



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

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**STATEMENT OF**

**THE MILITARY COALITION (TMC)**

**before the**

**SENATE ARMED SERVICES  
SUBCOMMITTEE ON PERSONNEL**

**concerning**

**Military Personnel, Compensation, and Healthcare Matters**

**April 17, 2013**

**Presented by**

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MADAM CHAIR AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition (TMC), 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 statement for the record 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  
AMVETS (American Veterans)  
Army Aviation Association of America  
Association of Military Surgeons of the United States  
Association of the United States Army  
Association of the United States Navy  
Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard  
Commissioned Officers Association of the U.S. Public Health Service, Inc.  
Fleet Reserve Association  
Gold Star Wives of America, Inc.  
Iraq and Afghanistan Veterans of America  
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  
Naval Enlisted Reserve Association  
Non Commissioned Officers Association  
Reserve Officers Association  
Society of Medical Consultants to the Armed Forces  
The Retired Enlisted Association  
United States Army Warrant Officers Association  
United States Coast Guard Chief Petty Officers Association  
Veterans of Foreign Wars  
Vietnam Veterans of America  
Wounded Warrior Project

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

## Executive Summary

### Military Personnel and Healthcare Costs in Perspective

For decades, critics have claimed military personnel costs are “rising out of control” and, if left unchecked, would consume future defense budgets. But those charges have proved unfounded.

- Defense spending as a percentage of GDP during wartime is much lower than during past conflicts
- Personnel and healthcare costs today are the same share of the defense budget today (less than one-third) that they’ve been for more than 30 years
- Personnel/health costs are a lower share of the budget for DoD than for many most-similar corporations (61% for UPS, 43% for FedEx, and 31+% for Southwest Airlines)
- At 10% of the defense budget, DoD healthcare costs are a bargain compared to the health cost share of the federal budget (23%), the average state budget (22%), household discretionary spending (16%) and GDP (16%)
- Far from “exploding out of control,” Pentagon documents show military healthcare account surpluses have been raided to fund other programs (\$708 million diverted in FY12 and total of nearly \$2.5 billion over last three years)
- Reprogramming document acknowledged retiree health costs went down 2.5% for FY12
- DoD projections of future defense health care costs have declined steadily for the last three years, and will decline further based on recent law/policy changes
- Claims of “cost growth since 2001” overemphasize 10-year-old data. Growth peaked in 2002-03 with the enactment of TRICARE For Life, and has been declining fairly steadily ever since. It was less than 1% for FY12, and will decline further in the future based on administrative and statutory changes taking effect in FY13
- Rather than seeking to raise beneficiary costs, defense leaders should be held accountable for improving efficiency and consolidating redundant, counterproductive health systems. Options to reduce costs include:
  - Establish a single authority over the three separate military systems and multiple contractors that now compete counterproductively for budget share
  - Stop ignoring multiple studies urging consolidation of healthcare budget and delivery
  - Revamp an archaic healthcare contracting system that doesn’t obtain the best value
  - Restructure accounting and record systems that cannot be validated
  - Optimize use of military treatment facilities (25% cheaper but 27% underused)
  - Eliminate pre-authorization requirement that incentivizes emergency room visits over far-less-costly urgent care clinics
  - Establish coordinated care programs for all beneficiaries with chronic conditions
- Decades of dire predictions about “unaffordable” personnel costs have proved consistently wrong
- The only times the all-volunteer force has been jeopardized have been due to budget-driven benefit cuts failed to offset the extraordinary demands and sacrifices of a service career
- Congress has consistently recognized the cost of sustaining the current military career incentive package is far more acceptable and affordable than the alternative
- ***For all of these reasons, TMC does not support the additional array of proposed TRICARE fee increases proposed in the FY2014 defense budget. In view of fee increases and statutory and policy benefit limitations already imposed in 2011 and 2012, TMC believes it is time to hold Defense officials accountable to implement efficiencies that don’t affect fees or care.***

## Currently Serving Issues

### **Force Levels**

- Ensure adequate personnel strengths and associated funding in order to meet national security strategy requirements and dwell time needs.

### **Compensation**

- Sustain fully-comparable annual military pay raises (1.8% for 2014) based on the Employment Cost Index as specified in current law.

### **Family Readiness and Base Support**

- Ensure sustainment of Family Readiness and Support programs and base facilities
- Continue support for child care needs of the highly deployable, operational total force community
- Press the Defense Department to implement flexible spending accounts to enable military families to pay health care and child care expenses with pre-tax dollars
- Maintain much-needed supplemental funding authority for schools impacted by large populations of military students
- Encourage greater military spouse and surviving spouse educational and career opportunities, and ensure existing programs are accessible, effective, and meet the needs of all military spouses
- Direct a DoD report on Family Support and Readiness programs as well as MWR category programs to include a list of all programs, an assessment of their effectiveness, and recommended policy changes

### **DoD Resale Operations**

- Oppose attempts to consolidate or curtail DoD resale systems in ways that would reduce their value to patrons
- Sustain necessary appropriated funds to support the commissary system and military exchanges

### **Military Sexual Trauma**

- Sustain rigorous oversight to ensure the health, safety, readiness and confidentiality of military personnel who have been victims of sexual assault.

## Healthcare Issues

### **Service vs. Beneficiary Needs**

- Hold Defense leaders accountable for their own leadership, oversight, and efficiency failures instead of simply seeking to shift more costs to beneficiaries
- DoD to pursue any and all options to improve efficient and cost-effective care delivery in ways that do not disadvantage beneficiaries

### **Military vs. Civilian Cash Fees Is “Apple to Orange” Comparison**

- Reject simple comparisons of military-to-civilian cash healthcare fees as grossly devaluing career servicemembers’ and families’ extraordinarily steep nonmonetary contributions through decades of service and sacrifice.

### **DoD – VA Oversight, Accountability and Integration**

- Appoint the Deputy Secretaries of DoD and VA as co-chairs of the Joint Executive Council (JEC)
- Hold joint hearings with the Veterans Affairs Committee addressing the Joint Executive Council's (JEC) effectiveness in daily oversight, management, collaboration, and coordination of the Departments' wounded warrior programs
- Continue to press for creation and implementation of a joint, bi-directional electronic medical record
- Provide permanent funding, staffing, and accountability for congressionally mandated Defense Centers of Excellence and associated mental-behavioral health, suicide prevention, alcohol and substance abuse, caregiver, respite, and other medical and non-medical programs
- Continue aggressive oversight of the Integrated Disability Evaluation and legacy disability evaluations systems to ensure preservation of the 30-percent threshold for medical retirement, consistency and uniformity of policies, ratings, legal assistance, benefits, and transitional services Defense-wide
- Standardize terminology, definitions, eligibility criteria, roles and responsibilities around policies, programs, services, and administration of medical and non-medical support (e.g., recovering warrior categories, all categories of case managers, caregiver support and benefits, power of attorney, and a comprehensive recovery plan)
- Standardize the coordination of DoD-VA care, treatment and benefits of all Departments' case management programs, and medical and non-medical programs and services

### **Continuity of Health Care**

- Secure the same level of payments, support and benefits for all uniformed services' wounded, ill, or injured in the line of duty
- Create a standardized curriculum and training programs for all DoD-VA mental-behavioral health providers and educational institutions in the diagnosis and treatment of PTS/PTSD/TBI
- Increase and improve the quality and timeliness of access to initial and follow-on appointments, treatment and services in DoD-VA systems, ensuring seamless transition of mental-behavioral health services are maintained for wounded, ill and injured, their families and caregivers across the Departments
- Ensure Guard and Reserve members have adequate access and treatment in the DoD and VA health systems for Post-Traumatic Stress Disorder and Traumatic Brain Injury following separation from active duty service in a theatre of operations

### **Mental Health Care Engagement and Destigmatization**

- Continue efforts to promote engagement in and destigmatization of mental health care
- Continue to press for research on most effective treatments, coordination of programs, and measures of efficacy.

### **DoD-VA Integrated Disability Evaluation/Legacy Systems (IDES)**

- Preserve the statutory 30 percent disability threshold for medical retirement in order to provide lifetime TRICARE coverage for those who are injured while on active duty
- Reform the DoD disability retirement system to require inclusion of all unfitting conditions and accepting the VA's "service-connected" rating

- Ensure any restructure of the DoD and VA disability and compensation systems does not inadvertently reduce compensation levels for disabled service members
- Eliminate distinctions between disabilities incurred in combat vs. non-combat when determining benefits eligibility for retirement
- Tightening the Integrated Disability Evaluation System (IDES) (as recommended by the RWTF) to include:
  - Create of a “joint” formal physical evaluation board in order to standardize disability ratings by each of the Services
  - Mandate in policy that all service members entering into a Medical Evaluation Board (MEB) be contacted by the MEB outreach lawyer to help navigate the board process upon notification that a narrative summary will be completed
- Pursue improvements in identifying and properly boarding (medical evaluation and physical evaluation boards) Guard and Reserve members (to include the IRR) who have been wounded or incurred injuries or illnesses while activated but have had their conditions manifest or worsen post deactivation such as establishing policies that allow for the rapid issuance of Title 10 orders to affected Reserve Component (as recommended by the Recovering Warrior Task Force)
- Seek legislation to eliminate legacy DES so that that service members who are placed on the Temporary Disability Retirement List (TDRL) are afforded the opportunity to have the VA rate their disability by the IDES upon their removal from the TDRL
- Revise the VA schedule for rating disabilities (VASRD) to improve the care and treatment of those wounded, ill, and injured, especially those diagnosed with PTSD and TBI
- Bar the designation of disabling conditions as “existing prior to service” for service members who have been deployed to a combat zone

### **Caregiver/Family Support Services**

- Ensure wounded, ill and injured families and caregivers are an integral part of the rehabilitation and recovery team and be included in and educated about medical care and treatment, disability evaluation system processes, development and implementation of the comprehensive recovery plan, and receive DoD-VA support and guidance throughout the process
- Provide enhanced training of DoD and VA medical and support staff on the vital importance of involving and informing designated caregivers in treatment of and communication with severely wounded, ill, and injured personnel
- Provide health and respite care for non-dependent caregivers (e.g., parents and siblings) who have had to sacrifice their own employment and health coverage while the injured member remains on active duty, commensurate with what the VA authorizes for eligible caregivers of medically retired or separated members
- Ensure consistency of DoD and VA caregiver benefits to ensure seamless transition from DoD to VA programs
- Extend eligibility for residence in on-base housing for up to one year for medically retired and severely wounded, ill, and injured members and their families, or until the servicemember receives a VA disability rating, whichever is longer

### **Guard and Reserve Health Care**

- Authorize TRICARE for early Reserve retirees who are in receipt of retired pay prior to age 60
- Authorize premium-based TRICARE coverage for members of the Individual Ready Reserve after being called to active service for a cumulative period of at least 12 months

- Permit employers to pay TRS premiums for reservist-employees as a bottom-line incentive for hiring and retaining them
- Authorize an option for the government to subsidize continuation of a civilian employer's family coverage during periods of activation, similar to FEHBP coverage for activated Guard-Reserve employees of Federal agencies
- Extend corrective dental care following return from a call-up to ensure G-R members meet dental readiness standards
- Allow eligibility in Continued Health Care Benefits Program (CHCBP) for Selected Reservists who are voluntarily separating and subject to disenrollment from TRS
- Allow beneficiaries of the FEHBP who are Selected Reservists the option of participating in TRICARE Reserve Select
- Improve the pre- and post-deployment health assessment program to address a range of mental/behavioral health issues such as substance abuse and suicide
- Allow for access to a full range of evidenced-based care and services for Reserve Component members and their families, particularly during periods of reintegration back into the community

### **Special Needs Families**

- Authorize ABA coverage as a permanent benefit under the TRICARE basic program;
- Include eligibility to other developmental disabilities that may benefit from ABA;
- Ensure permanent funding for this critical therapy; and
- Ensure any further adjustments to TRICARE eligibility apply equally to all seven uniformed services.

### **Additional TRICARE Prime Issues**

- Authorize beneficiaries affected by Prime Service Area changes to be grandfathered in their present arrangement until they either re-locate or change their current primary care provider
- Require reports from DoD and the managed care support contractors on actions being taken to ensure those affected by the Prime Service Area reductions will be able to maintain continuity of care from their existing provider or receive an adequate selection of new potential providers
- Require increased DoD efforts to ensure electronic health record consistency between MTFs and purchased care sectors and provide beneficiaries with information to assist in informed decision making

### **Additional TRICARE Standard Issues**

- Bar any further increase in the TRICARE Standard inpatient copay for the foreseeable future
- Insist on immediate delivery of an adequacy threshold for provider participation, below which additional action is required to improve such participation to meet the threshold
- Require a specific report on provider participation adequacy in the localities where Prime Service Areas will be discontinued under the new TRICARE contracts
- Increase locator support to TRICARE Standard beneficiaries seeking providers who will accept new Standard patients, particularly for primary care and mental health specialties

## **National Guard and Reserve Issues**

### **Operational Reserve Retention and Retirement Reform**

- Eliminate the fiscal year limitation which effectively denies full early retirement credit for active duty tours that span the start of a fiscal year (October 1)
- Modernize the reserve retirement system to incentivize continued service beyond 20 years and provide fair recognition of increased requirements for active duty service
- Authorize early retirement credit for all active duty tours of at least 90 days, retroactive to September 11, 2001

### **Yellow Ribbon Reintegration Program**

- Immediately implement the two-year pilot for providing TAP services ‘outside the gate’ of active duty bases and broader expansion as soon as possible.
- Hold oversight hearings and direct additional improvements in coordination, collaboration and consistency of Yellow Ribbon services between States.

### **Reserve Compensation System**

- Credit all inactive duty training points earned annually toward reserve retirement
- Authorize parity in special incentive pay for career enlisted/officer special aviation incentive pay, diving special duty pay, and pro-pay for reserve component medical professionals
- Authorize recalculation of retirement points after one year of activation
  - The 2010 NDAA authorized certain flag officers to recalculate retirement pay after one year of active duty, and we recommend this authority be extended to all ranks

### **Guard/Reserve GI Bill**

- Work with the Veterans Affairs Committee to restore basic Reserve Montgomery GI Bill benefits for initially joining the Selected Reserve to the historic benchmark of 47-50% of the active duty MGIB
- Integrate reserve MGIB benefits currently in Title 10 with active duty veteran educational benefit programs under Title 38
- Enact academic protections for mobilized Guard and Reserve students, including refund guarantees

### **Guard/Reserve Family Support Programs**

- Review the adequacy of programs to meet the special information and support needs of families of individual reserve augmentees or those who are geographically dispersed
- Foster programs among military and community leaders to support servicemembers and families during all phases of deployments
- Provide preventive counseling services for servicemembers and families
- Authorize child care for family readiness group meetings and drill time and respite care during deployments
- Improve the joint family readiness program to facilitate understanding and sharing of information between all family members

## **Retiree Issues**

### **Military Retirement Reform**

- Oppose any initiative that would “civilianize” the military retirement system, ignore the lessons of the ill-fated REDUX initiative, and inadequately recognize the unique and extraordinary demands and sacrifices inherent in a military career.



### **Cost-of-Living Adjustments (COLAs)**

- Reject the chained CPI as a basis for adjusting military retired pay
- Ensure the continued fulfillment of congressional COLA intent, as expressed in House National Security Committee Print of Title 37, USC: "to provide every military retired member the same purchasing power of the retired pay to which he was entitled at the time of retirement [and ensure it is] not, at any time in the future...eroded by subsequent increases in consumer prices"
- Ensure equal treatment of all uniformed service personnel, to include NOAA/USPHS/USCG personnel, with respect to any retirement/COLA legislation

### **Concurrent Receipt**

- Continue seeking to expand Concurrent Retirement and Disability Payments (CRDP) to disabled retirees not eligible under the current statute, with first priority for vesting of earned retirement credit for Chapter 61 retirees with less than 20 years of service.

### **Fair Treatment for Servicemembers Affected by Force Reductions**

- Enact temporary legislation that would allow members separated during periods of significant force reductions to deposit part or all of their involuntary separation pay or voluntary separation pay into their TSP account.

## **Survivor Issues**

### **SBP-DIC Offset**

- Continue pursuing ways to repeal the SBP-DIC offset
- Authorize SBP annuities to be placed into a Special Needs Trust for permanently disabled survivors who otherwise lose eligibility for state programs because of means testing
- Reduce the age for paid-up SBP to age 67 for those who joined the military at age 17, 18 or 19
- Reinstate SBP annuities to survivors who transfer benefits to their children when the children reach majority, or when a subsequent remarriage ends in death or divorce

### **Final Retired Pay Check**

- Authorize survivors of retired members to retain the final month's retired pay for the month in which the retiree dies.

## **Introduction**

Mr. Chairman, The Military Coalition thanks you and the entire Subcommittee for your exceptionally strong support of our active duty, Guard, Reserve, retired members, and veterans of the uniformed services, their families and survivors. Your efforts have had an enormously positive impact in the lives of the entire uniformed services community.

We specifically wish to thank the Committee for its good actions in adopting the 2012 NDAA provisions recognizing that healthcare is an earned benefit for service rendered during a lengthy career and in securing more reasonable TRICARE pharmacy co-pay adjustments.

We are truly grateful for your unwavering commitment to men and women who defend our fine nation.

We appreciate that personnel issues have been a top priority for Congress in the past few years. There have been difficult choices associated with bolstering a weak economy and addressing record-breaking budget deficits. The past few years have been exceptionally arduous, with our military winding down operations in Afghanistan.

Despite extraordinary demands, men and women in uniform are still answering the call – thanks in no small measure to the Subcommittee’s strong and consistent support – but only at the cost of ever-greater personal sacrifices. And as you know, we have seen dramatic increases in suicide rates which reflect the continued stress placed on servicemembers and their families. In addition, there are reports that the military divorce rates are at the highest level since 1999.

### **Military Personnel and Healthcare Cost Overview**

For decades, critics have claimed military personnel costs are “rising out of control” and, if left unchecked, would “consume future defense budgets.” They’ve attacked pay, retirement, health care, and other military benefits in hopes of diverting funds to hardware or non-defense programs.

But hard experience proved such claims wrong in the past – and they’re still wrong today.

#### **Check the Record, Not Misleading Projections**

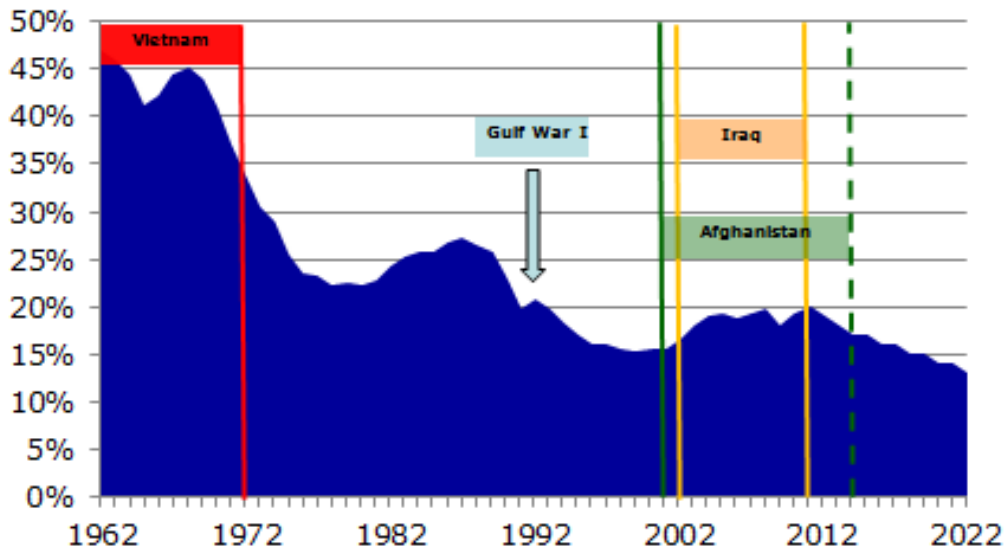
Over the past 50 years, the defense budget has consumed a progressively smaller share of federal outlays.

In 1962, defense consumed nearly 47 percent of federal outlays; today it’s at its smallest share in 50 years and will drop further — below 12.5 percent — by 2017.

Today’s wartime share of GDP is lower than for any past conflict, as shown in the following chart.

# Defense Budget

as a Share of Federal Allocations by Year



*DoD's budget as a share of the federal budget is projected to decline in the foreseeable future.*

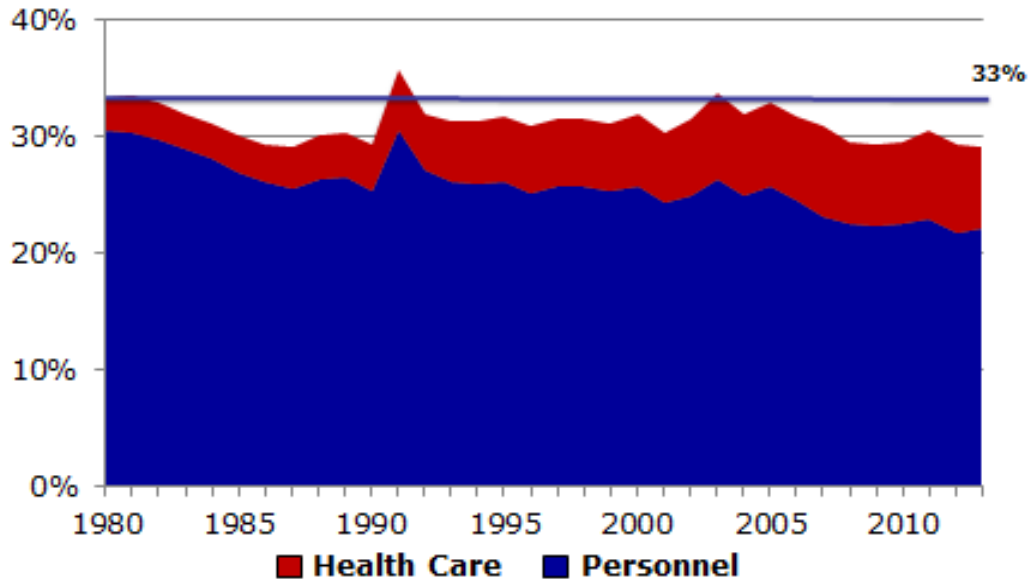
Some argue that's all the more reason to worry about the rising cost of military people programs.

Last year, Defense and service leaders decried military personnel and health costs as consuming about roughly one-third of the defense budget – implying this represents a dramatic increase.

The truth is the same one-third of the defense budget has gone to personnel and health care costs for the last 30 years. These programs are no more unaffordable now than in the past.

# Personnel Costs

as a Share of the Defense Budget by Year



*Contrary to claims of “exploding” military personnel and healthcare costs, they comprise the same share of the defense budget (a little less than one-third) they have for the last 30-plus years.*

## Who Says One-Third Is Too Much?

Is it good or bad if these costs are one-third of a big organization’s annual budget? There’s no civilian counterpart to the military, but let’s consider corporations with big air fleets. Personnel costs comprise:

- 61 percent of United Parcel Service’s budget.
- 43 percent of FedEx’s budget.
- 31 percent of operating revenue (which includes profit, so the percentage of expenditures is higher) for Southwest Airlines - recognized as among the most cost-efficient air carriers.

## Military Health Costs Are NOT “Eating DoD Alive”

Defense leaders complain these costs approach 10 percent of the (non-war) defense budget.

But health costs comprise:

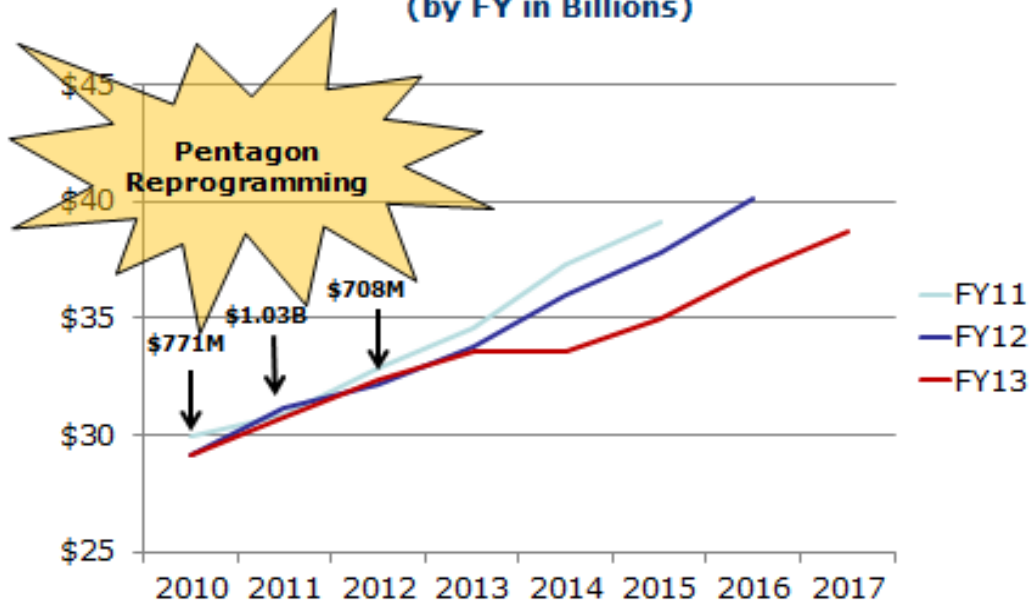
- 23% of the federal budget
- 22% of the average state budget
- 16% of household discretionary spending
- 16% of U.S. Gross Domestic Product

Put in proper context, DoD’s 10 percent is a bargain.

In fact, Pentagon documents show DoD has used the military healthcare account as a “cash cow” to fund other programs.

- Diverted \$708 million surplus in FY12
- Diverted total of nearly \$2.5 billion over FY10-12
- FY2012 reprogramming request acknowledged retiree health costs went down 2.5%
- Budget projections have reduced outyear cost estimates three years in a row
- Changes included in FY13 Defense Authorization Act will reduce them even further

## DoD Health Care Budget Projections (by FY in Billions)



*DoD projections of future health care costs have declined steadily for the last three years, and likely will decline further based on recent cost cutbacks.*

### “Cost Growth Since 2000/2001” Is a Red Herring

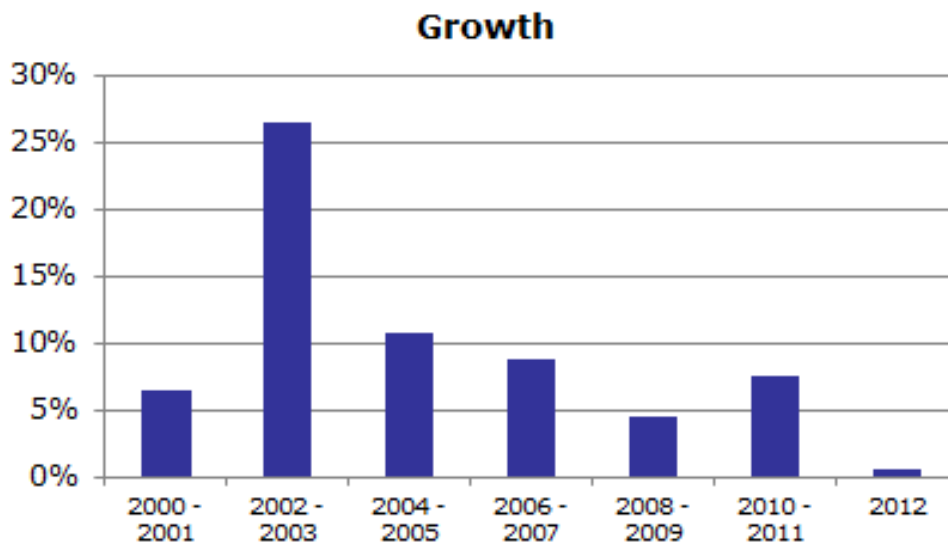
Citing such statistics implies personnel/health costs in 2001 represented a reasonable standard. Nothing could be farther from the truth.

In fact, cutbacks in pay, healthcare, and retirement throughout the 1980s and ‘90s caused retention problems in the late ‘90s that Congress has worked hard to fix over the last decade.

Charting growth from a starting point in 2000 or 2001 inappropriately inflates apparent trends by including one-time changes made early last decade that won’t be repeated in the future.

The chart below illustrates how citing health cost growth since 2001 is misleading. The reality is that cost trends have moderated significantly in more recent years, and that is far more important for projecting future trends than what happened more than a decade ago.

## DoD Health Cost Growth Rate (Average Annual Growth over 2 Years)



*Military health cost growth peaked in 2002-03 with the enactment of TRICARE For Life. Annual growth has been declining fairly steadily ever since, and will decline further in the future.*

The rate of health cost change will only decline further in the outyears, due to:

- Significant pharmacy copay increases starting this year
- Significant savings from requiring mandatory mail-order/military pharmacy refills of maintenance medications for Medicare-eligible beneficiaries starting this year
- Savings associated with shrinking TRICARE Prime service areas.

The bottom line: the “military health cost growth since 2001” argument is based on 10-year old data that’s irrelevant to the future.

### **The Real Health Cost Issue: Inefficiency, Oversight Failures**

Rather than seeking to blame beneficiaries (and raise beneficiaries’ costs), defense leaders should focus on fulfilling their responsibilities to provide efficient oversight of DoD health programs.

They should be held accountable for correcting real sources of excess costs – fixing known problems and consolidating redundant, counterproductive health systems.

Options to reduce excess costs include:

- Establish a single authority over the three separate military systems and multiple contractors that now compete counterproductively for budget share
- Stop ignoring the plethora of studies since 1947 which have consistently recommended the consolidation of medical budget oversight and execution
- Revamp an archaic healthcare contracting system which doesn't obtain the best value
- Restructure accounting and record systems that cannot be validated
- Optimize the use of military treatment facilities, which are 25% less costly but 27% underutilized
- Eliminate pre-authorization requirement that incentivizes emergency room visits over far-less-costly urgent care clinics
- Establish coordinated care programs for all beneficiaries with chronic conditions

It's important to recognize that the military's healthcare system is built for readiness and service convenience, not for the beneficiary's needs.

When the Services deploy or cut medical professionals, beneficiaries are forced into costly civilian care. Attempting to shift the costs of readiness or inefficiencies onto the beneficiaries is just simply wrong.

***For all of these reasons, TMC does not support the additional array of proposed TRICARE fee increases proposed in the FY2014 defense budget. In view of fee increases and statutory and policy benefit limitations already imposed in 2011 and 2012, TMC believes it is time to hold Defense officials accountable to implement efficiencies that don't affect fees or delivery of quality care.***

### **Military Retirement: Neither Unfair nor Unaffordable**

Whenever military budgets get tight, analysts, task forces and commissions come forth proposing military retirement cutbacks. Past defense leaders asserted such efforts were detrimental to retention and readiness. In contrast, today's senior defense leaders have voiced support for significant changes.

Former Secretary of Defense Gates criticized the 20-year retirement system as "unfair" to those who leave service before that point, citing the vesting options provided to civilian workers. He directed the Defense Business Board (DBB) to identify alternative options.

In his final appearance before the Senate, Gates endorsed an early vesting program, noting, "70 to 80 percent of the force does not stay until retirement but leaves with nothing."

Yet there is no support for spending more money on military retirement during budget-cutting times. So vesting options proposed to date, including those of the DBB and the 11th Quadrennial Review of Military Compensation (QRMC) — would fund that new benefit by imposing dramatic benefit cuts for the 17 percent who complete full careers in uniform.

There are good reasons only 17 percent of service entrants are willing to pursue a military career. The vast majority of Americans are unwilling to accept those conditions for even one tour of duty, let alone 20 or 30 years.

Both the DBB and QRMC proposals ignore the hard lessons of previous experiences with retirement cuts.

Budget pressures prompted Congress in 1986 to pass changes reducing the 20-year retired pay value by 25 percent for post-1986 entrants.

At the time, Defense Secretary Caspar Weinberger adamantly opposed the so-called “REDUX” change, warning Congress it inevitably would undermine retention and readiness. That prediction proved true a decade later, and Congress repealed REDUX in 1999.

Stunningly, the cuts to career military retirement benefits proposed by both the DBB and QRMC are vastly more severe than the retention-killing REDUX cuts.

The powerful pull of the 20-year retirement system is the main reason retention hasn’t imploded over the past decade-plus of unprecedented wartime strains on troops and families.

If one tried to build a plan to slash career retention, it’s hard to conceive a better way than the DBB or QRMC proposals.

Advocates for these draconian initiatives sugarcoat them by saying they wouldn’t affect anyone currently serving and would apply only to new entrants. But that was true of the REDUX system, and we know how that turned out.

The “Military Compensation and Retirement Modernization Commission” mandated by the FY2013 Defense Authorization Act includes a “grandfather” clause to exempt currently serving personnel from recommended reforms.

But grandfathering the current force only lets leaders evade responsibility for their ill-conceived actions by deferring the inevitable retention disaster for a decade and dumping the mess on their successors.

Military retirement critics have claimed for decades the current unique plan is unaffordable and unsustainable.

Almost 35 years ago, the 1978 report of the President’s Commission on Military Compensation included this extract from the minority report of Commissioner Lt. Gen. Benjamin O. Davis Jr., USAF-Ret.:

*“Unfortunately, the commission has embraced the myth that retirement costs will soon rise so high — from \$10 billion this year to \$30 billion in the year 2000 — as to become an unacceptable and unfair burden on the American taxpayer.*

*“Such assertions fail to point out that by using the same assumptions, today’s average family income of \$10,000 will be \$36,000 in the year 2000. The average cost of a home*



*will be \$171,000; a compact automobile will cost \$17,000; and the overall U.S. budget will have increased from \$500 billion to some amount in the trillions.”*

Such numbers seem quaint today, but they make two telling points.

First, long-term projections that now appear dire often prove far less so as years pass.

Second, after budget-driven retirement cuts in 1986 undermined retention, Congress found restoring the current system more affordable than continued retention and readiness shortfalls.

DBB leaders acknowledged they didn't consider the potential retention effects of their plan.

During 2012 testimony before Congress, defense witnesses acknowledged the DBB proposal would hurt retention — and went a step further.

Dr. Jo Ann Rooney, principal deputy undersecretary for Personnel and Readiness, testified the current military retirement system is “neither unaffordable, nor spiraling out of control,” noting retirement costs as a percentage of pay have remained reasonably constant.

### **Why the Military Requires Unique Incentives for Career Service**

A military career entails unique and arduous service conditions few other Americans are willing to endure for 20 to 30 years, including:

- Hazardous duty
- Service in foreign, often hostile environments
- Frequent/extended forced family separations
- Long duty hours without extra pay
- Frequent forced relocations
- Disruption of spousal career/earnings
- Disruption of children's schooling
- Inadequate expense reimbursement
- “Up or out” promotion system
- Forced mid-life career change
- Forfeiture of personal freedoms other Americans take for granted

### **Keeping Faith with the All-Volunteer Force**

No federal obligation is more important than protecting national security. The most important element of national security is sustainment of a dedicated, top-quality career military force, but only a fraction of 1% of our population is willing to endure a single term of service, let alone a full career.

The past decade of unprecedented demands and sacrifices highlight how radically different military service conditions are from civilian life.

Yet budget critics persist in asserting military pay, retirement, and health care benefits are unsustainable and should be slashed to resemble civilian benefit packages.

Decades of dire predictions about “unaffordable” personnel costs have proved consistently wrong.

Existing career incentives have sustained a strong national defense through more severe and protracted wartime conditions than even the strongest volunteer-force proponents thought it could survive.

The only times the all-volunteer force has been jeopardized have been due to budget-driven cutbacks in the military compensation package that gave insufficient weight to the extraordinary demands and sacrifices inherent in a service career.

Congress has consistently recognized the cost of sustaining the current military career incentive package is far more acceptable and affordable than the alternative.

America will remain the world’s greatest power only as long as it continues to fulfill its reciprocal obligation to the only weapon system that has never let our country down — our extraordinarily dedicated, top-quality, all-volunteer career force.

The Coalition offers the following recommendations on what must be done to meet this essential obligation.

### **Currently Serving Issues**

**Force Levels** – We are thankful Congress revised the permanent active duty end strength minimum levels in the 2013 NDAA and placed an annual limitation on end strength reductions for both the Army and Marines.

We certainly understand why DoD is reducing force levels by 110,000 as operations wind down in Afghanistan and that the on-going fiscal crisis requires significant budget reductions. However, the Coalition’s believes continued care must be taken to ensure force reductions do not create additional burdens on our servicemembers and their families.

For the last decade, servicemembers and their families have endured unprecedented sacrifices often having less than a year at home before returning for another year in combat. Both Defense and Service leaders have acknowledged that minimum dwell time should be at least two years at home after a year deployment. And stress indicators are alarming as we see increases in divorces, suicide rates, and other symptoms. Moreover the minimum dwell time goal has yet to be attained for all deploying servicemembers.

Concurrently, we believe that the nation needs to sustain a surge capacity for unexpected contingencies and retaining combat experience by encouraging departing veterans to join the Guard and Reserve. On September 10, 2001 no one in Washington anticipated the following decade would find us engaged in two major and protracted wars.

Cutting Guard/Reserve forces as well as active forces will make achieving these goals even more difficult.

Additionally, providing a competitive compensation and benefits package is essential for recruiting and maintaining a quality all-volunteer force. Funding needed military schools and indexed housing allowances and support services are powerful incentives for retaining skilled and experienced personnel, a concern we all share in dealing with an extended national crisis.

***The Coalition urges the Subcommittee to ensure adequate personnel strengths and associated funding in order to meet national security strategy requirements and dwell time needs.***

**Compensation** – The Coalition was pleased that Congress approved an active duty 1.7% pay raise in the 2013 NDAA which reflected the growth in private sector pay, as measured by the Bureau of Labor Statistics' Employment Cost Index (ECI). Congress has made great strides to restore military pay comparability over the past 13 years, including a statutory change that explicitly ties military pay raises to ECI growth.

However, the Coalition is very concerned that many in the Administration and some members of Congress are unaware of the history of compensation including changes and associated unforeseen outcomes. Moreover we are alarmed that some view these vital compensation programs as a source of savings without regard to the impact they may have on long term readiness in the all-volunteer force.

The Coalition is particularly concerned about the Administration's proposal to cap the 2014 military pay raise at 1%, rather than matching the ECI-based average American's 1.8% raise, as required by current law.

History provides ample evidence that capping military raises is an exceptionally slippery slope which has never ended well.

In the 1970s, a succession of annual pay raise caps contributed to serious retention problems which were fixed approving two large "catch-up" raises in 1981 and 1982. But that lesson was quickly forgotten.

Throughout the 1980s and '90s, budget problems led to regular capping of military pay raises below private sector pay growth, eventually accumulating a "pay comparability gap" which peaked at 13.5% in 1998-99, and again contributed significantly to serious retention problems.

Now that erosion of pay and associated retention-related problems have abated, there are renewed calls to cut back on military raises, create either a new comparability standard, or substitute more bonuses for pay raises in the interests of deficit reduction.

The Coalition believes such proposals are exceptionally short-sighted in light of the extensive negative past experience with military pay raise caps.

History shows that, once military pay raise caps are implemented, the tendency has been to continue them until retention problems arise which then have to be addressed through significant pay raise plus-ups.

The purpose of sustaining pay comparability through both good times and bad is to prevent retention and readiness problems from occurring. This avoids going through endless cycles of causing problems and then repairing them.

Additionally, the Pentagon has been advocating for a new comparability standard under which each pay and longevity cell would represent the 70th percentile of compensation for similarly-educated civilians.

A 2010 Congressional Budget Office (CBO) report asserted that, considering adjustments in housing allowances, many military people actually are paid somewhat more than their civilian counterparts in terms of Regular Military Compensation (RMC), composed of basic pay, food and housing allowances, and the tax advantage that accrues because the allowances are tax-free.

The Coalition believes the CBO assertions are fundamentally flawed for three distinct reasons.

First, the RMC concept was developed in the 1960s, when all servicemembers received the same allowances, regardless of location, and the allowances were arbitrarily established. Congress has since transformed the allowances into reimbursements for actual food costs and for median locality-based housing costs. Under the RMC comparability concept, a year in which taxes increase and average housing allowances rise (e.g., based on growth in high-cost areas) could perversely require a cut in basic pay to restore comparability.

The Coalition believes it would be difficult for Congress to explain to troops why their pay raises should be reduced because their taxes are rising.

Second, the Coalition is not convinced that the civilian comparison cohort or percentile comparison points as proposed by DoD are appropriate since the military:

- Recruits from the top half of the civilian aptitude population
- Finds that only about 25% of America's youth qualify for entry
- Requires career-long education and training advancement, and
- Enforces a competitive "up-or-out" promotion system to ensure progressive quality enhancements among those with longer service

Third, it is essential to recognize that compensation is not simply the amount one is paid. It is pay divided by what's required of the recipient to earn that pay. If pay increases 25% but 100% more sacrifice is required to earn it, that's not a pay raise.

In that context, today's conditions of service are far more arduous than anything envisioned 40 years ago when the All-Volunteer Force was created. Those creators believed a protracted war would require reinstatement of the draft.

Moreover, a fundamental requirement for any pay comparability standard is that it should be transparent and understandable by all. The Coalition has sought, but has never been provided by DoD, any data on what civilian comparison cohort was selected and why, and what rationale was used to establish a specific percentile comparison point.

The Coalition agrees with the approach the Congress has consistently taken – that the best comparability measure is a comparison of the military basic pay raise percentage with the percentage growth private sector pay, as measured by the Bureau of Labor Statistics' Employment Cost Index (ECI). The government uses the ECI for every other measure of private pay growth, and it's transparent to government leaders and servicemembers alike.

***The Coalition urges the Subcommittee to sustain fully-comparable annual military pay raises (1.8% for 2014) based on the Employment Cost Index as specified in current law.***

**Family Readiness and Base Support** – A fully funded, robust family readiness program continues to be crucial to overall readiness of our military, especially with the demands of frequent and extended deployments.

Resource shortfalls continue to plague basic installation support programs. At a time when families are dealing with continuing deployments, they often are being asked to do without in other important areas.

Yet the Defense Department has acknowledged that sequestration has placed family support programs at even greater risk

The Coalition urges the Subcommittee to continue to press the Defense Department to exercise its authority to establish flexible spending accounts (FSAs) for servicemembers so they can participate in the same pre-tax program available to all other federal employees for their out-of-pocket health and dependent care expenses.

The Coalition was especially pleased that the Subcommittee secured a plus-up in Impact Aid in the 2013 NDAA. Providing appropriate and timely funding of Impact Aid is critical to ensuring quality education for military children regardless of where they live.

***The Coalition urges the Subcommittee to:***

- ***Ensure sustainment of Family Readiness and Support programs and base facilities***
- ***Continue support for child care needs of the highly deployable, operational total force community***
- ***Continue pressing the Defense Department to implement flexible spending accounts to enable military families to pay health care and child care expenses with pre-tax dollars***
- ***Continue much-needed supplemental funding authority to schools impacted by large populations of military students***
- ***Encourage greater military spouse and surviving spouse educational and career opportunities, and ensure existing programs are accessible, effective, and meeting the needs of all military spouses***
- ***Direct a DoD report on Family Support and Readiness programs as well as MWR category programs to include a list of all programs, an assessment of their effectiveness, and recommended policy changes***

**DoD Resale Operations** – The Military Coalition strongly believes military commissary, exchange and Morale Welfare and Recreation (MWR) programs contribute significantly to a strong national defense by sustaining morale and quality of life for military beneficiaries both within the United States and around the globe.

The Coalition is very concerned about initiatives to curtail appropriated fund support for these activities.

The resale system has proven its efficiency, as the Defense Commissary Agency (DeCA) alone has reduced its annual operating costs by more than \$700 million per year.

Repeated studies have shown that military commissaries provide \$2 in compensation value to beneficiaries for each \$1 of appropriated funding. That constitutes a very significant retention “bang for the buck.”

Initiatives to civilianize commissaries or consolidate commissaries and exchanges to achieve budget savings would come only at the expense of devaluing their compensation and retention importance value for military patrons.

*The Coalition urges the Subcommittee to:*

- *Oppose attempts to consolidate or curtail DoD resale systems in ways that would reduce their value to patrons*
- *Sustain necessary appropriated funds to support the Commissary and Exchange*

**Military Sexual Trauma** - With an estimated 19,000 yearly sexual assaults within the military, low rates of report and prosecution, and the negative impact of delayed treatment seeking for victims of MST, this is a pressing issue. The Coalition is grateful for the Subcommittee’s positive action on these issues.

Preventing sexual assaults demands the most forceful of efforts. DoD has attempted to institute prevention strategies and improve response mechanisms, and has reported on its progress. However, as Congress recognized in imposing wide-ranging new measures through the NDAA for Fiscal Year 2013, DoD has not gone far enough. Ultimately, resolving this issue requires a culture change and forceful leadership, and ongoing congressional oversight to sustain that effort. Instituting policies that encourage and support victims through the reporting process would be a first step in combating a culture of complacency. Revising the military justice system to hold perpetrators accountable would be another.

Additionally, with few victims of MST reporting their assault, screening and treatment are needed areas of improvement. A January 2013 GAO report on DoD health care for servicewomen found health care for victims of MST can vary by service, providers often aren’t aware of health care services available or what they have a responsibility to provide, and DoD has no established guidance for treatment of injuries stemming from MST. At a recent Senate Armed Services Committee hearing, officials from DoD stated they are working on providing that guidance.

*The Coalition urges Congress to sustain rigorous oversight to ensure the health, safety, readiness and confidentiality of military personnel who have been victims of sexual assault.*

### Health Care Issues

**Service vs. Beneficiary Needs** – Unlike civilian healthcare systems, the military health system is built mainly to meet military readiness requirements rather than to deliver needed care efficiently to beneficiaries.

Each Service maintains its unique facilities and systems to meet its unique needs, and its primary mission is to sustain readiness by keeping a healthy force and sustaining capacity to treat casualties from military actions. That model is built neither for cost efficiency nor beneficiary welfare.

When military forces deploy, the military medical force goes with them, and that forces families, retirees and survivors to use the more expensive civilian health care system in the absence of so many uniformed health care providers. This shift in the venue of care and the associated costs are completely out of beneficiary control.

These military-unique requirements have significantly increased readiness costs. But those added costs were incurred for the convenience of the military, not for any beneficiary consideration, and beneficiaries should not be expected to bear any share of military-driven costs – particularly in wartime.

The Coalition strongly rejects Defense leaders' efforts to seek dramatic beneficiary cost increases as a first cost-containment option rather than meeting their own responsibilities to manage military healthcare programs in a more cost-effective manner.

Instead of imposing higher fees on beneficiaries as the first budget option, DoD leaders should be held accountable for the REAL source of excess costs: failing to fix/consolidate redundant, counterproductive DoD health systems. These failures have added billions to defense health costs. Specifically:

- Decades of GAO and other reports demonstrate DoD cost accounting systems lack transparency and are un-auditable
- No single authority over three separate service health systems and multiple contractors that compete for budget share in self-defeating ways
- DoD and service leaders ignore 19 studies by GAO, IG and others since 1947, all showing consolidation of policies, medical budget oversight and execution would save billions
- A last-century contract system undermines capacity for best practices
- Military treatment facilities are 25% less costly – but 27% underutilized
- DoD-sponsored reviews indicate more efficient organization could cut health costs 30% without affecting care or beneficiary costs
- Incentives to providers are not sufficiently based on quality-driven clinical outcomes that reward efficiency and value
- Referral requirements that add complexity and actually inhibit timely delivery of needed and cost-effective care should be eliminated (e.g., referral is not required for emergency room visits, but is required for acute care facilities, leading many TRICARE Prime beneficiaries to routinely visit far-more-expensive emergency rooms on weekends and evenings)
- Current inflexible appointment systems inhibit beneficiary access to care

These are only some of the examples demonstrating that effective leadership, oversight and reorganization of military healthcare delivery could dramatically reduce defense health costs without affecting care or costs for beneficiaries.

*The Coalition urges the Subcommittee to hold Defense leaders accountable for their own leadership, oversight, and efficiency failures instead of simply seeking to shift more costs to beneficiaries. Congress should direct DoD to pursue any and all options to improve efficient and cost-effective care delivery in ways that do not disadvantage beneficiaries.*

**Military vs. Civilian Cash Fees Is “Apple to Orange” Comparison** – The Coalition continues to object strongly to simple comparisons of military vs. civilian cash fees. Such “apple to orange” comparisons ignore most of the very great price career military members and families pay for their coverage in retirement.

The unique package of military retirement benefits – of which a key component is a superior health care benefit – is the primary offset provided uniformed service members for enduring a career of unique and extraordinary sacrifices that few Americans are willing to accept for one year, let alone 20 or 30. It is an unusual and essential compensation package a grateful Nation provides to the small fraction of the population who agree to subordinate their personal and family lives to protecting our national interests for so many years.

For all practical purposes, those who wear the uniform of their country are enrolled in a 20- to 30-year pre-payment plan that must be completed to earn lifetime health coverage. Once that pre-payment is already rendered, the government cannot simply ignore it and focus only on post-service cash payments – as if the past service, sacrifice, and commitments had no value.

DoD and the Nation – as good-faith employers of the trusting members from whom they demand such extraordinary commitment and sacrifice – have a reciprocal health care obligation to retired service members and their families and survivors that far exceeds any civilian employer’s.

Until a few years ago, this was not a particular matter of concern, as no Secretary had previously proposed dramatic fee increases.

The experience of the recent past – during which several Secretaries proposed no increases and then a new Secretary proposed doubling, tripling, and quadrupling various fees – has convinced the Coalition that current law leaves military beneficiaries excessively vulnerable to the varying budgetary inclinations of the incumbent Secretary of Defense.

It’s true that many private sector employers are choosing to shift more healthcare costs to their employees and retirees, and that’s causing many still-working military retirees to fall back on their service-earned TRICARE coverage. Fallout from the recession has reinforced this trend.

Efforts to paint this in a negative light (i.e., implying that working-age military retirees with access to civilian employer plans should be expected to use those instead of military coverage) belie both the service-earned nature of the military coverage and the long-standing healthcare promises the government aggressively employed to induce their career service.



*The Coalition urges the Subcommittee to continue to reject simple comparisons of military-to-civilian cash healthcare fees as grossly devaluing career servicemembers' and families' extraordinarily steep nonmonetary contributions through decades of service and sacrifice.*

### **Wounded, Ill, and Injured Service Member Care**

TMC believes strongly that active DoD and VA collaboration is not only essential to achieving seamless transition, such cooperation is also critical to the long-term sustainability of our defense strategy, the health and wellness of the All-Volunteer Force and the acknowledgement of our country's commitment and moral obligation to the long-term care and support for those who served.

As the military begins implementing its exit strategy in Afghanistan, the Coalition worries about the stability and viability of the policies, programs, and services over the long haul intended to care and support our wounded, ill, and injured and their families-caregivers.

Thanks to the Subcommittee's efforts, policy, program and service enhancements have greatly enhanced system capacities and capabilities. Since 2007, every National Defense Authorization Act has built upon institutionalizing a seamless, unified and synchronized health systems-approach for caring and supporting our wounded heroes and their families. .

The Coalition commends DoD and VA for the milestones they have achieved to make these systems better over the last decade. We believe greater progress can be made if the Departments more aggressively pursue collaborative partnerships with other government agencies and non-government entities to drive down costs, support seamless transition efforts, and improve continuity of medical care. Both agencies have stated repeatedly that 'they can't meet the needs of our recovering warriors without the help of outside organizations' – yet, DoD and VA continue to remain isolated and closed systems, not drawing on or leveraging the very public-private partnerships they say they want and need.

The challenges are many, and the policy and program issues remain extremely complex and seemingly difficult to overcome. However, TMC believes collaborative efforts of the Administration, Congress, the Pentagon and Military Services, and VA working together with military and veteran organizations and beneficiaries can remove these barriers and simplify the systems.

**DoD – VA Oversight, Accountability and Integration** – Since the Pentagon and VA have relegated responsibility and authority to lower levels of the agencies, TMC has seen an expansion of uncertainty and confusion as to what the hundreds of wounded, ill and injured programs are doing, what the span of control is over these programs, or what the return on investment, efficacy, or effectiveness of these program in meeting the needs of a growing population of military, veterans and families that are and will be accessing these systems of care.

The limited authority of the Joint Executive Committee (JEC) and visibility of these important issues are making it difficult for senior official involvement and oversight on these matters and limiting the Department's ability to fully establish a synchronized, uniform and seamless approach to care and services. Additionally, significant changes in the DoD civilian and military leadership and threats of significant budget cuts make caring for our wounded warriors more critical than ever before.

While many well-meaning and hard-working military personnel and civilians are doing their best to keep pushing progress forward, leadership, organization, and mission changes have left many leaders frustrated with the process, insufficient resources, and struggling to effect needed changes.

The Coalition urges joint hearings by the Armed Services and Veterans Affairs Committees to assess the effectiveness of current seamless transition oversight efforts and systems and to solicit views and recommendations from DoD, VA, the military services, and non-governmental organizations concerning how joint communication, cooperation, and oversight could be improved.

The recent announcement that DoD and VA are backtracking on development and implementation of a joint DoD-VA electronic medical record is particularly discouraging, given the broad consensus on how essential this joint record is to long-term success of seamless transition efforts.

***The Coalition specifically recommends Congress:***

- ***Appoint the Deputy Secretaries of DoD and VA as co-chairs of the Joint Executive Council (JEC)***
- ***Hold joint hearings with the Veterans Affairs Committee addressing the Joint Executive Council's (JEC) effectiveness in daily oversight, management, collaboration, and coordination of the Departments' wounded warrior programs***
- ***Continue to press for creation and implementation of a joint, bi-directional electronic medical record***
- ***Provide permanent funding, staffing, and accountability for congressionally mandated Defense Centers of Excellence and associated mental-behavioral health, suicide prevention, alcohol and substance abuse, caregiver, respite, and other medical and non-medical programs***
- ***Continue aggressive oversight of the Integrated Disability Evaluation and legacy disability evaluations systems to ensure preservation of the 30-percent threshold for medical retirement, consistency and uniformity of policies, ratings, legal assistance, benefits, and transitional services Defense-wide***
- ***Standardize terminology, definitions, eligibility criteria, roles and responsibilities around policies, programs, services, and administration of medical and non-medical support (e.g., recovering warrior categories, all categories of case managers, caregiver support and benefits, power of attorney, and a comprehensive recovery plan)***
- ***Standardize the coordination of DoD-VA care, treatment and benefits of all Departments' case management programs, and medical and non-medical programs and services***

**Continuity of Health Care** –Transitioning between DoD and VA health care systems remains a significant and one of the most challenging aspects of the care process for wounded warriors and their families. The medical systems continue to be overwhelming and confusing to those trying to navigate them, especially during times when individuals are experiencing a great deal of trauma and uncertainty about what the future holds at the same time coping the realities of their wounds and disabilities. Wounded warriors and their families continue to be less satisfied with their transition after separation or medical retirement and into longer-term care and support in either the military or VA medical systems.

Additionally, systemic, cultural, and bureaucratic obstacles often prevent the service member or veteran from receiving the continuity of care they need to heal and have productive and a high level of quality of life they so desperately need and desire. We hear regularly from members who have experienced significant disruptions of care upon leaving service, and frustration that many of the essential

rehabilitation services that were available on active duty are no longer available to them in the military health system and/or VA, such as behavioral health, cognitive rehabilitation services.

*The Coalition urges Congress to:*

- *Secure the same level of payments, support and benefits for all uniformed services' wounded, ill, or injured (WII) in the line of duty*
- *Create a standardized curriculum and training programs for all DoD-VA mental-behavioral health providers and educational institutions in the diagnosis and treatment of PTS/PTSD/TBI*
- *Increase and improve the quality and timeliness of access to initial and follow-on appointments, treatment and services in DoD-VA systems, ensuring seamless transition of mental-behavioral health services are maintained for wounded, ill and injured, their families and caregivers across the Departments*
- *Ensure Guard and Reserve members have adequate access and treatment in the DoD and VA health systems for Post-Traumatic Stress Disorder and Traumatic Brain Injury following separation from active duty service in a theatre of operations*

**Mental Health Care Engagement and Destigmatization** - The rising suicide rate within the military suggests that a majority of service members are not seeking the help they need. Stigma and organizational barriers to care are part of the reason why only a small proportion of soldiers with psychological problems seek professional help. Another deterrent is service members' negative perceptions about the utility of mental health care. To reach these warriors, greater engagement is key.

Family support, peer outreach, and community partnerships have been explored as methods to better engage service members in needed care. The recent Army Task Force on Behavioral Health report acknowledged the need to reach out and involve family members. Given the impact of family support and strain on warriors' resilience and recovery, more must be done to provide needed mental health care to veterans' family members. Meeting warriors where they are within the community or through peer outreach has been found to be an effective first step in engaging warriors in mental health care. DoD should do more to enlist these resources as an effective method to get service members to seek help.

DoD and the VA must work collaboratively, not simply to improve access to mental health care, but to identify and further research the reasons for -- and solutions to -- warriors' resistance to seeking such care. With a high percentage of service members not seeking mental health treatment, it is important to ascertain which modalities of treatment might be effective. There should be greater investment in researching treatment efficacy, so more evidence based treatments can be rolled out to provide greater flexibility in mental health care that would engage more service members.

In addition to identifying and resolving reasons warriors often don't engage in mental health care, DoD and VA must do more to measure what current programs are working. There are a myriad of suicide prevention and resiliency programs within the DoD, yet it remains unclear how effectiveness is measured or how these programs are coordinated to provide real assistance to those in need no matter their service, where they are stationed or deployed.

The Army report on behavioral health highlighted an expanded program of behavioral health providers at the brigade level. While increasing access to care is an important step in providing needed treatment, ensuring efficacy is critical. DoD must be able to measure a range of pertinent mental health matters,

including timely access, patient outcomes, staffing needs, numbers needing or provided treatment, provider productivity, and treatment capacity. Greater transparency and continued oversight into DoD's mental health care operations are starting points for closing gaps in service members' mental health treatment.

***The Coalition recommends Congress:***

- ***Continue efforts to promote engagement in and destigmatization of mental health care***
- ***Continue to press for research on most effective treatments, coordination of programs, and measures of efficacy.***

**DoD-VA Integrated Disability Evaluation/Legacy Systems (IDES)** – TMC still hears too many emotional stories of “low-balling” disabled service members’ disability ratings, or troops separated with service-connected conditions not documented or reported in records, causing members with significant disabling conditions to be separated and turned over to the VA rather than being medically retired—a troublesome trend today, especially for those in the Guard and Reserves.

Congress has taken positive steps to address this situation, including establishment of the Physical Disability Board of Review (PDBR) to give previously separated service members an opportunity to appeal too-low disability ratings.

The DoD-VA IDES pilot has been fully implemented and expanded, and is considered to be much more streamlined and non-adversarial, and more mechanisms are in place to help members navigate and advocate for the member through the process, unlike its legacy system counterpart.

Unfortunately, some services still use loopholes, such as designating disorders as “existing prior to service,” even though the VA rated the condition as “service-connected” and the member was deemed fit enough to serve in a combat zone. The Coalition believes strongly that once we have sent a soldier, sailor, airman or marine to war, the member should be given the benefit of the doubt that any condition subsequently found should not be considered as existing prior to service.

The Coalition also agrees with the opinion expressed by former Secretary Gates that a member forced from service for wartime injuries should not be separated, but should be awarded a high enough rating to be retired for disability.

***The Coalition recommends Congress:***

- ***Preserve the statutory 30 percent disability threshold for medical retirement in order to provide lifetime TRICARE coverage for those who are injured while on active duty***
- ***Reform the DoD disability retirement system to require inclusion of all unfitting conditions and accepting the VA's “service-connected” rating***
- ***Ensure any restructure of the DoD and VA disability and compensation systems does not inadvertently reduce compensation levels for disabled service members***
- ***Eliminate distinctions between disabilities incurred in combat vs. non-combat when determining benefits eligibility for retirement***
- ***Tightening the Integrated Disability Evaluation System (IDES) (as recommended by the RWTF) to include:***

- *Create of a “joint” formal physical evaluation board in order to standardize disability ratings by each of the Services*
- *Mandate in policy that all service members entering into a Medical Evaluation Board (MEB) be contacted by the MEB outreach lawyer to help navigate the board process upon notification that a narrative summary will be completed*
- *Pursue improvements in identifying and properly boarding (medical evaluation and physical evaluation boards) Guard and Reserve members (to include the IRR) who have been wounded or incurred injuries or illnesses while activated but have had their conditions manifest or worsen post deactivation such as establishing policies that allow for the rapid issuance of Title 10 orders to affected Reserve Component (as recommended by the Recovering Warrior Task Force)*
- *Seek legislation to eliminate legacy DES so that that service members who are placed on the Temporary Disability Retirement List (TDRL) are afforded the opportunity to have the VA rate their disability by the IDES upon their removal from the TDRL*
- *Revise the VA schedule for rating disabilities (VASRD) to improve the care and treatment of those wounded, ill, and injured, especially those diagnosed with PTSD and TBI*
- *Bar the designation of disabling conditions as “existing prior to service” for service members who have been deployed to a combat zone*

**Caregiver/Family Support Services** – The sad reality is that, for the most severely wounded, ill or injured service members, their family members or other loved ones often become their full-time caregiver. Many are forced to give up their jobs, homes, and savings to care for their loved one—an incredible and overwhelming burden for these individuals to shoulder.

The Coalition believes the government has an obligation to provide reasonable compensation and training for such caregivers, who never dreamed that their own well-being, careers, and futures would be devastated by military-caused injuries to their service members.

The Coalition appreciates the Subcommittee’s sustained support for caregivers and requests additional steps be taken to ensure that non-dependent caregivers (e.g., parents and siblings) who have had to sacrifice their own employment and health coverage are provided health and respite care while the injured member remains on active duty, commensurate with what the VA authorizes for caregivers of wounded, ill, and injured veterans.

In a similar vein, many wounded or otherwise-disabled members experience significant difficulty transitioning to medical retirement status. To assist in this process, consideration should be given to authorizing medically retired members and their families to remain in on-base housing for up to one year after retirement, in the same way that families are allowed to do when a member dies on active duty.

Another important care continuity issue for the severely wounded, ill and injured is the failure to keep caregivers of these personnel involved in every step of the care and follow-up process, even when they have official documentation authorizing them as a caregiver or guardian. TMC continues to hear with great frequency, that clinicians and administrative staff in military treatment or VA facilities exclude caregiver participation, talking only to the injured member or excluding them completely in the process.

Congress, DoD and the VA have worked to get essential information to the wounded, ill, and injured and their caregivers. Similar efforts are urgently needed to educate medical providers and

administrative staff at all levels that the final responsibility for ensuring execution of prescribed regimens of care for severely wounded, ill and injured service members typically rests with the caregivers, who must be kept involved and informed on all aspects of these members' treatment, appointments, and medical evaluations.

*The Coalition recommends Congress:*

- *Ensure wounded, ill and injured families and caregivers are an integral part of the rehabilitation and recovery team and be included in and educated about medical care and treatment, disability evaluation system processes, development and implementation of the comprehensive recovery plan, and receive DoD-VA support and guidance throughout the process*
- *Provide enhanced training of DoD and VA medical and support staff on the vital importance of involving and informing designated caregivers in treatment of and communication with severely wounded, ill, and injured personnel*
- *Provide health and respite care for non-dependent caregivers (e.g., parents and siblings) who have had to sacrifice their own employment and health coverage while the injured member remains on active duty, commensurate with what the VA authorizes for eligible caregivers of medically retired or separated members*
- *Ensure consistency of DoD and VA caregiver benefits to ensure seamless transition from DoD to VA programs*
- *Extend eligibility for residence in on-base housing for up to one year for medically retired and severely wounded, ill, and injured members and their families, or until the servicemember receives a VA disability rating, whichever is longer*

**Guard and Reserve Health Care** – The Coalition is very grateful for sustained progress in providing reservists' families a continuum of government-sponsored health care coverage options throughout their military careers into retirement, but key gaps remain.

DoD took the first step in the 1990s by establishing a policy to pay the Federal Health Benefits Program (FEHB) premiums for G-R employees of the Department during periods of their active duty service.

Thanks to this subcommittee's efforts, considerable additional progress has been made in subsequent years to provide at least some form of military health coverage at each stage of a Reserve Component member's life, including TRICARE Reserve Select for actively drilling Guard/Reserve families and TRICARE Retired Reserve for "gray area" retirees.

But some deserving segments of the Guard and Reserve population remain without needed coverage, including post-deployed members of the Individual Ready Reserve and early Reserve retirees who are in receipt of non-regular retired pay before age 60.

In other cases, the Coalition believes it would serve Guard/Reserve members' and DoD's common interests to explore additional options for delivery of care to Guard and Reserve families. As deployment rates decline, for example, it would be cost-effective to establish an option under which DoD would subsidize continuation of employer coverage for family members during (hopefully less-frequent) periods of activation rather than funding year-round TRS coverage.

TMC continues to support closing the remaining gaps to establish a continuum of health coverage for operational reserve families.

***The Coalition recommends:***

- ***Authorizing TRICARE for early Reserve retirees who are in receipt of retired pay prior to age 60***
- ***Authorizing premium-based TRICARE coverage for members of the Individual Ready Reserve after being called to active service for a cumulative period of at least 12 months***
- ***Permitting employers to pay TRS premiums for reservist-employees as a bottom-line incentive for hiring and retaining them***
- ***Authorizing an option for the government to subsidize continuation of a civilian employer's family coverage during periods of activation, similar to FEHBP coverage for activated Guard-Reserve employees of Federal agencies***
- ***Extending corrective dental care following return from a call-up to ensure G-R members meet dental readiness standards***
- ***Allowing eligibility in Continued Health Care Benefits Program (CHCBP) for Selected Reservists who are voluntarily separating and subject to disenrollment from TRS***
- ***Allowing beneficiaries of the FEHBP who are Selected Reservists the option of participating in TRICARE Reserve Select***
- ***Improving the pre- and post-deployment health assessment program to address a range of mental/behavioral health issues such as substance abuse and suicide***
- ***Allow for access to a full range of evidenced-based care and services for Reserve Component members and their families, particularly during periods of reintegration back into the community***

**Additional TRICARE Prime Issues** – The Coalition strongly advocates for the transparency of healthcare information via the patient electronic record between both the MTF provider and network providers. Additionally, institutional and provider healthcare quality information should be available to all beneficiaries so that they can make better informed decisions with their healthcare choices.

Most importantly, the Coalition is highly concerned regarding the growing dissatisfaction among TRICARE Prime enrollees in the Prime Service Areas (PSAs). The dissatisfaction arises with the impending impact this will have on beneficiaries and the elimination of many Prime service areas under the new contract.

This will entail a substantive disruption in health care delivery for thousands of beneficiaries who will be required to find different providers and will change the continuity of care for beneficiaries who have difficulty accessing care in many areas of the country. The beneficiary will also bear more of the cost of their healthcare by covering co-payments.

Now that the three managed care contractors are in sync, this reduction will commence on October 1, 2013 with the beneficiaries who live in the areas where Prime service will be terminated.

***The Military Coalition urges the Subcommittee to:***

- ***Authorize beneficiaries affected by Prime Service Area changes to be grandfathered in their present arrangement until they either re-locate or change their current primary care provider***
- ***Require reports from DoD and the managed care support contractors on actions being taken to ensure those affected by the Prime Service Area reductions will be able to maintain continuity of care from their existing provider or receive an adequate selection of providers from which to obtain care***

- *Require increased DoD efforts to ensure electronic health record consistency between MTFs and purchased care sectors and provide beneficiaries with information to assist in informed decision making*

**Special Needs Families** – The Coalition is grateful that the FY2013 Defense Authorization Act established a one-year pilot program making family members of currently serving and retired members of all services diagnosed with an autism spectrum disorder eligible for applied behavioral analysis therapy (ABA) under the TRICARE program.

The Coalition is very pleased the original provision was amended to include all uniformed services, but is disappointed the new authority excludes family members with other diagnoses for which ABA therapy is beneficial.

The Coalition also is concerned that the pilot program was funded for only one year.

*The Military Coalition urges the Subcommittee to:*

- *Authorize ABA coverage as a permanent benefit under the TRICARE basic program;*
- *Include eligibility to other developmental disabilities that may benefit from ABA*
- *Ensure permanent funding for this critical therapy; and*
- *Ensure any further adjustments to TRICARE eligibility apply equally to all seven uniformed services.*

**Additional TRICARE Standard Issues** – The Coalition appreciates the Subcommittee’s continuing interest in the specific problems unique to TRICARE Standard beneficiaries. TRICARE Standard beneficiaries need assistance in finding participating providers within a reasonable time and distance from their home. This is particularly important with the expansion of TRICARE Reserve Select and the upcoming change in the Prime Service Areas, which will place thousands more beneficiaries into TRICARE Standard.

The Coalition is grateful that the FY2012 Defense Authorization Act extended through 2015 the requirement for DoD to survey participation of providers in TRICARE Standard.

However, we are concerned that DoD has not yet established benchmarks for adequacy of provider participation, as required by section 711(a)(2) of the FY2008 NDAA. Participation by half of the providers in a locality may suffice if there is not a large Standard beneficiary population, but could severely constrain access in other areas with higher beneficiary density.

The Coalition hopes to see an objective participation standard (perhaps based on the 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 intervention.

Further, the Coalition believes the Department should be required to take action to increase provider participation in localities where participation falls short of the standard.



A source of continuing concern is the TRICARE Standard inpatient copay for retired members, which now stands at \$708 per day or 25% of billed charges. The Coalition believes this amount already is excessive, and should continue to remain capped at that rate for the foreseeable future.

*The Coalition urges the Subcommittee to:*

- *Bar any further increase in the TRICARE Standard inpatient copay for the foreseeable future*
- *Insist on immediate delivery of an adequacy threshold for provider participation, below which additional action is required to improve such participation to meet the threshold*
- *Require a specific report on provider participation adequacy in the localities where Prime Service Areas will be discontinued under the new TRICARE contracts*
- *Increase locator support to TRICARE Standard beneficiaries seeking providers who will accept new Standard patients, particularly for primary care and mental health specialties*

### National Guard and Reserve Forces

Since Sept. 11, 2001, more than 865,500 Guard and Reserve servicemembers have been called up, including about 285,000 who have served multiple tours. There is no precedent in American history for this sustained reliance on warrior-citizens and their families. To their credit, Guard and Reserve combat veterans continue to reenlist, but recurring activations and deployments cannot be sustained under Operational Reserve policy without adjustments to the compensation package.

Guard and Reserve members and families face unique challenges in their readjustment following active duty service. Unlike active duty personnel, many Guard and Reserve members return to employers who question their contributions in the civilian workplace, especially as multiple deployments have become the norm. Many Guard-Reserve troops return with varying degrees of combat-related injuries and stress disorders, and encounter additional difficulties after they return that can cost them their jobs, careers and families.

Despite the continuing efforts of the Services and Congress, most Guard and Reserve families do not have access to the same level of counseling and support that active duty members have. The Coalition is encouraged that last year Congress enacted measures to attack the epidemic of suicides in the total force, expand access to behavioral health services and create a pilot to provide transition services outside of active duty bases. Properly implemented, these initiatives will help, but more remains to be done.

**Operational Reserve Retention and Retirement Reform** – Congress took the first step in modernizing the reserve retirement system with enactment of early retirement eligibility for certain reservists activated for at least 90 continuous days served since January 28, 2008.

More recently, Congress passed an historic measure authorizing up to 60,000 reservists to perform active duty missions for up to one year without a formal emergency declaration so long as the missions are pre-planned and budgeted.

The Coalition believes this change further underscores the need to ensure Guard and Reserve members' compensation keeps pace with the nation's ever-increasing reliance on them. The greater the demands placed on them, the greater the need to enhance inducements that are essential to sustain the operational reserve force over the long term.

Repeated, extended activations make it more difficult to sustain a full civilian career and impede reservists' ability to build a full civilian retirement, 401(k), etc. Regardless of statutory protections, periodic long-term absences from the civilian workplace can only limit Guard/Reserve members' upward mobility, employability and financial security. Further, strengthening the reserve retirement system will serve as an incentive to retaining critical mid-career officers and NCOs for continued service and thereby enhance readiness.

As a minimum, the next step in modernizing the reserve retirement system is to eliminate the inequity inherent in the current fiscal year retirement calculation, which credits 90 days of active service for early retirement purposes only if it occurs within the same fiscal year. A 90-day tour served from January through March is credited, but a 120-day tour served from August through November is worthless (because the latter covers 60 days in each of two fiscal years).

Moreover, the law-change authorizing early retirement credit for qualifying active duty served after 28 Jan 2008 requires early reserve retirees to pay exorbitant TRICARE Retired Reserve premiums if they wish to have government health insurance before age 60.

*The Coalition urges the Subcommittee to:*

- *Eliminate the fiscal year limitation which effectively denies full early retirement credit for active duty tours that span the start of a fiscal year (1 October)*
- *Modernize the reserve retirement system to incentivize continued service beyond 20 years and provide fair recognition of increased requirements for active duty service*
- *Authorize early retirement credit for all active duty tours of at least 90 days retroactive to September 11, 2001*

**Yellow Ribbon Reintegration Program** – Congress has provided increased resources to support the transition of warrior-citizens back into the community. But program execution remains spotty from state to state and falls short for those returning Federal Reserve warriors in widely dispersed regional commands. Programs should meet a standard level of family support within each state. Military and civilian leaders at all levels must improve the coordination and delivery of services for the entire operational reserve force. Many communities are eager to provide support and do it well. But Yellow Ribbon efforts in a number of locations amount to little more than PowerPoint slides and little or no actual implementation.

DoD must ensure that state-level best practices – such as those in Maryland, Minnesota and New Hampshire – are applied for all operational reserve force members and their families, and that Federal Reserve veterans have equal access to services and support available to National Guard veterans. Community groups, employers and service organization efforts need to be encouraged and better coordinated to supplement unit, component, Service and VA outreach and services.

*The Military Coalition urges immediate implementation of the two-year pilot for providing TAP services ‘outside the gate’ of active duty bases and broader expansion as soon as possible. Congress should hold oversight hearings and direct additional improvements in coordination, collaboration and consistency of Yellow Ribbon services between States.*

**Reserve Compensation System** – The increasing demands of qualifications, mental skills, physical fitness, and training readiness on the Guard and Reserve to perform national security missions at home and abroad and increased training requirements indicate that the compensation system needs to be improved to attract and retain individuals into the Guard/Reserve. The added responsibility of returning to active duty multiple times over the course of a reserve career requires improvements to the compensation package and to make it more equitable with the active component.

*The Coalition recommends Subcommittee authorize:*

- *Credit for all inactive duty training points earned annually toward Reserve retirement*
- *Parity in special incentive pay for career enlisted/officer special aviation incentive pay, diving special duty pay, and pro-pay for reserve component medical professionals*
- *The recalculation of retirement points after one year of activation*
  - *The 2010 NDAA authorized certain flag officers to recalculate retirement pay after one year of active duty, and we recommend this authority be extended to all ranks*

**Guard/Reserve GI Bill** – The Coalition is most grateful to Congress for passage of the Post-9/11 GI Bill (Chapter 33, 38 U.S. Code), which includes a provision for reservists to accrue benefits for operational active duty service. However, Selected Reserve GI Bill benefits (Chapter 1606, 10 USC) have not been adjusted proportionally for more than 13 years.

*The Coalition recommends the Subcommittee:*

- *Work with the Veterans Affairs Committee to restore basic reserve Montgomery GI Bill benefits for initially joining the Selected Reserve to the historic benchmark of 47-50% of the active duty MGIB*
- *Integrate reserve MGIB benefits currently in Title 10 with active duty veteran educational benefit programs under Title 38*
- *Enact academic protections for mobilized Guard and Reserve students, including refund guarantees*

**Guard/Reserve Family Support Programs** – The Coalition appreciates the upgrades in outreach programs and services for returning Guard-Reserve families. Family support programs promote better communication with servicemembers and help underwrite morale and overall readiness.

*The Coalition urges the Subcommittee to:*

- *Review the adequacy of programs to meet the special information and support needs of families of individual reserve augmentees or those who are geographically dispersed*
- *Foster programs among military and community leaders to support servicemembers and families during all phases of deployments*
- *Provide preventive counseling services for servicemembers and families*
- *Authorize child care for family readiness group meetings and drill time and respite care during deployments*
- *Improve the joint family readiness program to facilitate understanding and sharing of information between all family members*

### Retiree Issues

**Military Retirement Reform** – Whenever military budgets get tight, budget analysts, commissions and chartered task forces propose military retirement cutbacks.

Past defense leaders resisted such efforts as being detrimental to retention and readiness. In contrast, former SECDEFs Gates and Panetta voiced support for significant retirement changes. And the Administration's recently proposed (2012) BRAC like commission to modernize the military compensation system reflects a lack of understanding about the radical differences between uniform service and civil careers.

The Coalition appreciates Congress' wise action last year in modifying the composition of the Military Compensation and Retirement Modernization Commission and eliminating restrictions under which its recommendations may be considered by Congress.

We strongly believe that any proposed changes recommended by the Commission must be considered in light of previous Congressional reform efforts and thoroughly vetted in the public forum.

The basic principles of the existing compensation system were designed to foster and maintain the profession of arms as a "dignified, respected, sought after, and honorable career" as outlined in the DoD's *Military Compensation Background Papers*.

The unique military retirement package we have today was formulated to offset the extraordinary demands and sacrifices inherent in a service career. These benefits provide a powerful incentive for top-quality people to serve 20-30 years in uniform, despite the burden of sacrifices as eloquently articulated by the Secretary of the Air Force during his January 18, 1978 testimony before the President's Commission on Military Compensation:

"The military services are unique callings. The demands we place on our military men and women are unlike those of any other country. Our worldwide interests and commitments place heavy burdens and responsibilities on their shoulders. They must be prepared to live anywhere, fight anywhere, and maintain high morale and combat efficiency under frequently adverse and uncomfortable conditions. They are asked to undergo frequent exposure to risk, long hours, periodic relocation and family separation. They accept abridgement of freedom of speech, political and organizational activity, and control over living and working conditions. They are all part of the very personal price our military people pay.

"Yet all of this must be done in the light of – and in comparison to – a civilian sector that is considerably different. We ask military people to be highly disciplined when society places a heavy premium on individual freedom, to maintain a steady and acute sense of purpose when some in society question the value of our institutions and debate our national goals. In short, we ask them to surrender elements of their freedom in order to serve and defend a society that has the highest degree of liberty and independence in the world. And, I might add, a society with the highest standard of living and an unmatched quality of life.

“Implicit in this concept of military service must be long-term security and a system of institutional supports for the serviceman and his family which are beyond the level of compensation commonly offered in the private, industrial sector.”

There is no better illustration of that reality than the past eleven years of war. Absent the career drawing power of the current 20-year retirement system and its promised benefits, the Coalition asserts that sustaining anything approaching the needed retention rates over such an extended period of combat deployments would have been simply impossible.

The crucial element to sustaining a high-quality, career military force is establishing a strong bond of reciprocal commitment between the servicemember and the government. If that reciprocity is not fulfilled, if we break faith with those who serve, retention and readiness will inevitably suffer.

The Coalition believes the government has a unique responsibility to this small segment of Americans that goes far beyond any civilian employer’s obligation to its employees. We actively induce these citizens to subordinate their interests to that of America’s for periods of 20 to 30 years. No private employer would ever consider making such a request.

The uniformed services retirement system has had its critics since the 1970s and even earlier.

In the 1980s, budget pressures led to amending retirement rules twice for new service entrants:

- Basing retired pay calculations on the high-36-month average of basic pay instead of final basic pay (1980), and
- Enacting the REDUX system that cut 20-year retired pay value by more than 25% (1986).

At the time the REDUX plan was being considered, then-Secretary of Defense Caspar Weinberger strongly, but unsuccessfully, opposed it (see attached letter), arguing the change would harm retention and degrade readiness. “It says in absolute terms,” said Weinberger, “that the unique, dangerous, and vital sacrifices they routinely make are not worth the taxpayer dollars they receive.”

When his prediction of adverse retention consequences proved all too accurate in the 1990s, Congress repealed REDUX in 1999 at the urging of the Joint Chiefs of Staff.

Since then innumerable studies and task forces have recommended even more dramatic changes, usually either to save money, to make the system more like those offered under civilian programs, or both.

Most recently, groups such as the National Commission on Fiscal Responsibility and Reform, the Debt Reduction Task Force, the Sustainable Defense Task Force, and the Defense Business Board’s (DBB) “Modernizing the Military Retirement” Task Group have all recommended radically revamping the system more on civilian lines, significantly reducing military retirement compensation.

Secretary Gates criticized the 20-year retirement system as “unfair” to those who leave service before that point, pointing out that vesting options are provided to civilian workers. Therefore he directed the DBB to identify alternative options. In his final appearance before the Senate, Gates endorsed an early vesting program, noting, “70 to 80 percent of the force does not stay until retirement but leaves with nothing.”

However, there is no support for spending more money on military retirement, so the vesting options proposed to date — including those of the DBB and the DoD-sponsored 11th Quadrennial Review of Military Compensation (QRMC) — would fund that new benefit by imposing dramatic benefit cuts for the 17 percent who complete decades in uniform.

All too aware of the lessons of learned, Congress has wisely ignored and dismissed these ivory-tower recommendations which propose far greater retirement cuts than REDUX entailed.

The existing retirement system is often characterized as “inflexible”, limiting the ability of Service personnel managers to more precisely and effectively manage the force. The Coalition strongly disagrees.

The Services already have substantial authority to adjust force structure by revising high-year-of-tenure limits to enforce the unique military “up-or-out” promotion system, to incentivize voluntary separations and to bring about voluntary or mandatory early retirements.

The Services routinely tighten retention and reenlistment incentives and other restrictions when budget considerations create a need for additional separations and retirements. And when necessary, Congress has provided additional special drawdown authorities to create the right force structure.

However, the reality is that precisely planned force management initiatives are regularly abandoned in the wake of real-world events that often force dramatic reversals of planned actions. Reform measures which envision delaying retirement until age 57 or 60 belie the reality that the Services don’t need or want the vast majority of members to stay in uniform that long.

Service desires for unlimited flexibility to shape the force may be appropriate for the management of hardware and other non-sentient resources. However, the Services are dependent upon attracting and retaining smart people who understand all too well when their leaders place no limits on the sacrifices that may be demanded of them, but also wish to reserve the right to change the rules on them and kick them out at will...even while building a system that assumes they will be willing to serve under these conditions until age 60.

Servicemembers from whom we demand so much deserve some stability of career expectations in return.

The Coalition believes “civilianizing” the military benefit package would dramatically undermine the primary military career retention incentive and would be disastrous for retention and readiness, as they increase the incentives to leave and reduce the incentives for career service.

Moreover, we believe it is irresponsible to focus on budget and “civilian equity” concerns while ignoring the primary purpose of the retirement system – to ensure a strong and top-quality career force in spite of arduous service conditions which no civilians experience and few are willing to accept.

America will remain the world’s greatest superpower only as long as it continues to fulfill its reciprocal obligation to the all-volunteer career force.

***The Coalition urges the Subcommittee to oppose any initiative which would “civilianize” the military retirement system, ignore the lessons of the ill-fated REDUX initiative, and inadequately recognize the unique and extraordinary demands and sacrifices inherent in a military career.***

**Cost-of-Living Adjustments (COLAs)** – In recent years, several commissions have proposed adjusting the Consumer Price Index (CPI) methodology to the so-called “chained CPI” calculation as a means of holding down COLA growth for military and federal civilian retired pay, Social Security and all other federal annuities over time.

Proponents of the chained CPI say it more accurately reflects changes in annuitants’ cost of living by recognizing that their purchasing behavior changes as prices change. If the price of beef rises, for example, consumers may purchase more chicken and less beef.

What chained CPI doesn’t capture is increasing costs where there are no adequate substitutes, such as rent or utilities. The real issue is whether chained CPI measuring changes in prices or changes in the quality of life. Following the logical progression to an extreme we could find consumers substituting hot dogs for chicken, etc.

The Bureau of Labor Statistics has estimated that implementation of the chained CPI would depress COLAs by about 0.25 to 0.3 percentage point per year.

The DoD actuary estimates that inflation will average 3 percent per year over the long term.

Using those two estimates, applying the chained-CPI COLA’s for a servicemember retiring at age 42 would yield about 10 percent less in his or her retired pay check at age 85 relative to the current COLA system. And the longer you live, the worse it gets.

Additionally, some commissions have proposed delaying any COLA’s on military retired pay until age 60 or later, barring COLAs on annuity levels above some set dollar amount, or reducing the CPI by one-half percent or a full percentage point per year.

The Coalition believes such initiatives would constitute a breach of faith with military people and constitute a disproportional penalty.

COLAs are particularly important to military retirees, disabled retirees, and survivors because they start drawing their annuities at younger ages than most other COLA-eligibles and thus experience the compounding effects over a greater number of years. To the extent that COLAs fail to keep up with living costs, real purchasing power continues to decline ever more dramatically as long as one lives.

***The Coalition urges the Subcommittee to:***

- ***Reject the chained CPI as a basis for adjusting military retired pay***
- ***Ensure the continued fulfillment of congressional COLA intent, as expressed in House National Security Committee Print of Title 37, USC: "to provide every military retired member the same purchasing power of the retired pay to which he was entitled at the time of retirement [and ensure it is] not, at any time in the future...eroded by subsequent increases in consumer prices"***

- *Ensure equal treatment of all uniformed service personnel, to include NOAA/USPHS/USCG personnel, with respect to any retirement/COLA legislation*

**Concurrent Receipt** – Congress clearly recognized the inequity of the disability offset to earned retired pay during the past decade and has gone to great lengths to establish a process to end or phase out the offset for many disabled retirees. The Coalition is extremely grateful for the Subcommittee’s efforts to continue progress in easing the adverse effects of the offset.

In that vein, we are very pleased Congress identified resources to fix a long-standing inadvertent “glitch” in the statutory computation formula for Combat-Related Special Compensation (CRSC). This was clearly a victory for our war wounded veterans.

The Coalition strongly believes in the principle that career military members earn their retired pay by service alone, and that those unfortunate enough to suffer a service-caused disability in the process should have any VA disability compensation from the VA added to, not subtracted from, their service-earned military retired pay.

In 2010, we were very optimistic that another very deserving group of disabled retirees – those forced into medical retirement short of 20-years of service -- would become eligible for concurrent receipt when the White House included a concurrent receipt proposal in the Budget Resolution – the first time in history any Administration had ever proposed such a fix.

The proposal would have expanded concurrent receipt eligibility over a five year period to all those forced to retire early from Service due to a disability, injury, or illness that was service-connected (chapter 61 retirees). We were dismayed that, despite the Subcommittee’s leadership efforts and White House support, the provision has not yet been enacted – an extremely disappointing outcome for a most deserving group of disabled retirees.

We recognize only too well the challenges associated with adding new mandatory spending provisions in this difficult budget environment. But making at least some progress to address this grievous inequity (e.g., covering all 100-percent disabled retirees with less than 20 years of service) remains an important goal.

*The Coalition urges the Subcommittee to continue seeking to expand Concurrent Retirement and Disability Payments (CRDP) to disabled retirees not eligible under the current statute, with first priority for vesting of earned retirement credit for Chapter 61 retirees with less than 20 years of service.*

**Fair Treatment for Servicemembers Affected by Force Reductions** – Throughout the 1990s and into the early 2000s the services had several drawdown tools at their disposal to incentivize members to voluntarily leave the service: Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB), and Temporary Early Retirement Authority (TERA). The recently reauthorized TERA will greatly aid the Services in anticipation of significant force drawdowns and combat forces depart southwest Asia.



During any force reduction, servicemembers who intend to make the service a career are forced out. We believe the Nation should recognize their service and provide a "transportable" benefit for those that have their careers curtailed involuntarily short of 20 years.

The Coalition emphasizes that this limited "vesting" initiative should be applied only during periods of significant force reductions and funding for it should not come at the expense of those who serve 20 years or more.

Authorizing separated servicemembers the ability to contribute part or all of their involuntary or voluntary separation pay into their Thrift Savings Plan (TSP) account would appropriately recognize their past service and provide a level of "transportable" career benefit under these difficult times.

***The Coalition recommends enacting temporary legislation that would allow members separated during periods of significant force reductions to deposit part or all of their involuntary separation pay or VSP into their TSP account.***

### **Survivor Issues**

The Coalition is grateful to the Subcommittee for its significant efforts in the past decade to improve the Survivor Benefit Plan (SBP), especially its major achievement in 2005 eliminating the Military Widows Tax -- the Social Security offset that SBP survivors encountered upon attaining age 62. Yet, there is still more to do when looking at the plight of our widows.

**SBP-DIC Offset** – The Coalition believes strongly that current law is unfair in reducing military SBP annuities by the amount of any survivor benefits payable from the DIC program.

If the surviving spouse of a retiree who dies of a service-connected cause is entitled to DIC from the Department of Veterans Affairs and if the retiree was also enrolled in SBP, the surviving spouse's SBP annuity is reduced by the amount of DIC. A pro-rata share of the SBP premiums is refunded to the widow upon the member's death in a lump sum, but with no interest. This offset also affects all survivors of members who are killed on active duty.

The Coalition believes SBP and DIC payments are paid for different reasons. SBP is insurance purchased by the retiree and is intended to provide a portion of retired pay to the survivor. DIC is a special indemnity compensation paid to the survivor when a member's service causes his or her premature death. In such cases, the VA indemnity compensation should be added to the SBP annuity the retiree paid for, not substituted for it.

In comparison, federal civilian retirees who are disabled veterans and die of military-service-connected causes can receive DIC without losing any of their federal civilian SBP benefits.

Unfortunately, in every SBP-DIC case, active duty or retired, the true premium extracted by the service from both the member and the survivor was the ultimate one – the very life of the member. This reality was underscored by the August 2009 Federal Court of Appeals ruling in *Sharp v. U.S.* which found, "After all, the servicemember paid for both benefits: SBP with premiums; DIC with his life."

The Veterans Disability Benefits Commission (VDBC) reviewed the SBP-DIC issue, among other DoD/VA benefit topics. The VDBC's final report to Congress in 2007 agreed with the Coalition in finding that the offset is inappropriate and should be eliminated.

In 2005 then-Speaker Pelosi and other House leaders made repeal of the SBP-DIC offset a centerpiece of their GI Bill of Rights for the 21<sup>st</sup> Century.

Leadership has made great progress in delivering on other elements of that plan, but the only progress to date on the SBP-DIC offset has been the enactment a small monthly Special Survivor Indemnity Allowance (SSIA).

The Coalition recognizes that the Subcommittee's initiative in the FY2008 defense bill to establish the SSIA was intended as a first, admittedly very modest, step in a longer-term effort to phase out the Dependency and Indemnity Compensation (DIC) offset to SBP.

We're very grateful for the Subcommittee's subsequent efforts to increase SSIA amounts as additional steps toward the goal of eliminating the offset.

While fully acknowledging the Subcommittee's good-faith efforts to win more substantive progress, the Coalition shares the extreme disappointment and sense of abandonment of the SBP-DIC widows who are forced to sacrifice up to \$1,215 each month and are being asked to be satisfied with a \$90 monthly rebate.

The Coalition understands the mandatory-spending constraints the Subcommittee has faced in seeking redress, but also points out that those constraints have been waived for many, many far more expensive initiatives, including the recent extension of civilian unemployment benefits.

The Coalition believes widows whose sponsors' deaths were caused by military service should not be last in line for redress.

***The Coalition urges the Subcommittee to:***

- ***Continue pursuing ways to repeal the SBP-DIC offset***
- ***Authorize SBP annuities to be placed into a Special Needs Trust for permanently disabled survivors who otherwise lose eligibility for state programs because of means testing***
- ***Reduce the age for paid-up SBP to age 67 for those who joined the military at age 17, 18 or 19***
- ***Reinstate SBP annuities to survivors who transfer it to their children when the children reach majority, or when a subsequent remarriage ends in death or divorce***

**Final Retired Pay Check** – Under current law, DFAS recoups from military widows'/widowers' bank accounts all retired pay for the month in which a retiree dies. Subsequently, DFAS pays the survivor a pro-rated amount for the number of days of that month in which the retiree was alive. This often creates hardships for survivors who have already spent that pay on rent, food, etc., and who routinely are required to wait several months for DFAS to start paying SBP benefits.

The Coalition believes this is an extremely insensitive policy imposed by the government at the most traumatic time for a deceased member's next of kin. Unlike his or her active duty counterpart, a

retiree's survivor receives no death gratuity. Many older retirees do not have adequate insurance to provide even a moderate financial cushion for surviving spouses.

In contrast to the law governing military retired pay treatment of survivors, the Title 38 statute requires the VA to make full payment of the final month's VA disability compensation to the survivor of a disabled veteran.

The disparity between DoD and VA policy on this matter is indefensible. Congress should do for retirees' widows the same thing it did ten years ago to protect veterans' widows.

***TMC urges the Subcommittee to authorize survivors of retired members to retain the final month's retired pay for the month in which the retiree dies.***

### **Summary**

The Military Coalition again thanks the Subcommittee for your unfailing support of the entire uniformed service community and for taking our concerns and priorities into consideration as you deliberate on the future of the one weapon system that has never let our Nation down – the men and women who wear and have worn the uniform and their families.

**Master Chief Joseph L. Barnes, USN (Retired)**

National Executive Director, Fleet Reserve Association and  
Co-Chairman, The Military Coalition

Joseph L. (Joe) Barnes is a retired Navy Master Chief and serves as the Fleet Reserve Association's (FRA's) National Executive Director. He is a member of FRA's National Board of Directors, chairs the Association's National Committee on Legislative Service, and is responsible for managing the organization's National Headquarters in Alexandria, VA. In addition, he is president of the FRA Education Foundation which oversees the Association's scholarship program that presented awards totaling \$128,000 in 2012.

Barnes joined FRA's National Headquarters team in 1993 and prior to assuming his current position in 2002, he served as FRA's Director of Legislative Programs. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes is Co-Chairman of the Military Coalition (TMC) and co-chairs the Coalition's Personnel, Compensation and Commissaries Committee. He is also a member of the Defense Commissary Agency's Patron Council and an ex-officio member of the U.S. Navy Memorial Foundation's Board of Directors.

He received the U.S. Coast Guard's Meritorious Public Service Award and was appointed an Honorary Member of the U.S. Coast Guard in 2003.

While on active duty, he was the public affairs director for the U.S. Navy Band in Washington, DC, and directed marketing and promotional efforts for national tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

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

**Kathleen B. Moakler**

Director, Government Relations  
National Military Family Association

Mrs. Moakler has been associated with the National Military Family Association since 1995 as a member of the headquarters staff. She was appointed to Government Relations Director in October 2007. In that position, she monitors the range of issues relevant to the quality of life of the families of the seven uniformed services and coordinates the six members of the Government Relations staff. Mrs. Moakler represents the interests of military families on a variety of advisory panels and working groups, including the Military Family Readiness Council.

Mrs. Moakler is co-chair of the Survivor Programs Committee and the Personnel/Compensation/Commissaries Committee for the Military Coalition (TMC), a consortium of 34 military and veteran organizations. She is often called to comment on issues pertaining to military families for such media outlets as the NY Times, CNN, NBC News, NPR and the Military Times. She writes regularly for military focused publications.

During her husband's 28 year Army career, Mrs. Moakler served in various volunteer leadership positions in civilian and military community organizations, as well as working with many military community programs including hospital consumer boards, commanders' advisory boards, family readiness groups, church councils, youth programs, and the Army Family Action Plan at all levels. She believes that communication is paramount in the efficient delivery of services and the fostering of a rich community life for military families. She holds a Bachelor of Science degree in Business Administration from the State University of New York at Albany. Mrs. Moakler has been awarded the Army Commanders Award for Public Service and the President's Volunteer Service Award.

Mrs. Moakler is also a military mom. Her daughter, Megan is an Army Major and nurse who has served two tours in Iraq and son, Matthew is an Army major and Operation New Dawn veteran. Both are presently stationed at Ft. Belvoir, Virginia. Her oldest son, Marty, works for Hulu.com and is an aspiring writer/actor in Los Angeles, California. Mrs. Moakler and her husband, Colonel Martin W. Moakler, Jr. USA (retired), reside in Alexandria, Virginia.

**Colonel Steve Stobridge (USAF-Ret)**

Director, Government Relations, Military Officers Association of America (MOAA); and  
Co-Chairman, The Military Coalition

Steve Stobridge, a native of Vermont, is a 1969 graduate from Syracuse University. Commissioned through ROTC, he was called to active duty in October 1969.

After several assignments as a personnel officer and commander in Texas, Thailand, and North Carolina, he was assigned to the Pentagon from 1977 to 1981 as a compensation and legislation analyst at Headquarters USAF. While in this position, he researched and developed legislation on military pay, health care, retirement and survivor benefits issues.

In 1981, he attended the Armed Forces Staff College in Norfolk, VA, en route to a January 1982 transfer to Ramstein AB, Germany. Following assignments as Chief, Officer Assignments and Assistant for Senior Officer Management at HQ, U.S. Air Forces in Europe, he was selected to attend the National War College at Fort McNair, DC in 1985.

Transferred to the Office of the Secretary of Defense upon graduation in June 1986, he served as Deputy Director and then as Director, Officer and Enlisted Personnel Management. In this position, he was responsible for establishing DoD policy on military personnel promotions, utilization, retention, separation and retirement.

In June 1989, he returned to Headquarters USAF as Chief of the Entitlements Division, assuming responsibility for Air Force policy on all matters involving pay and entitlements, including the military retirement system and survivor benefits, and all legislative matters affecting active and retired military members and families.

He retired from that position on January 1, 1994 to become MOAA's Deputy Director for Government Relations.

In March 2001, he was appointed as MOAA's Director of Government Relations and also was elected Co-Chairman of The Military Coalition, an influential consortium of 33 military and veterans associations.

**Captain Marshall Hanson, USNR (Ret.)**

Director, Legislative and Military Policy, Reserve Officers Association

Captain Marshall Hanson became the Legislative Director of the Reserve Officers Association on 12 September 2005, two years after joining the ROA staff as the Naval Services Director. Not new to Washington DC, he brings to the ROA team experience and success as the full time Director of Legislation for two other associations, Naval Reserve Association (NRA) and the National Association for Uniformed Services. Marshall brings to the ROA extensive expertise, working with the House and Senate Armed Services Committees, and with Defense Appropriations. He has gone through more than thirteen legislative cycles. In 2000, Marshall participated with the Reserve Officers Association in a Roles and Missions study that submitted a white paper to Congress and the Pentagon.

CAPT Hanson has testified before the House and Senate Armed Services committees, the Senate Appropriations subcommittee on Defense, the House Veterans Affairs committee and Senate Finance committee, and before the National Reserve Force's Policy Board on Guard and Reserve issues.

He has been chairman of the Navy Marine Corps Council, co-director of the National Military and Veteran's Alliance, and is the chairman for the Guard and Reserve committee in The Military Coalition. In 1999, he moved to Alexandria, VA from Seattle, Washington to join the NRA staff. Marshall has worked to develop a new adhoc committee, Associations for America's Defense (A4AD), coordinating twelve other associations on national security, force planning and equipment issues, which were normally not covered by either the Coalition or the Alliance.

Captain Hanson was born in Darby, Pennsylvania and raised in Glen Rock, New Jersey and Seattle, Washington. A 1972 Graduate of the University of Washington, he was commissioned by the U of W NROTC. He earned an MBA from the University of Washington in 1978, and is a 1990 graduate with distinction of the Naval War College. With a Fleet Support designator, he is a qualified, specialist in strategic operations, analysis and planning.

CAPT Hanson retired from the Naval Reserve in August of 2002. With over three years of active duty and twenty-seven years with the Reserves, Hanson's had seven commands, and has collectively commanded over 200 people. Marshall's seagoing assignments include active duty on *USS Niagara Falls* (AFS-3) as an underway Officer of the Deck (I) and Damage Control Assistant. He has spent additional training periods aboard *USS Kansas City* (AOR-3), *USS Blue Ridge* (LLC-19), JMDS *Isoyuki* (DD-127), and various Canadian Naval Reserve Ships; and he has been the Chief of Staff for a Convoy Commodore, and staff-watch commander at Esquimalt Naval Base in Canada.

Upon retirement CAPT Hanson was awarded the Meritorious Service Medal; he was also awarded the Military Outstanding Volunteer Service Medal in 1997 for community activities in the greater Puget Sound Area. He has twice been awarded the overseas ribbon, and has the Vietnam Campaign Medals and National Defense Service Medal. Prior to his move to Washington D.C., he was a Materials Manager for a Seattle manufacturing company in his civilian career. He and his wife, Deborah, reside in Alexandria, VA and have two daughters, Loren Louise, age 20 and Sydney Emilia, 14 years.