FULFILLING THE PROMISE

HEARING

BEFORE THE

SUBCOMMITTEE ON THE CIVIL SERVICE

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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FULFILLING THE PROMISE

MONDAY, APRIL 3, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE CIVIL SERVICE,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in the City Council Chambers, City Hall, Government Street, Pensacola, FL, Hon. Joe Scarborough (chairman of the subcommittee) presiding.

Present: Representatives Scarborough and Cummings.

Also present: Representative Shows.

Staff present: Garry Ewing, staff director; Jennifer Hemingway, deputy staff director; Miguel Serrano, counsel; Susan Waren, professional staff members; Bethany Jenkins, clerk; Tania Shand, professional staff member; and Earley Green, minority assistant clerk.

Mr. SCARBOROUGH. I would like to call this hearing to order, the Subcommittee on the Civil Service, for Government Reform.

I want to welcome all of you here again. This hearing of course is a very positive, exciting followup to hearings that we held across northwest Florida a few years back on TRICARE, and in those TRICARE hearings we had an outstanding turnout and participation from Panama City over to Pensacola, and of course we got a lot of testimony into the record, and we saw some very positive changes in the TRICARE system as it pertained to northwest Florida that at least we were getting more response back from the carrier and the government than we had had in the past.

Unfortunately nationwide it did not go far enough, and unfortunately there is still a belief that the promise that was made to our fighting men and women and their dependents has been broken.

So I am glad that we are now in a position where we are actually being able to use that information and getting to the point where I really think we can make some definite progress on Capitol Hill this year, a legislative process that begins the long journey toward keeping the promise that the Federal Government made again to the men and women that fought and protected and defended this country.

Today our committee is going to discuss extending enrollment in the Federal Employees Health Benefits Program to certain military health care beneficiaries. I hope today we are going to be able to develop a consensus approach to bring high quality, reliable health care coverage to men and women who have served this country under arms.

Ensuring that our shores are defended and our freedom is protected are responsibilities that have to be shared by all Americans.

Yet we must recognize that many factors contribute to the success of our military force, including good, quality health care. A strong military medical system is necessary to support not only present active duty forces, but also to uphold the promise that was made to many of our military retirees.

Earlier this month Defense Secretary Cohen stated before the Senate Armed Services Committee, "We have made a pledge. Whether it is legal or not, it is a moral obligation that we take care of all of those who served, retired veterans and their families, and we have not done so," and I say it is about time that people in positions of authority start saying that.

In fact, I remember last year when I had the Joint Chiefs before the Armed Services Committee I asked every last one whether they thought that a promise was made and a promise was broken. And every last one of them testified under oath that they themselves believed they were promised good quality health care for life, and promised free health care for life, and they all said they believed that that promise had been broken. So I am glad people are starting to testify under oath in Congress that they believe a promise was made and a promise was broken.

I could not agree with them more. While recruiting shortages in all services are continuing, except for the Marine Corps, keeping faith with the military retirees by upholding the promise is paramount. What potential recruits think once they learn the government has broken its word to a man like Colonel Bud Day, a Congressional Medal of Honor recipient and the Nation's most highly decorated officer since General McArthur, what they are thinking is that if a promise can be made to a great American hero like that, it can be broken to him. None of us will forget Colonel Day's 67 months as a prisoner of war in North Vietnam and the heroic way he handled himself there, or after he was released.

Since the implementation of the TRICARE program numerous problems have been reported. Nonpayment of providers, lack of accessibility for patients, and unavailability of prescription drugs are among the complaints. To address these concerns we set up a Congressional TRICARE advisory committee and held a series of hearings across this district from July 1996 to December 1997. And through the information gained by public hearings and comprehensive independent research the committee came to the conclusion that the current TRICARE program was in need of serious reform or overhaul. Testimony from retirees, health care providers, and government officials contributed to the committee's final decision that the TRICARE health care system fell far short in delivering on its promise of free medical care for life.

And, you know, I use that term "free," and other people use that term "free." Maybe we could ask Colonel Day and other people who served whether they consider it to be free. I mean it has already been paid for, and paid for with blood, sweat, tears, and effort, and time away from their loved ones.

Hearings the subcommittee held in earlier Congresses also revealed deficiencies in the military health care system. While the TRICARE committee made progress toward resolving specific problems with TRICARE, the broader issue of the broken promise to military retirees still needs to be addressed.

Many of us are aware of the words of Judge Vincent ruling in Federal District Court in Florida that, "The plaintiffs certainly have a strong equitable argument that the government should abide by its promises. Regrettably, the law does not permit me to order the United States to do so. Under the constitutional separation of powers, relief for the plaintiffs must come from Congress and not from the judiciary." I think it is past time that Congress live up to its responsibility. We need to make this issue a top priority in Congress, and a top priority to keep our word.

I am proud to have joined Congressman Ronnie Shows and Charlie Norwood as a sponsor on H.R. 3573, the "Keep Our Promises to America's Military Retirees Act." Congressman Shows is here today. His visit before the subcommittee today is an example of the commitment of many members to military retirees. We must keep our ongoing commitment to promote health care needs of America's military retirees. Restoring the promise is crucial, and I hope that this hearing will be a step in the right direction, and that the Members of Congress will work with me to keep faith with those who have sacrificed so long to keep America free.

And with that I would like to recognize the ranking member of the subcommittee, the Honorable Elijah Cummings who traveled all the way down from Baltimore last night, and even fought thunderstorms over Atlanta to be here today.

Congressman Cummings.

[The prepared statement of Hon. Joe Scarborough follows:]

OPENING STATEMENT
CHAIRMAN JOE SCARBOROUGH
SUBCOMMITTEE ON CIVIL SERVICE
APRIL 3, 2000
"FULFILLING THE PROMISE"

Today, the subcommittee will discuss extending enrollment in the Federal Employees Health Benefits Program to certain military health care beneficiaries. I hope today we will begin to develop a consensus approach to bring high-quality, reliable, healthcare coverage to men and women who have served their country under arms.

Ensuring that our shores are defended and our freedom is protected are responsibilities shared by all Americans. Yet, we must recognize that many factors contribute to the success of our military force, including quality healthcare. A strong military medical system is necessary to support not only the present active forces but also to uphold the promise made to so many of our military retirees.

Earlier this month, Defense Secretary Cohen stated before the Senate Armed Services Committee, "We have made a pledge, whether it's legal or not, it's a moral obligation that we will take care of all of those who served, retired veterans and their families, and we have not done so." I could not agree more. With recruiting shortages in all services except for the Marine Corps, keeping faith with military retirees by upholding the promise is paramount. What must potential recruits think once they learn the government has broken its word to a man like Colonel Bud Day, Congressional Medal of Honor Recipient and the nation's most highly decorated officer since General MacArthur. None of us will forget Colonel Day's 67 months as a Prisoner of War in North Vietnam.

Since the implementation of the TRICARE program, numerous problems have been reported. Nonpayment of providers, lack of accessibility for patients, and unavailability of prescription drugs are among the complaints. To address these concerns, I set up a Congressional TRICARE Advisory Committee and held a series of hearings across my district from July 1996 through December 1997. Through the information gained by public hearings and comprehensive independent research the committee came to the conclusion that the current TRICARE program was in need of serious reform or overhaul. Testimony from retirees, health care providers, and government officials contributed to the Committee's final decision that the TRICARE health care system fell far short in

delivering on it's promised free medical care for life. Hearings the subcommittee held in earlier Congresses also revealed deficiencies in the military health care system. While the TRICARE Committee made progress toward resolving specific problems with TRICARE, the broader issue of the broken promise to military retirees still needs to be addressed.

Many of us are aware of the words of Judge Vinson, ruling in Federal District Court in Florida, that "the plaintiffs certainly have a strong equitable argument that the government should abide by its promises. Regrettably, the law does not permit me to order the United States to do so. Under the Constitutional separation of powers, relief for the plaintiffs must come from Congress and not from the Judiciary." It is past time for Congress to meet its responsibility.

We need to make this issue a high priority for this Congress. I am proud to have joined Congressman Ronnie Shows and Charlie Norwood as a sponsor of H.R. 3573, the "Keep Our Promises to America's Military Retirees Act." Congressman Shows is here today, his visit before the Subcommittee today is an example of the commitment of many Members to military retirees.

We must keep our ongoing commitment to promote the health care needs of America's military retirees. Restoring the promise is crucial. I hope this hearing will be a step in the right direction and that Members of Congress will work with me to keep faith with those who have sacrificed so much to keep America strong and free.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and, I thank you for calling this hearing today, and as the ranking minority member I extend a warm welcome to our colleague, Representative Shows, and other panelists. Thank you for agreeing to appear in person before our subcommittee and present testimony on military access to the Federal Employees Health Benefits Program.

I am pleased that Chairman Scarborough and I were able to work in a bipartisan manner to introduce long-term care insurance legislation for Federal and military employees and retirees. We made a promise to move legislation on long-term care when we were in Florida last year, and I am proud to say that that is a promise which will be kept.

Today's hearing is very, very important. Health care is a quality of life issue for the young enlisted soldier in the field, military spouses and children, and retirees who have spent their careers in service.

I have often said that we have one life to live, that this is no dress rehearsal, and this so happens to be that life. The Department of Defense promised to provide free health and dental care to every member of the military. Those 65 years of age and older who chose military service as a career and put their lives on the line as Chairman Scarborough mentioned a few minutes ago defending our country are finding they are not eligible for their military's health care system, TRICARE. Retirees over 65 can obtain military health care only if space is available at military health care facilities, and after TRICARE enrollees and other active duty members and their dependents receive care.

Unfortunately illness does not wait for anyone. They face high out-of-pocket costs and limited, if any, pharmacy benefits. Military beneficiaries desperate for solution to the inadequacies of TRICARE want to be included in the FEHBP program. The FEHBP provides voluntary health insurance coverage for over 9 million Federal employees, retirees, and their dependents. Program enrollees can choose between 10 and 30 plans available to them in their geographic area, between 10 and 30 plans.

To differing degrees FEHBP plans cover inpatient and outpatient care, prescription drugs, and mental health services, and many cover dental care expenses. This plan is considered a model health care system, and it would be unfortunate if we tried to help one group of beneficiaries and hurt another.

The National Association of Retired Federal Employees [NARFE], has expressed concern that absent sufficient safeguards proposals to broaden participation in the FEHBP program could result in higher premiums, reduced coverage, and fewer plan options for both Federal civilians and non-Federal civilians.

NARFE suggested that separate risk pools be created for Federal civilian enrollees and military retirees. The Office of Personnel Management recommends that any alternative program for military health care be modeled on the Federal health plan, but be an entirely separate parallel program.

The bills introduced by Representative Shows and Norwood address the concerns raised by NARFE and OPM. H.R. 2966 and H.R. 3573 create a separate risk pool for military retirees who access FEHBP plans. Without a doubt, military families and retirees de-

serve a quality health care system. We are here today to discuss how best to make that happen. I look forward to the testimony of our witnesses, and hope that you will assist us in bringing quality health care to military retirees.

And I thank you.

[Applause.]

Mr. SCARBOROUGH. Thank you.

Very briefly before we start this I wanted to recognize a leader in our TRICARE panel who is here today, Admiral Tim Wright who has served—Admiral, if you could just stand real quickly and let everybody see you—Admiral Wright took the lead in our TRICARE panel over the past few years, and again the findings of that committee have contributed greatly to this, and I think in the end will have a big impact not only on what this subcommittee does, but also what Congress does. I thank you and everybody else that was able to help out.

With that, I would like to go ahead and move on to our first panel, and again we are very honored to have Congressman Shows. He is from the Fourth District of Mississippi, and he is on the Veterans Affairs Committee and the Transportation Committee. He of course is the primary sponsor who introduced along with Congressman Norwood the bill that I believe goes further than any other bill ever to help keep the promise that was made to our military retirees.

Congressman Shows.

STATEMENT OF HON. RONNIE SHOWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. SHOWS. First of all, Congressman Scarborough, I would like to tell you, Mr. Chairman, we appreciate so much being here and testifying before your committee, and honored guests, and certainly, Congressman Cummings, it is a pleasure to be here and an honor, and it is an honor to have an opportunity to introduce such a great bill, in my opinion, not because Ronnie Shows is the author, but because it is the right thing to do.

And of course serving with Charlie Norwood is a pleasure and an honor, and he is one of the co-authors with me on the bill, and I cannot tell you how much it means to me to be able to—you are always hearing about people having impacts on legislation, and it is not so much me because it is the people behind us who made it work. It is the military retirees who made this bill work right now, and serving with members like you guys has been tremendous.

I would like to say first of all that without your leadership, Congressman Scarborough, and what you have done, because I have found since I am a freshman up there, and this is my first full year up there, and I have found the leadership in neither party, Democrat or Republican at this time are really jumping up and down about this bill. I know you are catching some flak for being a cosponsor on this bill, both of you are just like I am, because neither party is—really they say it is costing too much to present this bill, but I cannot think of any other priority I would rather have than our military retirees and our military, and I mean that.

But in starting my testimony what I would like to do is, of course I have gotten my written statement I would like to submit to you, but I would just like to talk about the bill and what we are trying to do, and the men and women we are trying to do this for. And this is something they have earned, it is not something that was given to them or they did not earn it. The men and women have earned this career in the military.

Mr. Chairman, when this bill came about it about a year ago. I was in Laurel, MS, I had been in office about 3 months and I got a call from two gentlemen, Jim Whittington from Laurel, MS, and Mr. Floyd Sears from Mississippi. And they asked me to come to a meeting in Laurel, they had military retirees coming from all over the country. And my dad is a veteran. He was captured at the Battle of the Bulge in World War II, and a prisoner of the Nazis. And my dad, we have taken him to the Veterans Hospital many times for the care he needs in Jackson.

I guess when I got elected one of the first committees I asked to serve on was the Veterans Committee, because I wanted to see if I could help to make things a little bit better for our veterans. And it is not that men and women are not dedicated at the Veterans Hospitals, they are, but one of the problems is underfunding, the cuts and things that have happened over the last several years.

But anyway, when I went to this meeting I never heard of the broken promises, I did not know—I have always taken it for granted like a lot of citizens out here that military retirees, once you retire from the military you had health care and all this big fancy retirement, Colonel Day, that you think anybody would have that served their country, or worked for the Federal Government, or any big company.

When I started hearing the testimony of the men and women that served this country for 20 years and found out that first of all if you did not go to the military hospital with the TRICARE/CHAMPUS that it is hard to get health coverage. I have talked to two or three doctors in Laurel, MS, and they do not take TRICARE/CHAMPUS because they said it is too hard to get the payment, and they say it is nothing against the TRICARE and CHAMPUS people who run those organizations, it is just the fact that is the way it is.

And then I was shocked to find out that you did not get in a veterans hospital after you retired unless there was bed space available, Congressman Cummings. I was not aware of that. And so I really started seeing the problem that we have out there. The problem is that if you are a military retiree you are almost treated like a second-class citizen, and I do not see how we can look our men and women in the face with a clear conscience who served this country and gave up the biggest of the earning part of their years you might say, the biggest pay earnings part of their lives for this country, and then we not live up to a commitment.

And also the people like Jim Whittington who served 20 years and who was a recruiting officer, and him knowing that he told young men and women if they would join the Army for 20 years they would have free health care for the rest of their lives, and they thought they were being told the truth, and so they helped recruit people in by telling this thinking that is the way it really was,

and then you go—and I went to a hearing 1 day and Jim and them had posters up into the nineties that said join the Army for 20 years, retire from the Army, and you will have free health care for the rest of your life.

I am telling you, and I have nothing against car salesmen, but you know sometimes a car salesman will just say a little bit more to get you to buy that car. Well, that is almost what our government has done to try to get men and women. They will tell them maybe not the whole truth to recruit them into our service, thinking all the time they had health care for the rest of their lives.

Well, I do not think our Federal Government ought to treat this situation like this, I think it is wrong, I think it is misleading, and how can we say that we are honoring our military retirees when we do not keep our word.

And so after I got through with that meeting Jim Whittington asked me, he said "Would you introduce a bill?" I said "Just as quick as I can get back to Washington we will get our draftsmen to see if we can get this bill together."

Well, anyway, our legislative person and director in my office is a guy by the name of Phil Alperson, and I know a lot of these men out here who are working with us on this bill, Colonel Day and some of the others know Phil Alperson, and Phil went to work on this bill, and about that time Congressman Norwood got with us and we put our teams together, and they came up with this bill, and the first bill was 2966.

Well, today on 2966 that was the original bill, we have nearly 300 sponsors on that bill. We found a technical error in the bill and reintroduced a new bill, 3573, which is a bill that hopefully we will eventually take up that has got like 250 co-sponsors on it today.

In the Senate it is Senate bill 2003, and the reason I am calling out these numbers is that if you do not know them I want you to call your Senators and ask them to please get on this bill because as of today we only have 25 Senators I believe on the bill. And what does the bill do?

The bill keeps the commitment. What the bill does do is if you have enlisted prior to 1957 you get free health care for the rest of your life, you and your spouse, like you were told you were going to get. And then what it does after you hit 65 and up to 65 you have the opportunity to take CHAMPUS, TRICARE, or the Federal Employees Health Benefits Plan. And then after 65 instead of getting dumped like you are getting dumped now at the age of 65 and they take all of your health care away from you you get to keep it or with the option of the Federal Employees Health Benefits Package.

So these are things that we feel like need to be done. I just cannot see how we can ask men and women who served in World War II, Korea, Vietnam, and the Persian Gulf not to at least keep our word to these men and women. They have devoted their lives for this country.

And again I would like to give credit where credit is due. We have had a lot of organizations that have come in and helped us with this bill, the National Association for Uniformed Services, the Retired Enlisted Association, the Class Act group of the military re-

tirees, and I have already mentioned Charlie Norwood which has been a great co-sponsor and a supporter of this bill.

But above all I need to acknowledge the grassroots efforts, because this is what it is, and what is really astounding about this bill is first of all you do not see lobbyists making $200,000 with the pin striped suits and the leather cases walking up and down the halls of Congress to help pass this bill. It is the men and women in this auditorium this morning; it is the Jim Whittingtons and the Floyd Sears from Mississippi on their computers along with Colonel Day and some others here that are out writing and talking to their fellow colleagues they have served in the services with. This is the reason this bill is making its way. Is not what Ronnie has done, or Joe, or Charlie, or anybody else. It is the men and women behind the bill that are making it go.

I think that if we can keep the presence of this bill alive I think we might have a chance, but more than that we owe it to these men and women to do this, and I hate to keep repeating myself, but I am holding the scale up here. I have got a scale—on this side I have got men and women who served this country for 20 years. On this scale I have got Federal employees and elected officials like myself. Hey, we serve 20 years, we get to keep ours, we pay a small supplement, but we get to keep ours. But on this scale the men and women who let us get to the point that we are at in our lives right now, we drop them off the scale.

How in the world can we defend giving Federal employees and elected officials like us health care retirement and we drop our men and women off who served this country. I do not understand it. But anyway, that is the justice I feel that is being done.

Again I want to thank you, Mr. Chairman, for conducting this hearing, and this first opportunity for military retirees to bring their case directly to the United States.

Thank you again, and I appreciate the opportunity of being here this morning.

[Applause.]

[The prepared statement of Hon. Ronnie Shows follows:]

-- PRESS RELEASE --

Congressman Ronnie Shows

Mississippi – Fourth District / 509 Cannon HOB / Washington, DC 20515

FOR IMMEDIATE RELEASE
3 April 2000

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Hon. Ronnie Shows

Testimony on The Keep Our Promise to America's Military Retirees Act

House Government Reform Subcommittee on Civil Service
Field Hearing in Pensacola, Florida

April 3, 2000

* * * * * * * * *

Chairman Scarborough, Members of the Committee, and Honored Guests:

First, I would like to express my gratitude to you, Mr. Chairman, for conducting these hearings, and for the interest you have shown in mending the Broken Promise of lifetime health care for our military retirees.

Mr. Chairman, the United States is the greatest power in the world. American forces have fought bloody battles on land, sea and in the air to preserve democracy. We could never have achieved such military superiority without the millions of Americans who risked all to serve in this great country. These patriots put the security of home and family on the line to defend the right of all Americans.

Career servicemen and women are willing to sacrifice their own lives so that all Americans can live freely. We do not hesitate to ask American men and women to make military service a career. And what do they ask for in return? All they ask is that the promises made when they entered the service are fulfilled when they retire.

Mr. Chairman, millions of Americans joined the service with the understanding that health care would be available to them when they retired. But for too many military retirees, there is no health care, or the health care that is available is doled out like table scraps for the family dog. The United States should never break a promise to the American people, and it is wrong to be this callous to the very people who keep America safe and strong. It is wrong. It is very wrong.

When you or I or anyone else buys something on the open market – like a car – we are always warned to let the buyer beware. But should Americans have to doubt their own government?

Recruiting Americans for military service is not like selling cars. Our country recruits soldiers; we sure don't sell cars. We owe it to our military retirees – who were led to believe they would receive fully-paid health care upon retirement – that the health care they ***earned*** will be there for them.

The Keep Our Promise to America's Military Retirees Act is landmark legislation to restore health care that was promised to our military retirees. This is the 'broken promise' bill that America's military retirees need and deserve.

It will make military retirees who entered the service prior to the enactment of what we know today as Tricare eligible for health care under the Federal Employee Health Benefits Program, with the United States paying the full cost of the enrollment. This bill also extends to all our military retirees expanded options for health care. They can enroll in the Federal employees health care program, or they can participate in the CHAMPUS or Tricare programs after they reach age 65.

Many of these heroic Americans risked all in World War II, Korea, Vietnam and the Persian Gulf. The least we can do for these American heroes is keep our word. We should move these bills through the legislative process so they do become law. We should restore health care that was promised to our military retirees and to which they are entitled after devoting their lives to defend this country. We should keep our promise to America's military retirees.

Mr. Chairman, Let's give credit where credit is due. Numerous military and veterans organizations provided advice that was instrumental in crafting this legislation, and their support in promoting the Keep Our Promise Act has been valuable: The National Association for Uniformed Services, The Retired Enlisted Association, and The Class Act Group of Military Retirees.

I also want to thank Congressman Charlie Norwood for his cosponsorship, and to him and his staff for their valiant efforts in moving this legislation.

But above all, Mr. Chairman, I need to acknowledge the grass roots – thousands of military retirees and their families across the country – who are truly responsible for educating the United States Congress and the American people about the plight of military retirees.

The nationwide grassroots is responsible for making the Promise Bill a major issue in Washington. In fact, the grassroots is responsible for writing this Bill in the first place. This all came about because a group of military retirees invited me to a summit in Laurel, Mississippi almost exactly one year ago.

As a brand new member of Congress, I had no experience at all with the plight of military retirees. Frankly, I had never heard about the "broken promise." But I sure got an education that day in Laurel!

Jim Whittington and Floyd Sears, who organized the Laurel summit, are living proof that democracy really works in our country, and that even one or two Americans really can make a difference. Jim and Floyd are the most tenacious people I know. They are tied to their computers and telephones, rallying the troops behind the cause. The Keep Our Promise Bill would not exist without the persistence of Jim and Floyd. They are what democracy is all about.

In closing, it is the efforts of the grassroots to pass this bill that will let our military retirees know that we respect them and that we will keep our word to them.

And it is this grassroots effort that will get the attention of young Americans, who must not be discouraged from military service. They must know that the American people will value the sacrifice they would make by devoting their lives to national service.

After all, we must face the fact that we will always need heroes who will be willing to make the ultimate sacrifice!

Thank you again, Mr. Chairman, for conducting this hearing, the first opportunity for military retirees to bring their case directly to the United States Congress.

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Mr. SCARBOROUGH. Thank you so much.

I appreciate that testimony. It was great, it was to the point and, you know, you talked about cost, and certainly that is what I hear. I hear a lot of people complaining about the cost. I would say, and I think you could make the argument very easily, that the cost of breaking the promise is even greater.

Mr. SHOWS. That is right.

Mr. SCARBOROUGH. I mean there is a reason why all the other services but the Marine Corps are having trouble filling their levels for recruitment. I can tell you, and some people that have heard me talk about this before probably have heard this story too much, but it is to the point. My grandfather, when I was 16 or 17 years old, served in the Navy; he started as an enlisted pilot. In fact, he trained here at Whiting Field, but he flew in World War II, he flew in the Korean War, gave 30 years to the Navy, risked his life, was at Pearl Harbor on the Maryland which sunk. At the end of his life, after serving for 30 years, he was very bitter toward the very government, the very country to whom he dedicated his entire life, and was bitter and upset because he felt like he had had a promise broken to him. What impact did that have on me when I was 17 or 18 years old? Not following that path; if they could not keep the promise to him how would I know they would keep the promise to me.

The same thing with my two boys. I have got boys that are 12 and 9. I would love for them to follow in the footsteps of their grandfather. Would I do it now? No.

If there is no commitment from the elected leaders on both ends of Pennsylvania Avenue to keep their word to the men and women who in the end, like you said, do more than anybody else to protect and defend this country, what does that say? I think we have got to get our heads screwed on right in Washington, and I am confident we will. I am confident that when my boys are 18 years old when it is a time where they can go into the Navy, or the Air Force, or the Army or Marines that we will have this situation taken care of.

And again I want to thank you for being here and starting us down that path.

Mr. SHOWS. Thank you.

Mr. SCARBOROUGH. Let us talk a little bit about your grassroots effort, because you are right, I mean you can think of just about every bill that comes before Congress, and you are lobbied from all sides. I mean certainly I have got no problem with lobbyists, have friends who are lobbyists, supporters who are lobbyists, but at the same time it seems like you are getting hammered on—for instance in Judiciary we just had a bill on asbestos. We got hammered on by about 12 sides on that bill, and yet on a bill like this where Congress is being asked to keep its promise, and the President is being asked to keep its promise, suddenly it does not seem like there are many lobbyists at all.

Who is it that you are hearing from, and what are you doing as far as the grassroots effort goes? And speaking before this congressional committee today I know that there are people that are going to be reading your testimony all across the country, and I know we're going to all see to it—what can men and women that have

served, what can they do to get involved in this effort and make a difference so Congress will keep their promise?

Mr. SHOWS. Well, I will tell you what is so great about this bill, Mr. Chairman, it kind of has a life of its own. I think something like this has a bigger meaning, and the people who introduced it—and this may sound kind of corny, but I think it is a patriotic thing to do. I think the reason this bill has gathered the momentum it has is because the men and women. Actually this is the first time they have an opportunity for this kind of bill to come along, and we did not introduce it at time when we did not think could not afford it, but because we can afford it.

Yeah, it may have a high price tag, but it is something that is affordable, and what have the men and women have been told all these years? "Oh, when we get the money we are going to take care of it." Well, they have got the money. We are just not setting our priorities right.

Now, what do we do about the grassroots? I will tell you, I do not think we have got to do much more. These guys and ladies have gotten on their computers and the Internet. You know, I have always wondered—and I am not very computer-oriented myself, but evidently some of these men and women are because this is what has happened to this bill: they have got their own Web site, they are sending out their e-mail, they are contacting each other, and basically this thing has just mushroomed into 1,000, 10,000 men and women on their computers, and the mail, and the radio shows.

I have listened to Congressmen on C–Span, and before a Congressman gets off C–Span he gets calls from veterans saying "Are you on House Bill 3573 or 2966?" It has kind of taken a life of its own, and we have got the House floor. I believe just as sure as I am sitting right here this morning, if this bill came on the floor it would pass. I do not think there is a doubt about it; I think this bill would pass.

Now, in the Senate, like I said right now the last count I had we had 25 U.S. Senators on it. Now, if we can get as much participation in the U.S. Senate as we have in the House, and get both the leadership in the House and Senate, along with the Democrats too, to help push this bill we will see it pass. What I recommend is to keep doing what you are doing as far as the military retirees out there, but just not among yourselves. Go to the schools, go to the Rotary Clubs, go to the Lions Clubs, give your talks to these clubs and organizations, tell them what kind of plight you have had over the last several years or several decades trying to help get health care. You are not first in line when you go to a veterans hospital just because you are retirees; if there is space available you are in line. Tell them when you go to a private hospital that it is hard to get them to accept your coverage because the hospitals do not want to take it unless they are a veterans or military hospital. These are the problems, you are having to drive all over the country to find somebody to give you health care, even when it is available.

So these are the things—I think by telling your story to the press, to the Lions Clubs, to the schools, to any organization that will hear you to get this momentum behind you, and then ask them

to call Washington and ask them why are the leaders taking this bill up. Why are they not taking it up? And this is the question people are asking themselves.

And I am not against tax cuts, I know you are not against tax cuts, but let me give you my personal philosophy about this. We take our priorities first, and what are our priorities? The people who made this country free, that is the priority. And you know what, we take care of those folks. Guess what? When you go look for a job what is the first thing you look for? Health care. We all look for health care. When our kids go out looking for a job, they look for security of health care.

Well, if we provide health care for our military retirees, somebody put on a light bulb, you know, a switch. Hey, I am going to look for a job that is going to give me security of health care for the rest of my life.

We call that the four Rs. I think Floyd Sears came up with this, we were having a strategy meeting about this bill in Laurel with some of these military retirees I was telling you about, and he said "Ronnie, it is the four Rs. First of all you can use this as a recruitment tool, the next one you can use it for retention or keeping the troops that you do have, and then third military readiness." We know right now we do not have enough men and women in our armed forces right now, and the fourth R, and the most important R, it is the right thing to do. So if we get our priorities right, which we should, and the men and women keep doing what they are doing, I will say this: It has got a lot of attention, because I am catching some flak from some of my own colleagues about this bill, and I know you are too.

But for gosh sakes, let us look. We have got the biggest budget surplus we have ever had in this country, the economy is running stronger and longer than it ever has, and we are scratching our heads trying to figure out why we cannot get men and women in the military.

I talked with a man in Laurel, or Ellisville—I forget where it was—he has got two boys in the Navy, both of them are married, and both of them on food stamps and welfare. Now, what kind of recruitment tool is that?

And I am concerned about our military, I am very concerned about it. And this is one way we can make a difference.

Thank you.

Mr. SCARBOROUGH. Well, you are exactly right. I mean again we get it at both ends. You have some military active duty men and women that are on food stamps right now, and that is the message that maybe their younger brother or sister gets, and then again you have the situation with my grandfather that is repeated every day across the country, and again the impact that that has on recruitment is just absolutely devastating. You can have all the neat commercials you want in the middle of football games, and if you have a grandfather, or an older brother, or an older sister say "Hey, do not believe that," then it is not going to work.

And I agree with you also about priorities, spending priorities. It is an expensive bill, but again it is worth the cost, and I certainly hope that we all can work together to try to find offsets to pay for

this bill, because I think it is a top priority, and I know that will be necessary to get the needed votes in the Senate.

You said we are at 300 in the House, right, over 300?

Mr. SHOWS. On the original bill 2966 when we first introduced it, right now we are up to about 280 or 290 co-sponsors.

Mr. SCARBOROUGH. OK.

Mr. SHOWS. The bill that we had the technical corrections in, 3573, which is the same bill, it just takes care of—what we did when we introduced the bill, we meant to have the Federal Employees Health Benefits Plan prior to 65, but the first bill only included the ones after 65 that had the option for the Federal Employees Health Benefits Plan, so what we did, we came back with 3573 and put that in there for younger than 65, and we got like 250, almost everybody—within a week and a half we had like almost 190 co-sponsors on that bill too. A lot of them do not know it is the same bill just with that technical correction in it, but we have got right at 250 members on H.R. 3573. On the original bill we are bumping 300.

Mr. SCARBOROUGH. OK. Great.

Mr. SHOWS. So we certainly want to get all the ones on H. R. 2966 on the H.R. 3573.

Mr. SCARBOROUGH. Then again obviously with only 25 in the Senate we need to work there, too. But I will tell you what, I will make you this commitment, after we have this hearing today—and I have been telling the leadership we were going to be having a hearing before my committee on this bill—I am going to go to them and see what it is going to take to get it on the floor, and if there are some things that are needed then I pledge to you that I will work together with you, and we will work together to get something before them that they can put on the bill and that we can pass.

Mr. SHOWS. Well, Mr. Chairman, I would like to say I really commend you for what you are doing. Again, I know that you are catching some heavy duty flak on this bill, and just like Congressman Cummings and the rest of us from our own party leaderships, each party we represent, and so I really appreciate you, and Mr. Norwood, and the rest of the individuals, the Republicans and Democrats. It is a bipartisan bill—this is not a party bill, it is a bipartisan bill, and this is something that needs to be given that top priority, and I appreciate your efforts. Thank you.

Mr. SCARBOROUGH. Thank you. And thank you for coming over today.

Mr. SHOWS. Thank you.

Mr. SCARBOROUGH. Congressman Cummings.

Mr. CUMMINGS. I will be very brief. I want to thank you too for coming to the hearing and giving your testimony which certainly was very compelling.

Now, would this bill come before the Armed Services Committee, too?

Mr. SHOWS. I will tell you, you are talking to a new guy on the block, so I really do not know.

Mr. CUMMINGS. But it has never had a hearing?

Mr. SHOWS. This bill has not had a hearing. With all the co-authors we have on this bill, it has not had a hearing, so this is what

we are trying to do. I believe if the bill gets a hearing like Chairman Scarborough is saying it will definitely get some attention, and the bill is getting a lot of attention from the leadership, you know, but it has not been taken up yet, and it is going to have to be pushed, and pushed, and pushed until we get somebody to listen to us.

Mr. CUMMINGS. I really think that this is something we have to do. As I was listening to you I could not help but just think about 2 years ago when I was over in Bosnia to see our troops over there and to see what they were doing, and it was just a few of them, but they were protecting the peace, and the fact is that I think what happens too often is we take so much for granted in this country that we are always going to be the way we are, this wonderful free country, but as Chairman Scarborough it takes people to be standing up for us. It is not enough to lift up the flag, you have got to have people behind it, and so the fact is that so many people have given up so much so that we can have that freedom, and so I really do thank you for your testimony, and I pledge to work with Chairman Scarborough to do everything that we can to do our part to get this legislation on the floor.

Thank you.

Mr. SHOWS. Thank you.

Mr. SCARBOROUGH. Thank you, Congressman Cummings. Congressman Shows, if you have time we would really be honored to have you up on the dias and to ask questions of the next panel.

Mr. SHOWS. OK.

Mr. SCARBOROUGH. So thank you again for your testimony. We appreciate it.

And while he is coming up here I want to thank you and—why don't we ask the second panel to come up now. It is Colonel Bud Day, Colonel George Rastall, and Stephen Gammarino.

But I do want to thank you, Congressman Cummings. Congressman Cummings mentioned briefly long-term care, which I believe is going to be one of the key health care benefits in the future, which we were able to pass out of our subcommittee and full committee that also is going to help military retirees take care of themselves and their loved ones, so we are fortunate for that.

I want to welcome our second panel now, and of course I think everybody in the audience knows Colonel George E. "Bud" Day, retired. Obviously he is a veteran of more than 30 years service in the armed forces of the United States. He was born in Iowa, joined the Marine Corps in 1942 and served 30 months in the South Pacific as a noncommissioned officer, he received an appointment as a second lieutenant in the National Guard in 1950. Colonel Day was called to active duty in the Air Force in 1951, and entered jet pilot training, and served two tours in the Far East as a fighter bomber pilot during the Korean War.

In April 1967 Colonel Day was assigned to the 31st TAC Fighter Wing in Vietnam, and as I think everybody here knows he was shot down and was imprisoned in Vietnam, and I know I said earlier that you were released—you were released by yourself, one of the few that escaped. In fact, I believe you were the only one to escape in the South. But we are certainly honored to have you here today.

As most of you know, he has also been a fighter for military health care and for keeping the promise, and has filed a lawsuit on behalf of many, many men and women who did not get what they were promised, and while things did not work exactly the way I think all of us wanted in the District Court here we may have some good news on appeal.

So, Colonel Day, I welcome you here.

I would also like to welcome Colonel George Rastall. He is the second vice president of the Pensacola TROA chapter. Colonel Rastall served a 34-year career in active and reserve forces. He was also a Federal civilian employee, and is currently enrolled in FEHBP, and he has also done great things fighting to make sure the promise is kept.

And finally we have Stephen W. Gammarino before us again. He is senior vice president with Blue Cross/Blue Shield Association, and we certainly look forward to your testimony.

Colonel Day, if you would.

STATEMENTS OF COLONEL GEORGE "BUD" DAY, USAF RETIRED, CLASS ACTION GROUP; COLONEL GEORGE RASTALL, USAF RETIRED OF THE RETIRED OFFICERS ASSOCIATION; AND STEPHEN W. GAMMARINO, SENIOR VICE PRESIDENT, BLUE CROSS/BLUE SHIELD ASSOCIATION

Colonel DAY. Thank you, Congressman Scarborough.

Congressman Cummings, we have not met. Thanks for being here. And Representative Shows, it is nice to see you again.

Mr. SHOWS. Nice to see you again.

Colonel DAY. Congressman Shows was just at a meeting up in Huntsville where we had about 1,000 World War II and Korean veterans who had a meeting about this very subject, and we are highly indebted to Congressman Shows for having taken the initiative at the grassroots level to meet with his constituents and listen to them, and listen to their complaints about having been thrown out of military hospitals because they were age 65 and having lost a carrier, and been put out into the Medicare system of being forced to pay a premium that they should not have to pay, and then being subject to all of the deductibles and all the problems there are out in the Medicare field.

As you know, Medicare has the ability if you have property and run up a staggering bill Medicare will wind up taking your estate out, and that money that you have saved and accumulated hoping that you would pass on to your children and grandchildren to put them through college and so forth goes to satisfy your Medicare liens.

Also there is not any prescription drug carrier out there for this group, and that is basically what most old guys, as McCain says old geezers, like me need the most. So that is the situation that we have been forced into purely because we reached the age of 65, and second because the government decided they are going to do medical care for us on the cheap.

It has not been a matter of there have not been funds available, it has been a question of what does the government want to do with that money.

No indictment of our current panel obviously, but we just had a bill go through, the national budget which just went through larded up with $6.1 billion worth of what is described as pork. I do not think that our medical care coverage can come under the label of pork.

And so before I go any further I would like to introduce Colonel Bob Rinely who is the plaintiff in our lawsuit, if Bob would stand up. Bob flew three combat sorties over the Beach in D-Day, World War II in France, and he is one of two plaintiffs in the class-act lawsuit, and just to summarize that real briefly, in 1995 when the government made the election that they were going to put us out of military hospitals I listened to that, and having heard the promise as an enlisted Marine, having paid 20 cents a month out of my pay as an enlisted Marine, as did all enlisted Marines and Navy up to mid-World War II and previously, all of us were made the promise that if we served our 20 years, we were going to have free lifetime medical care, and not only was the promise made, but it was made in writing, and it was made with proper authority.

The Blue Jackets Manual as far back as 1918 says that you will get free medical care for life if you do your service. And not only did they make the promise, but we saw that promise being carried out at major hospitals. At the ones that I was in back in those days during the war—Balboa Park, Long Beach, and Oak Knoll—there were World War I veterans and retired members and their families in those hospitals while we active duty people were in them during the war. As a practical matter, when I retired in 1977, and when Mr. Rinely retired in the 1960's they provided that care to us right up until 1995 when the government made the election that the money that they had been spending on us for medical care was going somewhere else.

So there is not any question that there is both a moral and a legal basis for this. I have provided the Federal court with a stack of documents roughly this [indicating] thick that articulated in writing the various promises and recruiting statements. The Government's defense on March 7th when I was in the Federal Circuit Court of Appeals in Washington was that, yes, the promise had been made, but they did not have to keep it because there was no legislation out there that specifically tied our retired medical care to a spending bill. Of course if that were in fact true, if that was the only defense out, there would be no need for a piece of legislation which is called the Little Tucker Act.

There is a Federal act that says that you can have a quasi-contract, or an implied-in-fact contract with the Government if certain conditions are fulfilled. Our situation has absolutely fulfilled those conditions.

And I might add that the Federal Circuit Court listened with great interest. One of the members was a retired West Point Lieutenant Colonel, another member was a retired Navy Commander, he was a former recruiter in his other life, and the third party was a senior Federal lady judge who listened with great interest.

And I might add that the very first case on our docket was one in which a confidential informant had been promised a bunch of money if he would stick out with this gang, get them all hung up, get them busted, and if that happened they would give him some-

thing like around $100,000. Well, he did his part, the government welshed. When the bill went up to Janet Reno to pay this guy she said no, she was not paying him. So the judges on the panel said it sounded a little bit to them as if confidential informants for the Government and retired World War II and Korean vets got the same treatment. And I thought that spoke eloquently of our situation.

We are indebted to you all for this hearing. We feel that getting H.R. 2966 underway and getting the companion bill in the Senate underway certainly will solve this problem from both aspects.

I am quite hopeful that the Federal court is going to rule on our behalf. We have given them the documentation to do that.

If they do that, then the court can order a number of things to happen. One thing they can give us is some damages for these people who have been spending $45 a month to get the care they should have gotten for free.

The second thing is that it can order some other relief. I do not know what that relief will be exactly, and that will take care of the past. But what will happen is that H.R. 2966 and the companion Senate bill will make sure that this becomes a matter of law, and we do not have to be haggling about it for the veterans of the next war.

Once again, I cannot say how indebted I am to you all for holding the hearings, and I would like to say to every one of you who are here that I am equally indebted to you, because if you all were not out here behind us and not working with us we would not be where we are today.

I met Congressman Shows a year ago November up in Laurel, MS. Around 200 of us were up there explaining to him what our problems were, and there were a bunch of people exactly like you up there who are in exactly the same boat we are in, and they communicated with him, and he acted.

[Applause.]

Mr. SCARBOROUGH. Thank you, Colonel Day. We appreciate it, and of course Colonel Day mentioned McCain. I do not know how many of you knew it, but Colonel Day and Senator McCain are good friends, and in fact shared the same cell in Vietnam, both POWs.

In fact, you could see Colonel Day barnstorming for John McCain throughout South Carolina about a month or two ago, and you looked real good on TV every night. We enjoyed it.

Colonel Rastall.

Colonel RASTALL. Before I start I would like to say if I seem biased on one side or the other, I started out enlisted and then got a direct commission, so I have feelings for both ends of it.

Mr. Chairman and distinguished members of the Civil Service Subcommittee, good morning. On behalf of the Retired Officers Association known as TROA, I am pleased and honored to address the importance of the government-provided health coverage for our 395,000 active retired reserve, and about 70,000 auxiliary who are survivors of our former members, as well as all service members regardless of their status or rank.

I was out of the country for 9 years working in other places than this country previous to this time. As recently as October I reen-

tered the U.S. domain, and I thought I have been a member of this organization for years, now I am going to get active, and this morning, the talks everybody has given me have a lot of enthusiasm, so I do not know if I can work it off and get it down to reality here, but I really have a good renewed faith in the democratic process by being here this morning.

First I want to thank you, Mr. Chairman and other distinguished members of the Civil Service Subcommittee for allowing me to present TROA's view on the Federal Employees Health Benefits Program we call FEHBP, and its importance to military members and their families.

Mr. Chairman, the hearings today are extremely important to the 44,600 TROA members living in Florida, of which 6,400 live in your district. There are 173,200 retirees in Florida, and 36,600 of these are in your district. Many of these potential enrollees are most interested in an option to enroll in FEHBP under a program sponsored by DOD.

Long-term care insurance for Federal employees was pledged by you to be able to have the recent legislation that you introduced and reported out by the subcommittee, and we are very impressed about that. That is known as House bill 4040, I believe. Well, with your introduction of this and the favorable reporting of that you certainly fulfilled the pledge that you made in your other hearings, and that we deeply appreciate. We are most grateful to you for that initiative, and look forward to its enactment later this year. So thank you for being a friend and a strong supporter of the military community.

TROA believes the Nation has a real health care crisis. Why? Because military health care services have been significantly curtailed in many locations throughout the world, including the Naval Hospital in Pensacola. As you know, I am a resident of Pensacola, and have been for a long time.

This is because of the well known staffing drawdowns, reduced operating budgets, or base closures. And the military treatment facilities, MTFs we call them, have been closed at Orlando and Homestead. Access to care is further reduced when inpatient services are closed, such as Patrick Air Force Base in 1998, and the planned closure at Tindall Air Force Base this year.

Medicare-eligible retirees who are left to seek care on a space-available basis at the MTFs are finding it increasingly more difficult because of budget constraints and curtailed services. Services are uncertain and, at best, a catch-as-catch-can health care program.

The cruel reality is that so many older military retirees are left with Medicare as their sole source of health care, a benefit that most non-military Americans had upon their retirement without having endured the rigors and sacrifices of military service.

In 1966 when the Civilian Health and Medical Program of the Uniformed Services called CHAMPUS, and now known as TRICARE, was being formulated by the House and Senate Armed Services Committee it was intended that retired uniformed services beneficiaries have fair health care benefits when they turned 65 and became eligible for Medicare.

In the 1966 congressional equation Medicare plus space-available care equals a fair benefit just does not hold up any more, as well recognized by everybody in this room. It is not balanced, and it is not equitable. We know only Congress can restore health care equity to older retired service members. In doing so, it should also ensure at least parity with the relatively inexpensive health care available to retired Federal civilians. Although that may not be agreed upon by all here, I realize you are after full coverage. Of course that would be ideal.

What will the FEHBP option do for retirees? I am a good example of what it does. I retired from the active and reserve careers and U.S. Government employee programs. I enjoy the relatively carefree benefits of Medicare and FEHBP. My wife is only eligible for TRICARE Standard, but thankfully we are able to use FEHBP rather than having to rely on TRICARE benefits.

I emphasize that—and this has been alluded to already by the Honorable Representative—most of us with families of modest means have always had to make career and life decisions based in no small way on health benefits. I believe we made our decisions on a promise we believed would be virtually untouchable.

During my 9 years out of the country—I came back sometimes—but during my 9 years out of the country, almost every individual I talked to, one of their major reasons for being over there is because they could not get coverage or jobs that would cover health benefits, but they could get it as a contractor with a contractor overseas. I think that speaks for the thing that I am mentioning here.

Now I will turn to the TROA support for recent legislation. As you know, H.R. 2966 and House bill 3573 have been recently introduced, and now I am up to date on that as of this morning. TROA supports these because they provide a significant step toward honoring the lifetime health benefit. The strength of the commitment was lucidly describe by Judge Roger Vincent when he ruled in the Federal District Court in Florida, which you have already alluded to, that, "The plaintiffs certainly have a strong equitable argument that the government should abide by its promises. Regrettably, the law does not permit me to order the United States to do so under the constitutional separation of powers. Relief for the plaintiffs must come from the Congress, and not from the judiciary." For TROA and I and all retirees it is strongly urged that this subcommittee continue to work with the House leadership to find the necessary offsets to enact the most recent bill.

In closing, Mr. Chairman, I want to reaffirm that the uniformed service members want fair treatment along with the other Federal employees. Many want the opportunity to participate in the government FEHBP program.

Finally, on behalf of the military retirees in Florida and around the world I want to thank you for allowing me the opportunity to present the views of Retired Officers Association on this very important matter, and I remind you we are not just for us, we are for everybody.

I would be pleased to respond to any questions you or other committee members may have, or provide a written response for the record.

Thank you.

Mr. SCARBOROUGH. Thank you. Next we welcome back to our committee again Steve Gammarino. Steve is the vice president for the FEHBP for Blue Cross/Blue Shield, and right now I believe Blue Cross/Blue Shield serves about 50 percent of those that are enrolled in the FEHBP, so you have got quite a big job to deal with day in and day out. We thank you for taking time out of your busy schedule once again to come before this committee and give us testimony. Mr. Gammarino.

[The prepared statement of Colonel Rastall follows:]

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STATEMENT OF

THE RETIRED OFFICERS ASSOCIATION

Before the

HOUSE COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON CIVIL SERVICE

Presented by

COLONEL GEORGE RASTALL, USAF, Retired

OF THE RETIRED OFFICERS ASSOCIATION (TROA)

APRIL 3, 2000

Serving Those Who Serve America

Biography of Colonel George Rastall, USAF, Retired

Colonel George D. Rastall is currently serving as 2nd Vice President Pensacola Retired Officers Association (PTROA).

Colonel Rastall graduated from Eastern Michigan University (EMU) in June 1960 with a bachelor's degree in Education, a MBA from The George Washington University in 1963, and a Ph. D. Education Administration in August 1973.

During his 34 year career in the active and reserve forces he served in a variety of positions - most notably as an infantryman in WWII, various staff positions concluding and assignment as Director, Air Operations Intelligence. He served in the liberation of the Philippines in 1944 as an anti-tank gun crewman, and the invasion of Okinawa, Japan in 1945 as a mine platoon member.

After the war Colonel Rastall served in the Ohio Air National Guard (ANG) serving from 1946 until 1950. When his unit was called to active duty for service during the Korean Conflict, Colonel Rastall received a direct commission as 2nd Lieutenant. He served as unit supply officer and base supply officer for the 10th Tactical Reconnaissance Wing in NATO. He was released from active duty and assigned to the 127th Fighter Group, Michigan ANG from 1955 until 1963. From 1964 until 1968, he served as air operations intelligence in the 187th Tactical Reconnaissance Group, Alabama ANG. In 1968, he transferred to the 194 Fighter Bomber Group, Massachusetts ANG serving as executive officer until 1969. From 1969 until 1973, Colonel Rastall was assigned as an Air Force reservist to Headquarters, 13 Air Force in Vietnam where he served as a staff intelligence officer. Finally, in 1973, he returned to the U. S. and was assigned to the Air Force Intelligence Service serving as staff intelligence director and as commanding officer of an Air Force Intelligence Detachment, Headquarters, Air University until 1980.

Colonel Rastall was transferred to the retirement eligibility list in 1980 and retired from military service in 1985.

Although Colonel Rastall served for many years in the reserves, he was also a Federal civilian employee. This employment permitted him to enroll in the Federal Employees Health Benefits Program (FEHBP).

Following his retirement from the government, Colonel Rastall worked for the Saudi Arabian Naval Forces Training and Education Programs and The Saudi Arabian Oil Company (ARAMCO) Professional Development Program for mid-level management Saudi employees from 1990 to 1998. He retired from civilian employment in October 1998.

Colonel Rastall and his wife Kay (a U. S. Customs Agent) have four children and four grandchildren.

The **Retired Officers Association does not and has not received any federal grants, and does not have nor has had any contracts with the federal government.**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE

On behalf of The Retired Officers Association (TROA), which has its national headquarters at 201 North Washington Street, Alexandria, Virginia, I am pleased to be here today to address the importance of government-provided health care coverage for our 395,000 active duty, retired, and reserve officers of the seven uniformed services. Included in our membership are approximately 70,000 auxiliary members who are survivors of former members of our association. This subject is not only of great importance to our members, but for all uniformed service members everywhere regardless of their status or rank.

First, I want to thank the Chairman and other distinguished members of the House Committee on Government Reform Subcommittee on Civil Service for allowing us to present our views on the Federal Employees Health Benefit Program (FEHBP) and its importance to military members and their families. I am most pleased that you decided to hold these field hearings here at Pensacola, Florida.

Mr. Chairman, the hearings today are important to the 44,600 TROAns living in Florida of which 6,400 live in your district, and the 173,200 military retirees in Florida of which 30,600 military retirees live in your district. Worldwide, there are 1.8 million military retirees plus their dependents and family members. Many of these potential enrollees are most interested in an option to enroll in FEHBP under a program sponsored by the Department of Defense. Like many Floridians, uniformed service members – active, reserve, guard or retired – are concerned about their health care as they grow older and their need for quality health care increases.

I want to take this opportunity to state our sincere appreciation to you for supporting the Congressional efforts to restore health care equity to uniformed services retirees who lose TRICARE at age 65. I will briefly speak to those initiatives in a moment. But, first I want to comment on your leadership relating to long-term care insurance legislation. Last spring, Mr. Chairman you held hearings in Jacksonville, FL on long-term care insurance legislation for federal employees. You pledged then to include uniformed services members in any legislation this committee reported out. With your introduction of H.R. 4040 on March 21, 2000 and the favorable reporting of that legislation to the House Government Reform Committee, you fulfilled that pledge. We are most grateful to you for that legislative initiative and look forward to its enactment later this year.

Historically, you have been a strong supporter of the military and "people issues" so important to us all. So, thank you for being a friend and strong supporter of the military community.

Because you are also a membership of the House Armed Services Committee and your insight of the military community, you play a very important role formulating a program that will restore the promise of health care equity to older retirees.

With that said, I now turn to the issue of restoring health care equity to retired uniformed services members.

THE MILITARY HEALTH CARE CRISIS

Some historical background may be appropriate and helpful to understand why retirees believe there is a health care crisis in the Military Health Services System. Military health care services have been significantly curtailed at many locations throughout the world because of staffing drawdowns, reduced operating budgets or base closure actions. In Florida, MTFs have been closed at Orlando and Homestead. Access to care is further reduced when inpatient services are closed, such as at Patrick AFB in 1998 and the planned closure at Tyndall AFB this year.

Medicare-eligible retirees - who are left to seek care on a "space available" basis at military treatment facilities (MTFs) - are increasingly unable to get health care from nearby MTFs such as the Naval Hospital here at Pensacola. Access to care at the Naval Hospital has become increasingly more difficult as their budget is limited and services curtailed. Services are not assured and are at best a "catch-as-catch-can" health care plan.

My wife, Kay, is a TRICARE Standard recipient. However, she does not use the program or rely on the Naval Hospital in Pensacola for any care or services. Fortunately, for her Blue Cross Blue Shield is her primary source of care because I am enrolled in FEHBP. We observe that TRICARE doesn't, as a rule, pay anything as a secondary payee. The paperwork in TRICARE is unbelievable. I believe it is safe to say that few TRICARE-eligible beneficiaries think much of the program. This includes the medical providers. It is difficult to get providers to accept TRICARE patients.

Kay and I eagerly wait for the day she is eligible for Medicare. It will make us feel more secure, because of my excellent experiences with Medicare and FEHBP. I rarely go to Naval Hospital for prescriptions because the pharmacy is overloaded, has long lines, unreliable stocks and small quantities. When the drugs I need are unavailable, I find the trips to the pharmacy are unproductive and costly. Undelivered services leave people who are without transportation high and dry. They are left to getting their drugs through a mail-order pharmacy service, which is often very difficult for the elderly who have no family support.

Before the mid 1980s, uniformed services retirees had good reason to believe that health care in MTFs would always be there for them when they needed it. With MTFs

throughout the country and in many locations overseas, they had reasonable access to the care they needed. More than 70 percent of military retirees chose to live near a military installation for the express purpose of availing themselves of space available care in the local MTF.

However, in 1988 that all changed. With four rounds of base closures from 1988 to 1995 under the Base Realignment and Closure (BRAC) program, Congress eliminated much of that access. At least 59 hospitals and clinics have closed (with three still pending closure) terminating access to health care services for retirees at those sites. More base closures are being requested by the Administration. Additionally, force reductions and cuts in the Defense Health Budget over the last five years have led to the downsizing of more than 50 hospitals resulting in the closure of inpatient services and leaving only outpatient clinics. **The cold reality is that many older military retirees are left with Medicare as their sole source of health care.**

Where inpatient services have closed, the Military Departments buy such services from civilian sources through the TRICARE contractor – here in TRICARE's Southeast Region that is Humana Military Health Services, Inc. based in Louisville, KY. While that makes good business sense, this action eliminates access to "space available" inpatient and outpatient specialty care for retired beneficiaries 65 and older. This loss of access to "space available" health care is a breach of the promises made to retirees that health care would be there for them if they served a career in uniform.

In 1966, when the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), now known as TRICARE, was being formulated by the House and Senate Armed Services Committees, Congress intended that retired uniformed services beneficiaries have a fair health care benefit when they turned 65 and became eligible for Medicare. The 1966 Congressional equation - **Medicare + Space Available Care = a "Fair Benefit"** - is no longer balanced or fair health care benefit. Only Congress can restore health care equity to retired servicemembers. In doing so, it must also ensure at least parity with the health care available to retired federal civilians under the Federal Employees Health Benefits Program (FEHBP).

FEHBP DEMONSTRATION

The cry to fix this inequity has been heard in Congress authorized, as part of the FY 1999 Defense Authorization Act, a test that opens the Federal Employees Health Benefits Program (FEHBP) to Medicare-eligible uniformed service members beginning in January 2000. The test program, called "FEHBP-65", has been implemented in eight locations in the United States and Puerto Rico. This program allows up to 66,000 Medicare-eligible retired uniformed services beneficiaries to participate in FEHBP on the very same basis as other federal employees at eight sites around the country.

We believe that education and marketing of the program to the eligible beneficiaries was absolutely critical to the success of the test. Without it, the test would likely fail.

We were very disappointed to see the low number of enrollments during the open season last fall. Even after increased marketing and a second round of Town Hall Meetings, only 2,500 beneficiaries – less than 4 percent of the 66,000 potential enrollees authorized by Congress - have enrolled in the test as of March 23, 2000.

TROA believes the extremely low participation rate is attributable to a variety of reasons to include:

- Lack of timely delivery of accurate and comprehensive information about the FEHBP-65 test to eligible beneficiaries
- Inertia on the part of some beneficiaries caused by their fear of venturing into uncharted waters with the worry they would have to change plans again when the test authority expires in 2002;
- Beneficiaries' concerns about pre-existing medical conditions if the test terminates and they need to resume their Medigap coverage;
- A lack of understanding by the target population about FEHBP, including the potential cost savings over their existing Medicare supplemental insurance if they were to opt for this alternative; and
- Beneficiaries' uncertainty about the benefits provided under the various FEHBP plans to beneficiaries who are also enrolled in Medicare Part B.

WHAT THE FEHBP OPTION WILL DO FOR RETIREES

Although I served in the military both on active duty and in the reserves for 34 years and earned my military retirement benefits, I also worked concurrently as a Federal civilian employee. I enrolled in FEHBP to insure that I would have health care while an active employee as well as when I retired from Federal employment. It has served me very well over the years. I see the insecurity suffered by so many military retirees who do not have FEHBP equivalent health benefits.

Much of this is due to fact that our FEHBP doctors do not ask for the differentials between what doctors and hospitals charge and the agreed or negotiated payments. TRICARE virtually takes a free ride when dealing with FEHBP recipients. By being in FEHBP, we have many plans available to us. Most importantly, we do not have to belong to an HMO. So, we have choices over sources, quality of care and access to services. Our primary family physician and specialists are just down the highway, and we are within 10 minutes of two major hospitals and medical centers. On the other hand, the nearest military hospital is a minimum of 30 minutes away from our home.

A major advantage for us is knowing with reasonable confidence, we have known and reliable services and facilities available to us under FEHBP. We feel quite secure in the twilight of our lives and thank God for the FEHBP plans available to us.

This leads me to underscore the fact that those of us with families and modest means have always had to make major career and life decisions based on health benefits available to us while in active service and following retirement. Virtually all of my friends, colleagues, and acquaintances had or have to tie their employment and other life activity decisions on the health issues. To be denied of expected benefits must certainly be catastrophic financially, mentally, physically, and to family harmony. I find it very hard to comprehend how military retirees and their families cope with the erosion of military health care benefits and how denial of such benefits so adversely impact them. These are the benefits they counted on when they decided to make the military a career. They made career decisions based on promises they believed would be fulfilled and were untouchable.

I would prefer free lifetime health care benefits as was promised to me for a career in the military. But, with such promises unfulfilled, FEHBP and Medicare have provided a very reasonable and reliable alternative considering the modest premiums I pay under FEHBP. Considering the very serious and expensive illnesses my wife has experienced the past three years, we are so grateful for the way FEHBP covered the costs. The mail order option for prescriptions costs $20 for each prescription or we can go to Eckerd Drugs and pay a 20% copay. We appreciate the options FEHBP provides us.

Based on my experience, FEHBP services are provided virtually without any hassle. FEHBP is very efficient, especially when compared to TRICARE and "space available" military prescription services.

SUPPORT FOR CURRENT LEGISLATION

There are a number of bills that have been introduced during this Congress. They range from opening FEHBP to all retirees to limited options of extending the FEHBP demonstration for further evaluation. Specifically, TROA supports all the bills. Finally, we strongly support H.R. 2966. This bill takes a significant step toward honoring the lifetime health care commitment.

TROA supports the following bills:

- H.R. 113 introduced by Rep "Duke" Cunningham (R-CA) - which would remove the current numerical and geographic limits on the locations eligible to participate in the current FEHPB-65 demonstration; and

- H.R. 205, introduced by Rep. James Moran (D-VA) which would provide for immediate worldwide eligibility of Medicare-eligible uniformed services beneficiaries to enroll in FEHBP-65.
- HR 2966 and HR 3573 (two versions of "The Keep Our Promises to America's Military Retirees Act") are landmark proposals, introduced by Rep. Ronnie Shows. Both would provide FEHBP or TRICARE for life to Medicare-eligible beneficiaries and would provide that care free to retirees who entered the uniformed services prior to June 7, 1956. These bills recognize that those who entered the service before June 7, 1956 were promised free health care for life and should not be penalized by a subsequent change in statute.

The strength of the commitment found in H.R. 2966 and H.R. 3573 was most eloquently described by Judge Roger Vinson when he ruled in the Federal District Court in Florida that "that the plaintiffs certainly have a strong equitable argument that the government should abide by its promises. Regrettably, the law does not permit me to order the United States to do so. Under the Constitutional separation of powers, **relief for the plaintiffs must come from Congress and not from the Judiciary**."

RECOMMENDATIONS

Expansion of the test in the fall of 2000, guaranteed enrollment beyond December 31, 2001 and an aggressive educational program will lead to a fair demonstration. A properly executed test will truly reveal the propensity of uniformed services beneficiaries to enroll in the program, the resultant government cost, and the success or failure of FEHBP as an option that honors the lifetime health care commitment.

To make the test viable and provide for a fair evaluation, TROA respectfully requests that the Subcommittee urge the Secretary of Defense to expand the test to two additional sites beginning in the next Open Season (Fall 2000) and broaden the existing test sites so that the targeted enrollment of 66,000 beneficiaries can be realized. Selection of these sites is time-sensitive to OPM and FEHBP carriers. To ensure that OPM has adequate time to negotiate with the carriers in the expanded sites, it is important that DoD select the sites this month.

More specifically, TROA strongly recommends that:

- Current test participants be allowed to continue their participation in FEHBP even after the conclusion of the demonstration program,
- DoD continue to increase efforts to communicate and explain fully the benefits available under the FEHBP test, including the option to revert to a Medigap policy without pre-existing illness restrictions should the test be terminated, and
- The Subcommittee support expansion the FEHBP-65 program worldwide, as quickly as feasible, and make it a permanent program.

CALL FOR HEALTH CARE EQUITY

With a growing budget surplus, older uniformed services' beneficiaries cannot accept lack of funding as a valid reason for Congress' failure to meet its obligation to them. Defense's civilian leadership has apparently chosen to ignore how directly this continuing abrogation affects military readiness. Today's active duty members are tomorrow's retirees, and they are well aware of how their predecessors are being treated. More and more, the retirees who were the Services' best recruiters are reluctant to recommend a service career to their children and those of their friends and neighbors. This is not only an issue of equity and employer obligation. It's a readiness issue as well.

For TROA and all retirees I strongly urge this Subcommittee to work with the House leadership to find the necessary funding offsets to enact H.R. 2966 and HR 3573.

CLOSING COMMENTS

In closing, I want to reaffirm for you, Mr. Chairman, that uniformed service members want to be treated equally and fairly in programs available to other federal employees. We want to have an opportunity to participate in the government's FEHBP program. Uniformed services members are proud people who, like federal civilians, do not want to burden their sons, daughters or spouses with having to care for them when their health declines and they become too infirm to care for themselves. For the defenders of this country, past and present please work for us so that we have a health care option that is least equal to what is available to all other federal employees. It is critical that Congress treat those who served in uniform for a full career equitably and that a good faith effort be made this year to restore the health care benefits that were promised to retired beneficiaries.

Mr. Chairman, on behalf of the 44,600 TROA members and the 173,200 military retirees here in Florida, I want to thank you for allowing me the opportunity to present the views of The Retired Officers Association on this very important matter. I will be pleased to respond to any questions you or other committee members may have or provide a response for the record.

Mr. GAMMARINO. Mr. Chairman, members of the committee, and other distinguished guests, good morning. Thank you for the opportunity to appear before you today to discuss the benefits of extending enrollment in the Federal Employees Health Benefits Program to certain military beneficiaries.

With your permission, Mr. Chairman, I would like to submit my written testimony for the record.

Mr. SCARBOROUGH. Without objection.

Mr. GAMMARINO. In keeping with your letter of invitation I will focus my remarks on a general discussion of the FEHBP and the Blue Cross/Blue Shield Association's service benefit plan, and what effect from the carrier's perspective this would have on our program.

As you know, the FEHBP is the largest employee-sponsored health insurance system in the country. This year they will insure over 9 million Federal employees, retirees, and dependents. The program is often cited as a model of efficiency and effectiveness that the private and public sector should attempt to replicate.

The Blue Cross/Blue Shield plans jointly underwrite and deliver what is called the governmentwide service benefit plan in the program. This plan has been offered in the FEHBP since 1960, and it is the largest plan in the program. We currently cover approximately 4 million Federal employees, family members, and retirees. And we have about 48 percent, Congressman Scarborough. We are 2 points shy of that 50 percent mark, but we are trying.

Blue Cross/Blue Shield is keenly aware of the important role the program plays in the lives of millions of Federal employees, retirees, and their families. As the largest carrier in the program, we believe we bear a special responsibility to provide stability and integrity to the program, and look forward to working with the subcommittee as you examine various legislative proposals.

As you know, the National Defense Authorization Act of 1999 established a 3-year demonstration project permitting Medicare-eligible retirees and their dependents to enroll in the FEHBP. From the beginning, Blue Cross/Blue Shield has been committed to working with OPM and the Department of Defense on a demonstration project to determine whether the FEHBP participation is a viable option for the retired military community.

At the most recent count we enroll almost 800 contracts, which is about, we understand, 46 percent of the total demonstration enrollment. As this demonstration project continues Blue Cross/Blue Shield is committed to working with the appropriate agencies and other military support groups to provide necessary information and educate eligible beneficiaries about the program.

Over the past few years numerous proposals have been introduced that seek to extend the FEHBP to various groups. The proposals have led us to develop four basic principles we would like you to consider when evaluating suggestions for extending the FEHBP beyond its current enrollment base.

First, there should be a logical connection between the Federal Government as an employer and the population proposed to receive the FEHBP coverage.

Second, the existing private sector role of the FEHBP carriers must be preserved to maintain a strong and competitive program.

Third, the infrastructure to handle the expanded enrollment should exist, and not have to be created.

And fourth, the principles of insurance underwriting should be preserved. Because the FEHBP is a program of insurance it is essential that each carrier underwrite its own risk.

As we look at the question of existing enrollment in the FEHBP to the military beneficiaries, it appears that these four principles; would in fact be met.

Additionally, Blue Cross/Blue Shield can assure the subcommittee that we are capable of providing the same high quality of service to military beneficiaries that we now provide for the civilian enrollees. We would defer to the Congress and to the executive branch, specifically OPM and the Department of Defense on the related policy choices and decisions.

One issue that has been repeatedly discussed is the issue of whether to have separate risk pools for the military beneficiaries. From an insurance or risk-management perspective, risk pools in this case we do not feel are required.

Under equal conditions of participation we have no reason to believe that on average the 65-year-old Medicare-eligible military retiree would utilize health care services any differently than a similarly situated civilian counterpart.

I hope that my remarks to you will be helpful in our deliberations. Again, thank you for the opportunity to appear before you today, and let me assure you that the Blue Cross/Blue Shield Association stands ready to work with this subcommittee as you consider the very important issues before you.

I will be pleased to answer any questions you may have at this time.

[The prepared statement of Mr. Gammarino follows:]

TESTIMONY OF BlueCross BlueShield Association

An Association of Independent Blue Cross and Blue Shield Plans

Before the

Subcommittee on Civil Service

Committee on Government Reform

United States House of Representatives

On

Fulfilling the Promise?

Presented by:

Stephen W. Gammarino
Senior Vice President
Federal Employee Program
And Health Care Management Systems

April 3, 2000

Mr. Chairman and Members of the Subcommittee:

Good morning. I am Stephen W. Gammarino, Senior Vice President, Federal Employee Program and Health Care Management Systems, at the Blue Cross and Blue Shield Association. On behalf of the Association, I thank you for the opportunity to appear before you today to discuss the benefits of extending enrollment in the Federal Employees Health Benefits Program (FEHBP) to certain military health care beneficiaries. I understand from your letter of invitation that the Subcommittee intends to undertake a careful evaluation of the various legislative proposals that would provide an FEHBP option. The Subcommittee is to be commended for this thoughtful, consensus-building approach.

In keeping with your letter of invitation, I will focus my remarks on a general discussion of the FEHBP and the Blue Cross Blue Shield Association's Service Benefit Plan, and what effect, from a carrier's perspective, the inclusion of military beneficiaries would have on the program.

The Federal Employees Health Benefits Program

The Federal Employees Health Benefit Program is the largest employer-sponsored health insurance system in the country. This year, the FEHBP will insure more than 9 million Federal employees, retirees, and their dependents. For the most part, the program has been a great success story. The program is often cited as a model of efficiency and effectiveness that the private sector and the public sector should attempt to replicate. Key to the success is in fact the market orientation of the program. Each year federal employees and retirees are given the opportunity to choose from among numerous competing health care plans. Consumer choice and private sector competition with limited government intervention have kept premiums relatively in check.

As you know, Blue Cross Blue Shield Association is an organization of over 50 independent plans that are located in 50 states, the District of Columbia, and Puerto Rico. These Blue Cross and Blue Shield Plans jointly underwrite and deliver the Government-wide Service Benefit Plan in the Federal Employees Health Benefits Program. This Service Benefit Plan has been offered in the FEHBP since its inception in 1960, and is the largest plan in the Program. The Service Benefit Plan currently has two million contracts and covers approximately 4 million federal employees, retirees, and their families, or about 48 percent of the enrolled population.

The Blue Cross and Blue Shield Service Benefit Plan has been a leader in providing its members the benefits and programs that meet their needs. This includes expansive networks of preferred providers, coverage for some routine screenings, and generous pharmacy benefits. The Blue Cross Blue Shield Association is keenly aware of the important role the FEHBP plays in the lives of millions of federal employees, retirees, and their families and is committed to keeping the program the success it has become. As the largest carrier in the FEHBP, we believe we bear a special responsibility to provide stability and integrity to the program, so we look forward to working with the Subcommittee as you examine various legislative proposals.

Department of Defense/FEHBP Demonstration Project

The National Defense Authorization Act of 1999 established a three-year demonstration project permitting Medicare-eligible retirees and their dependents to enroll in health benefits plans in the Federal Employees Health Benefits Program. From the beginning, the Blue Cross Blue Shield Association has been committed to working with the Office of Personnel Management (OPM) and Department of Defense (DoD) on the demonstration project to determine whether FEHBP participation is a viable option for the retired military community. During the preceding year, BCBSA plans cooperated with DoD and OPM to support the project. We informed DoD and military support groups of upcoming health fairs, sought approval from health benefits officers to allow demonstration project eligible enrollees to attend, and participated in numerous health fairs and information sessions. At the most recent count, BCBSA has enrolled 751 of the total 1,639 contracts for the DoD Demo project, or 46 percent of the demonstration enrollment. As this demo project continues, BCBSA is committed to working with the DoD, OPM, and other military support groups to provide any necessary information and/or help educate eligible beneficiaries about the FEHBP and the Service Benefit Plan.

Extending FEHBP to Military Retirees

Today's hearing deals exclusively with the issue of extending the FEHBP to certain military beneficiaries. It is my understanding that a number of legislative proposals have been introduced this Congress to expand and enhance the military health benefits for older retirees, and expand or make permanent those demonstration projects currently underway. As the Subcommittee knows, there have been numerous proposals over the past few years that seek to extend the FEHBP to various groups: whether it is small businesses, the uninsured between ages 55-65, or others. The abundant number of proposals have led us at Blue Cross Blue Shield Association to think in terms of a few basic principles when evaluating suggestions for extending FEHBP beyond its current enrollee base.

The first principle: There should first be a logical connection between the federal government, as an employer, and the population proposed to receive FEHBP coverage.

The second principle: The existing private sector role of the FEHBP carriers must be preserved to maintain a strong, competitive program. It is important that any proposal ultimately adopted continues to support the current structure and design of the FEHBP and retains the essential competitive nature of the program.

The third principle: The infrastructure to handle the expanded enrollment should exist, and not have to be created.

The fourth principle: The integrity and principles of insurance underwriting should be preserved. Because the FEHBP is a program of insurance, it is essential that each carrier underwrites its own risk of participation in the FEHBP, maintains adequate reserves, and determines premium rates based on enrollee experience or community rating.

As we look at the question of extending enrollment in the FEHBP to military beneficiaries, it appears that these four principles would be met. First, military personnel are employees of the United States

Government, albeit uniformed employees. Thus military retirees and dependents have a status akin to that of civilian retirees and their dependents, who now receive the benefits of the FEHBP. Second, we see nothing incompatible in extending FEHBP to military beneficiaries that would alter the fundamental roles and relationships of the participating FEHBP carriers. Military beneficiaries should be given the same options and choices as current employees and annuitants, ensuring that the competitive spirit and nature of the FEHBP is maintained. This principle of ensuring the preservation of the private sector role is vital to the success of the program. Any proposal extending coverage that would, simultaneously, change the delivery system, alter the discretion to determine network providers, dictate reimbursement rates, or specify procurement sources, etc. would be harmful to the efficacy and success of the FEHBP. Third, the basis structure exists within the Department of Defense for determining eligibility, enrolling beneficiaries, providing benefit information, and handling premium payments. Fourth, it is our understanding that none of the proposals expanding enrollment in the FEHBP to military beneficiaries would change the core principles of insurance underwriting.

These four principles are obviously only initial considerations that we believe should be addressed when examining various proposals to expand FEHBP coverage to additional groups. Once these principles have been established, there are obviously many more considerations and technical details that will need to be thoroughly examined. However, Blue Cross and Blue Cross Blue Shield can assure the Subcommittee that we are capable of providing the same high quality services to military beneficiaries who would choose the Government-wide Service Benefit Plan that we now provide to civilian enrollees. We would defer to the Congress, and to the Executive Branch, specifically the Office of Personnel Management and the Department of Defense on the fundamental question of whether participation in the FEHBP is a viable long-term option for military retirees and on the related policy choices and decisions. However, we are confident that the Government-wide Service Plan is structurally and physically capable of covering additional military beneficiaries.

I would like to briefly discuss an issue that has been raised a number of times when examining whether to expand the FEHBP to military beneficiaries. This is the issue of whether to have separate risk pools for military beneficiaries. From an insurance, or risk-management perspective, separate risk pools are not required. In fact, the larger the risk pool, the better because risk is spread out and enrollees are more likely to gain the benefit of equitable insurance pooling. The concept of group insurance is to have a cross section of enrollees of different ages and different conditions of health, all of who pay the same contribution for the same basic coverage. Under equal conditions of participation, we have no reason to believe that, on average, a 65-year-old Medicare-eligible military retiree would utilize health care services any differently than a similarly-situated civilian counterpart.

The Blue Cross and Blue Shield Association is very proud of the role it has played in helping to make the Federal Employees Health Benefits Program a success. I hope that my remarks to you will be helpful in your deliberations. Again, thank you for the opportunity to appear before you today and let me assure you that the Blue Cross Blue Shield Association stands ready to work with this Subcommittee as you consider the very important issues before you.

I will be pleased to answer any questions you may have at this time.

Mr. SCARBOROUGH. Thank you.

Colonel Day, let me ask you a very, very basic obvious question. I probably would not get away with it in court, but we are not in court, are we? so I can ask you a leading question.

Were you promised military health care for life, and by whom?

Colonel DAY. Yes, I was. I was promised that by the Marine Corps, and again by the Air Force. It was common knowledge, it was a common understanding that along with the retirement benefit at 20 years that you would have the accompanying free medical care. That was part of the recruiting pitch; medical care really made it attractive. I might add in 1942 and even up through the very early fifties that was the best deal around. There was not any equivalent government retirement out there like that. General Motors did not give a deal like that; the military was very, very unique in that; that promise was something that elevated the military retirement to a step above a civilian retirement. But on the contrary other side of that you had those wars that you had to go to, like World War II, Korea, and so on. So, you know, that excellent benefit was offset somewhat.

And I might add that of my own knowledge I know a number of people who died in Vietnam trying to make sure that their family was going to collect on this promise.

I was a lifer, as were many of my dear friends, and many of these people wound up dying, and they were not able to collect on the promise, but they gave their life thinking that the promise was going to be carried out.

And I might add that Judge Vincent's interpretation of what the law is on the subject is certainly not binding. He had to take a whack at that, and from his own perspective decide whether or not it was Congress' problem or the court's. It is my view that this is also the court's problem. The court has got to sit down and take a look at this series of promises that were made, and to decide whether or not they are going to deliver on that. And certainly they have the authority under the Little Tucker Act to come back and say there is no question that there was a promise and we are going to enforce it.

Mr. SCARBOROUGH. You talked about friends of yours who you served with in Vietnam that did not come home.

Colonel DAY. Yes.

Mr. SCARBOROUGH. Let us talk just very briefly about our experiences in Vietnam. How long were you a prisoner of war?

Colonel DAY. I was a POW for 67 months. I got shot down August 26, 1967; I escaped shortly after that; got recaptured, and then I was released on March 14, 1973.

Mr. SCARBOROUGH. Again we have heard Senator McCain's talks about just what it was like, how horrible that situation was, and how difficult is it for you after losing friends, and after going through the experiences that you have gone through, how difficult is it for you to see your government, the country that you were fighting for, that you were willing to put it all on the line for, just back away from a promise and not deliver to you the same benefits that are delivered to your counterparts in the Civil Service?

Colonel DAY. It is quite incomprehensible, and basically ignoble. It is just not understandable that the military would be selected

out as the only group of retired Federal employees who are not going to have some good, sound medical care program like Blue Cross/Blue Shield which is, you know, basically the premier program out there.

The idea that the military group is discriminated against is just not one that I am able to understand, and I think it just gets back to the idea that someone made an arbitrary decision that they were going to do military medical care on the cheap, and said, "Well, drop these people off into Medicare." And, as has been alluded to, obviously everyone who pays any tax is entitled to go to Medicare. Those people also did not have the deprivation of missing their families—in my case their Christmas of 1942, 1943, 1944, and 1954 away from home—I was 30 months out in the Pacific, I was away from my family two tours during the Korean War. Those were short tours, about 7 or 8 months each, and then of course I was gone 6 years in Vietnam, so it is not very understandable that the bureaucracy would have taken off in the direction that they did in this discriminatory application of health care benefits to Federal employees.

Mr. SCARBOROUGH. Thank you, Colonel. My time is up, but we are honored that you are here today, and honored that you continue fighting to make sure that America does the right thing.

Mr. Cummings.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

I too thank you, and thank all of you, and the people in the audience for what you have done to make our country what it is, and to keep it what it is, and I really mean that. When I think about my own history and the fact that my mother and father were sharecroppers, and for me to be a member of the Congress of the United States of America, that did not happen just by accident, and I know that it is the people in this room that made all of that possible, and I do appreciate it.

Colonel Rastall, I want to talk just a moment about the demonstration project. What steps could the Department of Defense and the Office of Personnel Management have taken to improve the enrollment in the FEHBP program? I was just wondering about that.

Colonel RASTALL. I will make this short because the text of my presentation will get in your hands, but TROA believes that the low participation rate is attributable to a variety of reasons, most significantly I believe some beneficiaries fear venturing into the uncharted waters with the worry that they would have to change plans again when the test authority expires in 2002, and that is their perception of it, and the lack of understanding about FEHBP, including potential cost savings they would have over their existing Medicare supplemental insurance.

As far as improvements are concerned, we strongly recommend that the current test participants be allowed to continue their participation in FEHBP even after the conclusion of the demonstration program. DOD continued to increase efforts to communicate and explain fully the benefits available under the FEHBP test, including the option to convert to a Medigap policy without preexisting illness restrictions should the test be terminated, and the sub-

committee support expansion of the FEHBP 65 program worldwide as quickly as feasible, and make it a permanent program.

Expansion of the test in the fall of 2000 guaranteed enrollment beyond December 31st, 2001, and an aggressive educational program will lead to a fair demonstration. A properly executed test will truly reveal the propensity of uniformed services beneficiaries to enroll in the program, the resultant government cost, and the success or failure of FEHBP as an option that honors the lifetime health care commitment.

Could I talk just a little bit on cost?

Mr. SCARBOROUGH. Sure.

Colonel RASTALL. You know these things that I am going to talk about. These are some of the concerns that we have, or we read not only in TROA, but outside TROA. With the forecast of a growing budget surplus, as we have already alluded to the fact that it is difficult to understand why funding could not be had—and we understand a lot of the problems involved in this process, do not misunderstand me—DOD civilian leadership apparently has chosen in the past to ignore how directly this continuing abrogation affects military readiness. I want to say lately this seemingly is turning around a little bit.

Also, more and more the retirees who are the service's best recruiters are reluctant to recommend a service career to their children and those of friends and neighbors. This is not only an issue of equity and employer obligation, it is a readiness issue as well, as we have already stated.

One final point. You probably know that the deliberations of the Balanced Budget Act of 1997 resulted in Congress funding funds to restore $1.7 billion per year for funding health care services for illegal immigrants. I do not know what the outyear costs of that would be, or what they would add up to. We know what the outyear costs would cost for some of the proposals here. We do not begrudge them of their needs, certainly not, but retirees find it difficult to understand why Congress could not consider at least as high a priority for restoring promised benefits to those who fought the hot wars, the cold war, and like today's servicemen were and are so often deployed to keep the peace.

Traditionally Congress has always had the will to do the right thing. We are confident that congressional leadership can find the funding to keep the promise made long ago to career veterans.

Thank you.

Mr. CUMMINGS. With regard to education under the demonstration projects do you think we could have done a better job of educating people as to the demonstrations themselves? And what was the purpose for the demonstration projects?

Colonel RASTALL. What was the purpose?

Mr. CUMMINGS. Yes, sir.

Colonel RASTALL. As far as I know, and maybe I would like to make a separate report on the details of this, but I am sure part of the purpose was for the Congress to see what the reaction would be and have a test run here to see what would happen.

Mr. CUMMINGS. Right.

Colonel RASTALL. I mean that is the primary purpose of it—to see how many people would be interested.

Mr. CUMMINGS. You are right, you are on the mark, but I guess the question is the education. The reason why I mention the education piece is that you listed a number of reasons why as many people as we thought—or we thought more people would enroll, and they did not.

Colonel RASTALL. Right.

Mr. CUMMINGS. And I think you have given some very good reasons, and I was just trying to figure out whether you felt that education, educating people as to the demonstration projects, was a problem. You might want to speak on that, too, Mr. Gammarino. I am just curious, because it just seems like the demonstration is the thing that helps you to take the demonstration and you say "OK, this works, and it works well," and the hope is that you then can take it nationwide and do it everywhere, and so I was just wondering about that.

Colonel RASTALL. If we expanded this educational program in the sites, in other places, it would help a lot to get more participation.

Mr. CUMMINGS. Mr. Gammarino.

Colonel DAY. May I?

Mr. CUMMINGS. Sure.

Colonel DAY. I think it is largely a matter of trust. I do not think that most of the GIs—Mr. Rinely here kind of heads up a loose group of around 10,000 people who we loosely call a class act group who are the sponsors of this lawsuit against the government. They have lost trust in the government. They do not think that any more demonstrations are going to work, they think all of these are stopgaps. There are roughly 3 million World War II, Korean, pre-June 1956 veterans out there, they are dying at the rate of around 1,000 a day. The perception is that the government is dragging its feet so these people will die off and go away. That is the perception. I think that many of these people as soon as they start talking about getting moved over to this test group of some kind, or that test group, and this is going to terminate in 2003 or whatever it is, they just say to themselves, "Why should I believe that?"

Mr. CUMMINGS. Why be bothered.

Colonel DAY. Yes. And who knows that is going to work, and who knows they are going to keep paying.

Mr. CUMMINGS. Thank you. That is very helpful.

Mr. GAMMARINO. First I do not think it was realistic, given the base of enrollees that we started with, that you were going to get the potential everybody thought was out there. You wanted a group of 66,000, you started with a pool of 66, so it was unrealistic to assume you are going to get that level of participation.

Why? My other panel members have already told you some of the reasons. Additionally I can tell you just from trying to market a health insurance program it takes more than 1 year to educate a population in terms of what you have to offer. The pilot program, I do not think a lot of people are going to jump into a 3-year pilot. What is out there for them in the long run?

In terms of going forward, I understand there is a GAO study going to be done in terms of focus groups. I hope and assume they will talk to both people that enrolled and that do not, but I think in order to get the type of enrollment that you need for a demonstration project you are going to have to increase the pool. You

are not going to get 66,000 people over the next couple of years in the existing pool.

You do need continuous ongoing communications, and you have to use a variety of mechanisms and vehicles to get there. From my vantage point in terms of educating members to our plans, we use a number of vehicles. We use direct mails; we have toll-free call lines that people can call us and find out about our program; we have outbound calls to educate people on what we are all about. So there are a number of vehicles, and you cannot just stick with one, and you are going to have to use a number of support groups.

The health plan such as Blue Cross/Blue Shield would be happy to participate with the agencies, happy to participate with the retiree groups, but I think you are going to need a coordinated effort to educate these people on what the FEHBP is all about.

And last, but not least, what will happen over a period of time is word of mouth. If the current enrollees that are in the program are satisfied, they will tell their neighbors, and the trust alluded to earlier hopefully would buildup and they would find a reason to take a look at a program such as ours.

Thank you.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Mr. SCARBOROUGH. Thank you, Congressman Cummings.

Congressman Shows.

Mr. SHOWS. I would just like to have one question for Colonel Day. When you were recruited and the coming years after that, did they not have posters that were sent out, and recruiting materials saying that—did you ever see written material that said—I know I saw a poster in I think it was like 1991 or 1992 that join the Army for a career and have health care for the rest of your life. Have you run across those, did you see them in your career or when you were recruited?

Colonel DAY. Yes, sir, I have. In fact, I have in my brief to the Federal Circuit Court an Army recruiting pitch that is directed to lawyers dated November 10, 1997 that promises lawyers, you do 20 years and you will have a lifetime of free medical care.

Out in the units back in my active duty days you had people who were appointed as in-house recruiters, and as people came up, particularly highly skilled enlisted people, as they came up to terminate their enlistment you had people who were out there counseling them, talking to them, giving them a pitch about re-enlisting, and pointing out to them what these medical benefits are worth, and what your retirement pay is worth, and why ship over, and why do all these things. So these pitches have been consistent. We have some documents in my brief here that shows these recruiting pitches again being made in 1991 and 1992, so this I will say roughly 25 years after the military said in the Space A that, "We are not going to give that to you."

Mr. SHOWS. That is right.

Colonel DAY. And so there is no question that these recruiting pitches have been made, and there is no question that they have been relied on. So that has just been—and I have in here I guess roughly another dozen affidavits from recruiters who as late as in the 1980's were still making that promise.

One of the problems that I have also in my brief is that Judge Vincent never let me get into the discovery of the recruiters' material. I never got to depose any of the general officers that run the recruiting command, which is a separate command, commanded by an Army I believe either two-star or three-star, I was not able to get discovery or production on that went back before 1956. So that was one of our basic problems, and one of the reasons why he was able to find as he did, because he did not have the documents to read.

Mr. SHOWS. We had a prisoner of war in Vietnam from Hattiesburg. Did you ever know Colonel Hall? He was 7½ years——

Colonel DAY. Yes, sir. I know him very well.

Mr. SHOWS. He is a good friend.

Colonel DAY. Yes, sir.

Mr. SHOWS. I appreciate that testimony. I just do not understand how we are having such a hard problem with this among our leadership in that when we have the material out there, and I cannot understand the judge not letting you use the recruiting material in your case. That just does not seem right.

Colonel RASTALL. Well, I will also leave this with you. This is one of the Army posters from way back, the early nineties: "Superb health care. Health care is provided to you and your family members while you are in the Army, and for the rest of your life if you serve a minimum of 20 years of active Federal service to earn your retirement."

Mr. SHOWS. You know what I cannot figure out, how the lawyers got by without getting it if the lawyers were promised it.

Mr. SCARBOROUGH. That is a good question. Without objection we would like to have copies of that brochure, and Colonel Day, and copies of all the information that you have pertaining to recruiting brochures that promised health care for life. Without objection.

[The information referred to follows:]

Ask your Army Recruiter for more details on all these benefits and how they can benefit you.

U.S. Army Recruiting Station
P.O. Box 151 836 N. Bay Rd.
East Tawas, MI 48730
Office Phone (517) 362-8677

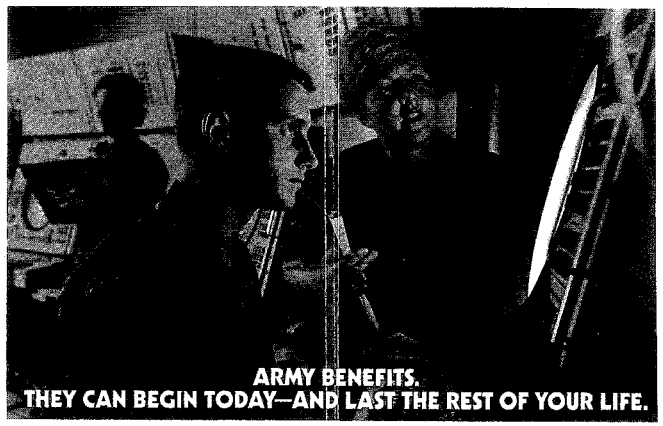
ARMY. BE ALL YOU CAN BE.

Note: Information in this publication is subject to change.
See your local Army Recruiter for the latest information.

RPI 909, NOVEMBER 1991 ★ U.S.G.P.O. 1992 643-711

ARMY

BENEFITS Shel used 1993



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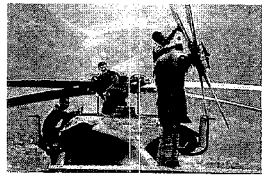
THEY CAN BEGIN TODAY—AND LAST THE REST OF YOUR LIFE.**

The Delayed Entry Program is a feature you could benefit from before you enter active duty. Sign up now and take up to 365 days to report. More important, you can get your choice of skill training or duty station—guaranteed in writing—once you qualify.

Expert skill training could give you the basis for a productive career after the Army. Train in one of over 250 specialties.

You grow as a person because your Army team depends on your contribution. You gain self-confidence, personal pride and the ability to work with others—qualities which are valuable assets for life.



Some Army benefits are worth cold cash. Others are priceless.
Open the folder and see for yourself.

ARMY BENEFITS:

EARN UP TO $25,200 FOR COLLEGE DURING YOUR ENLISTMENT.

Money for college. Qualify for the Montgomery GI Bill Plus the Army College Fund and you could earn up to $25,200 for college after completing a four-year enlistment. And ask your Army Recruiter about the many incentives for continuing your education while you're on active duty. For those who have completed some or all of their college studies, the Army's Loan Repayment Program can help you pay off your qualifying student loan with a three- or four-year enlistment.

Earn an enlistment cash bonus of as much as $8,000, depending on your qualifications, the skill training you choose and the number of years of service you enlist for. Your Army Recruiter can give you the details.

ARMY BENEFITS:

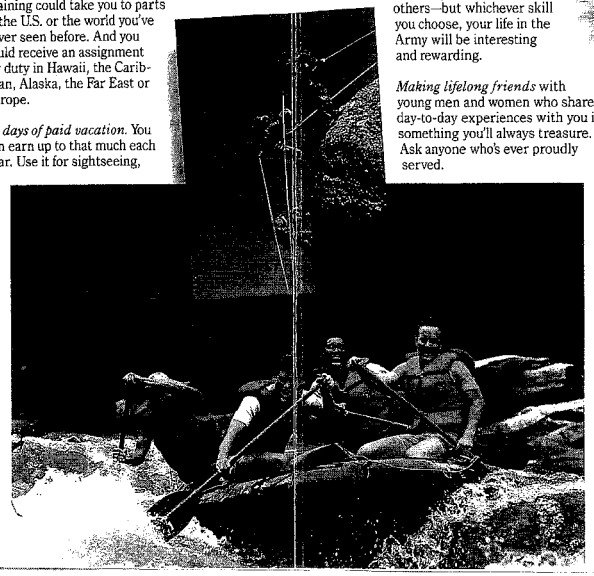
SHARE FUN, EXCITEMENT AND ADVENTURE WITH SOME OF THE BEST FRIENDS YOU'LL EVER HAVE.

You get to travel in the Army. Training could take you to parts of the U.S. or the world you've never seen before. And you could receive an assignment for duty in Hawaii, the Caribbean, Alaska, the Far East or Europe.

30 days of paid vacation. You can earn up to that much each year. Use it for sightseeing, sports or just sitting in the sun. Army posts offer your favorite recreational activities all year long, too.

Fun. Excitement. Adventure. You can find them in the Army. Some of our job skills offer more unusual challenges than others—but whichever skill you choose, your life in the Army will be interesting and rewarding.

Making lifelong friends with young men and women who share day-to-day experiences with you is something you'll always treasure. Ask anyone who's ever proudly served.



ARMY BENEFITS:

HEALTH CARE, HOUSING, SHOPPING AND SCHOOLING

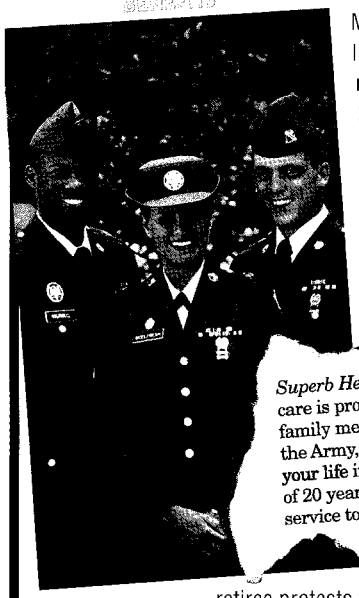
Superb Health Care. Health care is provided to you and your family members while you are in the Army, and for the rest of your life if you serve a minimum of 20 years of active Federal service to earn your retirement.

Housing, shopping, schooling and recreational facilities. The Army provides them all—plus excellent pay—to give you a high standard of living in an attractive and wholesome environment.

Maybe the most personally rewarding Army feature of all is the special pride you'll feel performing a valuable service for your country.

ARMY BENEFITS

Documenting the Lifetime Health Care Commitment



Superb Health Care. Health care is provided to you and your family members while you are in the Army, and for the rest of your life if you serve a minimum of 20 years of active Federal service to earn your retirement.

Many contend that the government never promised lifetime health care to service members. The record shows otherwise:

1798: Marines and then sailors are required to contribute 20 cents per month to the Hospital Fund for their future health care. The practice continued for 145 years until 1943, when, at the height of World War II, Congress decided it was unfair to impose health care charges on members whose duties were so hazardous.

1956: The first documented evidence of the services advertising "free health care for life" in recruiting and retention literature. Such advertisements continued until 1993 (see graphic), when retiree protests that DoD was reneging on the promise led the Army to change the wording in its brochures.

1966: Congress declines to extend CHAMPUS eligibility beyond age 65, asserting that the abundance of space available medical care in military facilities plus Medicare offered uniformed services retirees a viable "two-track" health care system.

1991: Congressional Research Service report concludes that the "free health care for life" promise was functionally true and had been used to good advantage for recruiting and retention.

1995: Stephen Joseph, M.D., assistant secretary of defense (health affairs), testifies before Congress that DoD has an "implied moral commitment" to provide health care to all eligible beneficiaries.

The Retired Officers Association, April 1996

Mr. SCARBOROUGH. Congressman Shows, any other questions?

Mr. SHOWS. No.

Mr. SCARBOROUGH. OK. Thank you.

Well, I would like to do about 10 more rounds, but unfortunately we have to get up to Washington and vote today, so if you gentlemen do not mind I will be submitting written questions, and if any other panel members have any written questions they would like to submit to you we will keep the record open for several weeks to get a response to those questions.

But thank you again for coming and testifying, and we appreciate your service to the country, and also appreciate what you are doing now. Thank you.

Colonel DAY. Thank you.

[Applause.]

Mr. SCARBOROUGH. All right. We now call our third panel up to testify, third and final panel today, and speaking on the third panel once again we will have William "Ed" Flynn III, he is Director of Retirement and Insurance Programs for the Office of Personnel Management. He is a frequent witness before this subcommittee, and we certainly appreciate his technical knowledge of the FEHBP. Thank you, Mr. Flynn, for being with us again.

Our other witness for the third panel is Rear Admiral Thomas Carrato. He currently serves as Director of Military Health System Operations at TRICARE. He has appeared before this subcommittee to discuss the ongoing military FEHBP demonstration project, and we certainly appreciate his appearance here today also.

Mr. Flynn.

STATEMENTS OF WILLIAM "ED" FLYNN, DIRECTOR, RETIREMENT AND INSURANCE PROGRAMS, OFFICE OF PERSONNEL MANAGEMENT; AND REAR ADMIRAL THOMAS F. CARRATO, DIRECTOR, MILITARY HEALTH SYSTEM OPERATIONS, TRICARE MANAGEMENT ACTIVITY

Mr. FLYNN. Thank you, Mr. Chairman, and good morning also to Mr. Cummings and Mr. Shows.

I appreciate very much your invitation for me to come and testify today, and to provide some information about how the Federal Employees Health Benefits Program operates, and our views on several bills that are pending in Congress that would enable certain members of the military family to enroll in the Federal Employees Health Benefits Program.

As you know, and as has been stated here this morning, the Federal Employees Health Benefits Program is the Nation's largest employer-sponsored health insurance program. With $18 billion in annual revenues it covers approximately 9 million people, including 2.3 million active Federal employees, 1.9 million retirees and their eligible family members and dependents.

Each year we prepare a wealth of comparative and other information in paper and electronic formats to enable these individuals to make informed choices among the almost 300 health plans that participate in the program. The program provides active and retired Federal employees and their families access to the same health plan coverage with the same government contribution. In general, participants receive a government contribution equal to 72

percent of the program's weighted average premium, limited to 75 percent of the premium for any particular plan that they choose. Individuals who enroll in the program then pay the difference out of their own pocket.

By virtually any measure, the Federal Employees Health Benefits Program is a resounding success. It has weathered evolution in the health care industry remarkably well, though it has not been without its challenges, some of which as you know we confront today. The program earns high marks from observers as a market-oriented program which provides vital health care protection at a reasonable price to its members. Because of this, many see it as a model for extending health care protection to others. We have always attempted to be helpful in this regard. If our experience can be used to solve health care issues for others, we are eager to assist.

The program is unique. It is an employer-sponsored program, it is an integral part of the compensation package the government relies on to successfully compete with other employers in attracting and retaining qualified employees to perform the vital work of government. As an employer, the government must be able to manage its health insurance costs in order to remain competitive, and to offer value to the government's work force.

For these reasons, if we were to undertake a direct role in expanding health care access for members of the military we would want to ensure that the program's strategic value as a component of that compensation package is maintained.

In order to do that, we think several principles are important. First, the new population should be considered a separate risk pool for purposes of establishing premiums, at least until there is enough experience to evaluate whether or not they are any differences in the utilization of health care.

Second, the sponsoring organization for the new population must be prepared to conduct enrollment administrative-related financial activities in much the same way that Federal employing agencies do today.

Third, proposals for adding any group should include authority for OPM to manage the inclusion of new participants to ensure adequate access to health plans and the services that they offer.

On the whole, the pending legislative initiatives to allow certain military groups to enroll in the Federal Employees Health Benefits Program conform to these principles. We have reviewed the pending bills to understand their implications for the Federal Employees Health Benefits Program, and we are working with the Department of Defense to determine the best way to meet the needs of that population.

In that regard let me offer just a few comments on the current Department of Defense Federal Employees Health Benefits Demonstration Project. As you know, we have just concluded the initial open enrollment period. While cooperating closely with the Department of Defense on every aspect of implementation, all of us are disappointed that only about 2,500 of the 66,000 eligible individuals chose to participate. We are already planning greater outreach efforts and informational efforts for the next enrollment period in November.

There has already been some testimony this morning about the various reviews we have underway and things that we can do differently and better next November. I think I will just make reference to that and answer any questions that you may have.

As I said, Mr. Chairman, I appreciate very much the opportunity to be here this morning, and would be happy to answer any questions you may have.

Mr. SCARBOROUGH. Thank you, Ed.

Admiral Carrato.

[The prepared statement of Mr. Flynn follows:]

STATEMENT OF
WILLIAM E. FLYNN, III
ASSOCIATE DIRECTOR FOR RETIREMENT AND INSURANCE
U.S. OFFICE OF PERSONNEL MANAGEMENT

at an oversight hearing of the

SUBCOMMITTEE ON CIVIL SERVICE
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

on

PROPOSALS TO ALLOW MILITARY HEALTH CARE BENEFICIARIES ACCESS TO THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

April 3, 2000

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

THANK YOU FOR YOUR INVITATION TO JOIN YOU TODAY. AS YOU REQUESTED, I WILL FIRST PROVIDE A GENERAL OVERVIEW OF THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM THAT THE OFFICE OF PERSONNEL MANAGEMENT (OPM) ADMINISTERS. ADDITIONALLY, YOU ASKED FOR OUR PERSPECTIVE ON LEGISLATIVE INITIATIVES CURRENTLY PENDING BEFORE CONGRESS THAT WOULD ALLOW CERTAIN MILITARY HEALTH CARE BENEFICIARIES TO ENROLL IN THE SAME HEALTH PLANS THAT COVER FEDERAL EMPLOYEES, RETIREES, AND THEIR FAMILIES.

OVERVIEW OF FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM BEGAN OPERATION IN JULY 1960 AND IS THE NATION'S LARGEST EMPLOYER-SPONSORED HEALTH INSURANCE PROGRAM. WITH $18 BILLION IN ANNUAL PREMIUM REVENUE, IT COVERS APPROXIMATELY 9 MILLION ELIGIBLE BENEFICIARIES, INCLUDING 2.3 MILLION FEDERAL EMPLOYEES, 1.9 MILLION ANNUITANTS, AND ELIGIBLE DEPENDENTS. THE PROGRAM PROVIDES FOR A CHOICE BETWEEN TWO TYPES OF HEALTH CARE DELIVERY SYSTEMS----TRADITIONAL FEE-FOR-SERVICE HEALTH PLANS AND COMPREHENSIVE PREPAID BENEFIT PLANS, COMMONLY KNOWN AS HEALTH MAINTENANCE ORGANIZATIONS OR HMOs. OPM HAS BROAD FLEXIBILITY TO CONTRACT WITH PRIVATE INSURERS FOR A VARIETY OF BENEFIT PACKAGES. OF THE APPROXIMATELY 300 HEALTH PLANS PRESENTLY PARTICIPATING IN THE PROGRAM, MOST ARE HMOs. THERE ARE 13 FEE-FOR-SERVICE PLANS, INCLUDING THE BLUE CROSS-BLUE SHIELD SERVICE BENEFIT PLAN, SIX PLANS WHICH ARE RESTRICTED TO MEMBERS OF SPONSORING ORGANIZATIONS, AND SIX WHICH ARE NOT RESTRICTED. TODAY THE PROGRAM FEATURES A STRONG EMPHASIS ON MANAGED CARE; PREFERRED PROVIDER NETWORKS ARE AN INTEGRAL COMPONENT OF VIRTUALLY ALL OF THE FEE-FOR-SERVICE PLANS.

DEPENDING ON WHERE THEY LIVE, INDIVIDUALS AND FAMILIES MAY CHOOSE FROM AMONG AS MANY AS A DOZEN HMOs AND AT LEAST SEVEN FEE-FOR-SERVICE PLANS. THEY HAVE THE OPPORTUNITY TO ENROLL IN THE PROGRAM, CHANGE HEALTH PLANS, AND MAKE OTHER CHANGES IN ENROLLMENT STATUS, AT LEAST ONCE A YEAR DURING THE 4-WEEK ANNUAL OPEN SEASON THAT BEGINS ON THE SECOND MONDAY IN NOVEMBER. THE OFFICE OF PERSONNEL MANAGEMENT PREPARES A WEALTH OF COMPARATIVE AND OTHER INFORMATION IN PAPER AND ELECTRONIC FORMATS TO HELP INDIVIDUALS MAKE AN INFORMED CHOICE AMONG PLANS. OPM RESOLVES DISPUTES BETWEEN MEMBERS AND THEIR HEALTH PLANS. OPM'S ADMINISTRATIVE EXPENSES UNDER THE PROGRAM AMOUNTED TO $20 MILLION IN 1999----ABOUT ONE TENTH OF ONE PERCENT OF TOTAL ANNUAL PREMIUMS.

EMPLOYING AGENCIES AND FEDERAL RETIREMENT SYSTEM ADMINISTRATORS HANDLE ADMINISTRATIVE ACTIVITIES RELATED TO PROCESSING AND RECONCILING ENROLLMENTS, DETERMINING ELIGIBILITY, COUNSELING ELIGIBLE PARTICIPANTS AND SUBMITTING PREMIUM WITHOLDINGS AND CONTRIBUTIONS TO OPM.

THE PROGRAM PROVIDES ACTIVE AND RETIRED FEDERAL EMPLOYEES AND THEIR FAMILIES ACCESS TO THE SAME HEALTH PLAN COVERAGE WITH THE SAME GOVERNMENT CONTRIBUTION. IN GENERAL, PARTICIPANTS RECEIVE A

GOVERNMENT CONTRIBUTION EQUAL TO 72 PERCENT OF THE PROGRAM'S WEIGHTED-AVERAGE PREMIUM FOR SELF ONLY OR FOR SELF AND FAMILY ENROLLMENT, LIMITED TO 75 PERCENT OF THE PREMIUM FOR ANY PARTICULAR PLAN THEY CHOOSE.

THE PROGRAM IS UNIQUE IN THE TWO KEY FEATURES THAT FORM THE BASIS OF ITS CONTINUED SUCCESS-COMPETITION AMONG MANY HEALTH PLANS AND INFORMED CONSUMER CHOICE. FURTHER, IN THE WAKE OF RAPID INFLATION IN HEALTH CARE COSTS DURING THE 1980s, THE OFFICE OF PERSONNEL MANAGEMENT ACTED EARLY IN THE 1990s TO MOVE ALL PARTICIPATING HEALTH PLANS TOWARD COMPREHENSIVE COVERAGE FOR CORE MEDICAL SERVICES AND INCREASING RELIANCE ON MANAGED CARE MECHANISMS TO ENSURE APPROPRIATE UTILIZATION.

BY VIRTUALLY ANY MEASURE, THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM IS A RESOUNDING SUCCESS STORY. IT HAS WEATHERED EVOLUTION IN THE HEALTH CARE INDUSTRY REMARKABLY WELL, THOUGH NOT WITHOUT ITS CHALLENGES, SOME OF WHICH WE CONFRONT TODAY. THE PROGRAM HAS EARNED HIGH MARKS FROM OBSERVERS AS A MARKET-ORIENTED PROGRAM WHICH PROVIDES VITAL HEALTH CARE PROTECTION, AT A REASONABLE PRICE, TO ITS MEMBERS. BECAUSE OF THIS, MANY SEE IT AS A MODEL FOR EXTENDING HEALTH PROTECTION TO OTHERS.

PROPOSALS TO INCLUDE MILITARY BENEFICIARIES IN THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

SINCE THE EARLY 1990s, THE PROGRAM HAS ATTRACTED ATTENTION AS A USEFUL MODEL FOR IMPROVING ACCESS TO AFFORDABLE HEALTH CARE FOR OTHER POPULATIONS, NOTABLY VARIOUS COMPONENTS OF THE MILITARY POPULATION. WE HAVE ALWAYS ATTEMPTED TO BE HELPFUL AND WILLING TO RESPOND TO REQUESTS IN THIS REGARD. IF OUR EXPERIENCE CAN BE USED TO SOLVE HEALTH CARE ISSUES FOR OTHERS, WE ARE EAGER TO ASSIST.

THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM IS UNIQUE; IT IS AN EMPLOYER-SPONSORED HEALTH INSURANCE PROGRAM. IT IS AN INTEGRAL PART OF THE COMPENSATION PACKAGE THE GOVERNMENT RELIES ON TO SUCCESSFULLY COMPETE WITH OTHER EMPLOYERS IN ATTRACTING AND RETAINING QUALIFIED EMPLOYEES TO PERFORM THE VITAL WORK OF THE GOVERNMENT. AS AN EMPLOYER, THE GOVERNMENT MUST BE ABLE TO MANAGE ITS HEALTH INSURANCE COSTS AS A COMPONENT OF COMPENSATION IN ORDER TO REMAIN COMPETITIVE AND OFFER VALUE TO THE GOVERNMENT'S WORKFORCE.

FOR ALL THESE REASONS, IF WE WERE TO UNDERTAKE A DIRECT ROLE IN EXPANDING HEALTH CARE ACCESS FOR MEMBERS OF THE MILITARY, WE

WOULD WANT TO ENSURE THAT WE RETAIN THE PROGRAM'S STRATEGIC VALUE AS A COMPONENT OF THE EMPLOYEE COMPENSATION PACKAGE.

IN ORDER TO RETAIN THAT VALUE, WE BELIEVE SEVERAL PRINCIPLES NEED TO GUIDE THE INCLUSION OF OTHER GROUPS INTO A PROGRAM LIKE THE FEDERAL EMPLOYEES HEALTH BENEFITS PLAN. FIRST, THE NEW POPULATION SHOULD BE CONSIDERED AS A SEPARATE RISK POOL FOR PURPOSES OF ESTABLISHING PREMIUM CHARGES--AT LEAST UNTIL THERE IS SUFFICIENT EXPERIENCE TO FULLY EVALUATE UTILIZATION DIFFERENCES. SECOND, THE SPONSORING ORGANIZATION FOR THE NEW POPULATION MUST BE PREPARED TO CONDUCT ENROLLMENT, ADMINISTRATIVE AND RELATED FINANCIAL ACTIVITIES IN MUCH THE SAME WAY AS FEDERAL AGENCIES DO TODAY. THIRD, PROPOSALS FOR ADDING ANY GROUP SHOULD INCLUDE AUTHORITY FOR OPM TO MANAGE THE INCLUSION OF NEW PARTICIPANTS TO ENSURE ADEQUATE ACCESS TO HEALTH PLANS AND SERVICES. ON THE WHOLE, THE PENDING LEGISLATIVE INITIATIVES TO ALLOW CERTAIN MILITARY GROUPS TO ENROLL IN THE FEDERAL EMPLOYEES HEALTH BENEFITS COVERAGE CONFORM TO THESE PRINCIPLES.

WE HAVE REVIEWED THE PENDING BILLS TO UNDERSTAND THEIR IMPLICATIONS FOR THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM AND WE ARE WORKING WITH THE DEPARTMENT OF DEFENSE TO DETERMINE THE BEST WAY TO MEET THE NEEDS OF THE MILITARY POPULATION.

THE CURRENT DEPARTMENT OF DEFENSE FEDERAL EMPLOYEES HEALTH BENEFITS DEMONSTRATION PROJECT IS JUST CONCLUDING THE INITIAL OPEN ENROLLMENT PERIOD. BOTH THE DEPARTMENT OF DEFENSE AND THE OFFICE OF PERSONNEL MANAGEMENT COOPERATED CLOSELY ON EVERY ASPECT OF IMPLEMENTATION, INCLUDING MARKETING TO ELIGIBLE PARTICIPANTS AFTER THE OPEN ENROLLMENT PERIOD. NONETHELESS, WE ARE DISAPPOINTED THAT ONLY ABOUT 2,500 OF THE 66,000 ELIGIBLE INDIVIDUALS AS DEFINED IN THE AUTHORIZING LEGISLATION CHOSE TO PARTICIPATE. WE ARE ALREADY PLANNING GREATER OUTREACH EFFORTS FOR THE NEXT ENROLLMENT PERIOD THAT BEGINS IN NOVEMBER.

HOWEVER, ANECDOTAL EVIDENCE SUGGESTS THAT MANY MILITARY BENEFICIARIES MAY NOT PERCEIVE THE FEDERAL EMPLOYEE PROGRAM AS A PREFERRED OPTION. FOR EXAMPLE, OF THE OVER 66,000 POTENTIAL ELIGIBLE INDIVIDUALS WHO RECEIVED NOTIFICATION, ONLY ABOUT 3,600 REQUESTED ENROLLMENT MATERIALS. WE ARE CAREFULLY INVESTIGATING THE LIKELY REASONS FOR THIS RESPONSE WITH THE DEPARTMENT OF DEFENSE. IN ADDITION, THE GENERAL ACCOUNTING OFFICE WILL SURVEY DEMONSTRATION PROJECT ELIGIBLES AS TO WHY THEY DID OR DID NOT PARTICIPATE. THIS DATA SHOULD BE EXTREMELY USEFUL IN BETTER UNDERSTANDING THE INTERESTS

OF MEDICARE-ELIGIBLE MILITARY BENEFICIARIES AND PLANNING IMPROVEMENTS FOR THE FUTURE.

THIS CONCLUDES MY STATEMENT. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE AT THIS TIME.

Rear Admiral CARRATO. Mr. Chairman, Mr. Cummings, Mr Shows, good morning.

I would also like to say I am honored to be in this auditorium with Colonel Day and the other great American patriots who are here and represented today.

I appreciate the opportunity to discuss the department's progress in implementing TRICARE, and to review the legislation pending in the Congress on access to FEHBP for military beneficiaries. A particular focus for both the Congress and the administration is defining how the Nation will keep its health care commitments to military retirees and their families over the age of 65.

TRICARE is the Defense Department's means for execution of the military health care mission, to ensure readiness through a fit and healthy force that is ready to fight whenever called upon, and to provide health care for the military family.

TRICARE offers a triple-option health benefit that provides beneficiaries a choice. TRICARE offers a comprehensive health benefit for our beneficiaries for preventive health services. For better coordination with our civilian systems, and to lower out-of-pocket costs for families we have designed and fully implemented a strong, more uniform benefit.

Because health care is a key quality of life issue for our service members and their families, making TRICARE work for our beneficiaries is a very high priority for the department. Many steps have been taken to make the program less expensive and easier for our beneficiaries to use. Recent independent reports on TRICARE performance find improved access to care, high quality of care, and stable costs for the government and beneficiaries.

While we have taken many actions to improve TRICARE, our work is not done. Over the past year senior department and service leadership have visited each TRICARE region to identify areas in which we can further improve customer service and access.

We have developed an aggressive action plan to further improve areas such as access to care and claims processing. We are working closely with the joint chiefs of staff and the Defense Medical Oversight Committee, which is made up of military and civilian leadership, to ensure these improvements will make TRICARE more accessible and customer-friendly, simpler, and more uniform throughout the country.

Another focus of the department is enhancing the military health benefit. The President's budget for fiscal year 2001 adds funding for two important expansions of the TRICARE benefit that will lower out-of-pocket medical costs for service members and their families.

A number of bills introduced in this session of Congress include extension of FEHBP coverage.

The department views extension of the FEHBP demonstration and other demonstrations as an opportunity to collect additional information and experience on the feasibility of these alternatives. The department is working with OPM to select two additional sites for the FEHBP demonstration for this fall's open season due to low participation in the initial open season for the demonstration.

The department opposes the provisions extending FEHBP coverage to military retirees on a permanent basis, owing to their high

cost and adverse effects on military readiness. These provisions are estimated to cost $5 billion to $9 billion annually. The most serious consequences of these provisions would arise if the high costs had to be absorbed by the Defense Health Program. Space-available care in the military treatment facilities would ultimately be reduced by the cost of this new entitlement. Consequently, beneficiaries in the lowest priority for access to care in military hospitals would see their access severely curtailed, if not eliminated. This group would include those beneficiaries not enrolled in TRICARE Prime.

The department is committed to doing all it can to provide health care for our retired beneficiaries who have served our country with great honor and dignity. As the subcommittee members are aware, current statutory authority provides only for space-available care in military treatment facilities for military retirees who have reached age 65.

The growing number of military retirees aged 65 and older, infrastructure downsizing, and increased TRICARE Prime enrollment have resulted in less space-available care for military retirees.

Secretary Cohen and the chairman have expressed their strong commitment to expand health care access to our Medicare-eligible retirees, their spouses and survivors. The department is conducting several demonstration programs to test the best means to expand health care to our Medicare-eligible retirees.

As the department conducts these tests of FEHBP, TRICARE senior, and other approaches for meeting the needs of our senior beneficiaries we always keep in mind the substantial sacrifices that these people made in service to their country. We also remember their comrades-in-arms who gave the last full measure of devotion.

Thank you.

[The prepared statement of Rear Admiral Carrato follows:]

Implementation of the Federal Employees Health Benefits Program Demonstration Program

Statement By

Rear Admiral Thomas F. Carrato, USPHS
Director, Military Health System Operations
TRICARE Management Activity

Submitted to the

Civil Service Subcommittee
Committee on Government Reform and Oversight
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Mr. Chairman, Distinguished members of the Committee, I appreciate the opportunity to discuss our progress in implementing the demonstration program required by section 721 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999. The demonstration makes enrollment in the Federal Employee Health Benefits Program available to certain Military Health System beneficiaries, principally military retirees who are Medicare eligible and their family members.

The Department of Defense has worked closely with the Office of Personnel Management in implementing the demonstration program. Pursuant to the statutory direction, last year we selected eight sites for the program, told eligible beneficiaries about the program, and conducted an open enrollment season coincident with the usual FEHBP open season in November and December for health care enrollments effective January 2000.

In its invitation to this hearing, the committee asked that we specifically address several items, including:

1. **The most recent enrollment data available for the demonstration.** This issue is addressed in testimony, and was submitted in advance for Committee review.

2. **An assessment of the difficulties low enrollment will create for participants and carriers in the future.** We have discussed this question with the Office of Personnel Management, and they will address it in their testimony.

3. **Recommendations for improving the demonstration project.** The Office of Personnel Management has prepared some recommendations to improve the Fall 2000 open season for persons eligible for the demonstration. We plan to work closely with OPM in developing the marketing plan and approach, to assure that beneficiaries have all the information they need to make their enrollment decision.

In addition to requesting that we address these issues, the Committee asked that the Department provide information on several matters in advance of the hearing, including:

- Implementation of the memorandum of understanding between the Department and the Office of Personnel Management for the conduct of the demonstration.
- Timelines, milestones, schedules or similar documents relating to implementation or marketing of the demonstration, and any missed deadlines or targets.
- Detailed information about each health fair conducted by the Department, including attendance, publicity, responsible persons, materials used, training materials, and other documentation.
- Plans for marketing and conducting health fairs.
- Training materials and scripts or reference material used in operation of the Call Center for the demonstration.

- Information on meetings, discussions, or conversations regarding implementation, marketing, and operation of the Call Center for the demonstration.
- Documents relating to a decision to have a second open season, require those who enrolled in the second open season to pay premiums back to January 1, 2000, and changes in the marketing plan for the second open season.
- Information on whether the Department has analyzed the number of enrollees and its effect on the demonstration.
- Information on any consultation with OPM or FEHBP carriers regarding low participation rates and their effect on future premiums.
- Any additional documentation relating or referring to the demonstration.

In response to the request from the committee, the Department has provided several thousand pages of documentation about the development and marketing of the demonstration. I will address some of the issues of concern in my testimony.

Premium Rates in the Demonstration

Because the statutory authority for the demonstration provided for a separate risk pool for the demonstration, and set government contributions at the standard rates for Federal employees, beneficiary groups were concerned that FEHB plans might set rates too high. That concern was allayed when Blue Cross and Blue Shield, and several other plans, set their rates at the same level as for Federal employees and annuitants. Although many plans did set their rates higher than their standard FEHB premium levels (some dramatically higher) beneficiaries did have a choice of plans at the same premium levels experienced by Federal employees and annuitants.

Overview of the Marketing Effort

From the outset, the demonstration project was marketed beyond the conventional scope of the FEHBP due to the eligible population's unfamiliarity to the program, unlike the regular FEHBP eligible population who must be enrolled in the program for five years before continuing enrollment through retirement.

Summary of Phase 1 Activities

- During the period January 1998 to December 1999, the Department had over 20 meetings with representatives from the Military Coalition and Military Veterans Alliance where the FEHBP Demonstration was discussed.
- A DoD news release was issued on Jan 14, 1999, Military Retirees' Federal Employees Health Benefits Program Test Sites Selected.
- On August 10, 1999, postcards were sent to all eligible beneficiaries within the 8 demonstration sites. The mailing of the postcard to beneficiaries in the demonstration sites was delayed from the planned date of July 15, because of two printer's errors

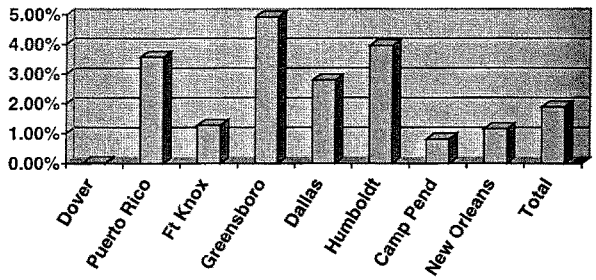
that forced two reprintings of the postcards. There was no discernible impact on beneficiaries from this delay.

- On September 1, 1999, the Department distributed 67,164 informational brochures in English and on September 4, 1999, distributed 4,651 informational brochures in Spanish to Puerto Rico.
- A toll-free Call Center opened on September 7, 1999 offering bilingual services.
- All eligible beneficiaries within the continental United States received the OPM 2000 Rate/Plan Guide between November 3-5, 1999, with an inserted flyer announcing health fair times and locations. This was later than the scheduled time of October 30, because of production delays in printing the OPM Guide. There have been anecdotal reports that some beneficiaries did not receive the mailing announcing the health fair until it was too late to attend.
- In order to accommodate eligible beneficiaries within the Commonwealth of Puerto Rico, 4,651 bilingual postcards with health fair times and locations were sent to Puerto Rico on November 20, 1999.
- The Department participated in or organized health fairs throughout November and December to coincide with the Open Season November 8 through December 13. About 2,370 beneficiaries attended the health fairs. We are particularly grateful to the Congressional staff members who took time to assist us and attend some of the fairs.
- The TRICARE web site regarding the FEHBP demo was accessed over 10,000 times in the months leading up to the enrollment season.

Enrollment Results from Phase 1

Through December 30, 1999, there were about 1,300 enrollees (technically, covered persons). This represented less than 2 percent of the total eligible population. Chart 1 displays the results by site.

Chart 1: Percentage of Eligible Beneficiaries Enrolled, by Site, December 1999



Summary of Phase 2 Activities

Owing to the very low response, the Department worked with OPM to develop an additional mailing for late December, to emphasize the significance of the opportunity, to clarify the relationship of FEHB plans to Medicare coverage, and to provide additional time for beneficiaries to consider enrolling. This was in keeping with normal OPM policy to provide additional time for beneficiaries to enroll, even after open season has technically ended, if they have not had sufficient time to consider the opportunity.

In addition to the mailing, DoD arranged and conducted 18 town hall meetings across the eight demonstration sites during January 2000. We would like to acknowledge the participation of Congresswoman Kay Granger, Congressman Richard Burr, and Congressman Mike Thompson in our town meetings, as well as the help and participation of several Congressional staff members.

Enrollment Results from Phase 2

As a result of the additional marketing, over 1,000 more beneficiaries are covered by the demonstration. Nearly half of the growth was in enrollment in Puerto Rico where there were 308 persons covered as of December 30, and 773 as of late February.

Assessment of Enrollment Results and the Demonstration's Success

In last year's testimony before this committee, I cited participation estimates by the Congressional Budget Office, the General Accounting Office, and others, which have ranged up to 83 percent of eligible beneficiaries. Given the level of interest by beneficiary groups in this program we assumed that a significant portion of the eligible beneficiaries might participate. It should be noted that under this demonstration, there is a statutory limit of 66,000 participants. If the Department had to stop enrollment due to high rates of participation, this would have lessened the validity of the demonstration results, since under the regular FEHBP Program, there are no limits on enrollment. This would make it impossible to draw conclusions about the most important issue being tested in the demonstration – the level of beneficiary participation.

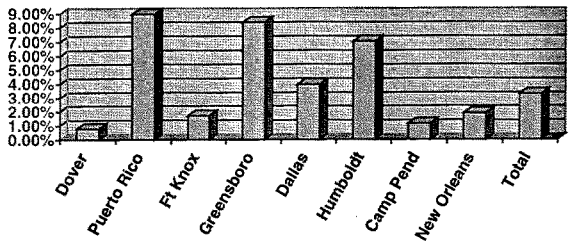
Now, the initial results are in, and actual enrollment has fallen far short of even the most modest estimates of participation. The Department shares the Committee's concern about the level of enrollment, in part because we have made a substantial commitment of staff resources and funding to the successful implementation and operation of the demonstration. We take Congressional mandates seriously, and have spent over $4 million in establishing the mechanisms to support the program and market it effectively to eligible beneficiaries. This represents an investment of over $50 per eligible person, or looked at another way, over $1,700 for every enrollee in the demonstration.

The General Accounting Office is conducting a beneficiary survey to evaluate in detail why beneficiaries enrolled or not, and we would defer to their findings in this regard. Since their results will not be available for some time, we provide the following discussion of possible reasons for the low participation.

First, some beneficiaries may have had inadequate information, or not enough time to decide on whether to enroll. This possibility was the principal factor in our decision to work with OPM to mail additional information to all beneficiaries in late December, and conduct additional marketing activities in each site in early January. The number of additional enrollees since January 1 (nearly 1,000) suggests that time and information may have played some part in the low participation. However, most of the more recent enrollees are from Puerto Rico, where we are aware of communications problems, rather than from all the sites. On balance, it does not appear that lack of information or time is the main reason for low participation.

Second, there are clear patterns in the enrollment levels by site. Chart 2 displays the percentage of eligible beneficiaries who are enrolled, by site, as of late February.

Chart 2: Percentage of Eligible Beneficiaries Enrolled, by Site, February 2000



Enrollment response has been best in those sites with very limited access to military health care – Puerto Rico, Greensboro, and Northern California. In locations with a military facility, or where beneficiaries have access to military pharmacy coverage, enrollment has been much lower – suggesting that access to military health care services may play a big role in beneficiary decision making. This would be consistent with the Department's position in its 1998 Report to Congress on FEHBP coverage, to focus on areas away from military facilities. The Department proposed to "work with the Congress on a test, subject to new funding being provided, of FEHBP coverage and other means of expanding health care benefits for military beneficiaries over age 65 in several locations outside military medical treatment facilities catchment areas."

Third, beneficiaries may have made their health care arrangements, and be unwilling to change them for a limited-term demonstration. Our experience with the TRICARE Senior (Medicare Subvention) Demonstration was similar, in that initial

enrollment demand was considerably below early projections. In part, this can be attributed to the beneficiary education and marketing process, but beneficiary resistance to disrupting their lives to enroll in a temporary program is likely a factor also. GAO's review should shed light on the significance of this.

Fourth, there may be a variety of other factors at work, and we hope that GAO's survey and evaluation will help uncover them. For example, age, health status, existing insurance coverage, financial status, and retired rank are some of the variables which may affect an individual's decision to enroll.

Planned Expansion of the Demonstration

Given that enrollment falls far short of the levels authorized for the demonstration, the Department believes that it would be appropriate to add two more sites to the demonstration, bringing the total number of sites to the statutory maximum of ten. Site selection will need to be carried out in the next few weeks to make it possible for the sites to be included in the open season enrollment period later this year. This is because of the long lead time needed for negotiations with the FEHB plans in the selected sites. Our intention in selecting sites would be to choose areas with substantial numbers of eligible beneficiaries (20,000 or more per site) in order to increase the size of the demonstration meaningfully.

DoD's Commitment to Its Senior Beneficiaries

DoD recognizes its responsibility to offer a health program for military beneficiaries aged 65 and older, and is committed to maintaining access to care despite reductions in medical infrastructure. For example, DoD mail order and retail pharmacy benefits are extended to Medicare-eligible beneficiaries who formerly relied on now-closed pharmacies – over 400,000 persons.

We believe that significant efficiencies can be achieved in the Military Health System. Our strategy is to explore and test viable options for retiree health care, and to identify the best ways to meet our beneficiaries' needs in the future.

Among the programs that are now under way or being developed are the following:

- **TRICARE Senior** (Medicare subvention) is undergoing a 3-year test at six sites, as authorized by the Balanced Budget Act of 1997. Under TRICARE Senior Prime, DoD may receive capitated payments from Medicare Trust Funds for beneficiaries enrolling in TRICARE.

- A demonstration project at **MacDill AFB**, Florida involves enrollment of 2,000 seniors for primary care services at the MacDill hospital; when they need services beyond the capabilities of MacDill, they will obtain those services from civilian

providers and use their Medicare entitlement. Annual DHP funding of $2 million has been allocated to this project.

- **Additional demonstrations** besides the FEHBP demonstration include a test of TRICARE as a supplement to Medicare, at two sites, and enhanced pharmacy coverage, at two sites. Marketing of the TRICARE Senior Supplement is under way now in Santa Clara, California and the Cherokee County, Texas area. The pharmacy pilot program will start in July.

With full implementation of these demonstration programs next year, DoD will have in place projects in about 20 locations, affecting about 100,000 65 and over military beneficiaries. As information becomes available about beneficiary satisfaction, program costs and feasibility, and other factors, it will be vital to examine the options and come up with a well-reasoned approach to meeting the health care needs of the beneficiaries, to whom the nation owes so much.

Access to military health care is a benefit these people have earned based on their years of service to and sacrifice for their country. Many of them were promised free care for life if they spent a career in the military. DoD feels a sincere and enduring responsibility for the health of our retired beneficiaries, and will do all it can to meet its moral commitment to provide health care for our military retirees and their families. At the same time, they understand the reality of fewer hospitals, fewer physicians, and less money. We are committed to finding the best alternatives for ensuring our older retirees and their families comprehensive health care delivery.

Summary -- Keeping our Commitments

The Department, in cooperation with OPM, has made a concerted, sustained effort to get the word out, to fully inform beneficiaries about this important opportunity, and give them adequate time and support in their decision making. We are gaining valuable information about beneficiary preferences and desires, and we look forward to GAO's detailed findings on their beneficiary survey. There are improvements that we can make for the next open season, and we plan to make them.

As the Department conducts these tests of FEHBP, TRICARE Senior, and the other approaches for meeting the health care needs of our senior beneficiaries, we always keep in mind the substantial sacrifices that these people made in service to their country. We also remember their comrades in arms, who gave the last full measure of devotion.

Thank you.

Mr. SCARBOROUGH. Thank you, Admiral, and I appreciate again both of you being here today.

Admiral, I wanted to ask you, first of all it sounded as if in your testimony that you stated the Department of Defense's position on Congressman Shows' bill would be that it was opposed because of the high cost; is that accurate?

Rear Admiral CARRATO. Yes, sir. There are two issues that we are concerned about and the views we provided on Mr. Shows' bill. The first issue is the impact upon medical readiness. The second issue does deal with the cost issue, and certainly the potential impact that would have from a financial perspective on the defense health plan.

Mr. SCARBOROUGH. Do you agree with the statement that Secretary Cohen said on Friday, actually this past Friday, where he said how do we tell the people who are coming in that we want them to make a commitment when we make a commitment that we cannot even keep.

Some of the retirees are saying to potential recruits, "Do not join because they will not take care of you and your family." That can have a major impact on recruitment. I mean do you agree with Secretary of Defense Cohen that these broken promises are starting to catch up with the military in this country?

Rear Admiral CARRATO. Yes, sir. I know the Secretary and the chairman are both very concerned about quality of life issues, and certainly health care is one of the most important quality of life issues.

Mr. SCARBOROUGH. Well, is there not a disconnect there, though? If the DOD does not step forward—and again I think we need to go back to last year's hearing, and I am not one, you can ask my children, I am not one to say I told you so, but I will tell you, you know, last year we had a little back and forth to where you were testifying that the way the program was set up we were going to have something like 80 percent enrollment. I told you I would be shocked if we even got to 10 percent enrollment, and now we see that enrollment stands at about 4 percent. I was closer on that "The Price is Right" question than you. I am not questioning your integrity, or your word, or your commitment to these military retirees, but I do have concerns with the DOD's commitment because they know full well that when we were predicting failure last year now they have delayed another year, and what does another year mean? It means—how many World War II—you may know this answer—how many veterans of World War II are dying weekly; 1,000 a week?

VOICE. More.

Mr. SCARBOROUGH. At least 1,000 a week.

VOICE. 1,000 a day.

Mr. SCARBOROUGH. 1,000 a day, so the question is how many World War II veterans—you know, we have all these great movies about them, whether it is Tom Hanks, or whether it is "The Thin Red Line," or whatever they are all called, and everybody goes out teary-eyed wondering about what made these young men give the ultimate sacrifice, whether it was at Normandy, or whether it was at Pearl Harbor, or whatever, and yet every day we delay, another 1,000 die.

And I will tell you what, I am not going to be polite if we come back here next year and we have the same situation, and that is why I am pressing you on this, that is why there was an urgency last year when I said this thing was set up for failure, and that somebody in the DOD was sending you out and putting you in a very difficult position, because have bought a lot of time. Let us face it, if 1,000 die a day, well, great, the Federal Government has saved a lot of money on the deaths of veterans, World War II veterans where they are not going to have to worry about their health care, and I am sure if they stall another 5 years or so pretty soon they are going to just wait out these men and women, and wait until they die, and then, hey, there is not going to be a great crisis.

I mean I think it is despicable what has happened, I think it is despicable that they are doing the slow roll on these men and women that gave their all. And I am not preaching there, but it is hard for somebody like me to comprehend the existence of an Adolph Hitler, or to comprehend being attacked, American forces being attacked on American soil, and it is remarkable to me that the DOD is not going to step forward.

This question is about as long as a Chris Matthews question, I guess, so the question is this: How can you guarantee me, or how can—not you, but how can the DOD guarantee me that if you're not going to support Congressman Shows' bill to take care of this situation that we are not going to be back here a year later with another 365,000 dead World War II veterans and with the same situation where we say, "Well, let us conduct another study for another 2 or 3 years to see if this works or not?" What can you all do?

Rear Admiral CARRATO. I think there were several questions. I will try and touch on the big one first.

You are correct, the Secretary and the chairman have both recognized that a moral obligation has been made to these great American patriots, the individuals who fought and won World War II and Korea. As the Secretary and the chairman have been working with the Congress to address all of the quality of life issues, and last year with the tremendous support of Congress, the Secretary and the chairman were able to address pay and retirement housing; this year they are focusing on health care. And in that regard to meet and address the moral commitment the Secretary established the Defense Medical Oversight Committee which is comprised of the UnderSecretary for Personnel and Readiness, the Vice-Chiefs of the services and their UnderSecretaries, and they want to look at the TRICARE benefit, and what we can provide to the over–65 retirees, and how we found it.

I can also say that one bill, Senate bill 2087 which talks about extending the national mail order pharmacy program, the department has gone on record as saying that represents a very good first step, and you need to start with a very good first step, but the bottom line answer is that the department does recognize a moral commitment, they have established a very senior body comprised of senior military and civilian leaders to address this very important policy issue for the department and for the country.

Mr. SCARBOROUGH. Is it primarily a money issue? Is the opposition—you say it is $5 to $9 billion annually—would the DOD be

willing to support Shows/Norwood, a bill that we all support, if we were able to figure out a way to fund it without going into the DOD budget?

Rear Admiral CARRATO. Well, I think funding certainly is an issue, and we need to be fiscally prudent in anything that we do.

Mr. SCARBOROUGH. Is it a main issue?

Rear Admiral CARRATO. The other issue is readiness.

Mr. SCARBOROUGH. Readiness in what way?

Rear Admiral CARRATO. Readiness—the reason for being, for having military health system is to provide support to our troops when they go in harm's way, but we also need to make sure that we have a fit and healthy force, so we have a significant peacetime role to make sure that our force is healthy.

We need to make sure that we have that infrastructure, that we have those highly trained physicians, nurses, technicians who are able when called to support a contingency, and what we learn is that what we do in peacetime, whether it is medical logistics, whatever support there is for the wartime mission, we need to make sure that what we do in peacetime we can translate into wartime, so readiness is a very, very important consideration, in addition to funding issues as we consider these bills.

Mr. SCARBOROUGH. Would you agree with myself and Secretary Cohen and other people that have spoken today that readiness is one of our concerns, too, that when we do not keep the promise we cannot get the best people to come in and service? You agree that is a readiness crisis, too?

Rear Admiral CARRATO. I agree with a lot of the statements that were made, but I think you made the statement you can have whatever Hollywood producer/director producing recruiting commercials, but when your grandfather, your father tells you that is probably not a good deal, that is really what impacts on recruitment, and it certainly can have some effect on retention as well, and that is why the Secretary and the chairman are committed to working with the Congress to address this issue.

Mr. SCARBOROUGH. I really hope we can keep an open dialog and with the urgency of understanding how many American heroes die every day, and die going to the grave knowing like my grandfather that the country they fought for could not even keep their promise to them, and I appreciate you being here testifying today. I know you do not deliver a message that anybody here wants to hear, but at the same time you are doing your job, and I look forward to working with you over the next year to make sure that when we hold a hearing again next year, and we will regardless of who is in charge, that we will have positive news to tell these men and women.

Congressman Cummings.

Mr. CUMMINGS. I was just sitting back just listening, and I could not help but think about Colonel Day's statement when he said that he believed, and a lot of people believe, a lot of our retirees believe that our country is just sort of waiting for them to die—boy, that is deep—just waiting for them to die. [Applause.]

And I am not here to beat up on anybody, but I think it does say something for us where we do not have the balance, and Congressman Shows in his statement he was talking about the balance, he

was talking about civilians, and he was talking about military, but there is also a balance I think that we have to have between the readiness that you talk about, and also talking about the people who made it possible for us to even have a system for people to be ready. In some kind of way we have got to strike that balance, because right now it seems like we are out of balance, and a lot of times in these kind of hearings, not necessarily about the military, we talk about costs if you do not do certain things. You know, we talk about children, we talk about all kinds of costs, and here I guess we don't talk about the cost of not providing adequate and timely health care because we are talking about older people, so we do not say, "Well, if we do not treat the person who is 67 years old, and do not give them what they need in 3 or 4 years it is going to cost us more to treat them because the health care will cost more, because we are saying they are going to die."

I mean that is what it really boils down to. I do not care how you look at it, and so it is not a very good commentary about the most powerful country in the world.

And that leads me to ask you, Rear Admiral, about the task force. You mentioned a task force——

Rear Admiral CARRATO. The Defense Medical Oversight Committee?

Mr. CUMMINGS. Yes, the one that is trying to come up with solutions.

Rear Admiral CARRATO. Yes, sir.

Mr. CUMMINGS. Do we have any kind of representation from the retired community on that?

Rear Admiral CARRATO. No, sir.

Mr. CUMMINGS. And it would just seem to me, and I do not know how that is structured or whatever, but it would just seem to me that I would love to have a guy like a Colonel Day or somebody sitting there saying "Hey, hey, what about us?" And I was just wondering, is there a mechanism for that kind of thing?

In other words, if you are trying to come up with something, if you have got some kind of mechanism in place to try to address these various medical problems with readiness, and retirees, and everybody, and you do not have a voice of the retired community, even though they may be senior officers on it, I just wonder if that is something practical that could be done.

Rear Admiral CARRATO. Let me answer your question in a couple of ways. First of all, in terms of being able to take advantage of individuals like Colonel Day, the member organizations of the Military Coalition and Alliance, organizations like TROA and others, we meet routinely—and when I say we, the office of the Assistant Secretary for Health Affairs—we have a recurring dialog. In fact, when enrollment was coming in as low as it was on the FEHBP demo, we quickly assembled that meeting on an ad hoc basis to get input.

We also stay in contact with them about improvements they would like to see made to the TRICARE program. They are also called—in this year's testimony before our oversight hearings the authorization committees both had panels where representation was provided by the Military Coalition and Alliance, so their voice is being heard.

I think they are also being heard certainly by the Secretary and by the chairman, and that is one of the reasons that this Defense Medical Oversight Committee was formed. In fact, one quote we heard was that medicine is too important for just the medics to handle it, and that is why this senior-level panel that now recognizes that health care is truly a recruitment and retention issue has assembled this senior body.

Now, while the membership does not allow for people currently like the membership organizations, certainly as the committee receives briefings from various parties that might be an opportunity to—and again I do not want to represent that I control that agenda, but I would think that might be one possibility to hear those concerns.

But I think the bottom line is, I think the concerns are well known to us. That is why I think as Colonel Day indicated, the Secretary, the chairman, that we do have this moral obligation, and we do need to find a way to address the issue.

Mr. CUMMINGS. I just have two more questions, Mr. Chairman.

Mr. SCARBOROUGH. All right.

Mr. CUMMINGS. Tell us what was the purpose of the demonstration projects, and what, if anything, have we learned from them?

Rear Admiral CARRATO. We have several demonstration programs for the over–65s that are currently ongoing. We also have a permanent program which addresses some of the concerns that were raised about base realignment and closure. We have a prescription drug benefit for the over–65s who were or are adversely impacted by base realignment and closures, so that addresses a very big void in Medicare coverage, and that is prescription drug coverage. That is a permanent program that the Congress directed us to implement, and we are serving about 400,000 Medicare-eligibles through the Brack Pharmacy Program.

We also have a TRICARE Senior Prime which is a Medicare subvention demonstration program, and that is six sites where we took six military hospitals, and we went through the Medicare Plus Choice qualification process, so we actually have qualified six military hospitals as Medicare HMOs, and Congressman Shows knows that the only Medicare HMO in the State of Mississippi is the one run by Kessler Medical Center. And that was to test the subvention program. Could we operate like a Medicare HMO, receiving funding from HCFA, and we have about 30,000 folks enrolled in that program.

We have two programs that we are just enrolling in now. One is another pharmacy demonstration program at two sites, and we also have something we call the TRICARE Senior Supplement demonstration program, and that is where we are putting in place TRICARE as a wraparound supplement to Medicare.

The other program, and the one I am going to be coming before your committee again next week to talk about, is the FEHBP demonstration program, and that was a test to see if we offered FEHBP to our over–65 population would they enroll.

I think all these tests are very valid. We are learning some valuable information. We do not have the complete scientific evaluation yet to learn all the lessons, but we are getting some valuable information, and I think it will be helpful as we move forward in

crafting a long-term solution, a long-term policy solution to the over–65 health care issue.

Mr. CUMMINGS. Just last, but not least, because of what you just said, you know, it goes back to when I asked Colonel Day and others about this whole question of the demonstrations, and you heard their opinion of the demonstrations; right?

Rear Admiral CARRATO. Yes, sir.

Mr. CUMMINGS. Can you understand why they would say what they said that the demonstrations are basically like a sort of stalling tactic I guess, and it is waiting for people still to die? I mean that is a hell of a statement to come—and I know, I mean I see everybody shaking their heads because they agree with it, but for us to take that back, I agree with the chairman some kind of way we have got to get this message through that the very people that all of these demonstration programs are supposed to be trying to help and all of that kind of thing, they do not have much of an opinion about them at all; they just think that it is a bunch of crap. So I mean that is—[applause]—and I just think that we have got to some kind of way we have got to do something different. I mean it is nice to be going in this circle, but it seems like that is about all it is, and I would rather—I used to always tell people if you are for me you are for me, if you are against me you are against me, but at least let me know so I can—I do not want people to say that you are doing something for me that you are not doing, and I can deal with that, but if you say you are doing something and I can clearly see that it is not doing what you claim it is doing, then I have a major problem.

And so with that I just want to thank all of you again, everybody who has testified, and being here in Pensacola I must say that you are very fortunate to have Mr. Scarborough representing you, and I am a Democrat, but we were able to get through our committee the long-term care package, which is very, very important, and I hope that the people in the audience understand that it is meeting like this, this is what America is all about right here, people getting together, us listening to what you all have to say, and taking that back so that hopefully we can make the kind of changes that will make a difference in your lives, and I just want to tell you it means a lot for me to come down here from Baltimore to see at 9 o'clock on a Monday morning this number of people out interested in what their government is all about, and it also shows that you have faith in us that we will do the right thing, and that we will hear you. And I thank you.

[Applause.]

Mr. SCARBOROUGH. Thank you, Congressman Cummings. I certainly appreciate you coming down, too, and you are right, we have accomplished quite a bit on long-term care, and I know we are all standing shoulder to shoulder to make sure that the same thing happens here, and I thank you for coming down.

Also I think it is interesting your talking about this committee, it was an interesting question whether they have any military retirees on that committee, and of course the answer is no, and I always find it interesting that you can always tell when somebody is about to leave the White House, because whether they are working for Republicans or Democrats you can tell they are starting to

shop their book deals, and their frankness, the closer they get to retirement they get more and more blunt.

I have found the same thing here where men and women that are serving in the military, the closer they are to their retirement date the more blunt they are about the promise that has been broken, so I think that is why it is absolutely critical that we have people that are freed of the politics of the Pentagon just like the politics of the White House, or just like the politics of Congress, and are able to speak their mind and be blunt, and hopefully that is something we can work on speaking to the Secretary of Defense about having some military retirees on this panel.

Congressman Shows.

Mr. SHOWS. Thank you, Mr. Chairman.

Admiral, I would not want your job sometimes coming to these events like this, but I do have some concern about what you said, and I have got several questions here, but I am going to get to one that just kind of—tell me why this would harm military readiness. You know, I would just like to know, and if we—and let me put it under this scenario: My point all along is I am not asking DOD to take money out of their budget to put into this program; I think we ought to put additional moneys in to make sure the program is funded. We do not want an unfunded mandate, do we?

Rear Admiral CARRATO. No.

Mr. SHOWS. And so I have always heard that it has been the money, and now I am hearing it could affect military readiness. Well, nobody wants to affect military readiness, but if you would tell me why.

Rear Admiral CARRATO. OK. With readiness, we operate as you know a system of hospitals and clinics staffed by people in uniform and civil service folks whose mission and reason for being is to support our fighting forces when deployed.

We also have a peacetime mission which is important for a couple of reasons. One is we need to make sure that when our forces are deployed that they are fit and healthy to fight. Also physicians, nurses, clerks, technicians we need to support our fighting force, they need to be able to be in the business of patient care. They need to be in the ICUs. We operate graduate medical education training programs, we do that in our fixed facilities.

If we were to offer FEHBP enrollment to people, what would be the impact upon our fixed assets? We need to optimize, we need to make sure that the physicians, the nurses, the technicians and corpsmen who are supporting our fighting force in the field have adequate training, and again prepare for war. We need to perform that mission in peacetime so it carries over. So that summarizes the big concern over medical benefits.

Mr. SHOWS. Well, the Federal Employees Health Benefits Plan, and again I am a new guy, OK, so I do not know all the ins and outs of the program and what is going on to some extent, but if you had the Federal Employees Health Benefits Plan could you not take that to the private hospitals and services there? Am I missing something there?

Rear Admiral CARRATO. I guess another way to look at it, and our Assistant Secretary oftentimes says TRICARE is the only HMO that goes to war, and maybe we are not communicating here, so if

I have misunderstood your question, but we rely heavily on our uniformed providers in our military facilities. In fact, a large number of our TRICARE Prime enrollees are enrolled to a uniformed provider in the military facility, so we need to practice that care.

If we suddenly started losing patients, if patients started going to FEHBP, and I am not sure——

Mr. SHOWS. So you are telling me that you are afraid they will leave the TRICARE and go to the FEHBP?

Rear Admiral CARRATO. No, I think there is a variety of reasons. One is the cost reason, would we have to further decrease our infrastructure to pay the FEHBP benefits.

Mr. SHOWS. My vision or perspective about this thing, first of all I am not for taking money out of the DOD to do it. I think we ought to be taking some money and putting it in there for it, so I do not see how that—[applause]—and again I am not as technical about this as I should be, and with the experience, but I am not saying take anything from DOD; I am saying adding to it.

Now, if the problem is that you are afraid we are going to start taking some of these patients away and enroll them in other care, and that is going to cause your doctors or your medical staff not to get the practice that they need, I think it is a very, very bad reason, and again I am not saying this to get a response out of the crowd, you know, it just gets to me that you are afraid we are just not going to have enough guys to practice on, and I just—I do not understand that. You know, I could see where we could if we are running short of patients let some of our doctors go and help them in the private sector hospitals, loan them out or something, but I just do not see that being a good reason not to be for this bill.

Let me ask you this: Under the pilot program, and Mr. Flynn may be able to answer this, some of the talk that we have out there is that if you join the pilot program, whether it is true or false, you are going to lose the coverage that you have not knowing if this program is going to be renewed. Is that correct? Admiral, do you need to answer that? I do not know.

Rear Admiral CARRATO. As we have looked at reasons why individuals have chosen not to enroll, one of the reasons that people have indicated is that it is a demonstration program, and do I want to give up what I have already got in the way of health care coverage for a demo that may end some 3 years down the road.

There is information, and again it gets a little bit complex, but if you were covered as defined by law a Medigap program you can get that program back without regard to preexisting condition. However, there are some other arrangements that people entered into prior to the establishment of some of the Medigap programs, and those situations really need to be examined on a case-by-case basis, so that led to a little bit of confusion, one that could not be clarified with a marketing brochure or a simple phone call, it really needed sort of a face-to-face.

Mr. SHOWS. So you think that could be overcome, misunderstanding about that?

Rear Admiral CARRATO. I think so.

Mr. SHOWS. And maybe you would have a better test project.

Rear Admiral CARRATO. Right. In fact, the point that Mr. Gammarino made in terms of marketing, and I think as I have wit-

nessed marketing of health care programs to the military community, and it is probably true in other communities, but it is really the word of mouth, it is people who are in the program saying "Hey, this is a pretty good deal, you really ought to sign up for it," and I think that is where we make some big gains and we might see some additional enrollment.

Mr. SHOWS. One more question. There are not different levels for retirees of rank? I mean if you are a military retiree, it does not matter if you are an admiral, or a rear admiral, you still have the same kind of health care coverage as any of these retirees have here?

Rear Admiral CARRATO. Yes, sir.

Mr. SHOWS. So there is no difference.

Rear Admiral CARRATO. That is correct.

Mr. SHOWS. OK. I did not know that, I just wanted to make sure I was right.

Well, I appreciate your comment, but still it is hard for me to think about there are not enough people to practice on if we pass this bill, and I just——

Rear Admiral CARRATO. Sir, let me say, and I say that the care we provide in military treatment facilities is second to none in terms of quality, we provide good care I think as we have seen in TRICARE Prime, and in some of the discussions here today. I think people want to come to military facilities, so I am not so concerned.

There are some other issues dealing with funding, and I would be happy to provide a more detailed response to your question for the record if I could, sir.

Mr. SHOWS. If you would, and let me say this: All the visits my dad had to veterans hospitals—and he is not a military retiree, but the staff there worked extremely hard to make sure he had the service, and was treated with a lot of respect, and I am not saying that about our health care facilities. All I am saying is that they are not having the moneys to operate on that they should because of the cuts. We need more outpatient facilities, and hopefully maybe that is coming around, but I do appreciate you coming here, and do appreciate your responding to me, and I would appreciate the additional information.

Thank you.

Rear Admiral CARRATO. Thank you, sir.

Mr. SHOWS. Thank you, Mr. Chairman.

Mr. SCARBOROUGH. Thank you. And we are going to keep the record open for several weeks, because I know we certainly do not have the time to ask all the questions we want to ask of you all and the other two panels, so we will be submitting some questions in writing, and keep the record open for 2 to 3 weeks so you can respond.

Let me just ask in closing, though, Mr. Flynn, I just wanted to make sure I understood your testimony correctly that OPM believes that H.R. 3573 Mr. Shows' bill, meets OPM's criteria for extending FEHBP coverage; is that accurate?

Mr. FLYNN. As I indicated in my testimony, Mr. Chairman, the principles as a provider of service, or a provider of this program that were important to us seem to be met in that bill and in the others that we have looked at, generally speaking.

Obviously there is a lot that happens from bill to implementation, but in the broad sense, yes, sir.

Mr. SCARBOROUGH. Good. Well, it sounds like we have OPM willing to come on board if we get this passed, and now all we have to do is work the Pentagon.

So with that, thank you for coming, and Admiral, again I appreciate you coming and delivering news that everybody may not like to hear, but that is part of the process, part of the democratic process. Like I said, this committee will be working with you and the rest of the DOD to figure out how we can bridge the gap and make sure that the promise is kept.

And I think it is at least positive that we have the Secretary of Defense, and yourself, and the members of the Joint Chiefs all saying that the promise has been broken.

Let me tell you, when we were doing our TRICARE hearings 2 or 3 years ago, we could not get the DOD to admit to that, and so I think we have come a long way in a few years, but we do not have a few more years to close the deal, we have to do it now.

So I thank you, and I thank all the audience members for coming out and participating in this process, and we will be around afterwards if you all have any questions.

We are adjourned.

[Applause.]

[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

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