



**T H E M I L I T A R Y C O A L I T I O N**

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

**before the**

**Subcommittee on Defense**

**Senate Appropriations Committee**

**May 17, 2005**

**Presented by**

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Military Officers Association of America  
Co-Chairman, Health Care Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, on behalf of The Military Coalition, a consortium of nationally prominent uniformed services 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
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- Gold Star Wives of America, Inc.
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- 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
- The Retired Enlisted Association
- The Society of Medical Consultants to the Armed Forces
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

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**Biography of Sue Schwartz, DBA, RN  
Deputy Director, Government Relations  
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Sue Schwartz is Deputy Director of Government Relations, Health Affairs at the Military Officers Association of America (MOAA) where she follows health care reform legislation and its potential impact on the military health services system and serves as co-chairman of the Military Coalition's Health Care Committee. In November 2000, Dr. Schwartz joined the staff at MOAA after leaving the National Military Family Association (NMFA) as the Associate Director, Government Relations

Dr. Schwartz has over 29 years experience as a registered nurse in a variety of health care settings, holding positions of staff nurse, Operating Room Educator, Operating Room/Post Anesthesia Care Unit Director, and Quality Improvement Director. Her consultative experience with Allegiance Health Care, Inc., emphasized cost reduction through supply logistics and clinical activities reengineering. She served as a commissioner on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. Currently she serves a member of the DOD Uniform Formulary Beneficiary Advisory Panel (BAP) and the Base Realignment and Closure (BRAC) Working Group on Military Health Care.

Her education preparation includes: DBA from NOVA Southeastern University, MBA from Auburn University, Montgomery, MSA from Central Michigan University, BS from Springfield College and ADN from Bristol Community College. Dr. Schwartz is the recipient of the Association of Perioperative Registered Nurses (AORN) scholarship awards in 1990, 1991, 1997 and 1998. In addition, she is a member Beta Gamma Sigma, a national business honorary.

A spouse of an active duty Marine officer, she resides in Northern Virginia.

## EXECUTIVE SUMMARY

### **ACTIVE FORCE ISSUES**

**Personnel Strengths and Operations Tempo.** The Military Coalition strongly recommends additional funding for 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 and ease operational stresses on active, Guard and Reserve personnel.

**Accession and Retention Bonuses.** The Military Coalition strongly recommends additional funding to increase accession and retention bonuses.

**Combat and Incentive Pays During Hospitalization.** The Military Coalition strongly urges the Subcommittee to take action to ensure servicemembers injured or wounded as a result of hazardous duty/combat do not have their compensation reduced during periods of hospitalization. The Coalition believes funding support is essential to sustain compensation for servicemembers who continue to suffer from the wounds and injuries these incentive programs were created to recognize.

**Commissaries.** The Military Coalition opposes initiatives that would reduce Commissary 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.** The Military Coalition urges additional funding for 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.

**Death Benefits Enhancement.** The Military Coalition urges the Subcommittee to fully fund military death benefits improvements.

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

**Healthcare for Members of the National Guard and Reserve.** The Military Coalition recommends funding to allow 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.

**Eliminate BAH II.** The Military Coalition urges appropriation of funding to permit payment of locality-based BAH to all Guard and Reserve members mobilized for 30 days or more.

**Family Support Programs.** The Military Coalition urges Congress to increase funding for military family support programs to meet the unique needs of the families of mobilized Guard and Reserve component members.

## **HEALTH CARE**

**Full Funding For The Defense Health Budget.** The Military Coalition strongly recommends the Subcommittee 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.

**Provider Reimbursement.** The Military Coalition requests the Subcommittee's support of any means to stabilize, maintain and fund Medicare and TRICARE provider payment rates to ensure beneficiary access.

## **OVERVIEW**

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your continued, unwavering support for funding the needs 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.

Despite these improvements in military compensation, we are deeply troubled by how much harder troops have to work—and how much more 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 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 of 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 turned down Defense Department requests for current force funding needs. If anything, Congress 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.

Congress has been wise enough to see what Executive Branch officials of both parties have not in recent years -- that 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 concerned 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.

### **ACTIVE FORCE ISSUES**

Since the end of the Cold War, the size of the force and real defense spending has been cut by 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 indications of growing challenges in recruiting members of the other Services.

Congress has taken action to help relieve the stress of repeated deployments by increasing Army and Marine Corps end strength and by making family separation and danger area pays permanent. These are notable and commendable improvements; however, sustaining a quality force for the long-term remains 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. Faced with repeated deployments to a combat zone, the appeal of a more stable career and family life, often including an enhanced compensation package and less demanding working conditions, is attractive. When allowed the option, many of our excellent soldiers, sailors, air men 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. Congress reacted to retention problems by improving military compensation elements. 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 a wearing operations tempo fighting today's global war on terror. While we are encouraged by the Subcommittee's support for increased 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 new contingency needs.

While the Department's transformation vision is an understandable and necessary plan, its implementation 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 implementation of "stop-loss" policies, action to provide substantial relief is late and short of the need. 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 elsewhere. 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, Congress must assume that obligation.

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 as 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. Experience has shown 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 funding for 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 and ease operational stresses on active, Guard and Reserve personnel.***

**Accession and Retention Bonuses.** In the interim, maintaining and increasing accession and retention bonuses is crucial to meet manning requirements. The Services have requested increased bonus authority and special pay authority, as well as more flexible authorities, to meet specific manning, retention and assignment needs. The Coalition strongly supports these efforts and hopes the Subcommittee will provide the full funding needed to sustain these critical programs.

***The Military Coalition strongly recommends additional funding to increase accession and retention bonuses.***

**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, as well as those performing hazardous duty elsewhere, are eligible for additional compensation because the country recognizes the increased risk to life and limb entailed in such duty. Yet the members who are injured or wounded lose eligibility for hazardous duty/combat incentive programs during their hospitalization and recovery from their injuries. In many cases, this recovery can take months, and their families may be subject to additional expenses because of their incapacity.

If we acknowledge that members deserve these extra pays for incurring the risk inherent in a combat zone, we should also acknowledge an obligation to continue such pays for those who actually incur combat injuries until they can be returned to duty, retired, or separated.

*The Military Coalition strongly urges the Subcommittee to take action to ensure servicemembers injured or wounded as a result of hazardous duty/combat do not have their compensation reduced during periods of hospitalization. The Coalition believes funding support is essential to sustain compensation for servicemembers who continue to suffer from the wounds and injuries these incentive programs were created to recognize.*

**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 servicemembers’ total compensation package.

In the FY2005 Defense Authorization Act, Congress enacted stronger statutory protections for the commissary and exchange systems.

The Coalition supports cost savings through effective oversight and management. However, we are concerned about the unrelenting pressure on the Defense Commissary Agency 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 whose savings and retention value for military members far exceeds the appropriated amount.

*The Military Coalition opposes initiatives that would reduce Commissary 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 additional funding for 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.*

**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.

The FY2005 Emergency Supplemental Appropriations Act will increase the death gratuity and upgrade military life insurance programs. Continued funding for these significant upgrades is essential for FY2006 and the out years.

*The Military Coalition urges the Subcommittee to fully fund military death benefits improvements.*

### **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 extended 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.

**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. We anticipate that further improvements in this program are likely to be forthcoming in the FY2006 Defense Authorization Act.

More specifically, with the increasing rate of utilization for all areas of our Reserve Components increasing, we feel that Congress must act to provide increased health care benefits for all our country’s Guardsmen, Reservists, and their families, to guarantee the nation can continue to call on them.

It is our strong recommendation that we must provide and fund 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.

Seventy percent of Guard and Reserve members have employer-sponsored health insurance. The Coalition believes this is not a "one size fits all" population. Usage of the TRICARE benefit when the servicemember is activated may not be the best way to ensure continuity of care for some families. As an option for these servicemembers, the Coalition urges Congress to take action to have the government 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.

*The Military Coalition recommends funding to allow 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.*

**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 a contingency operation. The Coalition believes strongly that any member activated for 30 days or more should be eligible for locality-based BAH.

*The Military Coalition urges appropriation of funding to permit payment of locality-based BAH to all Guard and Reserve members mobilized for 30 days or more.*

**Family Support Programs.** 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 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, funded, and sustained

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

### **HEALTH CARE**

The Military Coalition (TMC) is most appreciative of the Subcommittee's efforts to honor the government's health care commitments to all uniformed services beneficiaries. 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.

### **FULL FUNDING FOR THE DEFENSE HEALTH BUDGET**

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 underfunded 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 under funding 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. Last year, citing budgetary restraints, the Air Force made a unilateral decision to remove certain drugs 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 budget-driven action undermined the deliberative process by which the Uniform Formulary must be developed.

In addition, this policy forced increased use of mail-order and retail pharmacy programs, and thus increased costs to both DoD and beneficiaries; inappropriately made budget considerations the primary driver of formulary limits; and imposed 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 said that the health system faces an \$11 billion shortfall over the next few years.

***The Military Coalition strongly recommends the Subcommittee 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.***

### **TRICARE ISSUES**

**Provider Reimbursement.** The Coalition appreciates Congress’ 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 continue 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 Military Coalition requests the Subcommittee's support of any means to stabilize, maintain and fund Medicare and TRICARE provider payment rates to ensure beneficiary access.***

### **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.