



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**

to the

**SUBCOMMITTEE ON PERSONNEL,
SENATE ARMED SERVICES COMMITTEE**

March 14, 2006

Presented by

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and

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MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the committee 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
- Non Commissioned Officers Association
- Reserve Enlisted 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.

EXECUTIVE SUMMARY

RECOMMENDATIONS OF THE MILITARY COALITION

HEALTH CARE ISSUES

Defense Health Program Funding - The Military Coalition urges the Subcommittee to ensure continued full funding for Defense Health Program needs.

Protecting Beneficiaries Against Cost-Shifting - The Coalition recommends against implementing any increases in health fees for uniformed services beneficiaries this year. The Coalition believes strongly that America can afford to and must pay for both weapons and military health care. The Coalition recommends strongly against establishment of any TRICARE Standard enrollment fee. The Coalition urges the Subcommittee to require DoD to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to “tax” beneficiaries and make unrealistic budget assumptions. (See separate NMFA testimony concerning TRICARE Prime premiums and Standard deductibles.)

TRICARE Standard Improvements - The Coalition urges the Subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it. The Coalition urges the Subcommittee to direct DoD to eliminate TRICARE-unique administrative requirements that deter provider participation and thus contribute to denying beneficiaries access to care. The Coalition recommends requiring DoD to work with the State Medical Associations and the Centers for Medicare and Medicaid Services to initiate an appropriate information program for providers who will not see TRICARE patients, highlighting specific improvements in claims/payment processing timeliness.

TRICARE Reimbursement Rates - The Coalition urges the Subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform the Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the Subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance. The Coalition urges the Subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments.

TRICARE vs. Medicare Coverage - The Coalition urges the Subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

TRICARE Reserve Select - The Coalition strongly recommends capping TRS premium increases at a percentage not to exceed the percentage of their basic pay raise. The Coalition recommends increasing the federal subsidy for TRS, at least for those members who do not have access to employer-sponsored health coverage. The Coalition recommends developing a cost-effective option to have DoD subsidize premiums for member’s private insurance as an alternative to TRICARE Reserve Select coverage. We recommend a GAO report to identify the level of payment that would represent a cost-effective option for the government.

USAERRA Protections - The Coalition urges continued efforts to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of increased length and frequency of deployments.

Restoration of TRICARE For Widows - The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote - The Coalition recommends removal of the requirement for the family members to reside with the active duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Re-Basing and Relocation - The Coalition urges Congress to codify the requirement to provide TRICARE Prime in BRAC-affected areas and ensure, via a report from DoD, that adequate health resources are available to provide care within access standards for those affected by Re-Basing.

Mental Health - The Coalition strongly urges Congress to closely monitor DoD and VA implementation of much-needed Post Traumatic Stress Disorder awareness and treatment programs.

Pharmacy Copayments - The Coalition recommends no changes to the copayment rates until all medications are available in the mail order program and limiting any future pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar. The Coalition recommends eliminating beneficiary copayments in the mail-order pharmacy system for generic and brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Expansion of “Third Tier” Formulary - The Coalition urges the Subcommittee to monitor DoD’s consideration of Beneficiary Advisory Panel input in future uniform formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative cost of drugs in each affected class. The Coalition recommends a GAO review of the Uniform Formulary process to determine whether actions taken thus far have realized the projected savings.

TRICARE Prime Referral and Authorization System - The Coalition recommends that Congress require a cost analysis report concerning the referral process within DoD and reliance on Civilian Network Providers within an MTF’s Prime Service Area.

DoD-VA Transition – The Coalition urges the Committee to direct and oversee a concerted “Manhattan Project” effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, and one-stop physical at time of discharge.

Tax Law Changes - The Coalition urges all Armed Services Committee members to press the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include TRICARE Prime

enrollment fees and premiums for TRICARE Standard supplements, long-term care insurance, and TRICARE dental premiums.

Dental Issues - The Coalition recommends allowing TRICARE-eligible former spouses to participate in the TRICARE Retiree Dental Plan. The Coalition recommends a GAO study of the viability of subsidizing the retiree dental program, including the likely long-term impact of different subsidy levels on retiree participation and dental health.

ACTIVE FORCE ISSUES

Pay Raises – The Military Coalition strongly recommends providing military pay raises that exceed the Employment Cost Index until such time as full military pay comparability has been restored. The Coalition further recommends targeted increases for selected non-commissioned officers/petty officers and warrant officers as needed to attain the 70th-percentile comparability standard.

Family Readiness, Support Structure, and Morale, Welfare and Recreation Programs – The Military Coalition urges Congress to maintain a well-funded family readiness and support structure to enhance family well-being and to improve retention and morale. The Coalition also asks Congress to highlight and protect the interests of all beneficiaries impacted by overseas rebasing, Army modularity, and BRAC and ensure support services and infrastructure remain in place throughout the entire transition period for all beneficiary populations.

Personnel Strengths – The Military Coalition strongly urges sustaining end strengths to meet mission requirements, and opposing force reductions that have the primary purpose of paying for other programs.

Housing – The Military Coalition urges correction of military housing standards that inequitably depress BAH rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Flexible Spending Accounts – TMC urges the Subcommittee to continue pressing the Defense Department until servicemembers are provided the same eligibility to participate in Flexible Spending Accounts that all other federal employees and corporate employees enjoy.

Permanent Change of Station (PCS) Reimbursement – The Military Coalition supports upgrading permanent change-of-station allowances to reflect the expenses members are forced to incur in complying with government-directed relocations.

Dependent Education – The Coalition urges the Subcommittee to continue its priority on mitigating adverse effects of government decisions on military children's education. The Coalition urges the Subcommittee to support nationwide in-state tuition eligibility for service families in the state in which the member is assigned or the member's home state of record, and continuity of in-state tuition once established for a military student. The Coalition also urges support of a nationwide reciprocity standard to allow full transfer of school credits for graduation requirements for service and family members. The Coalition continues to believe that it would be a powerful career retention incentive to authorize transferability of at least a portion of MGIB benefits to family members for long-serving members who agree to complete a military career.

Montgomery GI Bill – The Coalition urges the Subcommittee’s support for a 21st Century MGIB, with benefit amounts indexed to the cost of a four-year education at a public institution, and no reduction in benefits for education obtained while on active duty.

GUARD AND RESERVE ISSUES

Guard/Reserve Health Care – The Coalition strongly recommends increasing subsidy levels for TRICARE coverage for drilling Guard/Reserve members not yet mobilized and having one set rate for members of the Guard and Reserve who continue to be drilling members. The Coalition supports further strengthening rights under USERRA to permit Reserve Component members to retain employer-sponsored insurance if coverage is terminated due to TRICARE benefits provided 90 days prior to mobilization. The Coalition supports extending military dental coverage to Reservists for 180 days post mobilization (during TAMP), unless the individual's dental readiness is restored to T-2 condition before demobilization.

Guard/Reserve Retirement Age – The Military Coalition urges Congress to reduce the age when a Guard and Reserve member is eligible for retirement pay, particularly for those members who have experienced extended mobilizations.

Transition Assistance Services and Protections – TMC urges funding of tailored 'TAP' services and enactment of stronger economic, financial, academic, health and legal protections for Guard and Reserve members and their families.

“Total Force” Montgomery GI Bill – TMC supports the integration of all elements of the MGIB under Title 38, restoring benefit rates commensurate with service performed, and a post-service eligibility period for Selected Reserve members.

Guard and Reserve Family Support Programs – TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with these support programs.

OVERSEAS REBASING, BASE REALIGNMENT AND CLOSURE (BRAC) ISSUES

Rebasing and BRAC – The Military Coalition urges the Subcommittee to monitor the implementation of rebasing, BRAC, and Service Transformation initiatives to ensure protection of support services for military families.

SURVIVOR PROGRAM ISSUES

SBP-DIC Offset – The Military Coalition strongly supports legislation to repeal the SBP-DIC offset introduced by Sen. Nelson (D-FL) (S. 185) and Rep. Brown (R-SC) (H.R. 808), respectively. Enactment remains a top Coalition goal for 2006.

30-Year Paid-Up SBP – The Military Coalition recommends a two-year acceleration of the implementation date for paid-up SBP coverage, so that it takes effect on October 1, 2006.

Final Retired Pay Check – The Military Coalition urges Congress to allow survivors of retirees to retain the full month’s retired pay for the month in which the retired member dies.

RETIREMENT ISSUES

Concurrent Receipt – The Coalition urges the Subcommittee to expand Combat-Related Special Compensation to members who were medically compelled to retire short of 20 years of service solely because of their combat-incurred disabilities, as envisioned in H.R. 1366. The Coalition urges the Subcommittee to end the disability offset to retired pay immediately for otherwise-qualifying members rated as “unemployable” by the VA.

Former Spouse Issues – The Military Coalition urges legislation to eliminate inequities in the USFSPA.

OVERVIEW

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your continued, unwavering support of our active duty, Guard, Reserve, retired members, and veterans of the uniformed services, to include their families and survivors. The Subcommittee's work has generated significant improvements in military end strength, pay, health care, survivor benefits, and disabled retiree programs.

Six years ago, the Joint Chiefs of Staff advised Congress of the need to repeal REDUX, fix pay raises, and correct inequities in retiree health care, all of which were having a negative retention impact on serving members. You heard the call, and made those fixes and others.

Now, unfortunately, we hear increasing complaints about the cost of some of those improvements from leaders who seem to have forgotten why they were enacted.

Some in the Administration argue for a return to past practices of capping military pay raises below private sector wage growth. Service leaders are planning force reductions even as Congress has authorized end strength increases to meet frenetic rotation requirements that have no end in sight. Defense officials decry the cost of retiree health care and seek to impose four-figure increases in health care fees charged to those who spent a career thinking they were paying their premiums in specie of personal and family sacrifice.

Some contend that support for military personnel programs inevitably faces a periodic cycle of ebb and flow, and that the benefit improvements of the last 6 years must now yield to several years of cutbacks.

The Military Coalition continues to look to this Subcommittee for leadership to ensure the country doesn't return to the penny-wise and pound-foolish benefit cutbacks that caused the retention problems of the 1970s and the 1990s.

Today's reality is that 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 is a real concern, and anyone who talks to frustrated military families has to question the credibility of any alleged rosy retention outlook.

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.

Full Funding for the Defense Health Program

We particularly appreciate the key role played by the Subcommittee in ending the chronic under funding experienced in past years. But recent events raise our concern that this condition is likely to arise again unless the Subcommittee continues its aggressive oversight.

The Defense Department, Congress and The Military Coalition all have reason to be concerned about the rising cost of military health care. But it is important to recognize that the bulk of the problem is a national one, not a military-specific one. It's also important, in these times of focus on deficits, to keep in perspective the government's unique responsibility as the recruiter, retainer,

employer, and custodian of a career military force that serves multiple decades under extraordinarily arduous conditions to protect and preserve our national welfare.

In this regard, the government's responsibility and obligations to its servicemembers go well beyond those of corporate employers. The Constitution itself puts the responsibility on the government to provide for the common defense, and on Congress to raise and maintain military forces. No corporate employer shares any such awesome responsibility and obligation, and there is no other employee population upon whom the entire Nation depends for its very freedom.

Congress has pursued its responsibilities with vigor on behalf of those who are sacrificing, have sacrificed, and will continue to sacrifice so much for the rest of America. Continuing those vigorous efforts will be essential in addressing the budget challenges of the years ahead.

The Military Coalition urges the Subcommittee to ensure continued full funding for Defense Health Program needs.

Protecting Beneficiaries Against Cost-Shifting

The Administration is proposing a significant increase in fees paid by retired uniformed services beneficiaries, including doubling or tripling enrollment fees for TRICARE Prime and tripling or quadrupling fees for TRICARE Standard. In addition, the President's budget recommends a 67% increase in retail pharmacy fees for all active duty, Guard, Reserve, retired, and survivor beneficiaries.

The Coalition believes strongly that these proposed increases are disproportional, inequitable, inappropriate, and unwise. (See separate NMFA testimony concerning TRICARE Prime premiums and Standard deductibles.)

The Coalition recommends against implementing any increases in health fees for uniformed services beneficiaries this year.

People vs. Weapons. Dr. William Winkenwerder, Assistant Secretary of Defense (Health Affairs), briefed the Coalition that rising military health care costs are "impinging on other service programs." Other reports indicate that DoD leadership is seeking more funding for weapons programs by reducing the amount it spends on military health care and other personnel needs.

The Military Coalition asserts that such budget-driven trade-offs are misguided and inappropriate. Cutting people programs to fund weapons ignores the much larger funding problem, and only makes it worse.

The Coalition believes strongly that the proposed defense budget is too small to meet national defense needs. Today's defense budget (in wartime) is less than 4% of GDP, well short of the average for the *peacetime* years since WWII.

The Coalition believes strongly that America can afford to and must pay for both weapons and military health care.

Comparison With Civilian Plans Is Inappropriate. Defense leaders assert that substantial military fee increases are needed to bring military beneficiary costs more in line with civilian practices. But comparison with corporate practices is inappropriate.

Military medical and retirement benefits must be markedly better than civilian benefits, since they are the primary offsets for enduring decades of extraordinarily arduous military service conditions that constitute military members' unique contributions toward their unique retirement and health benefits.

The Nation has a far greater obligation to military retirees than corporations have to theirs. In demanding such extraordinary commitments from career service member, the government assumes a reciprocal obligation to provide benefits commensurate with their extraordinary sacrifices.

TRICARE Standard Enrollment Fee is Inappropriate. TRICARE Standard has long been the basic military insurance coverage. Only 50% of providers in America have ever submitted a TRICARE claim, and many providers are reluctant to accept Standard beneficiaries. Many who do so refuse to accept any new TRICARE patients. To date, little effort has been expended by the Department of Defense or its contractors to assist Standard beneficiaries in finding providers.

When TRICARE Prime was authorized in 1995, Congress authorized an enrollment fee for this program in recognition that beneficiaries who signed up for Prime could expect a higher level of service. They were to be guaranteed access to a participating provider within established timeliness standards.

The Department is now attempting to establish an enrollment for TRICARE Standard without any such commitment for a higher level of service. With TRICARE provider payments expected to decline in the future under current law, provider participation is actually likely to decline in the future.

Establishing an enrollment fee without any commitment to provide improved service for that fee is inappropriate.

The Coalition recommends strongly against establishment of any TRICARE Standard enrollment fee.

Large Retiree Fee Increases Can Only Hurt Retention. The reciprocal obligation of the government to maintain an extraordinary benefit package to offset the extraordinary sacrifices of career military members is a practical as well as moral obligation. Mid-career military losses can't be replaced like civilians can.

Eroding benefits for career service can only undermine long-term retention/readiness. Today's troops are very conscious of Congress' actions toward those who preceded them in service. One reason Congress enacted TRICARE For Life is that the Joint Chiefs of Staff at that time said that inadequate retiree health care was affecting attitudes among active duty troops.

The current Joint Chiefs have endorsed increasing TRICARE fees only because their political leaders have convinced them that this is the only way they can secure funding for weapons and other needs. The Military Coalition believes it is inappropriate to put the Joint Chiefs in the

untenable position of being denied sufficient funding for current readiness needs if they don't agree to beneficiary benefit cuts.

Reducing military retirement benefits would be penny-wise and pound-foolish when recruiting is already a problem and an overstressed force is at increasing retention risk.

TFL Trust Fund Accrual Deposit Is Dubious Excuse. An analysis by the Congressional Budget Office showed that most of the growth in defense health spending (56%) is attributable to overall growth in national health care spending. The next largest contributor is beneficiary population growth (23%). Establishment of the accrual accounting methodology for the TFL trust fund (which doesn't affect current outlays) accounts for 18% of the DoD cost growth.

When the Defense Department argued two years ago that the trust fund deposit was impinging on other defense programs, the Coalition and the subcommittee agreed that that should not be allowed to happen. When the Administration refused to increase the budget topline to accommodate the statutorily mandated trust fund deposit, Congress changed the law to specify that the entire responsibility for TFL trust fund deposits should be transferred to the Treasury. Subsequently, Administration budget officials chose to find a way to continue charging that deposit against the defense budget anyway.

In the Coalition's view, this represents a conscious and inappropriate Administration decision to cap defense spending below the level needed to meet national security needs. If the Administration chooses to claim to Congress that its defense budget can't meet those other needs, then Congress (which directed implementation of TFL and the trust fund deposit) has an obligation to increase the budget as necessary to meet them.

Proposed Increases Far Exceed Inflation Increases. The Administration's proposed increases are grossly out of line with TRICARE benefit levels originally enacted by Congress, even allowing for interim inflation since current fees were established.

If the \$460 family Prime enrollment fee were increased by interim CPI changes (those used to increase retired pay), assuming the same 2.5% future CPI change assumed in the President's budget, it would be \$635 for FY2008 – far less than \$1400 proposed by DoD.

If the \$300 deductible for TRICARE Standard were CPI-adjusted for the same period, it would be \$414 by 2008 –one-third the \$1200 in annual deductible and new fees proposed by DoD.

Further, the Administration proposes to make annual fee adjustments thereafter, based on FEHBP medical inflation, which has been two to three times the inflation-based increases in members' retired pay. This would ensure that members' medical costs would consume a larger share of their income with each passing year. The Coalition realizes that this has been happening to many private sector employees, but believes strongly that the government has a greater obligation to protect the interests of its military beneficiaries than private corporations feel for their employees.

Proposed Increases Disproportional to VA Fee Changes. Congress acted wisely in each of the last two years by squelching Administration proposals to institute an annual enrollment fee of \$250 and significantly raise pharmacy co-payments for non-disabled veterans who had served as few as two years. This year, the VA has increased pharmacy copayments by \$1. Tripling and quadrupling

TRICARE fees for retirees who served 20-30 years in uniform and raising retail pharmacy copays by 67% for all military beneficiaries would be grossly disproportionate in comparison.

Unrealistic Budget Assumptions Will Leave TRICARE Underfunded. The DoD budget proposal assumes the proposed fee increases and co-payment changes will save money by shifting 14% of pharmacy users away from retail outlets and causing hundreds of thousands of current beneficiaries to exit TRICARE by 2011. Thus, DoD has reduced the amount budgeted for health care on the assumption that it will be treating fewer beneficiaries.

Many Defense and Service analysts believe it is unrealistic to assume that this number of beneficiaries will leave TRICARE if such fees are introduced, largely because switching to civilian coverage usually would entail even larger fees for beneficiaries.

Because the assumed level of beneficiary flight is extremely unlikely to occur, the Department almost certainly will experience a substantial budget shortfall before the end of the year. This would then require supplemental funding, further benefit cutbacks, and even greater efforts to shift more costs to beneficiaries in future years.

Thus, the most likely result of this misguided cost-shifting proposal would be to disproportionately penalize retirees, undermine military health benefits, and further threaten future retention and readiness.

Alternative Options to Make TRICARE More Cost-Efficient. The Coalition believes strongly that the Defense Department has not sufficiently investigated other options to make TRICARE more cost-efficient without shifting costs to beneficiaries. The Coalition offers the list of alternatives below as initial cost saving possibilities.

- Promote retaining other health insurance by making TRICARE a true second-payer to other insurance (far cheaper to pay another insurance's copay than have the beneficiary migrate to TRICARE)
- Eliminate DoD-unique administrative requirements that make DoD pay higher overhead fees
- Size and staff military treatment facilities (least costly care option) to reduce reliance on non-MTF civilian providers
- Change electronic claim system to kick back errors in real time to help providers submit "clean" claims, reduce delays/multiple submissions
- Change law to limit incentives private firms can offer employees to shift to TRICARE, or require such matching payments to TRICARE
- Increase efficiency via a single contract for all claims processing
- Implement effective disease management programs and ensure coordination across the entire system
- Test voluntary participation in Medicare Advantage Regional PPO to foster chronic care improvement and disease management
- Negotiate with drug manufacturers for retail pharmacy discounts (the most costly venue), which DoD has failed to do, or change the law to mandate federal pricing for retail pharmacy network (rather than charging beneficiaries more if drug companies don't agree to federal pricing)

- Reduce/eliminate all mail-order copays to boost use of lowest-cost venue
- Do more to educate beneficiaries and providers on advantages of mail-order pharmacy
- Establish one central DoD facility to order/fill all prescriptions for exceptionally high-cost drugs (AF model has been successful)
- Centralize military treatment facility pharmacy budget/funding process, with emphasis on accountability and cost-shifting

TRICARE Still Has Significant Shortcomings. While DoD chooses to focus its attention on the cost of the TRICARE program to the government, the Coalition believes those making that case too often fail to acknowledge that TRICARE continues to have significant problems that deter many providers from accepting it and affect delivery of care to beneficiaries.

The Coalition urges the Subcommittee to require DoD to pursue greater efforts to improve TRICARE and find more effective and appropriate ways to make TRICARE more cost-efficient without seeking to “tax” beneficiaries and make unrealistic budget assumptions.

TRICARE Standard Improvements

The Coalition very much appreciates the Subcommittee’s continuing interest in the specific problems unique to TRICARE Standard beneficiaries. In particular, we applaud your efforts in the FY2006 Defense Authorization Act to expand TRICARE Standard provider surveys and establish Standard support responsibilities for TRICARE Regional Offices. These are needed initiatives that should help make it a more effective program. We remain concerned, however, that more remains to be done. TRICARE Standard beneficiaries need assistance in finding a provider that can provide healthcare services within a reasonable time and distance from their home. This will become increasingly important with the expansion of TRICARE Reserve Select as these individuals are most likely not living within a Prime Service Area.

Provider Participation Adequacy. The provider surveys are a first step and should provide a wealth of additional information. The question is what use will be made of the information.

The Coalition is concerned that DoD has not established any standard for the adequacy of provider participation. Participation by half of the providers in a locality may suffice if there is not a large Standard beneficiary population. The Coalition would prefer to see an objective participation standard (perhaps number of beneficiaries per provider) that would help shed more light on which locations have participation shortfalls of Primary Care Managers and Specialists that require positive action. The Coalition is not asking DoD to build a TRICARE Standard network. However, once shortfalls are identified then further action by DoD should be undertaken to entice providers to accept TRICARE Standard patients.

We are also concerned about whether the Standard surveys actually measure what they purport to measure. In particular, we are perplexed that DoD survey results for some locations do not conform to (admittedly anecdotal) inputs that beneficiary associations have received from some of the same localities. Coalition discussions with those who processed the surveys yielded acknowledgements that health care providers may give different answers to the surveyors than they give to beneficiaries – if only because the beneficiaries may ask different questions of them than the survey-takers do. The Coalition believes it would be useful and appropriate to conduct independent surveys of

TRICARE Standard beneficiaries, so that beneficiary inputs could be correlated with provider inputs for a given area.

The Coalition urges the Subcommittee to establish requirements for TRICARE Standard beneficiary surveys and a definition of what level of provider participation shall be deemed to require positive action to increase it.

Administrative Deterrents to Provider Participation. Feedback from providers indicates TRICARE imposes additional administrative requirements on providers that are not required by Medicare or other insurance plans. On the average, about 50 percent of a provider's panel is Medicare patients, whereas only 2 percent are TRICARE beneficiaries. Providers are unwilling to incur additional administrative expenses that affect only a small number of patients. Thus, providers are far more prone to non-participation in TRICARE than in Medicare.

One problem is that TRICARE requires that each provider be identified by each physical location where he or she performs services. If a clinic has 50 providers that have privileges at 10 different addresses in a clinic group, TRICARE requires 500 unique provider numbers. Medicare and most commercial insurers are moving to embrace a National Provider Indicator. TRICARE has been reluctant to change because of concerns for identifying fraud, but Medicare has been successful in fraud identification using one unique provider identification number.

Another problem is that, TRICARE still requires submission of a paper claim to determine medical necessity on a wide variety of claims for Standard beneficiaries. This thwarts efforts to encourage electronic claim submission and increases provider administrative expenses and delays receipt of payments. Examples include speech therapy, occupational/physical therapy, land or air ambulance service, use of an assistant surgeon, nutritional therapy, transplants, durable medical equipment, and pastoral counseling.

Another source of claims hassles and payment delays involve cases of third party liability (e.g., auto insurance health coverage for injuries incurred in auto accidents). Currently, TRICARE requires claims to be delayed pending receipt of a third-party-liability form from the beneficiary. This often delays payments for weeks and can result in denial of the claim (and non-payment to the provider) if the beneficiary doesn't get the form in on time. Recently, a major TRICARE claims processing contractor recommended that these claims should be processed regardless of diagnosis and that the third-party-liability questionnaire should be sent out after the claim is processed to eliminate protracted inconvenience to the provider of service.

The Coalition urges the Subcommittee to direct DoD to eliminate TRICARE-unique administrative requirements that deter provider participation and thus contribute to denying beneficiaries access to care.

Provider Education Needs Improvement. While these and other administrative impediments remain to be corrected, the Coalition does believe that overall claims processing timeliness has improved considerably from previous years.

We believe one reason for provider non-participation in TRICARE is lack of information, outdated information, or previous bad experiences with TRICARE in areas that have subsequently seen substantial improvement. DoD is currently developing an annual newsletter for TRICARE

Standard beneficiaries and could generate an informative newsletter to providers who have submitted claims. This will be all well and good but the target group of providers that will not get a newsletter or information are those who do not see TRICARE beneficiaries. We look forward to working with DoD to improve efforts to educate providers with respect to the differences between TRICARE Standard and TRICARE Prime. A solid education and communication program will go a long way to attract providers.

The Coalition recommends requiring DoD to work with the State Medical Associations and the Centers for Medicare and Medicaid Services to initiate an appropriate information program for providers who will not see TRICARE patients, highlighting specific improvements in claims/payment processing timeliness.

Tricare Reimbursement Rates

Physicians consistently report that TRICARE is virtually the lowest-paying insurance plan in America. Other national plans typically pay one-quarter to one-third higher rates. In some cases the difference is even higher.

While TRICARE rates are tied to Medicare rates, TRICARE Managed Care Support Contractors make concerted efforts to persuade providers to participate in TRICARE Prime networks at a further discounted rate. Since this is the only information providers receive about TRICARE, they see TRICARE as even lower-paying than Medicare.

This is exacerbated by annual threats of further reductions in TRICARE rates due to the statutory Medicare rate-setting formula. Doctors are unhappy enough about reductions in Medicare rates, and many already are reducing the number of Medicare patients they see.

But the problem is far more severe with TRICARE, because TRICARE patients typically comprise a small minority of their beneficiary caseload. Physicians may not be able to afford turning away large numbers of Medicare patients, but they're more than willing to turn away a small number of patients who have low-paying, high-administrative-hassle TRICARE coverage.

Congress has acted to avoid Medicare physician reimbursement cuts for the last three years, but the failure to provide a payment increase for 2006 is another step in the wrong direction according to physicians. Further, Congress still has a long way to go in order to fix the underlying reimbursement determination formula.

Correcting the statutory formula for Medicare and TRICARE physician payments to more closely link adjustments to changes in actual practice costs and resist payment reductions is a primary and essential step. We fully understand that is not within the purview of this Subcommittee, but we urge your assistance in pressing the Ways and Means and Finance Committees for action.

In the meantime, the rate freeze for 2006 makes it even more urgent to consider some locality-based relief in TRICARE payment rates, given that doctors see TRICARE as even less attractive than Medicare.

The TRICARE Management Activity has the authority to increase the reimbursement rates when there is a provider shortage or extremely low reimbursement rate for a specialty in a certain area and

providers are not willing to accept the low rates. In some cases a state Medicaid reimbursement for a similar service is higher than that of TRICARE. To date, this authority has been used only in Alaska. One concern, as mentioned previously, is that the Department has been reluctant to establish a standard for adequacy of participation.

There are specialties that do not fall cleanly within the Medicare reimbursement rates. Obstetrical and pediatric services have been a constant source of aggravation for military beneficiaries and the Managed Care Support Contractors. We applaud Congress' requirement for a Comptroller General report on obstetrical and pediatric reimbursement levels to ensure the adequacy of a quality network. We look forward to its findings and in the meantime encourage DoD to make full use of its authority to set higher rates for these specialties.

The Coalition urges the Subcommittee to exert what influence it can to persuade the Ways and Means/Finance Committees to reform Medicare/TRICARE statutory payment formula. To the extent the Medicare rate freeze continues, we urge the Subcommittee to encourage the Defense Department to use its reimbursement rate adjustment authority as needed to sustain provider acceptance.

The Coalition urges the Subcommittee to require a Comptroller General report on the relative propensity of physicians to participate in Medicare vs. TRICARE, and the likely effect on such relative participation of a further freeze in Medicare/TRICARE physician payments.

Minimize the differences between Medicare and TRICARE coverage. DoD submitted a report to Congress last year indicating the coverage differences between Medicare and TRICARE. The report showed that there are at least a few services covered by Medicare that are not covered by TRICARE. These include an initial physical at age 65, chiropractic coverage, respite care, and certain hearing tests. We believe that the TRICARE coverage should at least be the equal of Medicare's in every area. Our military retirees have made sacrifices far and above those who have not served and deserve no less coverage than is provided to other federal beneficiaries.

The Coalition urges the Subcommittee to align TRICARE coverage to at least match that offered by Medicare in every area.

Guard and Reserve Healthcare

The Coalition applauds the Subcommittee for extending TRICARE Reserve Select coverage to all member of the Selected Reserve in the 2006 Authorization Act. Since DoD is relying upon the Guard and Reserve personnel more heavily and deployments are becoming longer and more frequent we must continue to view these individuals as an indispensable part of our armed forces. We should treat them accordingly.

Setting the TRS Premium. We have concerns over the manner at which the premiums for this program are set. Currently, the Defense Department adjusts TRS premiums based on annual adjustments to the basic FEHBP insurance option. This adjustment mechanism has no relationship either to the Department's military health care costs or to increases in eligible members' compensation.

The Coalition believes we have a higher obligation to restrain health cost increases for currently serving military members who are periodically being asked to leave their families and lay their lives on the line for their country. These members deserve better than having their health premiums raised arbitrarily by a formula that has no real relationship to them.

The Coalition strongly recommends capping TRS premium increases at a percentage not to exceed the percentage of their basic pay raise.

Improve Premium Subsidies. Although we recognize that Congress took a huge step in expanding eligibility to all members of the Selected Reserve, we are also aware that the step finally taken fell well short of what both the House and Senate Armed Services Committees initially recommended last year. We are very concerned that the high premiums required for those who have not been mobilized in the recent past will deter many Guard and Reserve members from needed participation.

The Coalition recommends increasing the federal subsidy for TRS, at least for those members who do not have access to employer-sponsored health coverage.

Private Insurance Premium Option. The Coalition believes Congress is missing an opportunity to reduce its health care costs (for retired members as well as for Selected Reservists) by failing to authorize eligible members the option of electing a partial subsidy of their civilian insurance premiums in lieu of TRICARE coverage.

Many members would be motivated to elect this option, especially if their family's current health care provider is reluctant to participate in TRICARE. Rather than having to find a new provider who will accept TRICARE, many beneficiaries may prefer a partial subsidy (at lower cost to DoD) to preserve the convenience and continuity of their family's health care.

The Department could calculate a maximum monthly payment level that would represent a cost savings to the government, so that each member who elected that option would reduce TRICARE costs.

The Coalition recommends developing a cost-effective option to have DoD subsidize premiums for member's private insurance as an alternative to TRICARE Reserve Select coverage. We recommend a GAO report to identify the level of payment that would represent a cost-effective option for the government.

USERRA protections. We very much appreciate Congress' continuing efforts to ensure that USERRA provisions catch up to recent changes in members' service requirements. One continuing need is to further strengthen rights under USERRA to permit Reserve Component members to retain employer-sponsored insurance if coverage is terminated due to the existence of TRICARE coverage, and to protect their re-enrollment rights in employer-provided health coverage upon expiration of TAMP and 28-percent-subsidized TRS coverage.

The Coalition urges continued efforts to ensure consistency of benefits and continuity of care for Guard and Reserve members and their families in an environment of increased length and frequency of deployments.

Consistent Benefit

As time progresses and external changes occur, we are made aware of pockets of individuals who for one reason or another are denied the benefits that they should be eligible for. DoD and all its health contractors were leaders in modifying policy and procedures to assist Katrina victims. Additionally, Congress' action to extend eligibility for TRICARE Prime coverage to children of deceased active duty members was truly the right thing to do.

Restoration of TRICARE for Widows. One group of individuals that has earned the TRICARE benefit is now being closed out and needs to be brought back into the fold. When a TRICARE-eligible widow/widower remarries, he/she loses TRICARE benefits -- and rightly so. When that individual's second marriage ends in death or divorce, the individual has eligibility restored for military ID card benefits, including SBP coverage, commissary/exchange privileges, etc. -- with the sole exception that TRICARE eligibility is not restored.

This is out of line with other federal health program practices, such as the restoration of CHAMPVA eligibility for survivors of veterans who died of service-connected causes. In those cases, VA survivor benefits and health care are restored upon termination of the remarriage.

Military survivors deserve equal treatment.

The Coalition recommends restoration of TRICARE benefits to previously eligible survivors whose second or subsequent marriage ends in death or divorce.

TRICARE Prime Remote exceptions. We thank Congress for the FY2006 Defense Authorization Act provision allowing the Secretaries to waive the requirement for the spouse to reside with the servicemember for purposes of TRICARE Prime Remote eligibility if the service determines special circumstances warrant such coverage. We remain concerned about the potential for inconsistent application of eligibility, however.

With longer deployments and sea shore and overseas assignment patterns families are faced with some tough decisions. A spouse and children may find it easier and more supportive to reside with or around relatives during extended separations from their Active Duty spouse. The special authority is a step in the right direction, but there is a wide variety of circumstances that could dictate a family separation of some duration, and the Coalition believes each family is in the best situation to make its own best decision.

The Coalition recommends removal of the requirement for the family members to reside with the active duty member to qualify for the TRICARE Prime Remote Program.

BRAC, Re-Basing, and Relocation. Relocation from one geographic region to another brings multiple problems. A smooth health care transition is crucial to a successful relocation. And that means ensuring a robust provider network and capacity is available as long as members and families remain in either losing or gaining locations affected by BRAC and Global Re-basing. A major effort is essential by the Department and its Managed Care Support Contractors to ensure smooth beneficiary transition from one geographic area to another.

It also is important to sustain Prime networks at closing locations to protect health care access for Guard/Reserve and retired members and families remaining in the area. We stress the importance of coordination of construction and funding in order to maintain access and operations while the process takes place.

We urge Congress to codify the requirement to provide TRICARE Prime in BRAC-affected areas and ensure, via a report from DoD, that adequate health resources are available to provide care within access standards for those affected by Re-Basing.

Mental Health

We are most appreciative of the extra effort the Subcommittee made in the FY2006 Defense Authorization Act to assist members and families who may be affected by Post Traumatic Stress Disorder (PTSD) or other psychological conditions. The pilot projects on PTSD and creation of a Task Force on Mental Health are major steps to establish outreach and ensure returning members and their families get timely access to the care they need.

We support the establishment of a meaningful pre- and post-deployment mental health screening process to ensure members and their families are referred to and receive appropriate interventional services. We will be very interested in the results of the studies Congress has required of DoD on this topic and look forward to working with DoD and Congress as the results are completed.

The Coalition strongly urges Congress to closely monitor DoD and VA implementation of much-needed Post Traumatic Stress Disorder awareness and treatment programs.

Pharmacy

The TRICARE Pharmacy benefit must remain strong and affordable and meet the pharmaceutical needs of millions of eligible beneficiaries. While we are pleased at the overall operation of the program, the Coalition does have concerns about certain apparent trends.

In particular, we are concerned about ongoing efforts to shift disproportional cost increases onto military beneficiaries.

Pharmacy Copayment Changes. The Coalition is concerned that, five years after pharmacy copayment levels were established, the Department is proposing a 67% increase in retail copayments. The rationale for the proposed increase is the rapid growth in retail pharmacy use since enactment of TRICARE For Life.

The Coalition believes strongly that uniformed services beneficiaries deserve more stability in their benefit levels, and that DoD has not performed due diligence in exploring other ways to reduce pharmacy costs without shifting such increased expense burdens to beneficiaries. Thus far, the Department has refused to negotiate with drug companies for discounts in the retail arena. Not enough has been done to educate beneficiaries and providers on the advantages of the mail-order program. The Department has failed to centralize purchasing and filling of prescriptions for high-cost drugs, as the Air Force has done successfully.

Last year, Congress rightfully rejected the Administration's proposal to double VA pharmacy copayments for certain categories of nondisabled veterans. This year, the VA increased copayments by \$1 for those categories, a much more reasonable adjustment that would not have happened without Congress' intervention. Military beneficiaries deserve no less protection.

A formula that limits pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar, would provide for modest periodic adjustments consistent with beneficiary income increases. DoD should not modify copayment rates until all medications that are available in the retail system are also available in the mail order program.

The Coalition recommends no changes to the copayment rates until all medications are available in the mail order program and limiting any future pharmacy copayment increases to the lesser of the percentage increase in basic pay or retired pay, rounded down to the next lower dollar.

Most of all, the Department has ignored what the Coalition believes would create the most powerful incentive for beneficiaries to shift from the more costly retail program to the mail order program – eliminating mail-order copays. While modest already, mail-order copayments entail considerable processing expense for the contractor and DoD. In many cases, the processing expense is greater than the value of the copayment. Marketers know that offering something for free is a powerful economic incentive. The Coalition believes that eliminating mail-order copayments altogether would send a strong economic and educational message to beneficiaries on the advantages of the mail-order system, and that the government would realize very large savings from this change.

The average drug purchased in the mail-order system saves the government \$49 relative to providing the drug through the retail system. If all mail-order copayments would be eliminated, the savings would still be at least \$43 per prescription (in fact, savings would be larger, since the government would no longer pay contractors to process copayments). Elimination of mail-order copays would save the government \$20 million for each 1% of prescriptions that migrate from the retail to the mail-order pharmacy system.

The Coalition recommends eliminating beneficiary copayments in the mail-order pharmacy system for generic and brand name medications to incentivize use of this lowest-cost venue and generate substantial cost savings.

Rapid Expansion of “Third Tier” Formulary. The Coalition very much appreciated the efforts of the Subcommittee to protect beneficiary interests by establishing a statutory requirement for a Beneficiary Advisory panel (BAP) to give beneficiary representatives an opportunity in a public forum to voice our concerns about any medications DoD proposes moving to the third tier (\$22 copay). We were further reassured when, during implementation planning, Defense officials advised the BAP that they did not plan on moving many medications to the third tier.

Unfortunately, this has not been the case. To date, DoD has moved 41 medications to the third tier. While the BAP did not object to most of these, the BAP input has been universally ignored in the small number of cases when it recommended against a proposed reclassification. In at least one case, the medications moved to the third tier affected 98% of the beneficiaries with prescriptions in that particular class of drug. The Coalition is also concerned that the BAP has been denied access to information on relative costs of the drugs proposed for reclassification and the Defense

Department has established no mechanism to provide feedback to the BAP on why its recommendations are being ignored.

The Coalition believes the Subcommittee envisioned that the Beneficiary Advisory Panel would be allowed a substantive input in the Uniform Formulary decision process, but that has not happened. We hope to address this matter substantively with the ASD(HA).

The Coalition urges the Subcommittee to monitor DoD's consideration of Beneficiary Advisory Panel input in future uniform formulary decisions and reassert its intent that the Panel should have a substantive role in the process, including access to meaningful data on relative cost of drugs in each affected class.

The Coalition recommends a GAO review of the Uniform Formulary process to determine whether actions taken thus far have realized the projected savings.

TRICARE Prime and MCSC Issues

DoD and its health contractors are continually trying to improve the level of TRICARE Prime service. We appreciate their inclusion of our associations in their process improvement activities and will continue to work with them to ensure the program remains beneficiary-focused and services are enhanced, to include: Beneficiary education, network stability, service level quality, uniformity of benefit between regions (as contractors implement best business practices), and access to care.

Referral and Authorization System. There has been much discussion and consternation concerning the Enterprise Wide Referral and Authorization (EWRAS) system. Much time, effort and money have been invested in a program that has not come to fruition. Is adding to the administrative paperwork requirements and forcing the civilian network providers into a referral system really accomplishing what DoD set out to do? Rather than forcing unique referral requirements on providers, perhaps DoD should look at expanding its Primary care base in the Prime Service Areas and capture the workload directly.

The Coalition recommends that Congress require a cost analysis report concerning the referral process within DoD and reliance on Civilian Network Providers within an MTF's Prime Service Area.

DoD/VA Transition

TMC is grateful that the FY2005 Defense Authorization Act required DoD to do a better job of collecting baseline health status data through a formal medical readiness tracking and health surveillance system.

Seamless Transition. Our nation's servicemen and women deserve first class treatment and services before, during and after separation from military service. DoD and VA have critical, complementary roles in the transition process. Unfortunately, bureaucratic inertia and intramural priorities in DoD and the VA have slowed the pace of collaborative efforts towards the goal of "seamless transition". Some of these efforts have been going on for decades 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.

Single Separation Exam. We are particularly concerned about the significant gaps in implementing a single separation physical 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 VA are headquartered here. It seems reasonable to expect the Washington, DC MTFs to serve as models for other DoD and VA medical delivery systems. The Coalition recommends the Committees to provide continued oversight to ensure that this important program is implemented promptly and effectively at all sites.

Electronic Medical Record. DoD has developed an electronic health record system (AHLTA) that will provide DoD providers with real-time, centrally based access to beneficiary health information regardless of current location. This is a wonderful advancement and we applaud DoD's efforts. However, the current system still does not allow direct transfer of this information to the VA upon separation of an active duty member. This poses a major problem which must be corrected as soon as possible. We look forward to seeing the results of the report on this topic as required by the FY2006 NDAA and hope that Congress will demand a highly ambitious implementation of two-way electronic data exchange between DoD and VA.

The Coalition urges the Committee to direct and oversee a concerted "Manhattan Project" effort to ensure full and timely implementation of seamless transition activities, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessments, and one-stop physical at time of discharge.

Tax Law Changes

Many uniformed services beneficiaries pay annual enrollment fees for TRICARE Prime, and premiums for supplemental health insurance, such as a TRICARE supplement, the TRICARE Dental and Retiree Dental Plans, or for long-term care insurance. For most military beneficiaries, these premiums are not tax-deductible because their annual out-of-pocket costs for healthcare expenses do not exceed 7.5% of their adjusted gross taxable income. In 2000, a Presidential directive allowed Federal employees who participate in FEHBP to have premiums for that program deducted from their pay on a pre-tax basis. Similar legislation for all active and retired military and federal civilian beneficiaries would restore equity with private sector workers, many of whom already can pay their health premiums with pre-tax dollars. Tax incentives will help offset the cost of these important coverages, promote enrollment, and reduce members' liability for catastrophic expenses.

The Coalition urges all Armed Services Committee members to press the Ways and Means and Finance Committees to approve legislation to allow all beneficiaries to pay TRICARE-related insurance premiums in pre-tax dollars, to include TRICARE Prime enrollment fees and premiums for TRICARE Standard supplements, long-term care insurance, and TRICARE dental premiums.

Dental Issues

Former Spouse Dental Coverage. The TRICARE Retiree Dental plan offers retirees the option to purchase a dental insurance policy. There is only one category of TRICARE-eligible beneficiaries who are denied eligibility to participate in the TRICARE Retiree Dental Plan – otherwise qualifying former spouses. The Coalition believes this inconsistency is inappropriate.

The Coalition recommends allowing TRICARE-eligible former spouses to participate in the TRICARE Retiree Dental Plan.

Retiree Dental Plan. The TRICARE Retiree Dental Plan is contractor-operated and is not subsidized by the government. Retired beneficiary premiums must cover the total cost of the program. For retirees, this has become an increasing monthly expense, with some choosing to forego dental care. For the long term, the Coalition would like to see some level of government subsidy for the TRICARE Retiree Dental Plan.

The Coalition recommends a GAO study of the viability of subsidizing the retiree dental program, including the likely long-term impact of different subsidy levels on retiree participation and dental health.

ACTIVE FORCE ISSUES

The Coalition appreciates the Subcommittee's many actions to help relieve the stress of repeated deployments – end strength increases, bonus improvements, family separation, and danger area pay increases, and more.

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. They are enduring longer duty days; increased family separations; cutbacks in installation services; 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 retention must be an increasing concern as 1% of Americans continue to bear the entire burden of national sacrifice in the Global War on Terrorism. Service leaders may tout seemingly high retention figures, but the Coalition cannot reconcile this with the ever-increasing stresses on military families.

Military families have continued to demonstrate their exceptional support of servicemembers' long, recurring deployments; yet, 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. Unless they see some prospect of near-term respite, 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. High retention simply cannot continue to co-exist with such levels of high operations tempo and family separations, despite the reluctance of some to see anything but rosy scenarios.

The Coalition views with alarm the Defense Department's determination to sacrifice troop levels to pay for weapons systems, with seemingly little regard for the impact these decisions will have on servicemembers and their future retention. The finest weapon systems in the world will be of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Coalition believes the "weapons or people" debate is a patently false one – akin to forcing a choice between one's left and right arms.

Pay Raises. Now that the statutory requirement to reduce the relative military "pay gap" has expired, the Coalition is concerned that an Administration looking for ways to cut people costs may seek to reintroduce the failed practice of capping military raises. In the relatively recent past, the Office of Management and Budget advocated capping military pay raises at the level of inflation, rather than restoring comparability with private sector wage growth. The measure of merit with pay raises is not inflation – it's the draw from the private sector. Pay 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 to your efforts, the gap has been reduced to 4.4 percent in 2006. But while the Subcommittee recently established private sector wage growth as the statutory standard for future military pay raises, there is no longer any statutory requirement to continue reducing the current comparability gap.

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. Those targeted raises were intended to establish a new pay comparability standard, setting military pay at the 70th percentile of earnings for private workers of comparable age, experience, and education as recommended by the 9th Quadrennial Review of Military Compensation (QRMC).

In recent years, however, the Office of Management and Budget has denied DoD's request to continue targeted raises for career servicemembers – a decision that deeply disappointed the Coalition.

Pay and allowance raises and higher reenlistment bonuses are essential to reduce other significant career irritants, but they can't fix fatigue and lengthy, frequent family separations.

A recent Rand Corporation survey indicated that the higher operations tempo and extended working hours, even when not deployed, are taking a toll on military members and families that will harm retention. Over the long run, experience has shown that time and again that time spent away from the family – whether on deployment or at the home duty station -- 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 providing military pay raises that exceed the Employment Cost Index until such time as full military pay comparability has been restored. The

Coalition further recommends targeted increases for selected non-commissioned officers/petty officers and warrant officers as needed to attain the 70th-percentile comparability standard.

Maintain Well-funded Family Readiness, Support Structure, and Morale, Welfare and Recreation (MWR) Programs. Today, two-thirds of active duty families and virtually all Guard and Reserve families live off military installations, and more than one-half 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, especially when military families are coping with the increased deployments and separation.

More needs to be done to “connect” servicemembers and their families with important resources. Military One Source has provided a great start to improve family readiness; however, a more aggressive outreach effort is needed to educate servicemembers and their families on the benefits and programs to which they are entitled. These outreach efforts need to address the unique needs of National Guard and Reserve families to include transitioning to and from active duty status. Traditional delivery systems of “build it and they will come” no longer serve the transforming military community of today that is increasingly non-installation based. More robust outreach delivery systems and programs are called for that can be accessed anywhere and anytime.

Additionally, we cannot forget Public Health Service families as deployments are expected to increase under Public Health Service transformation initiatives. A systematic and integrated family support system will help families cope with deployment stresses and military life demands. 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.

Because of multiple DoD modernization efforts (global rebasing, Army modularity, and BRAC initiatives) that are occurring simultaneously, TMC is concerned about the synchronization, pace of planning, implementation timetables, timing of budgets and resource allocations, and the evaluation of the rebasing and BRAC plans. TMC asks Congress to ensure necessary family support/quality of life program dollars are in line with the DoD/Military Services overseas rebasing and BRAC plans. Further, the Coalition urges Congress to insist that support services and infrastructure remain in place at both the closing and the gaining installations, throughout the transition period.

The Coalition appreciates the recent congressional enhancements in military childcare, family readiness, and supportive counseling programs to assist families in dealing with deployments and the return of servicemembers. Family support, Quality of Life, and MWR programs are especially critical to the readiness of our forces and the support of their families during periods of conflict and extended separations. Therefore, the Coalition urges the Subcommittee to block any DOD initiative that withholds, reduces, or eliminates program dollar availability for military beneficiaries. In order for these programs to flourish, they require consistent sourcing, deliberate outreach, and must remain flexible to meet emerging challenges.

The Military Coalition urges Congress to maintain a well-funded family readiness and support structure to enhance family well-being and to improve retention and morale.

The Coalition also asks Congress to highlight and protect the interests of all beneficiaries impacted by overseas rebasing, Army modularity, and BRAC and ensure support services and infrastructure remain in place throughout the entire transition period for all beneficiary populations.

Personnel Strengths. The Coalition has been disappointed at the Defense Department's annual resistance to Congress' repeated offers to permanently increase Service end strength to relieve the stress on today's armed forces. While we are encouraged by the Subcommittee's work to increase Army and Marine Corps end strength and authorizing much needed recruiting and retention bonuses; however, we are deeply concerned that Administration-proposed plans rely too heavily on overly optimistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of new contingency needs.

The Department has indicated that it prefers to "transform" forces, placing non-mission essential resources in core war fighting skills, and transferring certain functions to civilians. However, any such implementation will take a long time while we continue to exhaust our downsized forces.

In addition, the Department is already cutting back even on those plans, proposing to reduce 6 Army National Guard brigades, reduce planned growth in the number of active duty brigades, continue systematic personnel reductions within the Navy, and impose further dramatic reductions in Air Force personnel. Media reports indicate that previous plans to civilianize military positions have been changed, and that substantial numbers of military positions now will simply be eliminated, without civilian replacements – imposing even greater stress on the remaining force.

Force reductions envisioned in the Quadrennial Defense Review are being undertaken not because of any reduction in mission, but simply to free up billions of dollars for weapons programs.

Defense leaders warn that the long-term mission against terrorism will require sustained, large deployments to Central Asia and elsewhere, but the Services are being denied the manpower to meet those requirements without unacceptable impacts on members' and families' quality of life.

If the Administration does not recognize when extra missions exceed the capacity to perform them, Congress must assume that obligation. 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. The DoD Inspector General reported that visits to 14 units found that four units deployed with less than 80 per cent of their senior enlisted war fighting positions filled. According to the report, "personnel in those units were exposed to a higher level of risk for mishap or injury during their deployment." Planned strength reductions can only exacerbate this problem.

The Military Coalition strongly urges sustaining end strengths to meet mission requirements, and opposing force reductions that have the primary purpose of paying for other programs.

Access to Quality Housing. The Military Coalition thanks Congress and the Subcommittee for this past year's provision that provides temporary housing allowance adjustments for military members affected by disasters. Additionally, the Coalition is particularly grateful for the Subcommittee's

multi-year effort to raise housing allowances to cover 100% of servicemembers' median housing costs, by grade and location. But the recent achievement of that goal doesn't satisfy all of the housing problem, especially for enlisted members. Fundamental flaws in the standards used to make those calculations remain to be corrected.

The Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard or by the type of housing for which they would qualify if they live on a military installation. For example, only 1% of the enlisted force (E-9) is eligible for BAH sufficient to pay for a 3-bedroom single-family detached house, even though thousands of more junior enlisted members 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 servicemembers beginning in grade E-8 and subsequently to grade E-7 and below over several years as resources allow.

In addition, we urge the Subcommittee to keep close vigilance on two areas that could potentially impact military members and families, housing privatization initiatives and the end of geographic housing rate protection. The Coalition will monitor the impact of these initiatives to ensure increases to occupant costs and housing allowances are applied uniformly and that military personnel accounts remain adequate to ensure servicemembers on average have zero out of pocket costs for housing at the standard for their rank.

The Military Coalition urges correction of military housing standards that inequitably depress BAH rates for mid to senior enlisted members by assuming their occupancy of inappropriately small quarters.

Flexible Spending Accounts. The Coalition cannot comprehend the Defense Department's continuing failure to implement existing statutory authority for active duty and Selected Reserve members to participate in Flexible Spending Accounts (FSAs).

All other federal employees and corporate civilian employees are able to use this authority to save thousands of dollars a year by paying out-of-pocket health care and dependent care expenses with pre-tax dollars. It is unconscionable that the Department has failed to implement this money-saving program for the military members who are bearing the entire burden of national sacrifice in the Global War on Terrorism.

We are grateful to the Subcommittee for its report language in the FY2006 Defense Authorization Bill that requires a Pentagon report to Congress with a plan to evaluate and implement this much-needed program.

TMC urges the Subcommittee to continue pressing the Defense Department until servicemembers are provided the same eligibility to participate in Flexible Spending Accounts that all other federal employees and corporate employees enjoy.

Permanent Change of Station (PCS) Reimbursement Needs. 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, but is concerned that the Department of Defense has not yet implemented its “Family First” re-engineering that would allow payment under this provision. The Coalition appreciates this past year’s gains and Congress’ support by modifying the personal property weight allowances for senior enlisted grades (E-7, E-8 and E-9).

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

For example, PCS mileage rates still have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile – less than half the 2006 temporary duty mileage rate of 44.5 cents per mile for military members and federal civilians. 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 service member’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 spouses’ career progression. The Coalition believes strongly that the Nation that requires military families to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

The Military Coalition supports upgrading permanent change-of-station allowances to reflect the expenses members are forced to incur in complying with government-directed relocations.

Dependent Education Needs. Quality education is an instrumental retention tool for DoD – we recruit the member, but retain the family. However, many ongoing initiatives – housing privatization, Service transformation, overseas rebasing, and BRAC – will have a direct impact on the surrounding communities that provide educational programs for our military families. A positive step in the right direction is reflected by the Subcommittee’s efforts in the 2006 NDAA that provided increased Impact Aid funding for highly impacted school districts with significant military student enrollment.

The Coalition urges the Subcommittee to continue its priority on mitigating adverse effects of government decisions on military children’s education.

Affordability of children’s college education is a critical issue for military families. This is of particular importance for members whose frequent moves cause difficulties in satisfying eligibility requirements for graduation and in-state tuition rates. Some states, but not all, authorize in-state tuition eligibility for servicemembers assigned within the state. A smaller number allows continuation of such eligibility for already enrolled children after the member is reassigned out of the state, recognizing the difficulty of completing a degree during one military assignment. Graduation requirements also vary greatly by state-by-state. Military children or family members often must repeat course work and incur additional costs because school credits do not transfer to another state.

The Coalition urges the Subcommittee to support nationwide in-state tuition eligibility for service families in the state in which the member is assigned or the member’s home state of record, and continuity of in-state tuition once established for a military student.

The Coalition also urges support of a nationwide reciprocity standard to allow full transfer of school credits for graduation requirements for service and family members.

The Coalition continues to believe that it would be a powerful career retention incentive to authorize transferability of at least a portion of MGIB benefits to family members for long-serving members who agree to complete a military career.

Montgomery GI Bill (MGIB). Military transformation and rising pressures on the total force point to the need to restructure the MGIB, which Congress intended to support military recruitment as well as transition. The Coalition notes with appreciation that Congress has 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 gets reduced MGIB benefits compared to veterans, if they use them on active duty. Fixing this could stimulate greater retention. Moreover, double-digit education inflation is dramatically diminishing the value of MGIB. Despite recent increases, MGIB benefits fall well short of 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 (in many cases, on the advice of government education officials) have been denied a MGIB enrollment opportunity.

The Coalition urges the Subcommittee's support for a 21st Century MGIB, with benefit amounts indexed to the cost of a four-year education at a public institution, and no reduction in benefits for education obtained while on active duty.

GUARD AND RESERVE ISSUES

More than a half a million 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 at any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on Reservists, their family members, and their civilian employers that were never anticipated by the designers of Guard and Reserve personnel and compensation programs.

The Coalition fully supports the prominent role of the Guard and Reserve forces in the national security equation. However, many Guard and Reserve members are facing increased family stresses and financial burdens under the current policy of multiple extended activations over the course of a Reserve career. Many Reserve component leaders are rightly alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops.

The Coalition believes it is essential to substantively address critical Guard and Reserve personnel, pay, and benefits issues – along with active duty manpower increases – to alleviate those pressures and help retain these qualified, trained professionals.

The Coalition greatly appreciates this Subcommittee's effort to address several Guard and Reserve priorities with the FY 2006 NDAA. Specifically, the Coalition commends the Subcommittee for implementing limited income replacement authority for mobilized members and extending fee-based TRICARE eligibility to all drilling Guard and Reserve members. Still, we believe that more must be done to ensure that Guard and Reserve members' and their families' readiness remains a viable part of our National Security Strategy. It is clear that our country is absolutely dependent on these valuable members of our national military team to meet ongoing readiness requirements.

Guard/Reserve Health Care. The Military Coalition recognizes Congress' significant progress over the last two years in authorizing "TRICARE Reserve Select" coverage for all drilling Guard and Reserve members. Nevertheless, the Coalition believes strongly the new authority falls short of meeting the reasonable needs of these members and their families.

We believe the enrollment fees will prove cost-prohibitive for members who have not been mobilized since 9/11, and the high fees represent an ill-advised deterrent to members we need to retain in the Reserve components. Such fees are particularly unfair for members who do not have access to other health insurance coverage.

The Coalition strongly recommends increasing subsidy levels for TRICARE coverage for drilling Guard/Reserve members not yet mobilized and having one set rate for members of the Guard and Reserve who continue to be drilling members.

The Coalition supports further strengthening rights under USERRA to permit Reserve Component members to retain employer-sponsored insurance if coverage is terminated due to TRICARE benefits provided 90 days prior to mobilization.

The Coalition supports extending military dental coverage to Reservists for 180 days post mobilization (during TAMP), unless the individual's dental readiness is restored to T-2 condition before demobilization.

Guard/Reserve Retirement Age. 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 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 Congress to reduce the age when a Guard and Reserve member is eligible for retirement pay, particularly for those members who have experienced extended mobilizations.

Transition Assistance Services and Protections. Congressional hearings and media reports have documented that many of the half-million mobilized Guard and Reserve members have not received the transition services they and their families need to make a successful readjustment to civilian status. Needed improvements include, but are not limited to, the following:

- Funding to develop tailored Transition Assistance Program (TAP) services in the hometown area following release from active duty
- Expansion of VA outreach to provide "benefits delivery at discharge" in the hometown setting
- Authority for mobilized Guard and Reserve members to file "Flexible Spending Account" claims with a civilian employer for a prior reporting year after return from active duty

- Authority for employers and employees to contribute to 401(k) and 403(b) accounts during mobilization
- Enactment of academic protections for mobilized Guard and Reserve students, such as academic standing and refund guarantees and exemption from making Federal student loan payments during activation
- Automatic waivers on scheduled licensing/certification/promotion exams scheduled during a mobilization
- Reemployment rights protection for Guard and Reserve spouses who must suspend employment to care for children during mobilization
- Stronger credit protections under the Servicemembers Civil Relief Act

TMC urges funding of tailored 'TAP' services and enactment of stronger economic, financial, academic, health and legal protections for Guard and Reserve members and their families.

“Total Force” Montgomery GI Bill. The nation's active duty, National Guard and Reserve forces are operationally integrated under the Total Force policy. But educational benefits under the MGIB neither reflect that policy nor match benefits to service commitment. TMC is grateful to Congress for significant increases in active duty MGIB benefits enacted prior to 9/11, but little has been done since then.

For the first 15 years of the MGIB, Reserve MGIB benefits (Chapter 1606, Title 10 USC) maintained almost 50% parity with active duty MGIB benefits. Slippage from the 50% level began following the September 11, 2001 attacks. Today the Guard and Reserve MGIB pays less than 29% of the active duty program. Congress attempted to address the gap by authorizing a new MGIB program (Chapter 1607, Title 10 USC) for Guard and Reserve servicemembers mobilized for more than 90 days in a contingency operation. More than a year after the law was changed, the new "1607" program still has not been implemented. Further, there is no readjustment benefit for MGIB benefits earned by mobilized Reservists. If the benefit is not used during the period of their Reserve service, it is lost. This is a non-benefit at best, and false advertising at worst, when members are effectively precluded from using their MGIB entitlement because of repeated mobilizations.

A "total force" MGIB program is needed to integrate all components of the MGIB under Title 38, benchmark benefits to the average cost of a public college education, and provide equity of benefits for service rendered. A total force approach to the MGIB will better support active and Reserve recruitment programs, readjustment to civilian life and administration of the program.

TMC supports the integration of all elements of the MGIB under Title 38, restoring benefit rates commensurate with service performed, and a post-service eligibility period for Selected Reserve members.

Guard and 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 the global war on terror continues. Reserve component families live in communities throughout the Nation, and most of these communities are not close to

military installations. These families face unique challenges in the absence of mobilized members, since they don't have access to traditional family support services enjoyed by active duty members on military installations.

Providing a core set of family programs and benefits that meet the unique needs of these families is essential to 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:

- Web-based programs and employee assistance programs such as Military OneSource and Guard Family.org;
- Enforcement of command responsibility for ensuring that programs are in place to meet the special information and support needs of families of individual augmentees or those who are geographically dispersed
- Expanded programs between military and community religious leaders to support servicemembers and families during all phases of deployments
- The availability of robust preventive counseling services for servicemembers and families and training so they know when to seek professional help related to their circumstances
- Enhanced education for Guard and Reserve family members about their rights and benefits
- Innovative and effective ways to meet the Guard and Reserve community's needs for occasional child care, particularly for preventive respite care, volunteering, and family readiness group meetings and drill time
- A joint family readiness program to facilitate understanding and sharing of information between all family members, no matter what the service

TMC urges Congress to continue and expand its emphasis on providing consistent funding and increased outreach to connect Guard and Reserve families with these support programs.

OVERSEAS REBASING, BASE REALIGNMENT AND CLOSURE (BRAC) ISSUES

Thousands military members and families will be under great stress in the months and years ahead as a result of rebasing, closure, and transformation actions. But the impact extends beyond the active duty personnel currently assigned to the affected installations. The entire local community – school districts, chambers of commerce, Guard/Reserve, retirees, survivors, civil servants, and others – experiences the traumatic impact of a rebasing or closure action. Jobs are lost or transferred, installation support facilities are closed, and beneficiaries who relied on the base for support are forced to search elsewhere.

The Coalition urges the Subcommittee to ensure rebasing plans are not executed without ensuring full support is available to families as long as they are present at losing installations and before they arrive at gaining installations. The critical family support/quality of life programs include MWR,

childcare, exchanges and commissaries, housing, health care, education, family centers, and other traditional support programs.

The Coalition will actively be engaged in ensuring the implementations of the 2005 BRAC recommendations, Service transformation initiatives, Global Repositioning, and Army modularity initiatives not only take each beneficiary community into consideration, but also to advocate for beneficiaries significantly impacted by these initiatives.

The Military Coalition urges the Subcommittee to monitor the implementation of rebasing, BRAC, and Service Transformation initiatives to ensure protection of support services for all military members and their families.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP), especially the FY 2005 Defense Authorization Act provision that will phase out the SBP age-62 benefit reduction in the next two 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 and 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, 2006.

SBP-DIC Offset. The Coalition was extremely disappointed that House and Senate conferees failed to make at least some progress in the FY2006 Defense Authorization Act to ease the unfair 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 (about \$1,000 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 60,000 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 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 only a \$1,000 monthly annuity from the VA. Military members whose service costs them their lives deserve fairer compensation for their surviving spouses.

The Military Coalition strongly supports legislation to repeal the SBP-DIC offset introduced by Sen. Nelson (D-FL) (S. 185) and Rep. Brown (R-SC) (H.R. 808), respectively. Enactment remains a top Coalition goal for 2006.

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 2006, a 1972 retiree already will have paid 25 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 to pay 34 percent more than their 1978 counterparts.

We hope that, with only two years remaining before the change becomes law anyway, Congress will provide at least this last modest measure of relief to "Greatest Generation" retirees who already have paid far more than their fair share of SBP premiums.

The Military Coalition recommends a two-year acceleration of the implementation date for paid-up SBP coverage, so that it takes effect on October 1, 2006.

Final Retired Pay Check. The Military Coalition believes the policy requiring 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 require 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. In most cases, the latter method is used, which often imposes a sudden, severe and unexpected financial hardship on the survivor.

The Coalition believes this is an inappropriate and insensitive policy, coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the survivor of a retiree receives no death gratuity to assist with transition expenses. Many older retirees have been able to provide little or no financial cushion for surviving spouses in the case of a sudden demise. Very often, the surviving spouse already 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 takes extended time and strains the surviving spouse's ability to meet the immediate financial obligations in the wake of the death of the average family's "bread winner."

The Military Coalition urges Congress to allow survivors of retirees to retain the full month's retired pay for the month in which the retired member dies.

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. The Military Coalition applauds the progress the Subcommittee has made in recent years to expand Combat-Related Special Compensation to all retirees with combat-related disabilities and authorize concurrent receipt of retired pay and veterans' disability compensation for retirees with disabilities of at least 50 percent.

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.

We recognized that many in Congress are looking to the Veterans Disability Benefits Commission for recommendations on this issue, and the Coalition fully expects the Commission will validate the principle that a military retiree should not forfeit any portion of earned retired pay simply because he or she also had the misfortune of incurring a service-connected disability.

But we are concerned that the recent one-year extension of the Commission's work can only delay an equitable outcome further. In the meantime, we believe action is needed on at least two critical areas on which we believe there should be little question as to their propriety. As a priority, the Coalition asks the Subcommittee to consider those who had their careers cut short solely because they became disabled by combat, or combat-related events, and were forced into medical retirement before they could complete their careers.

Under current law, a member who is shot in the finger and retires at 20 years of service with a 10-percent combat-related disability is rightly protected against having that disability compensation from his or her earned retired pay.

But a member who is shot through the spine, becomes a quadriplegic and is forced to retire with 19 years and 11 months of service, suffers full deduction of VA disability compensation from his or her retired pay. This is grossly inequitable.

For chapter 61 (disability) retirees who have more than 20 years of service, the government recognizes that part of that retired pay is earned by service, and part of it is extra compensation for the service-incurred disability. The added amount for disability is still subject to offset by any VA disability compensation, but the service-earned portion (at 2.5% of pay times years of service) is protected against such offset.

The Coalition believes strongly that a member who is forced to retired short of 20 years of service because of a combat disability must be “vested” in the service-earned share of retired pay at the same 2.5% per year of service rate as members with 20+ years of service, as envisioned in H.R. 1366. This would avoid the “all or nothing” inequity of the current 20-year threshold, while recognizing that retired pay for those with few years of service is almost all for disability rather than for service and therefore still subject to the VA offset.

The Coalition urges the Subcommittee to expand Combat-Related Special Compensation to members who were medically compelled to retire short of 20 years of service solely because of their combat-incurred disabilities, as envisioned in H.R. 1366.

The Coalition also believes the Subcommittee recognizes the inequity of the current situation in which members paid as 100% disabled retirees by virtue of being designated by the VA as “unemployable” face significant discrimination. For purposes of Combat-Related Special Compensation, they suffer no disability offset, but those with non-combat disabilities – alone among all other 100%-disabled retirees – must wait many more years to see this inequity end.

In the FY2006 Defense Authorization Act, Congress reduced their 10-year wait to 6 years, and the Coalition doesn’t want to appear ungrateful for that progress. However, we are extremely disappointed and perplexed that such blatant and unwarranted discrimination may be allowed to continue for three more years.

The Coalition urges the Subcommittee to end the disability offset to retired pay immediately for otherwise-qualifying members rated as “unemployable” by the VA.

Former Spouse Issues. The Military Coalition recommends corrective legislation 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 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; require DFAS to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse if directed by a court order; and permit a former spouse to waive SBP coverage.

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 bare minimum, the Subcommittee should approve those initiatives that have the consensus of all military and veterans' associations. 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 urges legislation to eliminate inequities in the USFSPA.

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 in recent years. The Coalition is eager to continue its 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.