978 retiree will ever pay. By 2008, they will have paid a 34 percent “Greatest Generation” tax.

**Death Benefits Enhancement.** The Military Coalition urges the Subcommittee to raise SGLI to \$500,000, with the first \$100,000 provided at no cost to the servicemember, and to increase the military death gratuity to \$100,000.

**Final Retired Pay Check.** The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member’s full retired pay for the month in which the member died.

## **RETIREMENT ISSUES**

**Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation.** The Military Coalition greatly appreciates Congress’ action to date, but urges Subcommittee leaders and members to be sensitive to the thousands of disabled retirees who are not yet included in concurrent receipt legislation enacted over the past several years. Specifically, as a priority, the Coalition urges the Subcommittee to expand combat-related special compensation to disabled retirees who were not allowed to serve 20 years solely because of combat-related disabilities. Additionally, the Coalition urges the Subcommittee to ensure the Veterans’ Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.

**Former Spouse Issues.** The Military Coalition recommends corrective legislation, including the recommendations made by the Department of Defense in their 2001 USFSPA report, be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

**Tax Relief for Uniformed Services Beneficiaries.** The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

## **HEALTH CARE ISSUES**

**Full Funding For The Defense Health Budget.** The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

**Medical Manpower Transformation.** The Military Coalition urges the Subcommittee to provide oversight to the implementation of manpower transformation plans on health care delivery for the entire DHP to ensure the plan to shift non-operational care to civilian providers does not inadvertently compromise health care delivery and access to all beneficiaries and that Graduate Medical Education, an essential part of the DHP, remains viable.

**Assistance for Wounded Combat Veterans and Others Separating from Military Service.** The Military Coalition asks the Subcommittee to demand a concerted “Manhattan Project” kind of effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, implementation of an electronic DD214, additional family and mental health counseling services, and the single physical at time of discharge.

**Implementation of TRICARE Reserve Select.** The Military Coalition urges the Subcommittee to provide oversight of implementations of the TRICARE Reserve Select benefit, to extend eligibility for TRICARE Reserve Select for mobilized select reserve members regardless of where they serve during the global war on terrorism, to take steps to permit members of the Individual Ready Reserve called to active duty for a contingency operation to participate in TRICARE Reserve Select, if they remain in the Individual Ready Reserve subject to future recall, to address loss of TRICARE Reserve Select benefits when members are mobilized during their benefit period and to simplify enrollment procedures permitting beneficiaries to elect TRICARE Reserve Select coverage during the 180 days of Transitional Assistance Management Program.

**TRICARE Standard Improvements.** The Military Coalition urges the Subcommittee’s continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.

**Provider Reimbursement.** The Military Coalition requests the Subcommittee’s support of any means to establish and maintain Medicare and TRICARE provider payment rates sufficient to ensure beneficiary access, and to support measures to address Medicare’s flawed provider reimbursement formula.

**TRICARE Transition And Implementation Of New Contracts.** The Military Coalition recommends that the Subcommittee continue to strictly monitor implementation of TRICARE contracts, especially the ability to meet Prime access standards, and ensure that Beneficiary Advisory Groups’ inputs be sought in the evaluation process.

**Prior Authorization under TNEX.** The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization for Standard beneficiaries and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

**Uniform Formulary Implementation.** The Military Coalition urges the Subcommittee to ensure the uniform formulary remains robust, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

**Access to TSRx for Nursing Home Beneficiaries.** The Military Coalition urges the Subcommittee to direct DoD to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries residing in residential facilities that do not participate in the TRICARE network pharmacy program, and who cannot access network pharmacies due to physical or medical constraints.

**TRICARE Benefits for Remarried Widows.** The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

**TRICARE Prime Continuity in BRAC Areas.** The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.

**Pre-Tax Premium Conversion Option.** The Military Coalition urges the Subcommittee to support HR 994 and to seek Ways and Means Committee support to authorize uniformed services beneficiaries eligibility for pre-tax payment of TRICARE Prime enrollment fees, TRICARE dental coverage and TRICARE supplements.

## **OVERVIEW**

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your continued, unwavering support for the fair treatment of active duty, Guard, Reserve and retired members of the uniformed services, and their families and survivors. The Subcommittee's work to greatly improve military pay, eliminate out of pocket housing expenses, improve health care, and enhance other personnel programs has made a significant difference in the lives of active, Guard and Reserve personnel and their families. This is especially true for our deployed servicemembers and their families and survivors who are engaged throughout this world in the global war on terror.

The Subcommittee's work to enact provisions eliminating the military survivor benefit plan (SBP) "widows tax" over the next three and a half years will provide significantly improved survivor benefits for current and future beneficiaries, including survivors of servicemembers fighting today in Operations Iraqi and Enduring Freedom. These and the many other important provisions of the FY 2005 National Defense Authorization Act will enhance the quality of life of our servicemembers, retirees and their families and survivors in the years ahead.

Congress has made military compensation equity a top priority and much has been accomplished over the past several years to improve the lives of men and women in uniform and their families. But, we do hear recommendations periodically from some in the Administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years, and the Coalition thanks the Subcommittee for staying the course to further close the pay comparability gap and for enacting provisions to reestablish the pay comparability principle in permanent law.

But, despite these improvements in military compensation, we are deeply troubled by how much harder troops have to work—and their families have to sacrifice—for that compensation.

Today's reality is simple—servicemembers and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Repeated deployments, often near back-to-back, have stressed the force to the point where recruiting and retention are real concerns for some Services; and, if it weren't for the Services' stop-loss policies and massive recalls of Guard and Reserve members, readiness would suffer. The Subcommittee's work to increase Army and Marine Corps end strength sends a clear signal that our forces are stretched too thin, but even with these increases, the hard fact is that we don't have large enough forces to carry out today's missions and still be prepared for any new contingencies that may arise elsewhere in the world. In addition, the Coalition is concerned that the Navy and Air Force are in the midst of "transformation" initiatives that include reducing their respective end strengths despite continuing demanding operational commitments.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

## **BUDGET OVERVIEW**

The Military Coalition is concerned that some in the Executive Branch are now bemoaning Congress' efforts in recent years to reverse military pay shortfalls and correct compensation and benefit inequities affecting retired military members, military survivors and Guard and Reserve members, contending that the cost those initiatives impinges on current defense budget needs, including the ability to support compensation initiatives for the current force.

The Coalition objects strongly to any such efforts to pit one segment of the military community against another. Our experience has been that this Subcommittee has rarely, if ever, turned down Defense Department requests for current force funding needs. And Congress also has had greater sensitivity than the Executive Branch – regardless of the political party of the Administration – to the importance of career military benefits to long-term retention and readiness.

Those who complain today about the cost of restoring military pay comparability, repealing REDUX retirement penalties, and enacting TRICARE For Life apparently do not recall that the Joint Chiefs of Staff at the time all told Congress that fixes were needed in these areas in order to address the significant retention problems experienced in the late 1990s.

The Coalition is amazed to see some in the Defense Department now contending that repairing retiree and survivor benefits doesn't help retention, and that if we just give today's soldier a lump sum of cash for a pickup truck, that soldier won't care what about future retirement benefits. To this way of thinking, anyone who is not currently on active duty provides no return on investment – which prompts opposition to such congressional initiatives as concurrent receipt, health coverage for the Selected Reserve, and elimination of the Survivor Benefit Plan "military widows tax." It's precisely this kind of short-term budget thinking that led to the retention crises of the late 1970s and late 1990s.

Congress has been wise enough to see what the Executive Branch officials of both parties have not over the past 10 years understood it is not enough to just meet the short term desires of the 19 year old new enlistee with more cash in hand. Those members get older and have families, and their families grow much more sensitive at the second and third reenlistment points, often after multiple family separations, whether the long-term benefits of a military career offset the extraordinary and persistent demands and sacrifices inherent in serving 20 to 30 years in uniform.

The Military Coalition believes this Subcommittee will see past penny-wise and pound-foolish efforts to rob one element of the military community to pay another, and will continue to recognize the hard-learned lessons of the past -- that successfully sustaining readiness and retention over the long term requires fair treatment for military members and families at every stage: active duty, Guard and Reserve, retired, and survivors.

If the Administration or the Defense Department is concerned about budget shortfalls or trade-offs in any area, the Coalition strongly believes that any such trade-offs reflect the Administration's own choices. They are not the fault of the retirees, survivors, or Guard and Reserve members who needed and deserved compensation corrections, and they are not the fault of the Congress that rightly enacted those corrections. If the Department will only lay out the current defense requirements that need to be met, the Coalition believes firmly that the Subcommittee and Congress will find an appropriate way to meet those needs.

## **ACTIVE FORCE ISSUES**

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is 3.8 percent of this Nation's Gross Domestic Product—less than half of the share it comprised in 1986. But today America's armed forces are engaged in a global war on terror—a campaign that has made constant and repeated deployments a way of life for today's servicemembers. There is no question that the stress of today's sustained operations is taking a significant toll on our men and women in uniform, and their families and survivors, and this is being reflected in failure of the Army Guard and Reserve to meet its recent recruiting goals. In addition, there are indicators of growing challenges in recruiting members of the other Services.

The Subcommittee has taken action to help relieve the stress of repeated deployments by increasing Army and Marine Corps end strength and by making permanent family separation and danger area pays. These are notable and commendable improvements; however, sustaining a quality force for the long-term, is a significant challenge, especially in technical specialties. While some Services are meeting retention goals, these goals may be skewed by post-9/11 patriotism and by Services' intermittent stop-loss policies. This artificial retention bubble is not sustainable for the long-term under the current pace of operations, despite the reluctance of some to see anything other than rosy scenarios.

From the servicemembers' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" is now a real focal point in the retention equation. Servicemembers are enduring longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and significant out-of-pocket expenses with each permanent change of station move.

Intensified and sustained operations in Iraq and Afghanistan are being met by servicemembers' patriotic dedication, but there is little question that once Service stop-loss policies are lifted, the retention of combat-experienced servicemembers is going to be problematic.

Experienced (and predominantly married) officers, NCOs and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector. Many servicemembers and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers going home to their families every night, and when faced with repeated deployments to a combat zone, the appeal of a more stable career and family life, often including an enhanced compensation package with absolutely less demanding working conditions, is attractive. When allowed the option, many of our excellent soldiers, sailors, airmen and Marines will opt for civilian career choices, not because they don't love what they do, but because their families just can no longer take the stress.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these experienced and talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. The Subcommittee reacted to retention problems by improving military compensation elements, and the Coalition understands

that you have a continuing agenda in place to address these very important problems. But we also understand the pressures to reduce spending and the challenges associated with proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Subcommittee's key challenge will be to ease servicemembers' debilitating workload stress and continue to build on the foundation of trust that you have established over the past four years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

**Personnel Strengths and Operations Tempo.** The Coalition has noted with disappointment the Department of Defense's resistance to accept Congress' repeated offers to permanently increase Service end strength to relieve the stress on today's armed forces, which are clearly sustaining an increased operations tempo fighting today's global war on terror. While we are encouraged by the Subcommittee's work to increase Army and Marine Corps end strength, we are deeply concerned that Administration-proposed plans for temporary manpower increases rely too heavily on continuation of stop-loss policies, unrealistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of any new contingency needs.

The Department has also responded to your offers to increase end strength with their intention to transform forces, placing non-mission essential resources in core war fighting skills, and transferring certain functions to civilians. While the Department's transformation vision is a great theory, its practical application will take a long time—time that is taking its toll after years of extraordinary operational tempo that is exhausting our downsized forces.

The Joint Chiefs testified that their forces were stressed before 9/11, and end strength should have been increased then. Now, almost four years later, heavily engaged in two major operations with no end in sight, massive Guard and Reserve mobilizations, and broad implementation of "stop-loss" policies, the only reason end strength was not previously increased was because of the Department's "transformation" plan—a plan they have not finalized with Congress. Especially noteworthy is a recent memorandum detailing serious Army Reserve readiness concerns referencing the Reserves as "rapidly degenerating into a broken force."

Administration and military leaders warn of a long-term mission against terrorism that requires sustained, large deployments to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, even with the recall of large numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the Administration does not recognize when extra missions exceed the capacity to perform them, the Congress must assume that obligation.

Earlier force reductions went too far, and end strengths should have been increased several years ago to sustain today's pace of operations. Deferral of additional meaningful action to address

this problem cannot continue without risking serious consequences. The Military Coalition's concerns in this regard are not limited to the Army and Marine Corps. For example, a recent DoD report from the Office of the Inspector General (D-2005-024) on "Management of navy Senior Enlisted Personnel Assignments in Support of Operation Iraqi Freedom" states that despite meeting Navy-required readiness levels, senior enlisted manning levels are not measured when assessing a unit's readiness level, and that visits to 14 units found that four units deployed with less than 80 per cent of their senior enlisted war fighting positions filled. The Services' senior enlisted community is the backbone of the Navy and according to the report, "personnel in those units were exposed to a higher level of risk for mishap or injury during their deployment." The Coalition is concerned that planned strength reductions can only exacerbate this problem.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy and more frequent family separations.

Some argue that increasing end strengths wouldn't help the situation, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this difficult problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.

Others point to high reenlistment rates in deployed units in certain Services as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by stop-loss policies. Over the long run, experience has shown that time and again that family separation is the single greatest retention disincentive. The Military Coalition believes that those who ignore this and argue there is no retention problem are "whistling past the graveyard."

***The Military Coalition strongly recommends additional permanent end strength increases to sustain the long-term global war on terrorism and fulfill national military strategy. The Coalition supports increases in recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.***

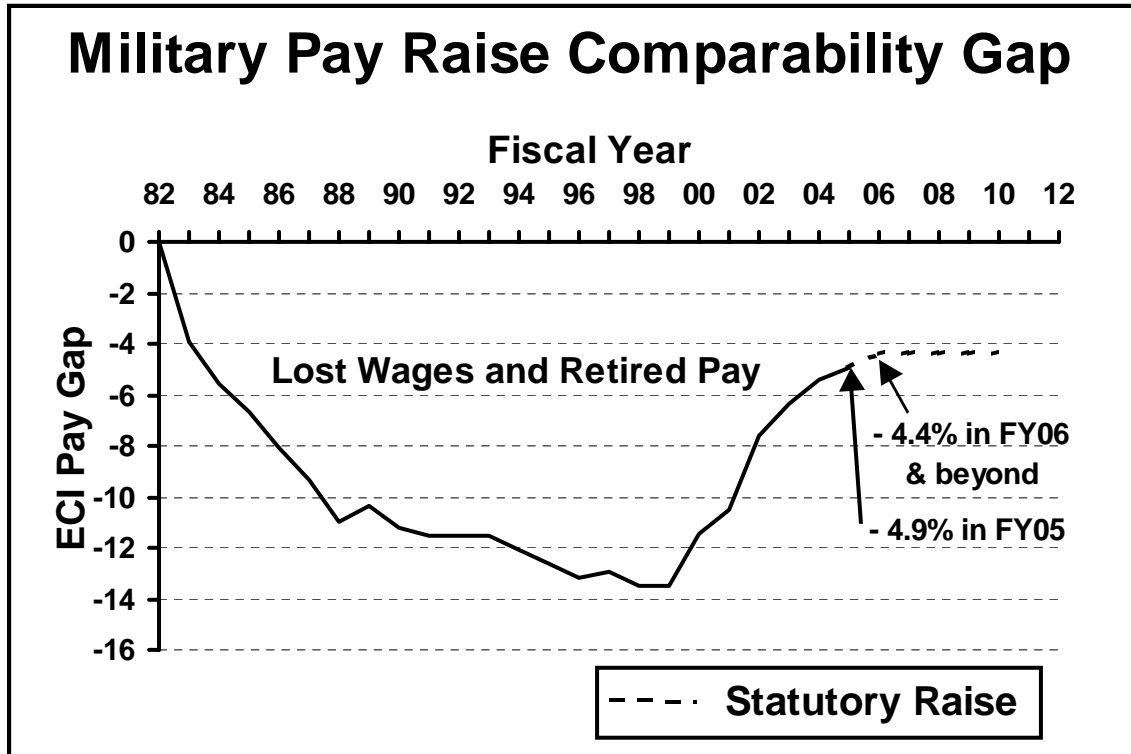
**Pay Raise Comparability.** The Military Coalition appreciates the Subcommittee's leadership during the last seven years in reversing previous practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls may rear its head again when those within the Administration look for ways to trim the budget. In the past, the Office of Management and Budget advocated capping future military pay raises at the level of inflation, rather than keeping military pay on par with private sector wage growth. The measure of merit with pay raises is not inflation—it's the draw from the private sector, and pay raise comparability with private sector wage growth is a fundamental underpinning of the all-volunteer force, and it cannot be dismissed without dire consequences for national defense.



When the pay raise comparability gap reached 13.5 percent in 1999—resulting in predictable readiness crises—this Subcommittee took responsible action to change the law. Thanks in large part to your efforts and the belated recognition of the problem by the Executive Branch, the gap has been reduced to 4.9 percent in 2005.

While it would take another 10 years to restore full comparability at the current pace, we sincerely appreciate this Subcommittee’s decision to change the prior law that would have resumed capping pay raises at below private sector growth and enacting a new law requiring all raises, beginning in FY 2007, to at least equal private sector wage growth as measured by the Bureau of Labor Statistics Employment Cost Index (ECI).



*The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the Administration to cap future pay raises for any segment of the uniformed services population.*

**Pay Table Reform.** The Subcommittee also has supported previous Department of Defense plans to fix problems within the basic pay table by authorizing special “targeted” adjustments for specific grade and longevity combinations in order to align career servicemembers’ pay with private sector earnings of civilians with similar education and experience.

DoD had planned to continue targeted raises, but last year, the Office of Management and Budget denied a \$300 million request from DoD to continue targeted raises for career servicemembers—a decision that deeply disappointed the Coalition. We understand that the Administration likely will request another cost saving, across the board pay increase for 2006 rather than additional targeted raises for senior enlisted and certain officer grades. We strongly

urge this Subcommittee to authorize continued targeting of additional increases for career servicemembers to correct shortcomings in their pay tables.

However, the Coalition does request that DoD outline their plan for targeted raises so that servicemembers, and others who are concerned about military pay, know and understand the objectives of such differential raises. To the extent that targeted raises are needed, the Department of Defense needs to identify the ultimate “objective pay table” that would actually achieve in 2006 the Department’s purported goal of establishing military pay at the 70<sup>th</sup> percentile of privates sector pay for similarly experienced and educated private sector workers.

***The Military Coalition believes all members need and deserve at least a 3.1 percent raise in 2006 to continue progress toward eliminating the existing pay raise comparability shortfall. The Coalition also believes additional targeted raises are needed to address the largest comparability shortfalls for career enlisted members and warrant officers vs. private sector workers with similar education, experience and expertise.***

**Combat and Incentive Pays During Hospitalization.** The Coalition is concerned that current eligibility rules for combat zone compensation programs are insensitive to the circumstances of wounded members during hospitalization and rehabilitation.

Members assigned to combat zones are eligible for additional pays and tax incentives because the country recognizes the increased risk to life and limb entailed in combat. Yet the members who are wounded lose eligibility for combat incentive programs during their hospitalization and recovery from their combat wounds. In many cases, this recovery can take months, and their families may be subject to additional expenses because of their incapacity.

***The Military Coalition strongly urges the Subcommittee to take action to ensure combat-wounded servicemembers do not have their pay reduced or their taxes increased during periods of hospitalization. The Coalition believes that such compensation treatment is essential for servicemembers who continue to suffer from the hazardous conditions that combat-related incentive pays and tax relief were created to recognize.***

**Pre-tax Treatment for Child Care Expenses.** The Military Coalition is perplexed that military members are not provided one key benefit that is common in the private sector and virtually universal among all large civilian employers – flexible spending accounts to allow payment of child care expenses on a pre-tax basis.

Military members – and especially in cases where both spouses are military members – have child-care needs that are driven by national defense requirements. If federal civilian employees and most private sector employees are eligible for tax exemption for their child care expenses, it’s extremely inequitable that military members are denied comparable treatment.

Ideally, this could be implemented by policy without legislative action by the Subcommittee. But the Coalition’s consultation with tax counsel indicates at least some uncertainty as to whether this can be implemented without specific legislative authority for military members.

***The Military Coalition urges the Subcommittee to direct the Department of Defense to implement flexible spending accounts for pre-tax payment of child care expenses if this is***

*allowable by law. If not, the Coalition urges the Subcommittee to coordinate with the Ways and Means Committee to enact such authority as may be needed as soon as possible.*

**Commissaries.** The Coalition is committed to preserving the value of the commissary benefit—which is widely recognized as the cornerstone of quality of life benefits and a valued part of the servicemembers’ total compensation package.

Recent Department of Defense initiatives included proposals to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. Two of these proposals were apparently intended to save money by ultimately reducing the annual appropriation supporting the Defense Commissary Agency (DeCA), which operates 272 commissaries worldwide. The COB recommendation was also viewed as another indicator of DoD’s ongoing interest in eventually privatizing the benefit. Subsequently, only a few previously approved closings were completed, the COB chairmanship was retained by a senior uniformed officer, and the variable pricing concept was dropped following a costly study. In addition, Congress enacted new legislation strengthening statutory protections for, and defining the purpose of the commissary and exchange systems. The Coalition is grateful for the continued strong support of this Subcommittee in preserving this top rated benefit.

The Coalition supports cost savings and effective oversight and management. However, we are concerned about the unrelenting pressure on DeCA to cut spending and squeeze additional efficiencies from its operations—despite years of effective reform initiatives and recognition of the agency for instituting improved business practices.

The commissary is a highly valued quality of life benefit not quantifiable solely on a dollars appropriated basis.

*The Military Coalition opposes initiatives that would reduce benefits or savings for members, and strongly supports full funding of the benefit in FY 2006 and beyond to sustain the current level of service for all patrons, including retirees, Guard and Reserve personnel, and their families.*

**Family Readiness and Support.** Today, two-thirds of active duty families and virtually all Guard and Reserve families live off military installations, and approximately sixty percent of these servicemembers are married. A fully funded family readiness program to include financial education and benefit information has never been a more crucial component to the military mission and overall readiness than it is today.

More needs to be done to “connect” servicemembers and their families with important resources. A more aggressive outreach effort is needed to educate servicemembers and their families on the benefits and programs to which they are entitled. A systematic and integrated family support system will help families cope with the stresses of deployment and the demands of military life. Addressing such issues as childcare, spousal employment/education, flexible spending accounts, increases in SGLI, and other quality of life concerns will go a long way in enhancing family well-being and improving retention and morale of the force.

***The Military Coalition urges improved family readiness through further education and outreach programs and increased childcare availability for servicemembers and their families and associated support structure to assist families left behind during deployments of active duty, Guard and Reserve members.***

**GI Bill Incentives for the 21st Century Force.** Military transformation and rising pressures on the "total force" point to the need to restructure the Montgomery GI Bill (MGIB) educational benefits program for the 21st century. Congress intended the modern MGIB program to support military recruitment as well as transition. To meet rising pressures on active and reserve force recruitment, especially among our ground forces, the Coalition recommends the Armed Services Committees actively work with the Veterans Affairs Committees to improve the MGIB as a recruiting tool. The Coalition notes with appreciation that in recent years Congress enacted increases to MGIB benefits for active duty recruits and authorized full access to these benefits during active duty. However, the "laptop generation" of active duty troops get reduced MGIB benefits compared to veterans, if they use them on active duty. Fixing this could stimulate retention. Moreover, MGIB benefits—presently \$1004 per month for full-time study don't pay for the actual cost of education at a four-year public college or university. In addition, approximately 63,000 career servicemembers who entered service during the "VEAP" era but declined to enroll in that program have been denied a MGIB enrollment opportunity. The Coalition continues to support transferability of MGIB benefits to family members for members who agree to serve a military career.

The Military Coalition also believes it's time to reopen debate on the need to dock volunteer force recruits \$1200 of their first year's pay for the privilege of serving their country on active duty. Government college loan programs have no upfront payments; thus, it is difficult to accept any rationale for our nation's defenders to give up a substantial portion of their first year's pay for MGIB eligibility.

The Coalition is also grateful to Congress for a "down payment" on MGIB upgrades for mobilized troops, who now can earn additional MGIB entitlement for 90 days or more active duty served in a contingency operation. This significant step forward needs to be followed up with other Reserve MGIB improvements. Given the erratic and often dysfunctional call up practices of 2002-2003, many Guard and Reserve troops who have now acquired up to two years active duty are not eligible for active duty MGIB benefits due to breaks in service. Aggregate active duty served since 9/11 should be authorized for a proportional MGIB entitlement. For Guard and Reserve initial volunteers who enlisted for the Reserve MGIB (Chapter 1606, Title 10), those benefits have slipped to about 28 percent parity with the active duty program. The benchmark for the Reserve MGIB at its inception and for the first 14 years of its existence was nearly 50 percent parity with the active duty MGIB (Chapter 30, Title 38). With worsening Guard and Reserve recruitment, the Coalition believes that Congress needs to restore Reserve MGIB program parity.

***The Military Coalition recognizes that primary jurisdiction for active duty MGIB program is under the Veterans Affairs Committee, whereas as the Reserve MGIB remains a Title 10 program. The Military Coalition urges that the MGIB be restructured and improved along the lines described above so that it can be restored as a powerful recruitment and retention tool for the active and reserve forces.***

**Basic Allowance for Housing (BAH).** The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard than they may in reality be entitled to. This causes confusion about the mismatch between the amount of BAH they receive and the actual cost of their type of housing. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E-9—which represents only one percent of the enlisted force—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family detached house) should be extended gradually to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below over several years as resources allow.

The Coalition is most grateful to the Subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers over several years. Responding to the Subcommittee's leadership on this issue, the Department of Defense proposed a similar phased plan to reduce median out of pocket expenses to zero by FY 2005. Through the leadership and support of this Subcommittee, this plan has been completed. This aggressive action to better realign BAH rates with actual housing costs has had a real impact and provided immediate relief to many servicemembers and families who were strapped in meeting rising housing and utility costs.

We applaud the Subcommittee's action to deliver on this commitment. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years thanks to the Subcommittee's leadership, continues. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important for junior enlisted personnel living off base who do not qualify for other supplemental assistance.

*The Military Coalition urges the Subcommittee to direct gradual adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses.*

**Permanent Change of Station (PCS) Reimbursements.** The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for FY 2002 and the authority to raise PCS per diem expenses to match those for federal civilian employees in FY 2003. The Coalition also greatly appreciates the provision in the FY 2004 defense bill to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, and looks forward to the timely implementation of the Department of Defense comprehensive “Families First” plan to improve claims procedures for servicemembers and their families.

These were significant steps to upgrade allowances that had been unchanged over many years. Even with these changes, however, servicemembers continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—less than half the 2005 temporary duty mileage rate of 40.5 cents per mile for military members and federal civilians. PCS household goods weight allowances were increased for grades E-1 through E-4, effective January 2003, but weight allowance increases are also needed for servicemembers in grade E-5 and above, and officers as well, to more accurately

reflect the normal accumulation of household goods over the course of a career. The Coalition recommends modifying weight allowance tables for personnel in pay grades E-7, E-8 and E-9 to coincide with allowances for officers in grades O-4, O-5, and O-6, respectively. The Military Coalition also supports authorization of a 500-pound professional goods weight allowance for military spouses.

In addition, the overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a second family vehicle because family housing is often not co-located with installation support services.

With regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as federal civilians receive. Further, federal and state cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the servicemember's PCS orders. The Coalition also supports authorization of a dislocation allowance to servicemembers making their final "change of station" upon retirement from the uniformed services.

We are sensitive to the Subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions in their children's education and their spouse's career progression. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

***The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.***

### **NATIONAL GUARD AND RESERVE ISSUES**

More than 473,000 members of the National Guard and Reserve have been mobilized since September 11, 2001, and many thousands more are in the activation pipeline. Today, they face the same challenges as their active counterparts, with a deployment pace greater than any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on reservists, their family members and their civilian employers alike. Homeland defense and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the "Total Force" policy. The Coalition understands and fully supports that policy and the prominent role of the Guard and Reserve forces in the national security equation.

However, many Guard and Reserve members are facing increased financial burdens under the current policy of multiple activations over the course of a reserve career. Some senior reserve leaders are rightly alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops. The Coalition believes that addressing critical Guard and Reserve

pay, bonuses, benefits and entitlements issues—along with active duty manpower increases—are needed to alleviate those pressures and help retain these qualified, trained professionals.

The Coalition greatly appreciates this Subcommittee’s effort to address the increasing needs of our Nation’s National Guard and Reserve forces. We believe that more work is required to ensure that our Guardsmen and Reservists, and their families’ readiness remain a viable part of our National Security Strategy. It is clear that our country needs these valuable members of our national military team.

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition is very grateful that Congress established the “TRICARE Reserve Select” health benefit in the FY 2005 National Defense Authorization Act. This new authority—along with permanent pre- and post-activation TRICARE coverage—will help address the needs of Guard and Reserve families in the call-up pipeline. However, these authorities do not provide the coverage necessary to address the long-term readiness issues that will continue with the current and future utilization of our Guard and Reserve components. Additionally, with the increasing rate of utilization of all areas our Reserve Components increasing, we feel that Congress must act to provide increased health care benefits for all our country’s Guardsman, Reservists, and their families, to guarantee the nation can continue to call on them. TRICARE officials and DoD never implemented temporary TRICARE provisions and the FY 2005 provisions leave more questions unanswered. It is our strong recommendation that we must provide a permanent TRICARE program on a cost-share basis for our members of the Guard and Reserve components who are being mobilized and deployed at increasing rates. Further, coverage should include the Extended Care Health Option (ECHO) for members with disabled children, who are currently excluded by DoD policy.

*The Military Coalition recommends permanent authorization of cost-share access to TRICARE for all members of the Selected Reserve and IRR members subject to activation under Presidential call-up authority, to support readiness, family morale, and deployment health preparedness.*

**Civilian Premium Offset.** During mobilization, reserve families during mobilization fortunate to have employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Guard and Reserve family members are eligible for TRICARE if the member’s orders to active duty are for more than thirty days; but many families prefer to preserve the continuity of their own health insurance, rather than switching to a TRICARE provider. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients.

Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. Non-federal employee and their families deserve equal consideration.

*The Military Coalition urges enactment of authority for federal payment of civilian health care premiums (up to the cost of TRICARE coverage) as an option for mobilized service members.*

**Dental Coverage.** Dental readiness is another key aspect of readiness for Guard and Reserve

personnel. Currently, DoD offers a dental program to Selected Reserve members and their families. The program provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,500 per enrollee per year. However, only five percent of eligible members are enrolled.

After 9/11, soldiers with repairable dental problems had teeth pulled at mobilization stations in the interests of time instead of having the proper dental care treatment. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues despite best service efforts, with many reservists receiving only short notice before mobilizing.

***The Military Coalition recommends expansion of the TRICARE Dental Program to Guard and Reserve servicemembers. This would allow all Guard and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization.***

**Reserve Retirement Upgrade.** The fundamental assumption for the reserve retirement system established in 1947 is that a Reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

DoD routinely relies on the capabilities of the reserve forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend—it's a central fixture in the national security strategy. DoD, however, has shown little interest adjusting the Reserve compensation package to acknowledge this long-term civilian compensation cost to Guard and Reserve members. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations.

The National Guard missed its recruiting goals by more than 10 percent in the last two years and is now about 13-15 thousand short of end strength. All reserve components except the USMCR missed their recruiting targets in the first quarter of FY 2005 (September to December 2004).

The time has come to recognize the reserve retirement system must be adjusted to sustain its value as a complement to civilian retirement programs. The future financial penalties of increased military service requirements are clear, and should not be ignored by the government that imposes them. Failing to acknowledge and respond to the changed environment could have far-reaching, catastrophic effects on reserve participation and career retention.

***The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.***

**Review and Upgrade the Reserve Compensation System to Match the New "Contract".** The Military Coalition thanks Congress for establishing the Commission on the National Guard and



Reserve to develop and recommend improvements to Reserve compensation. The pay and retirement system was developed more than a half century ago at a time when members of the Guard and Reserve components were truly “in reserve.” This is no longer true. Increasing demands on the Guard and Reserve personnel to perform national security missions at home and abroad indicates that the compensation system may need to be modernized to attract and retain those willing to shoulder the additional responsibility this new mobilization reality. The Reserve compensation system (AD, ADT, IDT pay and allowances, etc.) must adequately reflect the demands of increased Reserve service, without creating disproportional incentives that could undermine active force retention.

Needed improvements include:

- **Selected Reserve Montgomery GI Bill (SR-MGIB) Upgrades.** Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (SR-MGIB). Chapter 1606 of Title 10 governs the program. The problem is that the SR-MGIB program competes with National Guard and Reserve pay accounts for funding. During the first fourteen years of the SR-MGIB, benefits maintained 47 percent comparability with the basic MGIB. But, in the last five years, the SR-MGIB has slipped to 28 percent of the basic program.

*To support Guard and Reserve recruitment, The Military Coalition recommends raising SR- MGIB benefits to 50 percent of the MGIB active duty rate. The Coalition also recommends transfer of the Reserve SR-MGIB authority from Title 10 to Title 38 to permit coordinated benefit management with the active duty MGIB.*

- **Retirement Credit for All Earned Drill Points.** The role of the Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, to 90 points. However, the fundamental question is why Guard and Reserve members are not permitted to credit all the inactive duty training (IDT) they’ve earned in a given year toward their retirement. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of Guard and Reserve servicemembers’ commitment to mission readiness.

*The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.*

- **Raise Reserve Enlistment Bonuses, Special and Incentive Pays.** Sharp downturns in reserve recruiting call for increases in reserve enlistment incentives. In addition, many Guard and Reserve members who receive 1/30<sup>th</sup> of a month’s pay for many special and incentive pays for each day the duty is performed feel cheated. These pays are based upon proficiency, not time. The disparity, even if it is only a perceived disparity, needs to be addressed.
- **Simplify the Reserve Duty System.** Initiatives have been put forward in recent years to simplify the duty status for the Reserve components. One such change would have seriously cut the pay of drilling Guard and Reserve members. Reducing the paychecks of

Guard and Reserve members, especially at this time of looming retention and recruiting crises, should be unthinkable.

- **Eliminate BAH II.** BAH II is paid to Guard and Reserve members in lieu of regular BAH (Basic Allowance for Housing) who are on orders of less than 140 days. BAH II is an antiquated standard that no longer bears any relation to real housing expenses and is, on average, far less than the BAH rate for any given locality. There is an exception to this rule that applies, by public law, for those called up for the contingency operation. But, the Coalition believes any member activated for 30 days or more should be eligible for locality-based BAH.
- **Award full Veteran Status to Guard/Reserve Members.** Some servicemembers who successfully complete 20 qualifying years of Reserve service, do not otherwise qualify as veterans under Title 38. Such members deserve full veteran status.

**Guard/Reserve Family Support Programs.** The increase in Guard and Reserve operational tempo is taking a toll on the families of these servicemembers. These families are routinely called upon to make more and more sacrifices as Operations Iraqi Freedom and Enduring Freedom continue. Reserve component families represent communities throughout the Nation; and, most of these communities are not close to military installations. As a result, these families face unique challenges since they do not have access to traditional family support services that are available to active duty members on military installations.

Providing a core set of family programs and benefits that meet the unique needs of these families would go a long way in improving morale and meeting family readiness challenges.

These programs would promote better communication with servicemembers, specialized support for geographically separated Guard and Reserve families, and training (and back up) for family readiness volunteers. Such access would include:

- Expansion of web-based programs and employee and family assistance programs like Military One Source and Guard Family.org;
- Enforcement of command responsibility for ensuring that programs are in place to meet the special information and support needs of Guard/Reserve families;
- Expanded programs between military and community religious leaders to support service members and families during all phases of deployments;
- The availability of robust preventative counseling services for service members and families and training so they know when to seek professional help related to their circumstances;
- Enhanced education for Reserve component family members about their rights and benefits;
- Innovative and effective ways to meet the Reserve component community needs for occasional child care, particularly for preventative respite care, volunteering, family readiness group meetings and drill time; and,

- A joint family readiness program to facilitate understanding and sharing of information between all family members, no matter what the service.

We applaud the support shown to families by DoD and military and civilian community organizations. But with the continued and sustained activation of the Reserve Component, a stronger support structure needs to be implemented and sustained

*The Military Coalition urges Congress to focus on military family support programs that meet the unique needs of the families of mobilized Guard and Reserve component members.*

**Financial Relief for Activated Reservists and Their Employers.** The Military Coalition has testified that overuse of the Guard and Reserve components will have adverse consequences on the readiness and morale of these forces. The Army Guard and Army Reserve have been experiencing a sharp downturn in recruitment, and the Chief of the USAR has warned that mobilization policies and practices could "break" that force. In this context, the Coalition urges support for financial and tax relief legislation that is under the jurisdiction of non-defense Committees.

Dysfunctional call-up policies are taking an enormous toll on reserve pocketbooks, morale, and employers. The General Accountability Office reported recently that 41 percent of our Guard and Reserve personnel take pay cuts from their civilian jobs when activated. Many employers voluntarily help to ease this burden by making up the pay gap between military and civilian pay. Employers also need additional incentives to fill vacancies left by mobilized reservists with temporary rather than permanent workers.

*The Military Coalition supports reintroduction of legislation (e.g., H.R. 1779 in the 108th Congress) that would permit penalty-free withdrawals from reservists' civilian retirement plans; allow activated members of the Guard and Reserve to contribute wage gap payments back into their employer-sponsored retirement plans, and grant employers tax credits for wage differential payments, as well as tax credits for hiring temporary workers during the absence of a mobilized worker.*

### **SURVIVOR PROGRAM ISSUES**

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP), especially last year's provision in the FY 2005 Defense Authorization Act that will phase out the SBP age-62 benefit reduction in the next three and one-half years. This victory for military survivors is a major step forward in addressing long-standing survivor benefits inequities.

But two serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support ending the SBP-DIC offset and moving up the effective date for paid-up SBP to October 1, 2005.

**SBP-DIC Offset.** Congress should repeal the law that reduces military Survivor Benefit Plan (SBP) annuities by the amount of any survivor benefits payable from the VA Dependency and Indemnity Compensation (DIC) program.

Under current law, the surviving spouse of a retired member who dies of a service-connected cause is entitled to DIC from the Department of Veterans Affairs. If the military retiree was also enrolled in SBP, the surviving spouse's SBP benefits are reduced by the amount of DIC (currently \$993 per month). A pro-rated share of SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. The offset also affects all survivors of members who are killed on active duty. There are approximately 53,000 military widows/widowers affected by the DIC offset.

The Coalition believes SBP and DIC payments are paid for different reasons. SBP is purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP the retiree paid for, not substituted for it. It's also noteworthy as a matter of equity that surviving spouses of federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their purchased federal civilian SBP benefits.

In the case of members killed on active duty, a surviving spouse with children can avoid the dollar-for-dollar offset only by assigning SBP to the children. But that forces the spouse to give up any SBP claim after the children attain their majority – leaving the spouse with less than a \$1,000 monthly annuity from the VA.

The Coalition notes that most large city fire departments continue 100% of pay for survivors of firefighters killed in the line of duty, in addition to far larger lump sum payments than military members' survivors receive (see below). Military members whose service costs them their lives deserve fairer compensation for their surviving spouses.

The Military Coalition strongly supported legislation to repeal the SBP-DIC offset introduced by Sen. Nelson (D-FL) (S. 185) and Rep. Brown, (R-SC), respectively. Enactment is a top Coalition goal for 2005.

***The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not a substitute for the other. Many military survivors now receive annuities of less than \$12,000 per year, which falls far short of fair compensation for a service-caused death.***

**30-Year Paid-Up SBP.** Congress approved a provision in the FY 1999 Defense Authorization Act authorizing retired members who had attained age-70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1990, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait four more years for relief, or as many retirees believe, waiting for them to die off.

By October 2005, a 1972 retiree will have paid almost 20 percent more SBP premiums than a 1978 retiree will ever have to pay. Without legislative relief, those 1972 enrollees who survive until 2008 will have paid 34 percent more.

***The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2005.***

**Death Benefits Enhancement.** Military insurance and death gratuity fall short of what is needed when measured by private sector standards for employees in hazardous occupations.

Most large employers provide lump-sum death benefits, cost-free to the employee, of two times salary, capped at some limit between \$100,000 and \$250,000. Police and firefighters killed in the line of duty receive a federal, cost-free Public Safety Officers Death Benefit of \$267,000 in addition to a typical five-figure death gratuity.

In today's commercial life insurance markets, insurance coverage for many mid-career workers typically exceeds \$500,000.

***The Military Coalition urges the Subcommittee to raise SGLI to \$500,000, with the first \$100,000 provided at no cost to the servicemember, and to increase the military death gratuity to \$100,000.***

**Final Retired Pay Check.** The Military Coalition believes the policy requiring the recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement—an arduous and frustrating task, at best—and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

*The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.*

## **RETIREMENT ISSUES**

The Military Coalition is grateful to the Subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

**Concurrent Receipt of Military Retired Pay and VA Disability Compensation.** The Military Coalition applauds the Subcommittee for all of the work that resulted in the landmark provisions in the FY 2004 National Defense Authorization Act that expand combat related special compensation to all retirees with combat-related disabilities and authorizes—for the first time ever—concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent. The FY 2005 National Defense Authorization Act provided additional relief to those with 100 percent disabilities by immediately authorizing these retirees full concurrent receipt, effective January 2005. Disabled retirees everywhere are extremely grateful for this Subcommittee's action to reverse an unfair practice that has disadvantaged disabled retirees for over a century.

While the concurrent receipt provisions enacted by Congress benefit tens of thousands of disabled retirees, an equal number are still excluded from the same principle that eliminates the disability offset for those with 50 percent or higher disabilities. The fiscal challenge notwithstanding, the principle behind eliminating the disability offset for those with disabilities of 50 percent is just as valid for those with 40 percent and below, and the Coalition urges the Subcommittee to be sensitive to the thousands of disabled retirees who are excluded from current provisions. As a priority, the Coalition asks the Subcommittee to consider those who had their careers cut short because they became disabled by combat, or combat-related events, and were medically retired before they could complete their careers. For these retirees, the disability offset still exists and it is difficult to explain to a lengthy career servicemember, disabled in combat, why his or her service (perhaps as much as 19 years) seems to have had no value. The Coalition urges the Subcommittee to expand Combat Related Special Compensation to those medically retirees who had less than 20 years of service.

We understand that a significant concern among some critics that still prevents broader concurrent receipt action is the need for a review of the VA disability system. The Coalition believes much of the concern is misplaced, and that the VA system should be able to withstand reasonable scrutiny. The Coalition stands ready to assist the Veterans' Disability Benefits Commission and participate in the debate with relevant information and data affecting a full spectrum of disabled veterans and their families and survivors. Most importantly, the Coalition urges the Subcommittee to ensure that the Commission remains focused on the fundamental principles that have served as the foundation for both the DoD disability retirement and VA disability compensation processes—principles of fairness, due process, and the unique aspect that military duty is 24/7. We look forward to completion of the review and revalidation of the process as important steps toward resolving concurrent receipt inequity.

*The Military Coalition urges Subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to expand Combat Related Special Compensation to qualifying medical retirees who had less than 20 years of service. Further, the Coalition urges the Subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.*

**Former Spouse Issues.** The Military Coalition recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

The Coalition supports the recommendations in the Department of Defense's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DoD recommendations to allow the member to designate multiple survivor benefit plan beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by federal civilian SBP programs. The Coalition also supports DoD recommendations to require the Defense Finance and Accounting Service (DFAS) to make direct payments to the former spouses, regardless of length of marriage; eliminate the one-year deemed election period for SBP eligibility; if directed by a valid court order, require DFAS to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse if directed by a court order; and authorize DFAS to garnish ordered, unpaid child support payments from the former spouse's share of retired pay. Also, DoD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. The Coalition supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

The Coalition believes that, at a minimum, the Subcommittee should approve those initiatives that have the consensus of the military and veterans' associations, including the National Military Family Association. The Coalition would be pleased to work with the Subcommittee to identify and seek consensus on other measures to ensure equity for both servicemembers and former spouses.

*The Military Coalition recommends corrective legislation be enacted to eliminate the inequities in the administration of the Uniformed Services Former Spouse Protection Act (USFSPA), to include consideration of the recommendations made by the Department of Defense in their 2001 USFSPA report.*

**Tax Relief for Uniformed Services Beneficiaries.** To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

*The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.*

### **HEALTH CARE TESTIMONY 2005**

The Military Coalition (TMC) is most appreciative of the Subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These Subcommittee-sponsored enhancements represent great advancements that should significantly improve health care access while saving all uniformed services beneficiaries thousands of dollars a year. The Coalition particularly thanks the Subcommittee for last year's outstanding measures to provide increased health care access for members of the Guard and Reserve components and their families.

While much has been accomplished, we are equally concerned about making sure that Subcommittee-directed changes are implemented and the desired positive effects actually achieved. Additional initiatives will be essential to providing an equitable and consistent health benefit for all categories of TRICARE beneficiaries, regardless of age or geography. The Coalition looks forward to continuing our cooperative efforts with the Subcommittee's members and staff in pursuit of these common objectives.

### **FULL FUNDING FOR THE DEFENSE HEALTH BUDGET AND MANPOWER TRANSFORMATION PLANS**

Once again, a top Coalition priority is to work with Congress and DoD to ensure full funding of the Defense Health Budget to meet readiness needs -- including graduate medical education and continuing education, full funding of both direct care and purchased care sectors, providing access to the military health care system for *all* uniformed services beneficiaries, regardless of age, status or location. An under funded Defense Health Program inevitably compromises the capability to deliver desired levels of quality care and undermines the health care benefits military beneficiaries have earned. A fully funded health care benefit is critical to readiness and the retention of qualified uniformed service personnel.

The Subcommittee's continued oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure,



curtailed drug formularies, and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning. We are grateful that once again late last year, Congress provided \$683 million supplemental appropriations to meet the last quarter's obligations -- but not all of the growing requirements in support of the deployment of forces to Southwest Asia and Afghanistan in the global war against terrorism.

The Coalition is hopeful that FY 06 funding levels will not fall short of current obligations. We fear that additional supplemental funding will once again be required. For example, last year citing budgetary restraints, the Air Force made a unilateral decision directing certain drugs be stricken from military treatment facility (MTF) formularies. We appreciate that these are extremely challenging budget times for MTF commanders; however, we are greatly concerned that this attempt to deal with budgetary pressures has resulted in action that undercuts the deliberative process underway to determine a Uniform Formulary.

In addition, this policy forces increased use of the TMOP and TRRx, more costly points of service, and thus increases costs to both DoD and beneficiaries; inappropriately makes budget considerations the primary driver of formulary limits; bypasses any opportunity for Beneficiary Advisory Panel inputs; and imposes regrettable inter-service disparities in pharmacy benefits

Health care requirements for members returning from the GWOT are also expected to continue to strain the military delivery system in ways that may not have been anticipated in the budgeting process. Similarly, implementation of the TRICARE Standard requirements in the FY 04 Authorization Act -- particularly those requiring actions to attract more TRICARE providers -- will almost certainly require additional resources that we do not believe are being budgeted for. Financial support for these increased readiness requirements; TRICARE provider shortfalls and other needs will most likely require additional funding.

At the January 2005 TRICARE Conference, Assistant Secretary Winkenwerder said that funding for fiscal years 2006 and 2007 was adequate. However, he went on to state, "looking to the longer term, I'm candidly concerned." At the same conference Air Force Chief of Staff Gen. John Jumper asserted that the health system is facing an \$11 billion shortfall over the next few years.

***The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.***

**Medical Manpower Transformation.** The Coalition is concerned that over the next few years, the military services are reshaping their forces by civilianizing thousands of billets now held by uniformed health care personnel. This switch from military to civilian providers is in conjunction with DoD's overall manpower plans to "transform" the military by converting support billets into civilian positions, thus freeing personal in uniform for jobs tied directly to war-fighting.

The Coalition is well aware of the nation-wide health care provider shortage. This entire plan is predicated on the assumption that there are adequate numbers of civilian providers out there readily available to work in the military's direct care system. We are also greatly concerned

about the willingness of civilian providers to accommodate an even greater patient load when the remaining uniformed medical professionals deploy for contingencies.

We hear from our members across the country that they already encounter difficulty in finding providers who will accept TRICARE patients. The Coalition is concerned that this problem will only increase if some of those civilian providers now must assume the additional caseload previously seen by uniformed medical professionals. The Coalition also is concerned that a shift in provider mix may compromise DoD's outstanding graduate medical education (GME) programs.

The Coalition readily acknowledges that we lack the expertise to second-guess the number of uniformed positions needed to adequately staff the direct care system. We will only know if the plan is successful or not from reports of our members who may or may not be turned away from the direct care system or who may experience greater difficulty finding civilian providers. Access to care for beneficiaries will be the ultimate measure of success.

The Coalition does not think that service leaders are oblivious to the nationwide shortage of health care providers, even if their planners sometimes may prove over-optimistic. But we believe that budget considerations have been the driving force behind these manpower changes rather than beneficiary care requirements.

*The Military Coalition urges the Subcommittee to provide oversight to the implementation of manpower transformation plans on health care delivery for the entire DHP to ensure the plan to shift non-operational care to civilian providers does not inadvertently compromise health care delivery and access to all beneficiaries and that Graduate Medical Education, an essential part of the DHP, remains viable.*

### **TRICARE ISSUES**

The Coalition is pleased to report that, thanks to this Subcommittee's continued focus on beneficiaries, TMC representatives remain actively engaged in an OSD-sponsored action group, the TRICARE Beneficiary Panel. This group was formed initially in 2000 to address TFL implementation. Subsequently, over the past five years the group has broadened its scope from refining TFL to tackling broader TRICARE beneficiary concerns.

We are most appreciative of the positive working relationship that has evolved and continues to grow between the Beneficiary Panel and the leaders and staff of the TRICARE Management Activity (TMA). This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, TMA continues to be committed to implementing TFL and other health care initiatives consistent with Congressional intent and continues to work vigorously toward that end.

#### **Assistance for Wounded Combat Veterans and Others Separating from Military Service.**

In 2003, the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans (PTF) final report on DoD - VA collaboration focused on the need to improve services and support for separating servicemembers to ensure the receipt of timely, quality health care benefits. The Coalition urges the Subcommittee to continue to work with the Veteran's Affairs Committee, DoD, and the Department of Veterans Affairs to move forward with greater interagency collaboration. At this time when hundreds of thousands of servicemembers are

deployed in combat operations, the stakes are even higher – putting them at greater risk for long-term, service-connected health and disability problems.

In a more recent report, January 2005, *Vocational Rehabilitation; More VA and DoD Collaboration Needed to Expedite Services for Seriously Injured Servicemembers*, GAO recommends that VA and the DoD collaborate to reach an agreement for VA to have access to information to promote recovery and return to work for seriously injured servicemembers; and to develop policy and procedures for regional offices to maintain contact with the seriously injured servicemembers. Without systematic data from DoD, the VA cannot reliably identify all seriously injured servicemembers or know with certainty when they are medically stabilized, when they are undergoing medical evaluation, or when they are medically discharged from the military. Patient tracking and quality and continuity in medical care then become bigger issues in achieving seamless transition goals.

The Coalition is grateful that the FY 2005 NDAA directed DoD to do a better job of collecting base line health status data through a formal medical readiness tracking and health surveillance system. The Coalition applauds the development of a single separation physical supporting the transition between the DoD and VA health systems. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination, as well as following up on claims adjudication and rating is not just more cost effective in terms of capital and human resources; it is the right thing to do -- to ensure that servicemembers receive the benefits they have earned and deserve.

Both agencies are working toward implementing a single separation exam at Benefits Delivery at Discharge (BDD) sites for active and reserve component members within 180 days of separation. The Coalition is pleased to learn that the One Exam discharge physical is being implemented at several sites. However, we are concerned that implementation service wide is lagging. The TMC is particularly concerned about the significant gaps in implementing the program in the Washington, DC area. Key medical treatment facilities (MTFs) like Walter Reed Army Medical Center and National Naval Medical Center do not have a single, systematic process in place. This is particularly alarming considering the DoD and Department of Veterans Affairs are headquartered in the area. It seems reasonable to expect the Washington, DC MTFs to serve as models for other DoD and VA medical delivery systems. We ask the Subcommittee to provide continued oversight to ensure that this important program is implemented promptly and effectively at all sites.

The Coalition believes that both DoD and VA have critical, complementary roles in ensuring returning combat veterans, and other servicemembers scheduled for separation or retirement, receive prompt, comprehensive quality care and services from each agency. But recent "seamless transition" initiatives have resulted in only modest improvements in service delivery. With rising numbers of wounded combat veterans and projected large numbers of Guard and Reserve separations, we urge the Subcommittee to insist on accelerating the PTF's "seamless transition" initiatives recommended on DoD - VA collaboration -- including developing an electronic DD 214; an interoperable bi-directional electronic medical record (EMR) and enhanced post-deployment health assessments.

Some of these efforts have been going on for years on end with little or no substantive progress, in part because those responsible for action have come to have low expectations. Time and again, progress has been stymied by a combination of a lack of leadership priority and oversight,

management turnover, bureaucratic inertia, and technological backwardness. The Coalition believes that only an extraordinary kind of “Manhattan Project” can provide the kind of leadership focus and priority needed to finally deliver the broad, timely and effective results our servicemembers and veterans so urgently need and deserve.

Additionally, the Coalition urges Congress to push for the availability of robust preventive mental health counseling services for servicemembers, families, and survivors, including training programs that will help individuals know when to seek professional help by:

- Promoting a smooth transition to TRICARE-covered mental health services,
- Expanding access to the full range of mental health/family counseling services regardless of the beneficiary’s location, taking into consideration that the need for services to assist servicemembers and families with deployment-related issues may be long-term.

Mental health needs of our servicemembers and families are crucial to maintaining a resilient fighting force, and much more should be done in this area.

*The Military Coalition asks the Subcommittee to demand a concerted “Manhattan Project” kind of effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, implementation of an electronic DD214, additional family and mental health counseling services, and the single physical at time of discharge.*

### **TRICARE IMPROVEMENTS**

**Selected Reserve TRICARE Eligibility.** For reasons addressed above under Guard and Reserve issues, the Coalition places a high priority on extending TRICARE eligibility to all members of the Selected Reserve and their families.

**Implementation of TRICARE Reserve Select.** While the Coalition is most appreciative of efforts to extend TRICARE Reserve Select (TRS), cost share access to members of the Select Reserve (SELRES) and their families, we would like to bring to the Subcommittee’s attention issues that need to be addressed.

The Coalition is concerned that National Guard members who complete 90 or more days 'homeland security' duty under Title 32 as requested by the President will not be eligible to purchase TRS. The Coalition asks the Subcommittee to extend eligibility for TRS for mobilized SELRES members regardless of where they serve their nation during the global war on terrorism.

Recently both the Army and Marine Corps have had to rely upon members of the Individual Ready Reserve (IRR) to fill critical positions. Under current TRS rules, despite their service and sacrifice, these individuals will not be able to take advantage of TRS should they return to IRR status post mobilization. The Coalition urges to the Subcommittee to take steps to permit members of the IRR called to active duty for a contingency operation to participate in TRS, if they remain in the IRR subject to future recall.

Gray-area reservists have been called out of retirement and are precluded from TRS unless they commit to SELRES service after mobilization. Their situation is similar to those in the IRR.

Again these individuals are called to service, but unable to take advantage of an earned benefit post mobilization.

Members must agree to remain in the SELRES for the duration of their TRS coverage, yet should they be mobilized during that time, they will lose part or all of the remaining coverage they earned. During activation, the TRS benefit continues to “run” but the benefit is superseded because the member and family are covered by active duty and TAMP benefits. Once active duty and TAMP coverage are completed, TRS resumes with the original termination date. For example, one year of activation earns four years of TRS coverage. If at year two of TRS, the member is mobilized again for six months followed by 180 days of TAMP benefits, the beneficiary will have only one year of coverage remaining. The Coalition urges the Subcommittee to address this inequity by permitting members to extend their previously earned TRS eligibility periods despite any additional active duty service. That is, the running of TRS eligibility “clock” should be “suspended” during any active duty service and restarted thereafter with out loss of benefit.

Current rules require the member to decide on TRS and the commensurate commitment to service before leaving active duty status. The Coalition is concerned that this will certainly result in sudden decisions at demobilization sites. This is forcing a very important decision at a time when a servicemember or their family may not have enough information to make an informed decision about their health care insurance coverage over six months out. Should they separate and make a preliminary TRS agreement, their eligibility expires and they and their families lose out on an earned benefits. The Coalition believes that service members should be able to elect TRS during the 180 days of TAMP coverage.

*The Military Coalition urges the Subcommittee to provide oversight of implementations of the TRICARE Reserve Select benefit, to extend eligibility for TRICARE Reserve Select for mobilized select reserve members regardless of where they serve during the global war on terrorism, to take steps to permit members of the Individual Ready Reserve called to active duty for a contingency operation to participate in TRICARE Reserve Select, if they remain in the Individual Ready Reserve subject to future recall, to address loss of TRICARE Reserve Select benefits when members are mobilized during their benefit period and to simplify enrollment procedures permitting beneficiaries to elect TRICARE Reserve Select coverage during the 180 days of Transitional Assistance Management Program.*

**TRICARE Standard Improvements.** The Coalition is most grateful for the Subcommittee’s extraordinary efforts in the FY 2004 NDAA to improve the TRICARE Standard program. These provisions will be essential to ensure the 3.2 million Standard beneficiaries receive the necessary assistance to ensure they can find a provider. The Coalition is firmly committed to working with Congress, DoD and the Managed Care Support Contractors (MCSCs) to facilitate prompt implementation of these provisions.

DoD has reported on the initial surveys designed to track provider participation (including willingness to accept new patients). Just as important as the survey outcomes will be what the government does with the data and what resources will be devoted to addressing problems identified by the surveys.

Based on results so far, TMC has concerns on three issues. First, OMB limited DoD to asking providers only three questions on the participation survey, which provides only limited provider

inputs and constrains interpretation of the real meaning of the data. Second, discussions with members and contractors indicate some likelihood that beneficiaries who inquire as to the willingness of providers to accept TRICARE may be getting different answers than those provided in the survey. In part, this is because of disparities in various parties' knowledge of the TRICARE program, and it may also be due to the limitations of the DoD survey. Third, there remains no standard of what level of provider participation should be considered adequate or inadequate. Without a measure of what constitutes a problem, it's difficult to establish standards for action. The Coalition is anxious to ensure such standards are developed to be better able to assess the adequacy of Department plans to assist beneficiaries experiencing access problems or other difficulties

While the Coalition is pleased to learn that DoD has directed MCSCs to offer 24/7-telephone access to health care finders, we are disappointed to note this service only provides information regarding network providers. For those beneficiaries residing where Prime is not an option, there will be no network providers for them within easy access. We urge the Subcommittee to direct DoD, at a minimum, to have call center staff assist such beneficiaries by consulting the web based TRICARE Standard provider directory at: [www.tricare.osd.mil/standardprovider](http://www.tricare.osd.mil/standardprovider) or direct the beneficiaries to that site. While the Standard provider website is a very useful tool, it is of little use to those without Internet access. The Coalition is eager to learn of other options to provide assistance in finding a Standard provider.

We will continue to work with DoD to implement these activities to give Standard a more prominent role in the TRICARE program. These improvements take on a greater importance in light of the increased demands that will be placed on the Standard program as the FY 05 NDAA authorized Ready Reserve component beneficiaries cost-share access to Standard benefits, and the potential for the next round of BRAC to limit Prime service areas resulting in a subsequent increase in demand for Standard services.

TRICARE Reserve Select will be an option for thousands of Ready Reservists and their families. This expansion of the benefit has raised the stakes in the need to provide a robust Standard benefit for beneficiaries living in all areas – not just those serviced by Prime network areas. Beneficiary and provider education will be just as important for both existing and new Standard beneficiaries.

The Coalition is well aware that DoD had a full plate last year managing the transition of many new TRICARE contracts and implementation of major legislative initiatives, including those for the Guard and Reserve components. We are concerned that DoD's resources may be stretched thin, and the Standard enhancements may take a low priority while other issues are addressed.

***The Military Coalition urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.***

**Provider Reimbursement.** The Coalition appreciates the Subcommittee's efforts to address provider reimbursement needs in the FY 2004 NDAA (P.L. 108-136). We recognize that part of the problem is endemic to the flawed Medicare reimbursement system, to which TRICARE rates are directly tied.

The Coalition is troubled to note that a flaw in the provider reimbursement formula led the Centers for Medicare and Medicaid (CMS) to propose cutting Medicare fees in recent years, which were only forestalled by last-minute legislative relief. While the Coalition is grateful for Congress's temporary fixes, the reimbursement formula remains broken.

Once again, the Coalition wishes to bring to the Subcommittee's attention that the 2004 report of the Medicare Trustees predicts 5% annual cuts in Medicare reimbursements to providers for 2006 through 2012. However, MedPAC has recommended raising Medicare's physician payment rate by 2.7% in 2006, stating that a "small but consistent share" of beneficiaries have experienced some difficulty in accessing providers.

Cuts in Medicare (and thus TRICARE) provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in both these programs. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is seen as the lowest-paying program they deal with, and often causes them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

For patients in Prime, the situation is growing increasingly problematic as deployments of large numbers of military health professionals continues to diminish the capacity of the military's direct health care system. In this situation, more and more TRICARE patients have to turn to the purchased care sector – thus putting more demands on civilian providers who are reluctant to take an even larger number of beneficiaries with relatively low-paying TRICARE coverage.

The Coalition firmly believes this is a readiness issue. Our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries deserve the nation's best health care, not the cheapest.

Congress did the right thing by reversing the proposed provider payment cuts previously planned for March 1, 2003 and January 1, 2004, and instead providing 1.6 % and 1.5% payment increases respectively. Unless Congress or the administration acts soon, effective next year, providers will have to absorb a five percent cut for TRICARE patients as well as Medicare patients. More importantly, the underlying formula needs to be fixed to eliminate the need for perennial "band-aid" corrections.

The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but the adverse impact of depressed rates on all TRICARE beneficiaries warrants a special Subcommittee effort to solve the problem.

***The Military Coalition requests the Subcommittee's support of any means to establish and maintain Medicare and TRICARE provider payment rates sufficient to ensure beneficiary access, and to support measures to address Medicare's flawed provider reimbursement formula.***

**TRICARE Transition And Implementation Of New Contracts.** The Coalition is grateful that report language in Senate Armed Services Committee Report 108-260 in last year's

NDAA reinforced the expectation for a seamless transition and required GAO monitoring to evaluate effectiveness of the new contracts. The Coalition believes Defense health officials and the TRICARE contractors are all making a sincere effort to work through the problems associated with the transition.

Since the electronic authorization and referral program was not ready when the new contracts were implemented last year, a work around was put in place. Despite all good intentions, the program continues to have delays in authorizations and referrals, causing frustration on the part of all stakeholders - providers, patients, contractors and the government. Phone calls increase, hold times get longer, and our members tell us of lost or delayed referrals for health care.

One area related to the authorization and referral program that continues to raise alarms and has the potential for serious health care problems concerns delays in referrals for TRICARE Prime beneficiaries that exceed Prime access standards. With the manual system in place the Coalition is having difficulty determining when the clock starts for the very stringent Prime access standards. When the provider tells the beneficiary they need another appointment? Or when the beneficiary receives the paper referral up to one week later in the mail? The Coalition firmly believes it ought to be when the provider determines the need for the referral.

In late 2004, the National Military Family Association (NMFA) conducted a web-based survey of TRICARE Prime enrollees. This self-selected survey confirmed the Coalition's concerns that access standards are not being met. NMFA has reported:

Among the 328 survey respondents, there was equal representation from each of the three TRICARE regions – approximately 30 percent from each region with a 1.6% response rate from overseas beneficiaries. Sixty percent of the respondents were enrolled in the direct care system and 40 percent were enrolled with a civilian network provider.

- Twelve percent drive more than 30 minutes to see their Primary Care Manager (PCM).
- Over 20% were not able to get an urgent care appointment within 24 hours.
- More than 27% were not able to get a routine appointment within 7 days.
- Approximately 14% were not able to get a wellness appointment within 4 weeks.
- Roughly 23% were not able to get a specialty care appointment within 4 weeks of PCM referral
- Almost 10% of the respondents drove more than 60 minutes to a specialist appointment.

Beneficiaries enrolled to a PCM at a MTF reported more difficulties in obtaining appointments within the access standards than those enrolled to a civilian network PCM. The top three issues reported by Prime Enrollees were: lack of providers in the area, problems with getting referrals and appointment issues.

As these contracts are implemented, a seamless transition and accountability for progress remains the Coalition's primary concerns. The Coalition is sensitive that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, have historically been tumultuous for all stakeholders, especially beneficiaries. The Coalition believes additional effort must be put forth to make current operations less disruptive for the beneficiary.



One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DoD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple contractors.

Despite all the changes, the Coalition is hopeful that TRICARE beneficiaries will benefit from the new contract structure. By streamlining administrative requirements and being less prescriptive, we hope DoD will be able to improve service delivery and enhance access.

***The Military Coalition recommends that the Subcommittee continue to strictly monitor implementation of TRICARE contracts, especially the ability to meet Prime access standards, and ensure that Beneficiary Advisory Groups' inputs be sought in the evaluation process.***

**Prior Authorization under TNEX.** One area of concern the Coalition has identified in the past that we hoped would be addressed by the new contracts deals with Prior Authorization. While the TNEX request for proposals purportedly removed the requirement for preauthorization for Prime beneficiaries referred to specialty care, each TRICARE Regional Managed Care Support (MCS) contractor was given great leeway in determining requirements for their region.

Notwithstanding the requirement for all MSCSs to include the six TRICARE-mandated prior authorizations, the Coalition is dismayed to learn that each region manages preauthorization differently. Two MSCSs have instituted the same prior authorization requirements for Standard beneficiaries as for Prime, with the third region being far less prescriptive.

The Coalition believes strongly that this lack of uniformity in benefit delivery is inequitable and confusing to beneficiaries who have family members in different regions (e.g., college students, children of divorced parents) or who are reassigned between regions. It also undermines long-standing efforts of this Subcommittee to simplify the system and remove burdens from Standard providers and beneficiaries. The Coalition questions the need to make the fee for service program's requirements as restrictive as that of the managed care option. Continuing these significant preauthorization requirements would seem contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit.

***The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization for Standard beneficiaries and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.***

**Uniform Formulary Implementation.** The Coalition is committed to work with DoD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries. The Coalition expects DoD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries. We believe strongly that the uniform formulary should include the drugs in each class that are most frequently prescribed for private sector patients.

The Coalition is grateful to this Subcommittee for the role it played in mandating a Beneficiary Advisory Panel (BAP) to comment on the formulary. Several Coalition representatives are members of the BAP and are eager to provide input to the program. While we are aware that there will be higher costs and limitations to access for some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries, and that the guidelines are administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving “medical necessity” determinations by a patient’s physician be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. Beneficiaries’ trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are onerous.

One of the most problematic issues in the TRICARE pharmacy program has been the policy requirement to substitute generic drugs for brand-name pharmaceuticals whenever a generic version exists. Last summer the Coalition learned from our members that while implementing the new pharmacy contract, DoD arbitrarily voided all previous “medical necessity” approvals that allowed beneficiaries to receive brand-name prescriptions despite the existence of a generic substitute. The Coalition is grateful that when we raised objection to DoD leadership that these patients should have been “grandfathered,” DoD health leaders agreed. A temporary waiver was put into place until beneficiaries could be better informed about the need to obtain a new medical necessity requirement.

On the eve of implementation of the Uniform Formulary, this scenario causes the Coalition great alarm. This policy change was never discussed in any of DoD’s meetings with beneficiary groups. Nor did beneficiaries or providers receive any advance notice -- learning of the brand-name denial at the pharmacy, finding themselves forced into accepting a generic or paying the full (often very expensive) cost out of their pockets. With the advent of the many anticipated changes caused by implementation of the Uniform Formulary, beneficiaries and their providers will need to be better informed of changes to their benefit.

DoD must do a better job of informing beneficiaries about the scope of the benefit -- to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and processes for determining medical necessity. The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DoD approaches the Uniform Formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

***The Military Coalition urges the Subcommittee to ensure the uniform formulary remains robust, with reasonable medical-necessity rules and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.***

**Access to TSRx for Nursing Home Beneficiaries.** Once again, the Coalition would like to bring to the Subcommittee’s attention the plight faced by TRICARE Senior Pharmacy (TSRx) beneficiaries residing in nursing homes who encounter limitations in utilizing the TSRx benefit. The Coalition is most grateful for report language contained in House Armed Services

Committee Report PL 107-436 regarding waiver of TSRx deductibles. The Subcommittee directed the Secretary of Defense to implement policies and regulations or make any legislative changes to waive the annual deductible for these patients, and report to the Armed Services Committees by March 31, 2003.

The Coalition also is appreciative of the report language in the Senate Armed Services Committee Report 108-260 in last year's NDAA expressing concern that the Department has been "unresponsive to the concerns" of those beneficiaries residing in nursing homes who are not able to take advantage of TRICARE network pharmacies. The report directs the Secretary to develop a way of handling nursing home patients' non-network pharmacy claims so that beneficiaries are aware of alternatives to the use of non-network pharmacies to avoid deductible costs. The Coalition is not aware of any first steps taken to develop any plan to provide outreach and education for beneficiaries attempting to deem nursing homes or residential treatment facilities as TRICARE authorized pharmacy services.

Because of state pharmacy regulations, patient safety concerns and liability issues, the vast majority of nursing homes have limitations on dispensing medications from outside sources. In rare cases where the nursing home will accept outside medications, some beneficiaries have been successful in accessing medications via a local TRICARE network pharmacy or the TRICARE Mail Order Pharmacy (TMOP).

However, the vast majority must rely on the nursing home to dispense medications and seek TRICARE reimbursement and this is treated as a non-network pharmacy -- which means \$150/\$300 deductible plus higher copayments per prescription. The non-network pharmacy policy was intended to create an incentive for beneficiaries to use the TMOP/retail network pharmacies. However, this policy unintentionally penalizes beneficiaries who have no other options.

One solution is to work with the nursing home to have them to sign on as a network pharmacy. But experience indicates that few if any nursing homes are willing to become TRICARE authorized pharmacies, thus subjecting helpless beneficiaries to deductibles and increased cost shares – as if they had voluntarily chosen to use a non-network pharmacy.

The Defense Department's May 2003 report states, "the use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes is not widespread." The Coalition strongly disagrees. Because no effort has been made to educate beneficiaries or nursing homes about this problem, the vast majority of beneficiaries residing in nursing homes are not even aware that they have the ability to file paper claims for reimbursement.

The DoD report further states, that when these instances are brought to their attention, they have been "universally" successful in bringing the institution into the network or identifying a network pharmacy that can serve the beneficiary. The Coalition takes great exception to this unfounded assertion. Our experience with actual members indicates a nearly universal lack of success in resolving this issue.

Pharmacy cost shares were established to direct beneficiaries to a more cost-effective point of access. However, many of our frail and elderly beneficiaries are now residing in institutions where circumstances preclude them from accessing the TRICARE pharmacy at network cost shares. The Coalition asks the Subcommittee to take action to ease this financial burden for

those who cannot deem their facility a network pharmacy, nor avail themselves of the mail order or retail network benefit – for those whose circumstances are out of their control.

***The Military Coalition urges the Subcommittee to direct DoD to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries residing in residential facilities that do not participate in the TRICARE network pharmacy program, and who cannot access network pharmacies due to physical or medical constraints.***

**TRICARE Benefits for Remarried widows.** The Coalition believes there is a gross inequity in TRICARE's treatment of remarried surviving spouses whose subsequent marriage ends because of death or divorce. These survivors are entitled to have their military identification cards reinstated, as well as commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan (SBP) annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored – except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002. This legislation (38USC 103(g)(1)) reinstated certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity – and CHAMPVA eligibility – if the second or subsequent marriage ends in death or divorce.

Military survivors merit the same consideration Congress has extended and the VA has implemented for CHAMPVA survivors.

***The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.***

**TRICARE Prime Continuity in BRAC Areas.** In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DoD begin to consider another round of base closures this year. Many beneficiaries deliberately retire in localities close to military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Under current TRICARE contracts and under DoD's interpretation of TNEX, TRICARE contractors are supposed to continue maintaining TRICARE Prime provider networks in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

***The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for uniformed services beneficiaries residing in BRAC areas.***

**Pre-Tax Premium Conversion Option.** To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 % of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports amending the tax law to allow active duty servicemembers and military and federal civilian retirees and family members to pay government-sponsored health and dental insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will aggressively seek support from the Ways and Means Committee to pass legislation to ensure military and federal beneficiaries are provided fair treatment.

***The Military Coalition urges the Subcommittee to support HR 994 and to seek Ways and Means Committee support to authorize uniformed services beneficiaries eligibility for pre-tax payment of TRICARE Prime enrollment fees, TRICARE dental coverage and TRICARE supplements.***

### **CONCLUSION**

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in advancing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of the goals outlined in our testimony. Thank you very much for the opportunity to present the Coalition's views on these critically important topics.