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STAKEHOLDER'S VIEWS ON THE RECOMMENDATIONS OF THE MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

HEARING

BEFORE THE

SUBCOMMITTEE ON MILITARY PERSONNEL

OF THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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CONTENTS

Page

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

Davis, Hon. Susan A., a Representative from California, Ranking Member, Subcommittee on Military Personnel 2
Heck, Hon. Joseph J., a Representative from Nevada, Chairman, Subcommittee on Military Personnel 1

WITNESSES

Bousum, Scott, Legislative Director, Enlisted Association of the National Guard of the United States 3
Gehrke, Brendon, Senior Legislative Associate, Veterans of Foreign Wars of the United States 4
Hayden, Col Michael, USAF (Ret.), Director, Government Relations, Military Officers Association of America 5
Neiweem, Chris, Legislative Associate, Iraq and Afghanistan Veterans of America 6
Ruedisueli, Karen, Government Relations Deputy Director, National Military Family Association 8
Stovall, John, Director of National Security, the American Legion 9

APPENDIX

PREPARED STATEMENTS:

Bousum, Scott 40
Gehrke, Brendon 52
Hayden, Col Michael 66
Heck, Hon. Joseph J. 39
Neiweem, Chris 82
Ruedisueli, Karen 88
Stovall, John 123

DOCUMENTS SUBMITTED FOR THE RECORD:

MAZON: A Jewish Response to Hunger, Statement for the Record 151
National Association of Drug Stores, Statement for the Record 157
National Guard Association of the United States, Statement for the Record 141

WITNESS RESPONSES TO QUESTIONS ASKED DURING THE HEARING:

[There were no Questions submitted during the hearing.]

QUESTIONS SUBMITTED BY MEMBERS POST HEARING:

[There were no Questions submitted post hearing.]

STAKEHOLDER'S VIEWS ON THE RECOMMENDATIONS OF THE MILITARY COMPENSATION AND RETIREMENT MODERNIZATION COMMISSION

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
SUBCOMMITTEE ON MILITARY PERSONNEL,
Washington, DC, Wednesday, March 25, 2015.

The subcommittee met, pursuant to call, at 1:59 p.m., in room 2212, Rayburn House Office Building, Hon. Joseph J. Heck (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOSEPH J. HECK, A REPRESENTATIVE FROM NEVADA, CHAIRMAN, SUBCOMMITTEE ON MILITARY PERSONNEL

Dr. HECK. I want to welcome everyone to a hearing of the Military Personnel Subcommittee on the stakeholders' views of the 15 recommendations to modernize the military compensation and retirement system suggested by the Military Compensation and Retirement Modernization Commission.

As we continue to study the Commission's recommendations, we also need to consider the views of our current and retired service members through you, the organizations that represent them. We are committed to addressing the concerns and issues raised by members of the Military Coalition and others on the effects of the Commission's recommendations on service members' and their families' willingness to serve and the effects on their quality of life.

I want to continue to assure everyone that the Military Personnel Subcommittee is taking every opportunity to thoroughly review and discuss the recommendations. We are fully committed to improving the welfare and quality of life for both current members of our armed services and our veterans while ensuring we keep our nation safe and secure.

Our purpose today is to understand how current and retired service members are viewing and discussing the Commission's recommendations. The guiding consideration for our work is the viability of the All-Volunteer Force. Most importantly, we must not break faith with our service members and undermine our efforts to recruit and retain the best and brightest into our Armed Forces.

Before I introduce our panel let me offer Congresswoman Davis, ranking member, an opportunity to make her opening remarks.

[The prepared statement of Dr. Heck can be found in the Appendix on page 39.]

STATEMENT OF HON. SUSAN A. DAVIS, A REPRESENTATIVE FROM CALIFORNIA, RANKING MEMBER, SUBCOMMITTEE ON MILITARY PERSONNEL

Mrs. DAVIS. Thank you, Mr. Chairman.

I also want to welcome our witnesses here today. Your perspective—those of you who are here to speak, and those in the audience, surely share the views from our constituents, and it is very important that we continue to discuss all of the Commission's recommendations.

We have had the opportunity, as many of you know, to hear from the Commissioners twice and have had two very good roundtables with the Commission staff and outside experts to discuss the recommendations.

I know that the organizations are certainly not all in agreement; that would be an unusual thing. But we also know that it is very important to hear the basis of your views, and also important to solicit your thoughts on how to improve the recommendations or provide solutions to the problems, especially when it comes to TRICARE.

As I have mentioned in earlier hearings, we are truly entering a new reality of fiscal pressures with a new generation of citizens entering the military, and so we have to look at this responsibly. I don't believe that doing nothing will be an option for much longer, so how you come to frame these issues and help us to make some of the decisions in the future we value and we thank you for being here.

Thank you, Mr. Chairman.

Dr. HECK. Thank you, Mrs. Davis.

We are joined today by an outstanding panel of stakeholders. We will give each witness the opportunity to present testimony and each member an opportunity to question the witnesses.

We would respectfully remind the witnesses to summarize, to the greatest extent possible, the high points of your written testimony to 3 minutes because of the recent change in our vote schedule. Your written comments and statements will be made part of the hearing record.

I understand the clocks may not be working in the countdown form for all of you, so we are going to go back to the old-fashioned 2, 1, 30-second kind of cue cards behind me so that you know where we are at in the process.

I ask unanimous consent to add written statements to the record from the National Guard Association of the United States, from MAZON: A Jewish Response to Hunger, and from the National Association of Drug Stores.

Without objection, so ordered.

[The information referred to can be found in the Appendix beginning on page 141.]

Dr. HECK. Let me welcome our panel: Mr. Scott Bousum, Legislative Director for the Enlisted Association of the National Guard of the United States; Mr. Brendon Gehrke, Senior Legislative Associate, Veterans of Foreign Wars of the United States; Colonel Mike Hayden, United States Air Force, Retired, Director of Government Relations for the Military Officers Association of America; Mr. Chris Neiweem, Legislative Associate, Iraq and Afghanistan Vet-

erans of America; Ms. Karen Ruedisueli, Government Relations Deputy Director of the National Military Family Association; and Mr. John Stovall, Director of National Security for the American Legion.

With that, we will turn the clock over to Mr. Bousum, if you want to begin with your 3 minutes.

STATEMENT OF SCOTT BOUSUM, LEGISLATIVE DIRECTOR, ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF THE UNITED STATES

Mr. BOUSUM. Thank you.

Chairman Heck, Ranking Member Davis, esteemed members of the subcommittee, on behalf of 42,000 members of the Enlisted Association of the National Guard of the United States representing over 114,000 enlisted men and women of the Army and Air National Guard, their families, survivors, and tens of thousands of National Guard retirees, we welcome this opportunity to submit testimony for the record regarding our views concerning the Military Compensation and Retirement Modernization Commission's recommendations.

The report is public evidence that the Commissioners and their staff spent countless hours analyzing a gamut of military compensation issues, and they should be publicly commended for their efforts. The report will stimulate and has stimulated some meaningful discussions that need to take place that affect our National Guard members.

Let me begin by stating that we believe the Commissioners set out to modernize systems currently in place. They did not look for ways to cut spending off the backs of service members and their families.

The fact that the Commissioners' recommendations save $31 billion from fiscal year 2016 to fiscal year 2020 by creating flexible mechanisms for future service members, current service members, and their families to choose health care and retirement packages that fit their individual needs means that success—means they successfully completed their mission.

The fiscal environment currently faced in the Department [Department of Defense] puts Congress and the associations before you today in unfamiliar territory of late. We are no longer in a spend, spend, spend environment. Your colleagues on the Budget Committee appear to have set a new tone, at least for the time being.

In the spirit of the—one of the Commission's core missions, retaining quality talent for 20 years, I would like to briefly state a growing concern that readiness shortfalls caused by less money toward training because of the budget control caps and sequestration directly relate to poor retention. If the service member does not get to do the job that he or she signed up to do or does not feel prepared for the fight, quality talent will leave the force.

As the discussion continues in the committee and on the subcommittee, we look forward to working closely with you and your staff on these recommendations.

Thank you.

[The prepared statement of Mr. Bousum can be found in the Appendix on page 40.]

Dr. HECK. Thank you.
Mr. Gehrke.

STATEMENT OF BRENDON GEHRKE, SENIOR LEGISLATIVE ASSOCIATE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. GEHRKE. Chairman Heck, Ranking Member Davis, members of the subcommittee, thank you for inviting the VFW [Veterans of Foreign Wars] to testify today on the Commission's recommendations. My comments today will focus on recommendation one.

While this recommendation is often misunderstood, we believe that it will dramatically improve the current retirement system. The impassioned debate on how to best compensate service members, veterans, their survivors is as old as the founding of this country.

In 1919 the American Legion and Veterans of Foreign Wars argued that our members deserve separation pay to balance out the difference between their modest military compensation and the high compensation enjoyed by civilian industry workers. A compensation measure worked its way through Congress by the fall of 1922, but President Harding vetoed the bill to avoid unnecessary government cost.

Undeterred, the Legion and VFW kept up the pressure and succeeded in gaining passage of the World War Adjusted Compensation Act of 1924. The Act was groundbreaking in that it completely ended the indigenous components of previous military pension legislation, and that it awarded all service members a pension in the form of a 20-year endowment.

With the ending of two wars and DOD's [Department of Defense's] continuing efforts to reduce personnel expenses, the conversation about what it means to compensate and care for service members is just as important today as it has been at any other point in history.

There is a common military phrase that summarizes our warrior ethos: Leave no man behind. Unfortunately, this ethos does not translate to the current military retirement system, which has left roughly 90 percent of all veterans behind their civilian counterparts in saving for retirement.

Nearly 80 percent of full-time workers have access to employer-sponsored retirement plans, and 95 percent of employers with 401(k) plans made a matching contribution to their employees. Unfortunately, the government contributes nothing to the retirement of those who often are the most deserving—those who bore the burden of battle.

Take, for example, Corporal Quentin Graves, from San Diego, California. Corporal Graves deployed twice to Iraq in a 4-year timeframe, earning a Purple Heart during each deployment. Corporal Graves thought about reenlisting but didn't think he would survive another tour.

Despite his sacrifices, he didn't receive any retirement contribution from the government. However, if Corporal Graves would have been employed by the private sector or in the military under the Commission's proposed plan, he would have received approximately $6,500 in an employer-sponsored retirement plan. This relatively

small investment by the government would have compounded to nearly $100,000 for Mr. Graves for when he reaches retirement age.

Another example is Staff Sergeant Alex Marovski, from Norwich, Connecticut. Staff Sergeant Marovski enlisted in 1999. He deployed to Kosovo in 2000 and reenlisted for 3 years in 2002.

He deployed to Iraq during the invasion, was stop-lossed in 2005, and deployed again to Iraq where he was catastrophically wounded by an IED [improvised explosive device] in 2006. After his release from stop-loss, Staff Sergeant Marovski was discharged with a metal rod and fresh stitches in his arms, but received nothing in the form of retirement compensation.

However, if Alex would have been working for another government agency or in the military under the Commission's proposed plan, he would have received approximately $20,000 in retirement benefits, which would have compounded to over $211,000 by the time he hit retirement age.

These examples show that if young service members aren't saving today, they are losing the benefit of time compounding the value of their money. That growth cannot be made up later.

In closing, ask yourself, if your son or daughter was about to join the military and they had the choice between the current system and the Commission's proposed system, which system would you tell them to choose—a system that will definitely prepare them for retirement, or a rigged system where there is an 83 percent chance that they will receive nothing in retirement for their service?

Thank you for your time, and I will gladly answer any questions the committee may have.

[The prepared statement of Mr. Gehrke can be found in the Appendix on page 52.]

Dr. HECK. Thank you.

Colonel Hayden.

STATEMENT OF COL MICHAEL HAYDEN, USAF (RET.), DIRECTOR, GOVERNMENT RELATIONS, MILITARY OFFICERS ASSOCIATION OF AMERICA

Colonel HAYDEN. Chairman Heck, Ranking Member Davis, members of the committee, on behalf of the over 380,000 members of the Military Officers Association of America [MOAA], we welcome this opportunity to provide our views concerning the Commission's report. MOAA sincerely appreciates the hard work and analysis that went into the Commission's report.

We commend the Commissioners and their professional staff for their extensive efforts. Their product provides the country with an instrument that we can use as a catalyst to begin the important thought discussions, analysis, and debates on vital issues that directly affect our service men, women, retirees, veterans, and their families, and their ability to ensure our national security.

MOAA has reviewed the 15 recommendations, and overall we support 10 with some varying degree of concern. Two we believe require further study, and three we do not support.

In my statement I will focus on the ones we recommend for further study: the retirement and health care proposals. As for the retirement proposal, we are very concerned that the new system

lacks the drawing power to sustain service members to 20 years of service. As for the health care proposal, we are concerned that the new system proposed would negatively impact overall medical readiness.

Both of those recommendations produce a negative effect on the pocketbook of those whom the government needs to serve for a career of 20 years or greater. The combined effects of the Commission's health care and retirement changes, if they were fully implemented today, on an E–7's annual retirement value is over $6,400 a year, for a loss of 27 percent, until they can start to draw from their thrift savings plan at age 59½.

A complete overhaul of the retirement and health care system, which itself serves 9.6 million beneficiaries, deserves thoughtful and careful consideration. Some of the findings in the Commission's report align with concerns raised by MOAA and deserves addressing this expeditiously as possible, pending deeper consideration of the broader issues.

Even so, the number one action Congress should take immediately is to demand that DOD, without delay, reform TRICARE under a truly unified military health care system, and not just the service members' share of it. We are not advocating usurping the Surgeon General's title 10 responsibilities, but without a unified budget and oversight, TRICARE as we know it will remain administratively stovepiped and suboptimized.

Service members stationed around the world should not have to worry if they have selected the appropriate retirement fund or the appropriate health care coverage for their families. Making radical changes to the core retention programs, military health care and retirement, carries a significant risk of causing unintended negative effects to retention.

Our primary concern is the AVF's [All-Volunteer Force's] health, welfare, and sustainability, and most important element of the AVF is the experienced, high-quality, midgrade NCO [noncommissioned officer] and officer corps.

Thank you, and I look forward to your questions.

[The prepared statement of Colonel Hayden can be found in the Appendix on page 66.]

Dr. HECK. Thank you.

Mr. Neiweem.

STATEMENT OF CHRIS NEIWEEM, LEGISLATIVE ASSOCIATE, IRAQ AND AFGHANISTAN VETERANS OF AMERICA

Mr. NEIWEEM. Chairman Heck, Ranking Member Davis, and distinguished members of the subcommittee, on behalf of Iraq and Afghanistan Veterans of America [IAVA] and our nearly 400,000 members and supporters, thank you for the opportunity to share our views on the final report and recommendations of the Military Compensation and Retirement Modernization Commission.

We applaud the Commission for putting forth some bold measures that merit serious consideration. However, we also look upon its report and recommendations as a mixed bag. Some of what is called for is consistent with recommendations we and other military and veterans service and advocacy groups have long sup-

ported, while others raise serious questions and concerns for IAVA and our members.

First, an area in which we are in strong agreement with the Commission is the need for increased DOD–VA [Department of Veterans Affairs] cooperation up to and including the sharing of systems and information. The process of transitioning from Active Duty to veteran status is still disjointed, and OEF/OIF [Operation Enduring Freedom/Operation Iraqi Freedom] veterans often report gaps in care and assistance when leaving the DOD and entering the VA system.

While the report cited increased interdepartmental information-sharing, it also acknowledged poor oversight and inadequate accountability. The situation not only negatively impacts the new veterans' health care experience, but it also prolongs the process of applying for disability compensation benefits after separation. Further, it frustrates the VA's ongoing efforts to process disability and compensation claims in a timely manner.

There is no doubt to us that the goal of quality continuous care requires a fully interoperable—preferably joint, but at least fully interoperable—data record, as well as a joint DOD–VA drug formulary, which I know the committee will be addressing at a later date.

Additionally, we strongly agree with the Commission on the urgent need for increased financial literacy and benefit stewardship through education for service members and their families. We see the need is not only with countless examples of predatory lending targeting service members, but also some for-profit college institutions' laser-beam focus on service members' valuable post-9/11 G.I. Bill benefits.

IAVA is continuing to take a deeper dive into the Commission's recommendations regarding alternate treatment plan packages. In a recent survey of our members, 36 percent of respondents felt the military retirement system should be reformed. Of those respondents, when allowed to select multiple options, 67 percent favored a 401(k)-style benefit for noncareerists, and 33 percent favored increasing the overall value of the current retirement benefit system, and 59 percent favored a partial early retirement benefit for 10 or 15 years of service.

Of those IAVA members surveyed, who are, by definition, combat veterans, there is a fundamental belief that it is fundamentally unfair that one could serve 10 or 12 years with three, four, five, or more deployments and leave the military with absolutely no retirement benefit at all, yet a careerist, and possibly never even deployed, could be entitled to a full benefit package.

Therefore, IAVA is open to reforms that would amend the current system to allow not-career troops the opportunity for some retirement benefits. We will continue to analyze and assess the potential value of the Commission's options while understanding and factoring in the long-term goal of maintaining a ready and relevant 21st century force.

Mr. Chairman, I will just go ahead and close here. Apologize, this microphone doesn't work, so hopefully that was loud enough. Happy to answer any questions you may have for IAVA.

[The prepared statement of Mr. Neiweem can be found in the Appendix on page 82.]

Dr. HECK. Thank you.

Ms. Ruedisueli.

STATEMENT OF KAREN RUEDISUELI, GOVERNMENT RELATIONS DEPUTY DIRECTOR, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. RUEDISUELI. Chairman Heck, Ranking Member Davis, and members of the subcommittee, thank you for inviting me to speak on behalf of the National Military Family Association [NMFA] and the families we serve about the Commission's recommendations. While our written statement addresses several recommendations in detail, today I will focus primarily on the Commission's TRICARE Choice proposal.

Any changes to the military health care benefit must address the unique conditions of service and the extraordinary sacrifices demanded of service members and their families. With this guiding principle in mind, we believe the Commission's TRICARE Choice proposal merits further study and serious consideration.

The Commission's health care proposal has the potential to provide military families with a more robust and valuable health care benefit than one that would address many beneficiary complaints about the current system. To achieve these benefits, we believe a lengthy implementation period is vital and must include mechanisms for readily adjusting policies, processes, and commercial plans to ensure TRICARE Choice achieves the desired outcomes.

While we support in principle the concept of moving families to high-quality commercial plans, there are three areas where more information and analysis are needed before we can fully endorse the Commission's proposal. First and most importantly, we believe a change of this magnitude demands a more thorough analysis of the potential impact on military treatment facilities to avoid unintended consequences for beneficiaries and military medical readiness.

Second, military families are concerned about out-of-pocket costs under TRICARE Choice. Active Duty families worry how a health care allowance based on averages will support larger-than-average families or those with special needs.

Third, TRICARE Choice implementation details are lacking in the Commission's proposal, and we need assurances on the specifics.

Before I wrap up, I would like to briefly address a non-health care issue that many military families find concerning: the Commission's proposal regarding G.I. Bill transferability. The Commission recommends eliminating the housing stipend for dependents starting in 2017.

Our association understands and appreciates that G.I. Bill transferability is a retention tool and must be optimized for greater effectiveness and modified as retention goals change, and we support changes on a forward basis. However, reducing the value of the transferred G.I. Bill benefit after extracting the wartime service commitment is unacceptable. Service members with existing G.I.

Bill transferability contracts must be grandfathered in at the full benefit value.

In an era of budget constraints, when military families see any proposed changes in benefits as just another attempt to cut costs, it is important to rebuild their trust and show them their service is valued. We hope the Commission's proposals prompt a thorough discussion on military compensation and benefits, including the best way to deliver the health care benefit to military families.

Thank you, and I look forward to taking your questions.

[The prepared statement of Ms. Ruedisueli can be found in the Appendix on page 88.]

Dr. HECK. Thank you.

Mr. Stovall.

STATEMENT OF JOHN STOVALL, DIRECTOR OF NATIONAL SECURITY, THE AMERICAN LEGION

Mr. STOVALL. Chairman Heck, Ranking Member Davis, and distinguished members of the subcommittee, on behalf of the 2.3 million members of the American Legion I appreciate the opportunity to provide our views on the Military Compensation and Retirement Modernization Commission's recently released recommendations.

The Commission put many months of hard work into developing and refining the 15 proposals, and reviewing these proposals, the American Legion was chiefly mindful of three guiding concerns: first, to preserve and to protect the integrity and strength of the All-Volunteer Force; second, to recognize that many of these recommendations are interconnected by their very nature, and considering reform means to consider the impact that they will have not solely on the force, but on the other recommendations; and finally, that while it is easy to think of these recommendations in terms of their impact on the DOD, some proposals will have profound impacts on other agencies of the government, especially the VA.

The American Legion believes strongly in protecting the integrity of the All-Volunteer Force. As such, the American Legion is concerned by any changes to the military system which would reduce the incentive to enlist or reenlist.

The American Legion urges Congress to maintain continuous oversight of DOD personnel policies to ensure satisfactory retention, recruitment, morale, health, and effectiveness of the Armed Forces. The American Legion is committed to ensuring that any benefit in force at the time of initial enlistment is a sacred promise that must remain in force throughout the entire military career and retirement of a service member.

Within the scope of those guidelines set forth to protect the morale and motivation of those who serve, there is still room for reform of benefits within the military.

Where is there redundancy? How can efficiency be improved without sacrificing vital programs? Where programs appear to overlap, can the individual components of those programs be protected through any merger so critical functions are not lost?

These are difficult questions and are unlikely to be answered in a few simple weeks of analysis.

The American Legion is diligently working to evaluate the proposals of the Commission, to use the proposals as a jumping off

point for discussion, and to try to tackle the thorny problems planners face preparing the military for 21st century operations. We look forward to continued discussion with Congress, the DOD, and other stakeholders to work toward a solution.

And finally, because of the interconnected nature of the military and veterans side of the equation, the American Legion would call on this committee to reach out to and conduct joint hearings with their counterparts on Veterans Affairs to explore the impact of these changes both to the Active Duty service members as well as the veterans who will benefit from future programs.

And to wrap up, Mr. Chairman, the American Legion is an eager participant in this discussion and forthcoming discussions, and we are happy to answer any questions you might have.

[The prepared statement of Mr. Stovall can be found in the Appendix on page 123.]

Dr. HECK. Great.

Thank you all for your testimony. Again, I apologize for the short 3 minutes each of you were provided, but we really want to make sure we allowed enough time to get to the questions of the members.

So we will begin a 5-minute round of questioning by the members. We have been joined by the gentleman from Oklahoma, Mr. Russell.

I ask unanimous consent that he be allowed to participate and ask questions after all the members of the subcommittee have had an opportunity to ask questions.

Without objection, so ordered.

Okay, so I will start—put myself on the clock. So again, appreciate all of you and your testimony.

You know, in looking through the 15 recommendations I think, you know, in my view there are 3 that are the real heavy lift: the retirement, the health care, and the commissary exchange issues. The rest probably to some degree or another, with some minor modification, make reasonable sense.

So I would like to, one, talk a little bit about the retirement recommendation. It seemed that obviously there is some differing of opinion amongst the members of the panel, which is to be expected.

But I guess it is all about how you look at the benefit and how you calculate and make sure—we have all got to make sure that we are looking at the same numbers. And so again, remembering that this is prospective, so nobody who is currently retired is going to be affected, and one of the Commission's charges was to look at how the millennials, those folks coming into the service, what are they looking for, in order to try to attract people to come into the service.

So, yes, so you get 40 percent of your annuity going forward, as opposed to the 50 percent at 20 years, and you start to build up your 401(k), vesting after 2 years, and 1 percent automatic matching up to 5. And yes, as Colonel Hayden pointed out, when you retire at 20 the amount that you are going to get paid from year 20 till you have reached full retirement age is going to be less than you otherwise would get—in some cases significantly less.

But if you look at what your lifetime—if you go out to, like, age 85 and you kick in the 401(k), overall it seems to appear, using

conservative TSP [Thrift Savings Plan] numbers, that you are actually making more money when you go out over your lifetime, from age 65 to, let's say, age 85.

Colonel Hayden, your response to the idea that in the long term you might be making more even though in the short term you might be getting less when—and I hate to use this phrase because a lot of folks have used it—but while you are considered a working-age retiree and expected to actually have another job after you leave at, let's say, age 38 or age 40?

Colonel HAYDEN. We have done quite a bit of analysis, and actually in conjunction with the Commission back and forth, taking a look at the variables. The one aspect associated with the current retirement system is it is extremely predictable.

You can go out to the calculators that are on the DOD Web site and see exactly what the paycheck is going to be. And you true it in terms of a paycheck, what the retirement check will be and what it will provide.

But under this proposal, it depends on variables. It depends exactly on what the service member is going to contribute. Will they be making the—we know that they get a 1 percent government contribution, if you would, but will they also be getting, if you would, the—will they be making the 3 percent match, they make the 5 percent match?

Will they be doing it at the very beginning on the onset when they first come into the service, and then carry that out until they retire, or until they leave the service?

So the question is how that value will grow and, of course, it depends on the economic aspects along with it. Mentioned, for instance, the average TSP. If they get a 7.3 percent rate of return, that is wonderful and it will be a richer benefit at the time they leave at age 85, if you would, when the actuaries say you are not supposed to be around after that.

But what it really comes down to is if you only get a 5 percent rate of return you will never make up the difference. There will still be a gap.

There are other proponents associated with this. The little components associated with the proposal, the first this is for those that stay beyond 20 years of service, they don't make up the difference.

So there is that portion that would have to be fixed if you were looking at the retirement proposals to continue doing dollar matching beyond 20 years of service. And then the other piece is to take a hard look at the disability aspects.

Those that receive a disability compensation under this proposal—disability retirement, that they are now going to be receiving a 20 percent less if—when you look at the differences between that in currency and the values that then come into play. So that, because the multiplier is less, they are going to be seeing a less of income, if you would, the net, based on this type of retirement proposal.

Yes, they will have some type of transportable career device, but our bigger concern is by providing a transportable career device, does it incentivize more people to leave or more people to stay?

Dr. HECK. Well, I think the Commission tried to, you know, look at that with the idea of the continuation pay is at roughly year 12,

again, giving some leeway to the Secretary to slide that either right or left depending upon the shaping of the force and what was necessary. So, you know, as the retention tool, let's say at 12 you get, you know, a significant amount of continuation pay; if you agree to serve 4 more that puts you at 16, when most people will say, "Okay, now I am within 4 of 20. I might as well stay."

I am going to stop there because my time is almost up. Hopefully we will get around to a second round of questions.

And I will recognize the ranking member, Mrs. Davis.

Mrs. DAVIS. Thank you, Mr. Chairman.

And perhaps to just ask all of you whether—it's the discussions that we are going to be having of trying to really get more detail and more study, is that something that you feel comfortable with generally, as opposed to, you know, basically saying that the provisions that are included within the Commission report are things that you just really don't want to go beyond? Is it fair to say that you are comfortable with the discussions going forward with more detail?

Mr. GEHRKE. We would encourage Congress to move forward this year with the retirement portion. We think it is high time for a change, and that there is some modernization and really that the current system is unfair.

By not providing retirement parity between civilian and military sectors, we fear that we are sending a message to the troops that the country does not value their military service. And if you look at how troops are rating their pay now compared to how they are rating it 5, 6 years ago, when they were getting tax exemptions and large bonuses and incentive pays, they are rating it much lower at 44 percent.

In addition, you are seeing a 10 percent drop in people's desire to reenlist. A lot of that is due to lack of pay raises, to perception that Congress and DOD is taking them for granted and trying to lower their personnel experiences.

We feel that if there is—start to be a retirement contribution immediately, or as soon as possible, that service members will get that TSP annual statement and see what the government is contributing and see that the government values their service, and see the long-term value of staying in that service watching that interest compound, as well as set them on a retirement path.

As for the health care portion, we feel that needs to move forward but it is going to need a lot of thorough study to understand any unintended consequences.

Mrs. DAVIS. Thank you.

You know, rather than maybe trying to hear from everybody, I will go on to the health care. I am sure we will have a chance to double back on the retirement, as well.

But I think in many ways,—I—we all know that there are challenges in TRICARE, and I wonder if you could speak to what you see needs to be changed or improved—not necessarily focusing on the Commission recommendations per se, but where do you see the problems? What would you like to see come forward, really, as a way to change the system?

I think that there is a need to possibly have retirees pay more than the low premiums that they are paying now. That might be something that people have talked about in the past.

But what areas of that do you think actually you would like to see more improvements in the TRICARE system itself?

Mr. BOUSUM. Ranking Member Davis, if I may, from the Guard's perspective who are currently serving, there is a lot of friction when they are called to Active Duty and having to get off of, say, their employer-sponsored health care plan or—and they are mostly concerned about their dependents, so when they move over their—say their child can no longer see the same doctor that he or she saw before, and so that stoppage of service that they are looking for is—that is problematic. That is something that our currently-serving would like to see changed.

Colonel HAYDEN. One of the things that we are—we have been looking at is that we believe that the health care delivery should actually change its entire model for TRICARE, going more to, if you would, value-based type of delivery of health care versus the fee-for-service that we have, if you would, just kind of the volume—the way providers are actually reimbursed.

And we have created within TRICARE is we have created incentives, if you would, where, because we have undercut, if you would, the way we are providing payments back to the providers, we are actually limiting the network. We are going to constrict it.

We have also done it with the—limiting the prime service areas. We have restricted the benefits, so it becomes, as some have said, instead of TRICARE it is try-to-find-care, and that becomes the problem.

Once you have access, once you have found the care, it is—people have—at least what we are getting from our own members is that they are very satisfied with the care once they have gotten it. But it is the actual access to the care that is the major problem.

And part of it is that the Department itself has done it to themselves. And even the Commission highlighted this, that they have done it to themselves.

So what we have been doing is the way to find the—to try to improve the benefit has been to try to shift more cost onto the beneficiaries, have them pay for more, and they are getting less of a benefit at the end of the day. From what we are seeing, the one positive aspect associated with the Commissions is they are asking you to pay more but you are going to supposedly get better access at the end of the day.

What we need to do is to take a look at TRICARE and see if we can get rid of some of the policy aspect that they are doing, come up with a unified what we think is a central budget authority that is looking at that enterprise completely and not this stovepipe—the services are going to restrict this, they are going to turn a MTF [military treatment facility] and shut it down, or constrict it, and they are not looking at what it does to the enterprise overall. And we can see some savings there.

Mrs. DAVIS. Thank you.

Dr. HECK. Thank you.

Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman.

I just have a question on the quality of life programs, some of them, and one is the consolidation of commissary and exchange systems into one entity. Many of the veterans service organizations cite concerns over the potential of diminished access to savings if the Defense Commissary Agency and the various military exchange systems are consolidated into one organization.

If combining these organizations achieves overall efficiencies and cost savings to the DOD and the current level of savings are realized by service members and retirees, then would this reform continue—then would you continue to oppose this reform? And if so, why?

Would anybody like to comment on that?

Mr. GEHRKE. The VFW does not oppose the reform, and, in fact, we support it so our—so much as we can retain the overall value of the commissary savings. If we can do that we are all for finding efficiencies and merging the two, is ensuring that the savings stay there for the service member.

Mr. BOUSUM. For brevity's sake, I agree.

Mr. COFFMAN. Anyone else?

Ms. RUEDISUELI. We have some concerns about the consolidation. Specifically, it seems to eliminate the assurances of the 30 percent savings, which is a critical component of non-cash compensation for military families.

And we are also concerned because the—changes to the commissary and exchange, the consolidation, if it doesn't go well it has the potential to impact so many military families that rely not only on the savings, but also on the access to groceries in remote and isolated areas as well as overseas.

Mr. COFFMAN. But simply by merely consolidating and creating administrative savings from that, you have concerns about that?

Ms. RUEDISUELI. Well, we do feel that it introduces risk that the 30 percent savings might be eroded or that the access might be eroded.

Mr. COFFMAN. Okay.

Anyone else?

Mr. STOVALL. Congressman, I would echo Ms. Ruedisueli's concerns. However, to your point, if efficiencies could be realized through a consolidation without a net negative impact to military families, either in terms of payment or accessibility, it is not something that we would oppose.

Mr. COFFMAN. Okay.

Anyone else?

Colonel HAYDEN. We are also in support of the same comments out of NMFA and Karen. I think the bigger issue also that you have to look at is the—what we also put at risk with this is the possibility of the MWR [Morale, Welfare, and Recreation] funds, and that is another piece that we think needs to be reviewed.

We know that there is a study that has been directed in the defense bill this year, so would like to see what the outcome of that study is also, before jumping into this proposal.

Mr. COFFMAN. Okay.

Many of the veterans service organizations on the retirement issue have raised several relevant concerns regarding the proposed retirement restructure and presented to the Commission. That

said, maybe somebody can identify what—and I think a lot of you said it, but if we could summarize it by going just down in order, let's start left—my left to right, as to what you agree with in terms of the Commission's recommendations about reforming the retirement system. And name the most salient issue that you agree with the Commission's report, if there is one.

Yes?

Mr. BOUSUM. Yes, sir.

We agree with it. Actually, I would like to answer the one thing that we have a concern about, and that is the remoteness of readiness centers and armories, as far as the financial literacy piece, that the guardsman may not have the access he or she needs to make the decisions—the recommendations with input on the family.

Mr. COFFMAN. Okay.

Mr. GEHRKE. We agree with the recommendation in its entirety, recognizing that you can't contribute to a service member's TSP account without lowering that 50 percent to the 40 percent, as well as you can't give guardsmen the option of receiving a lump sum retirement package immediately when they retire from service without making the changes.

So we feel one begets the other, and I think what makes us feel comfortable with supporting the entire recommendation is, as the chairman alluded to, is that the overall value of that individual's retirement is not hurt, as well as they are grandfathered, whoever is in the current system. So with those two things being said, we support the recommendation in its entirety.

Mr. COFFMAN. Real quick I will let you go, right down the line real fast.

Colonel HAYDEN. Then only thing that—you have heard a couple of my concerns, but if there was one thing that we do see in this, and something that we will—we also support, is that this does address the fairness issue, and it does provide something to those that leave short of 20 years some type of transportable benefit.

Mr. NEIWEEM. And so I would say, you know 67 percent of our members support a 401(k) style. I think if out of these 15 recommendations if one is going to be prioritized, it should be compensation or retirement reform.

And frankly, many of our members, by 11 or 12 years, are a little bit banged up from deployments, from fighting the wars or being out there at the front lines. And the pull of the 20 years, they are just not in that position to get that far, so having some sort of opportunity there. And, you know, the debate about whether reducing 50 percent investing to 40 percent, you know, I don't think that we believe that is going to end retention, as many folks that retire are still working age.

Ms. RUEDISUELI. We do have some concerns, but focusing on what we agree with, we do agree that it addresses the fairness issue. We also feel that it encourages a very positive habit early in life—that is, saving for retirement.

Mr. STOVALL. I would agree with the other witnesses that we need to address the roughly 80 percent of people who get out without a transportable retirement benefit. However, we would caution

that it is critical if we go that route that we invest in financial literacy for service members.

Mr. COFFMAN. Mr. Chairman, thank you so much for the additional time. I think it speaks to the subordinate relationship between the Army and the Marine Corps, and I yield back.

Dr. HECK. Thank you, Mr. Coffman.

In that regard, Sergeant Major, you are recognized.

[Laughter.]

Mr. WALZ. Thank you, Chairman. And I do want to take a moment and thank the chairman and the ranking member for a very fair and thoughtful approach to an issue that is very—it is a big lift, and you have both done it in a manner that is very much appreciated.

And that leads me to having you here. I think this is an incredibly important panel. I thank all of you.

You are literally representing millions of folks and the families of our warriors, and we must get this right, first and foremost for national security, to maintain the All-Volunteer Force, and to keep faith with those warriors, both past, present, and future. And so the thoughtfulness—and I want to thank all of you—that you put into your testimony and as we are starting to get this feedback is absolutely critical.

This could very well have profound impacts, which I think it will; but it also has the potential to show how democracy should work correctly. And so I am, I think cautiously optimistic, as all of you. I think change is always difficult for all of us, but I think we need to have these discussions.

And I think a couple things, if I could point out, some of you mentioned on this. And I don't—while they are not necessarily hard-core, these—the big three, if you will, of recommendations, I would argue that the long-term impact might be even greater.

This issue of collaboration of DOD and VA—I have spoken about this 'til I am blue in the face for decades. It is still promoting inefficiencies. It is wasting taxpayer dollars. It is causing undue angst for us.

And I think to not look at that in greater detail is a lost opportunity. And I say that with the sense of a little bit of a chip on the shoulder that when they are coming for reforms, perhaps you need to reform the bigger system first before you look at the E–5s.

And that is the thing that I think we need to be very clear—and I have said it in here, and again, I applaud all of you on this—my concern is as much cultural as anything. When the representative of the family says, "We have got a little bit of concern," that is a big red flag that people are talking about it amongst themselves.

And so when you mentioned, ma'am, this idea of the transferability of G.I. Bill, I have said it in here before, taking that guarantee away once it was promised is an absolute nonstarter. Do not do this. Do not break faith. Go back and rethink that one through. Those are the types of things that have profound cultural impact.

So that brings me to some of the things that you have mentioned, and my colleagues have asked wonderful questions. Mr. Coffman's question was one where I was getting at on this.

The thing I would ask all of you is, is it an accepted frame that we have to take from the 20-year folks to make the transferability

a part of this? Is that just an absolute given? We can't do both? We can't retain the mid-career folks and have the 20 years and do something on portability?

And I ask this just to put it out there. I know the Commission has done incredibly thoughtful work and thought it through, but it seems to me now we have pitted 20-year career folks against others and that was never anyone's thought.

So do you think that is—that has to be the way it has to be done?

Colonel HAYDEN. Personally, I don't. The question is what is it that you need in order to sustain the force and meet the force profiles? And the current retirement system has done that.

As an old assignments guy, I enjoyed having the retirement system the way it was. I could put people on remote assignments and these other types of things late in their career, and I knew I had them to take them to 20.

There is a course of nature associated with it, but it does really tend to see who is going to be able to stick around. It gave you that flexibility, if you would, as the services. Some think of it as very rigid, the current——

Mr. WALZ. There is a strange mindset in the military, too, of a bunch of people who have to be incredibly flexible and have their lives ripped out from under them at any given moment really like stability, risk aversion, and assurances. And so I come back again to this issue.

We are framing this entire issue that it has already been determined—and I absolutely agree that it is unfair for someone to do tours and not get there. That is an absolute given.

But I also have deep concerns that we are changing it on that other end that has been a great way to maintain and hold folks who could do better in the private sector but choose to stay.

So, anybody else comments on that? If that frame is set, if this cake is baked already, and our choice is now either to not do anything and keep this current system or to go with the proposal alone, I am not certain that is it.

Mr. GEHRKE. So I guess it is not either/or in theory. You could contribute to a 401(k) for every service member, as the Commission recommended, and keep the 50 percent system, realizing that the costs are going to skyrocket, and that is great by us if you want to make that decision. If you don't want to make that decision, we think the Commission's recommendations is the next best alternative.

With that being said, the Commission also used a proven model by RAND in order to calculate what the force structure needs were. So it wasn't necessarily an arbitrary decision by the Commission. They used a scientific model, and I think that needs to be taken into consideration.

However, again, if you guys want to contribute to the TSP accounts for every service member, and why not bump it up even higher and keep this same 50 percent, we—the VFW would strongly support——

Mr. WALZ. I want people to think, as I give back my time, to think of the frame that we have been putting on this. Our greatest asset is our fighting force, and if someone says that is the cost, we

need to assume and talk amongst ourselves, is that a cost we are willing to absorb or are they telling us that.

So I yield back.

Mr. MACARTHUR. Thank you, Mr. Chairman.

And I also want to thank all of you for being here. I agree with my colleague, this is a very important hearing because you do represent millions of stakeholders, and certainly part of this deliberation is what is important in the—on the military side and what we can afford and all of that, but it is equally important on the side of the people that you represent, the other stakeholders. So I appreciate you being here.

Uncertainty and fear of change are two big drivers of human behavior. And of all these recommendations, it seems to me that the TRICARE recommendations are the most fraught with uncertainty, fear of change—how it affects cost, how it affects access, choice, all of those things.

So I want to stay there for just a couple of minutes.

Mr. Stovall, you laid out some—sort of a framework for evaluating this, and you mentioned three things: preserve and protect the strength of an All-Volunteer Force, the interconnectivity of the recommendations, and the impact on other agencies. And I think those are important.

I might add a couple, and that would be optimizing the service member experience, which may be different than just protecting the strength of the force. And I would also add sustainability, because whatever we do has to be done in the context of finite budgets, and so we have to create something sustainable.

Recommendation six, the TRICARE that we have talked a lot about, calls for increased use of commercial insurance plans. It gives choice to Active Duty members, not so much choice for non-Active Duty.

And there are things I like about it: its access to larger panels of doctors; increased choice; the ability to move and flex and adjust the plans without an act of Congress, literally, which TRICARE requires.

And yet, a number of you have expressed a concern about it, and I would just ask you to—particularly Colonel Hayden and Ms. Ruedisueli, you have both spoken about concerns with it, and I would like you just to develop those a little bit more for the panel—or for the hearing.

Ms. RUEDISUELI. You know, military families understand that military medical readiness is critical. I mean, we are sending our service members out there and we want to know that the military medical personnel are appropriately trained to respond to battlefield injuries, so that is one of our—we understand that that must come first. And if this plan were to compromise military medical readiness, it would be a show stopper.

Mr. MACARTHUR. Well, let's stay there for a moment, because you both mentioned that. And I understand that you don't want to have military medical facilities sitting unused during normal times, but are they really doing the same kinds of things? Is the normal day-to-day care of a military family commensurate with battlefield care and the kind of readiness that you are talking about?

Ms. RUEDISUELI. You know, the report and I think common sense would suggest no; that, you know, care for ear infections and strep throat and delivering babies probably doesn't contribute as much as it should to military medical readiness.

I think our concern is that, you know, what happens if there is a mass exodus of beneficiaries from the direct care system once you throw open the doors and, you know, provide unlimited access to civilian care, as well as introducing copays within the MTFs, which has not been done before. That is our concern is, you know, will the MTFs be viable if the bulk of their core business walks away?

We also have concerns kind of on the flip side of that from the military family perspective. What happens if the services decide that some of these MTFs that are located in remote areas like Fort Polk, Louisiana, or Fort Riley, Kansas—what if they are not necessary for military medical readiness anymore and those are shut down and our families are left? Well, you have got your commercial health insurance, but unfortunately, the civilian provider assets aren't sufficient to treat our military families.

Those are our two main concerns.

Mr. MACARTHUR. And, Colonel Hayden.

Colonel HAYDEN. And I will piggyback on that because part of it is that the MTFs provide the family readiness aspect along with it, not just the military member readiness piece and their medical care and treatment, but also for the families, especially in those remote areas.

And the thing that TRICARE does also right now is it provides predictability for that care, where a family would go from one location to the next with the multiple PCS [permanent change of station] moves and things that take place over a career. So that has some predictability along with it, where under this you are going to be shopping for what would be that insurance product in that new area, and some—and that is kind of where we look at the ECHO [Extended Care Health Option] proposal that is in there along with it. Is that proposal going to be there? Is that same ECHO program or the autism program that you were with at Base X going to be at Base Y?

And so that is the other readiness piece that you have to look at. From our perspective, the current system actually tends to capture that retiree population and even some of that—the medical treatment that is done for families, and it uses that towards medical readiness. And that captured population is available, then, under the current TRICARE—under——

Mr. MACARTHUR. Thank you.

Thank you, Mr. Chairman. I yield back.

Dr. HECK. Ms. Stefanik.

Ms. STEFANIK. Thank you, Mr. Chairman.

And thank you, to all of our witnesses today for the work that you do representing the millions of stakeholders, whether they be service men and women, veterans, military retirees, or military families.

My question actually adds onto Congressman MacArthur's notes about health care quality and your comments, Ms. Ruedisueli—that is—I have a tough name too. That is okay.

I represent Fort Drum, which is in New York's 21st District in northern New York in Jefferson County, and our health care is provided off post to our service men and women. We have a very unique partnership with Samaritan Hospital, and it is unlike any other Army installation across the country.

The same goes for our education system. Our military families aren't educated on post; they go to school in the public school system, along with other members of the broader community.

My question is, how do the recommendations regarding the Federal Employee Health Benefit program—how would that have an effect specifically on soldiers who are serving at Fort Drum in the 10th Mountain Division because of the unique relationship we have with hospitals?

Ms. RUEDISUELI. I never thought I would feel so fortunate to have spent a few years at Fort Drum, but I am very familiar with what you are talking about. You know, I don't see that it would have that much of an impact. I mean, right now, as you mentioned, there is a very strong relationship. Most families receive the bulk of their care out in the civilian network.

I think where the changes would occur is families would still have to, under the new plan, be educated to pick the right commercial health plan so that they have got the appropriate coverage that fits their family's needs. I think that would be more complicated than it is now, where because the bulk of the medical care is automatically provided off post, families are simply—they are considered TRICARE Prime, they realize there will be no out-of-pocket expenses. As long as they follow the referral and authorization rules it is very straightforward.

Under the commercial plans there would be more education needed, but I think people could achieve pretty much the same results by picking the right plans.

Ms. STEFANIK. And then my follow-up is on the education system. So the report discusses a military dependent student identifier. How would that be utilized for an installation like Fort Drum, where students go to school off post in a non-military school?

Ms. RUEDISUELI. One of the benefits of the military student identifier is that it allows aggregate reporting of military student performance. So it would allow us to track how military students are doing on standard measures of academic performance, whether it be graduation rates, absenteeism, college acceptance.

Those would all be valuable information to have as we decided where to direct resources to installations that do educate their students on post, but it would also be helpful to understand how the local communities are doing with our military students, as well.

Ms. STEFANIK. Great. Thank you for the answers.

I think that Fort Drum's model is quite unique, and it is actually a model for other military installations across the country in terms of the high quality of health care provided and the—how intertwined our community is with Fort Drum. And thank you for your time at Fort Drum.

I yield back.

Dr. HECK. Mr. Russell, recognized for 5 minutes.

Mr. RUSSELL. Thank you, Mr. Chairman, and thank you for your indulgence in letting me join you today.

And thanks, for the panelists, for all that you represent.

I guess a couple of important questions come to my mind.

One, when the draft was eliminated, part of the retention to get people to 20 was to provide good incentives. And I have not heard any discussion addressing the retirements as being retainer pay. They are not property.

We, when we retire from the service, are on half rations for half duty and are subject to recall until the day we die. During the Gulf War I recall a 67-year-old pharmacist who had served in World War II being recalled back to duty, quite to his surprise.

And so I have not heard anyone in any of these proposals address the retainer pay issue and what that means. Would someone care to address that?

Colonel HAYDEN. You are absolutely right. There is still that retainer aspect associated with the current retirement system, that you can still be recalled and brought back.

And we actually used that during my time on the Joint Staff on the Air Staff. We used it for the most recent conflicts after 9/11. We are bringing people back on and out of retirement status and back on Active Duty in order to meet some of the critical skills that the Air Force needed at the time.

So it is an element that is important to remember. What we are doing with this proposal, there is that portion that is being devalued. It is providing, if you would, what would be a 401(k) that is more of that transportable career device.

But our concern is is that—still that draw, that whole aspect of drawing people out to 20. I would be more than happy to give a transportable career device to everybody who leaves, and that is one of the things that we——

Mr. RUSSELL. Well, and I think we have to address the issue, because it gets into not only retention of the force, but it gets into retention of skills in times of national emergency. And I have not heard anyone in any of the reports or looking at any of these things that addresses the issue, and I think it is vital.

A second one that I have not heard addressed is because retirements are retainer pay, they hold certain legal differences over a 401(k). Now, the Uniformed Spouse Protection Act, in the early—late 1980s, I guess, it tried to address some of that to compare it more towards property, but it left certain provisions still unique to what retainer was.

And that may not sound like something understandable, but what it means is this, is that if you serve 3 years—and I know a constituent who lives in Edmond, Oklahoma. He was the—one of the sergeant—the chief master sergeants of the Air Force.

He married within 2 years. By the third year, as a young buck sergeant, his wife left him. Two years later he married a bride that he had for the next 30 years.

However, when he retired with 35 years service from the Air Force, wife number one came knocking at the door for 50 percent of his retirement. That is a problem.

And so, you know, we are digging into things that it sounds good—we talk about portability, we talk about 401(k), and all of that is appreciated. But there are some serious retention issues

here that we have to address before I am ready to dive onto any of this.

As a military retiree, I get it, having raised five kids in uniform—I should say my spouse, as I was gone on multiple deployments. And I do share your concerns on the military docs and the readiness. I know our chairman appreciates much of that, as well, in his capacity.

Those are important factors for readiness, and I would hope that as we look at these things that we could address that.

And the last question I have for whoever would like to answer it, you know, pays are set by law. Having pushed infantry soldiers for much of my adult life, you know, if you give Joe the choice between $35 or $75 to buy the best retirement plan for the end of his career, I can tell you what he is going to do. He is going to opt for the cheapest plan if he is forced to take a plan at all.

And so how will you address—do you envision any penalties that will come about if you leave before 20 years service? Is there benefit if you stay longer? Because if you make this transportable before 10 years, I fear that our already dwindling force will get very much smaller.

And I yield to whoever would like to answer that.

Mr. GEHRKE. So I think, as the Commission pointed out, that it would be an automatically opt-in for the 401(k), so they would be contributing automatically, immediately from day one. And I think with the financial literacy, being a dumb Marine myself, enlisted type who served with a light armored reconnaissance, same unit as Congressman Coffman, I can still do my numbers and I can understand the compounding interest of that 401(k) and the long-term benefit that it would have for me.

But that financial literacy part is crucial, because they have to understand that that is part of the benefit.

And then I think the retention pay is also a crucial part, which Congress or the Department should be able to lower whenever they want, and that should be able to keep people in and pull them to those 10 years.

Mr. RUSSELL. Thank you.

Mr. Chairman, I yield back my time.

Dr. HECK. Mr. Knight.

All right, well they haven't rung the bell yet so we will continue.

One of the Commissioners during their presentation when talking about the health care proposal basically said that TRICARE was broken and that it couldn't be fixed. Kind of scorched earth, come on in and start from the ground and build something up.

Real quick, this is a simple yes or no: Do you believe that TRICARE is that broken that it cannot be fixed and it needs to be replaced with something else?

Mr. Bousum.

Mr. BOUSUM. The majority of members of my association would say no, it is not broken.

Dr. HECK. Okay.

Mr. Gehrke.

Mr. GEHRKE. TRICARE is in a death spiral.

Dr. HECK. Okay. Yes or no? Come on, Marine.

[Laughter.]

Mr. GEHRKE. The VFW does not have a resolution on that proposal——

Dr. HECK. Okay.

Colonel Hayden.

Colonel HAYDEN. No, TRICARE is not broken.

Dr. HECK. Okay.

Mr. Neiweem.

Mr. NEIWEEM. We would say no.

Ms. RUEDISUELI. We would say yes.

Mr. STOVALL. No.

Dr. HECK. Okay. Thank you.

Mrs. Davis.

Mrs. DAVIS. Let me go back to the issues that we are talking about in terms of the retirement for a second, with skill sets that people have and the opportunities to continue them. One of the issues that is combined with that but maybe we don't state it as clearly has to do with leadership. And I know that when we have spoken particularly with the Marines, that tends to be perhaps more of an issue that was raised.

I wonder if in your opinion that is something that we would essentially lose, perhaps—I don't even want to use the word "lose" as much as not be able to capitalize on as much in the services after—if the 12 years somehow signaled that people were ready to leave. I think it is that midlevel leadership that actually is a hallmark of our military.

Where do you place that, or do you think it is not as big an issue as perhaps some would suggest?

Mr. BOUSUM. Well, I will take a stab. I think that even in the current environment that there are people who get between 12 and 16 years who actually no longer want to be serving, but that they know that they need to get to 20 to get the retirement. And so I would actually ask open-endedly, does the Department actually want those individuals?

Mr. GEHRKE. So I was in the Reserves, and at 6 years after I had done—already done a deployment to Iraq I was able to get out. I did not get out.

I postponed my discharge for another 2 years so I could go to Afghanistan. I had nothing in mind except the welfare of the Marine next to me when I was choosing to go to Afghanistan and reenlist in that contract. Twenty years did not enter my mind.

In hindsight, I realize that I financially would have been better off if I would have continued in my civilian occupation in the long term because my civilian occupation at that time was matching my 401(k).

Colonel HAYDEN. It is an interesting question, and one of the things, as a former chief of military personnel policy, what we would look at is how do you retain the force. And the thing is you also have to take a look at it just—you can't look at it just as the retirement benefit; you have to also then start looking at all the personnel policy aspects associated with how you retain a force. What is the profiles that you need?

It has always been a little bit better to have maybe too many people at that midlevel NCO and officer corps to draw from, and you use the promotion system many times to, if you would, try to

determine who are the leaders that you are going to go ahead and continue on to try to make that career. So you have to look at how you play both of them—the promotion system as well as the retirement system, in order to draw the people that you really need out there to that 20-year point.

The problem is that in difficult budget times that we are in right now, sometimes we don't use the tools to our advantage or actually we do drawdowns like we are right now with what we consider with dignity. And what I would like to, you know—the one thing that the Army is, if you would, right now, instead of using the tools that you have provided them—temporary early retirement authority, voluntary separation pay—where you could incentivize people to step aside, we have continued to kind of use what is more the budget-driven aspects and use the cuts of RIFs [reductions in force] and SERBs [Selective Early Retirement Boards] and other things like this to get people to move to the side, or we just denied reenlistments.

And those are the kind of what I consider draconian tools, where we really had strong tools available to recognize people's service, allow them to leave even with a 15-year retirement, but we haven't been able to do that.

Mr. GEHRKE. If I can say something real quick, piggybacking on what Colonel Hayden said, right now we are pushing people out at the 8- and 12-year point. We want them to get out. We are pushing good Marines. We are pushing good captains and good staff sergeants out of service after 8, 10, and 12 years, and we are pushing them out with nothing.

So I would consider that when we are talking about force structure and retaining that force structure. Right now we are acting—the Department of Defense is saying it is too big for our current mission; we need to push these guys out. And they are pushing them out with nothing.

Colonel HAYDEN. And if I could just piggyback on that, I would say that once you get to the 6-year point there is such a thing as called involuntary separation pay, so if people are being forced at that point in time, there is a years-of-service element. For instance, if you are at 10 years of service you get 1 year of your base pay as an involuntary separation pay.

Now, I would think that if you are involuntarily letting people go one of the things we could look at is allow them to take that involuntary separation pay and invest that into a—into the TSP or a 401(k), change the IRS [Internal Revenue Service] rules to allow that to happen, and then recognize that as some type of transportable career device along with it.

Mr. COFFMAN. Thank you, Mr. Chairman.

Let me just raise one point that has not been addressed in all of this when we talk about reforming the system that, well, first of all, I—let me just say to the retirement system that, I mean, it is antiquated, and I get the point about incentivizing people to stay for 20 years. But this is my father's retirement system.

My father retired from the United States Army in 1964, where prior to I think when I came in in 1972, the system had dramatically changed when they went to an all—when they were

transitioning to an all-volunteer system, where they dramatically increased the pay from what it was.

And so the system really was designed initially as a—basically you got low pay, but significant benefits, you know, utilizing the PX [Post Exchange] and the commissary, those discounts, but relatively low pay prior to being an All-Volunteer Force. And the compensation at the back end—the compensation was at the back end in terms of 20 years being at 50 percent.

We are living longer now. The pay is much more competitive with that of the private sector.

One thing that amazes me now, with retention where it is—retention is very high right now—is that we still have a promotion system that is tied to basically a lower retention system—I mean, a lower retention rate, whereby people are, in fact, being forced out, that if you come up for promotion, you are passed over a couple times, you are out.

And it is different when we started that, where the quality wasn't what the quality is today. The quality today of the men and women who serve this country is the highest that it has ever been historically in this country. And we are forcing people—good people that want to stay in—we are forcing them out with a promotion system that doesn't reflect the fact that we have high retention.

No organization outside the military would ever have—would ever do what we are doing now, in terms of if they had a very high retention system they would slow down the promotion rate, and by slowing down the promotion rate we are giving people more time to increase their technical proficiency within their military occupational specialties. And we are, in fact, we are reducing the pipeline in terms of training costs to replace them.

So I think one of the things that we need to look at—and I know it is painful and it doesn't sound good, but is slowing down the promotion system so we stop pushing people out at the rate that we are.

I don't know, does—would anybody like to comment on that?

Colonel HAYDEN. We couldn't agree more. It would be nice to be able to retain even some of the great folks that we are forcing out of the system right now.

It is not always just with the promotion system. We are also doing it with what we would call in the Air Force "career job reservations." These are when you come up on career points on the enlisted side of the house, denying reenlistments or forcing them to retrain in the other types of aspect.

But what we have got right now with the—with sequestration, the difficulties that that has put the service chiefs in, especially in the Army and the Marine Corps to start bringing down the forces associated with it, we are using end strength as an offset to—to bring down personnel costs. And we have been doing other things like capping pay and changing the commissary benefit or the housing allowance, and things like this, that is now going to cause even more what I think is more of a retention problem.

I personally believe that what you see right now is the true retention of the force is being masked. It is because we are in the drawdown. When you take a look at the DEP [Delayed Enlistment/Entry Program] bank for the Army last year, I think it was in tes-

timony that instead of entering the year with about a 50 percent of their DEP bank, they entered the year at about 33 percent of their DEP that was ready to ship in the next year.

And so with those kind of indicators, the true retention is being masked as we draw down the force. I think once we get through this and now that the economy is coming back, and I am hearing that the recruiting numbers are starting to go up for the Army and the Marine Corps, that we may have a little bit more of a difficult time meeting the recruiting as well as the retention numbers once we are past this drawdown.

Mr. COFFMAN. Well, I would argue—I would agree with you that it does mask—the reduction in force that is currently ongoing to reduce end strength does, in fact, mask the retention problem. But I think it is still—I think we are so slow to update policies in the military, whether it is the retirement system, and we are debating that today, an antiquated system of—that was there in I think the Second World War, to the rate of promotion that we have that doesn't reflect retention.

With that, Mr. Chairman, I yield back.

Mr. MACARTHUR. I am going to stay on health care, although I am interested in all 15 of these and they all could have hearings all of their own, frankly.

I have noticed in all of the hearings that we tend to look at TRICARE in a very binary way. It is either good or bad. It is either broken in a death spiral or it is the, you know, the greatest thing and our service members love it.

And even going down the panel, when you were given the opportunity to give a one-word answer, the yeses and the noes were equally emphatic. And that fact is, we will never know, as decisions are made, how it is going to flow and what the unintended consequences are and how it will be—we are simply not going to know.

I come out of the business world and I would never, ever do something in my company that affected thousands of people without piloting it, testing it. We are talking about something here that affects millions of people.

And I know this is a better question for probably the heads of our military services, but from your perspective, is there any way that you can conceive of piloting some of these changes to TRICARE so that we can actually assess—not study, not consider how it might go, but actually do it and assess how it goes? Be curious for any of you to respond to that.

Colonel HAYDEN. First of all, I think that there is an opportunity with the FEHBP [Federal Employee Health Benefit Plan]-like system proposed by the Commission and with—where I look and see that the Guard and Reserve has had a very difficult time of access, is potentially looking at a pilot for this FEHBP-like system for the Guard and Reserve and try to look to expand that area associated with it.

The other thing that we would recommend as an association is to at least use these multi-service areas that are out there the Defense Health Agency [DHA] has and look to at least pilot there, where you have a single budget authority, that one of the commands, if you would, one of the services is the executive agent and

would then have oversight of that budget for that multi-service area.

DHA says that they wish to go to that, but we believe it has been a little bit more of a snail's pace and we should look to try to do that and use those at least as a pilot to see if you can gain efficiencies within those multi-service areas.

Mr. BOUSUM. Representative MacArthur, just as Colonel Hayden had said, I—while it is not a question I have asked of my members to weigh in on when I—when we talked about these 15 recommendations, I think that the Guard would actually—the Active members would welcome being kind of the guinea pig for something like that.

Mr. MACARTHUR. Any others?

Ms. RUEDISUELI. We have talked about it internally. I think there would be a lot of challenges with doing a pilot.

The plans that are suggested by the Commission are not exactly like FEHBP. They would have to be customized for our risk pool, for the benefits that are specific and necessary for military families. So it is not like you could just offer them FEHBP and expect to have, you know, a legitimate pilot. I think there would be a lot of challenges.

But we do appreciate the idea of testing this out before doing a full rollout plan.

Mr. GEHRKE. I think that the challenges of a pilot is the civilian health care industry or economy is not a national economy. It can be in a localized economy, whereas TRICARE is pretty much national more or less. It is a national plan.

And what I am alluding to is your FEHB plan in California is going to be different than what a plan looks like in Oklahoma. And the costs are going to be associated different.

So you may not get a fair analysis of what the future of that health care is going to be unless you do it countrywide in different locations to gauge what the true costs are.

Mr. MACARTHUR. All right. Thank you.

I yield back.

Ms. STEFANIK. Thank you, Mr. Chairman.

I want to touch on a recommendation that I don't think has been raised yet, and that is improving access to childcare on installations. And as I am reading and going through the report it says that the Commission found that the demand for military childcare often exceeds availability, resulting in more than 11,000 children on waiting lists as of September 2014.

Can you talk about why access to high-quality childcare is an important aspect of readiness and whether or not you agree with the Commission's recommendation that Congress reestablish the authority to use operating funds for construction projects for expanding and modifying child develop program facilities on installations?

Ms. RUEDISUELI. You know, I think there is the very obvious link to readiness when you are talking about dual-military families, when you are talking about single-parent military families, where their ability to do their jobs is directly linked to the availability of childcare. I think if you take a little step away from that, though, there are other links to readiness.

You know, spouse employment in general is very linked to the availability of childcare. It undermines readiness if you have people leaving the force because their spouse cannot maintain employment, and that is a driver for leaving.

Furthermore, there is the link to readiness during deployments. Childcare during deployment is critical for families, for the stay-at-home—the at-home parent to have some respite from childcare to be able to do basic things like go to doctor's appointments.

So I think there are many ways that the availability of childcare links to readiness.

We agree with the Commission's report. There doesn't seem to be a lot of accurate data out there, but anecdotally we hear virtually everywhere that there are wait lists for childcare.

We appreciate the fact that they are talking about expanding child development centers, but we would point out that 70 percent of military families live off the installation and the child development center might not be the best solution for them or the only solution for them. And so we would encourage decisionmakers to look beyond just expanding CDCs [child development centers] into programs like the childcare fee assistance programs and other innovative solutions that might help to address this issue.

Ms. STEFANIK. Thank you.

Any other comments on that subject area?

Colonel HAYDEN. Actually, we are in full support of what NMFA had to say.

Ms. STEFANIK. Thank you very much.

I yield back.

Mr. KNIGHT. Now I am up.

You know, I would like to talk just about a couple areas. I know that when we went down the row about the TRICARE there was a little bit of difference there, and that seems to be the biggest sticking point with me on this subject, and I will talk about the other part here in a minute.

But if we can talk about TRICARE and basically talk about the people who think it is broken—if it is not broken, do we think that this will work, that this will continue to move forward for the next 15 or 20 years without us doing anything to it? And if you do think it is broken, where do you see it going?

Ms. RUEDISUELI. Well, we are one of the organizations that thinks that it is broken, and, you know, our concerns basically are that, yes, you can continue to deliver the benefit as it looks today, but it will be eroded. You know, over the years there have been increasing pressures to increase fees and out-of-pocket costs for families. Our concern is that even in the things that people can't see, like provider networks, that those would be eroded because we are cutting reimbursement rates.

So our concern is that you can't really compare the TRICARE of today to TRICARE Choice, what is proposed, because the TRICARE of today is not going to exist 5 years down the road; it will have been chipped away by these various budgetary pressures.

Mr. GEHRKE. I think the VA health care system may be a good analogy. If you look at where VA was 5, 7, 10 years ago, you were seeing then access issues—same type of access issues that you are

seeing now: long appointment wait times, not being able to get in to see the doctor when you needed to or when you wanted to.

If TRICARE keeps on its path you are going to see the same thing that happened, you know, in Phoenix, last year, the difference being is that there is no real accountability in the same way that there is accountability for the VA health care system. When doctors aren't seeing their patients and denying patients, there are going to be no lists at all. They are just going to be denied and the military health care beneficiary is going to have to keep on looking somewhere else.

I think a good example is I called up the top 20 hospitals in the country. Eleven of them accepted—did not accept TRICARE at all. Three of them only accepted TRICARE Standard; and I think one of them only accepted Prime, Standard, and all the different TRICAREs.

I imagined that if TRICARE goes down the same path in 5, 10 years you are going to be at zero. Will the proposed plan be better? I guess I can't say.

Mr. KNIGHT. Okay. Well, you know, I am going to agree with most of those comments.

I think that, you know, not just TRICARE but in the medical industry we see that across the board, where a lot of things are not accepted anymore and they are just not being provided or they are not being accepted by a lot of the industry. And I am afraid that that is where TRICARE is going.

I will go on to my second. We talk about this kind of 2-year vesting period, where you are 2 years and a day through your enlistment or un-enlistment, and then you are kind of through a vesting period.

You know, that was one of my first questions is, I don't know of anything that you get vested after 2 years except for California teachers get tenure. Outside of that, vesting is typically a 5-year or 10-year period because that is kind of the retainment and that is a commitment that we have accepted, and that is where your—you get that level of commitment.

Is that a problem for any of your organizations, or is that something that is accepted, that we love the 2 years? Or do you think that that is going to be an issue?

Mr. BOUSUM. Actually, it is funny you mentioned that. Your staffer actually vested after 2 years. Staff members on the House side actually have that because of the election cycle.

Mr. KNIGHT. I am a long way away from California so I can talk about them instead of talking about these.

Mr. BOUSUM. Understood.

I don't think that our associate would have a problem.

Colonel HAYDEN. It is an interesting twist because truthfully, when you take a look at the MCRMC's [Military Compensation and Retirement Modernization Commission's] proposal, there are a lot of variables. And so one of the variables is just the vesting piece.

One of the things we would say is that if you get the—you know, we have just gone through and provided the post-9/11 G.I. Bill—a wonderful, wonderful benefit that we have—that now service members get just at the 3-year point. So you could easily see that the vesting could actually shift to somewhere after the first term

of enlistment, after the initial Active Duty service commitment, which typically is around the 4-year point—4- or 5-year point—and then start to look at potentially doing more of a match, if you would, beyond that.

Mr. KNIGHT. Sure.

Colonel HAYDEN. Because at that point now you have gone through, you have done what you have signed up for; we have provided the post-9/11 G.I. Bill as a service, if you would, for that first term. And then beyond that, if you are staying with the company, now it is up to the company to start to investing back in you, and that is another one way of taking a look at it.

Mr. GEHRKE. I asked the Commission the exact same thing, actually, and the premise of my question was, you know, if I leave any company that offers a 401(k) match after a year I would keep that 401(k). Why shouldn't service members?

Their response, which I think is in line with my experience, is that usually the washed-out point of service members, when you find out that they cannot transition into military service, is that 2 years. So people who you know are not going to fulfill their obligation usually wash out by 2 years, and that is why they chose that.

Mr. KNIGHT. Thank you, Mr. Chair. I yield back.

Mr. RUSSELL. Thank you, Mr. Chairman.

Go to an issue maybe a little more lighthearted, one we can all relate to. The Army and the Air Force have been sharing commissaries for a long time. The Navy and the Marines, despite their love for one another, have also done the same.

Why would it not be possible to combine the two without efficiencies? As a career soldier, you know, I don't advocate necessarily that posts and bases need to be anything but self-contained. We have done that since the days of, you know, Vauban forts and stockade outposts. You know, we have to be self-contained, both electricity, with provisions, all of that. So I would never really advocate their privatization.

But why could we not combine two services with two services and make it more effective? Be interested in your views.

Mr. NEIWEEM. Sir, if I could just say——

Mr. RUSSELL. Oft times you get overlapping circles and you go where the overlaps are. And, you know, the gulf is not as wide.

I would be curious, yes, Mr. Gehrke?

Mr. GEHRKE. I understand that the Marines were opposed to merging these systems. Being the few and the proud, I can respect that.

However, I think they may have changed their tone or it changed my mind when I found out that the commissary system in its current form has more SCS [stock control system] staff than the entire Marine Corps has SCS staff. So when you look at those numbers you think there is room to merge and to create some synergies there.

Mr. RUSSELL. Yes. I would agree.

Ms. RUEDISUELI. You know, we are not opposed to the idea of consolidation, and we acknowledge there probably would be efficiencies there. I think our concern is that with the reduction in the appropriations for the commissary, you are expecting these efficiencies to then be able to pay for all the operating costs, and I

think that is where the risk comes in. If that doesn't pan out that way, you are probably talking about the death of a benefit that is very important to a lot of military families.

Mr. RUSSELL. Yes. And I would agree, it is very important, which is why I was smart enough to retire near an Air Force base, being an Army retiree.

But on that line, has there been any study to show that maybe there is not a benefit to their combination, that there is efficiency already and their combination would not create it because—you know, I am just curious.

Colonel HAYDEN. There have been studies at least to look and combine, if you would, the exchange systems. And it is—there has been pushback on several of those studies, and we are still where we are even though that the Army and the Air Force were able to merge, if you would, their exchange systems.

But you have to take a look at the exchange systems on what they actually do. The Navy, for instance, has their lodging associated with the way they do the Navy exchange.

And so it is a business model that is, if you would, that is built on profit, and that is the way the exchange systems are now. And then the commissary is actually an appropriated more of a——

Mr. RUSSELL. So you think that the circle could go wider and get the MWR on the Army and——

Colonel HAYDEN. Well, I think——

Mr. RUSSELL [continuing]. The Air Force side, or——

Colonel HAYDEN. I think the important thing is that when you look at a consolidation of this, you have to see the business models that are out there with the different services and why the consolidation may not be in the best interest of all unless you are trying to bring in what would be the lodging model and all these other types of aspects along with it.

But I am, along with Karen, the question really comes back is now you are end up taking away, if you would, the subsidy that was associated with the operation of the commissary, and you are introducing this business model. And is that business model really going to save, in the end of the day, are the—you are still going to see the 30 percent savings when you are at the commissary, and are you going to get the MWR funds that you need in order to——

Mr. RUSSELL. Put money back in, rather than take——

Colonel HAYDEN. So I think you end up robbing Peter to pay Paul on this.

Mr. RUSSELL. And thank you.

Thank you, Mr. Chairman.

Dr. HECK. So one thing we haven't talked about probably on purpose is SBP [Survivor Benefit Plan]. And really, you know, so the Commission makes a recommendation on how to potentially move forward and address the SBP–DIC [Dependency and Indemnity Compensation] offset—again, prospectively, fully recognizes it is not going to do anything for anybody who is currently impacted by the offset.

As you may recall, the recommendation is that for those individuals who want to get full SBP if they also receive DIC is that they would pay an increased premium annuity—roughly 11 percent, as

opposed to the lower premium annuity at I think 6 percent, and not have the offset.

Thoughts? I mean, I—to me it seems—I don't know. I have already filled out my election notice when I hit 20 years so it is not going to affect me, but, you know—and again, realizing that we are not talking about the more strategic issue of whether or not there should be an offset to begin with, but any ideas of whether or not that is something that is worthwhile, something opposed? I mean, is that one of the, you know, easy yes, check the box, that should be an easy one to do?

Colonel HAYDEN. Well, MOAA actually opposes the proposal. What we see is, like you had mentioned, sir, is that it doesn't do anything for the 60,000 survivors that are out there right now that are affected by the SBP–DIC offset.

But the other thing is is because of the way that the premium is set up, what you are doing is really—the people who would take advantage of the higher-paying premium are those that are the most disadvantaged. The ones who would look at the SBP–DIC—the higher-paying premium for SBP—are the ones who are actually what I would think are the 100 percent disabled right now. They themselves are going to think that, "Oh, yes. When I die I am going to die of a service-connected disability."

And if you are 100 percent and you go through that—there is that period of window that if you get I think it is the 10-year point, you are automatically—whatever you die of, you are going to die of a service connection.

The idea is that you are going to prey on the ones who have the most severe disabilities. They are the ones who are going to find it to their financial advantage to try to provide for their survivors that way, and they are the ones who probably are unable, then, to work—or the majority of them maybe have difficulties working then when they get out of the services.

So for our perspective, it is nice to give an option like that, but it is only to the advantage of those that actually think they are going to die of service connection.

Mr. GEHRKE. The VFW would agree with everything Mike said. We really need to do something about the current beneficiaries who are eligible.

But the current SBP–DIC is certainly untenable. I think the SSIA [Special Survivor Indemnity Allowance] ends within the next year or two, so you do need to find some alternative to that. And we think the current plan—or the proposed plan is the best thing that has been proposed other than completely eliminating the offset.

So we think the service members do need a—some sort of better option than what they are provided now.

Dr. HECK. Okay.

Anyone else?

Mr. Stovall.

Mr. STOVALL. Mr. Chairman, this is something that the American Legion opposes. One, like as mentioned before, it doesn't address the current injustice facing the tens of thousands of beneficiaries.

And then lifting the offset for those who follow on only to charge a higher premium is a nonstarter for us. We feel that this recommendation doesn't solve the problem.

Dr. HECK. All right.

This is the first time we have ever exhausted the panel—the members of questions.

I want to thank you all for taking the time to be here, for giving us your insights. Obviously it has been mentioned by several of the members, just the sheer breadth of your membership and the folks that you represent—you know, in disclosure, I belong to three of your organizations seated at the table—really means a lot to us.

And I want to assure all of you that are here today and those who may be seeing the hearing or listening that we will be very deliberative in this process as we review the recommendations of the Commission before we make recommendations to move forward to the full committee.

So again, thank you for your time today.

There being no further business, the hearing is adjourned.

[Whereupon, at 3:38 p.m., the subcommittee was adjourned.]

A P P E N D I X

March 25, 2015

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 25, 2015

Opening Statement of Chairman Joseph J. Heck
Subcommittee on Military Personnel

HEARING ON

Stakeholder's Views on the Recommendations of the Military Compensation and Retirement Modernization Commission

March 25, 2015

I want to welcome everyone to a hearing of the Military Personnel Subcommittee on the stakeholder's views of the fifteen recommendations to modernize the military compensation and retirement systems suggested by the Military Compensation and Retirement Modernization Commission. As we continue to study the Commission's recommendations we also need to consider the views of our current and retired service members through you, the organizations that represent them. We are committed to addressing concerns and issues raised by members of The Military Coalition and others on the effects of the Commission's recommendations on service members and their family's willingness to serve and the effects on their quality of life.

I want to continue to assure everyone that the Military Personnel Subcommittee is taking every opportunity to thoroughly review and discuss the recommendations. We are fully committed to improving the welfare and quality of life for both current members of our Armed Services and our veterans, while ensuring we keep our nation safe and secure.

Our purpose today is to understand how current and retired service members are viewing and discussing the commission's recommendations. A guiding consideration for our work is the viability of the All-Volunteer Force. Most importantly, we must not break faith with our service members and undermine our efforts to recruit and retain the best and brightest in our Armed Forces.

We are joined today by an outstanding panel of stakeholders.

Let me welcome our panel:

Mr. Scott Bousum
Legislative Director
Enlisted Association of the National Guard of the United States

Mr. Brendon Gehrke
Senior Legislative Associate
Veterans of Foreign Wars of the United States

Col. Michael Hayden, USAF (Ret)
Director, Government Relations
Military Officers Association of America

Mr. Chris Neiweem
Legislative Associate
Iraq and Afghanistan Veterans of America

Ms. Karen Ruedisueli
Government Relations Deputy Director
National Military Family Association

Mr. John Stovall
Director of National Security
The American Legion"

ENLISTED ASSOCIATION OF THE NATIONAL GUARD OF THE UNITED STATES (EANGUS)

STATEMENT FOR THE RECORD

HOUSE ARMED SERVICES COMMITTEE

MILITARY PERSONNEL SUBCOMMITTEE

on

Stakeholder's Views on the Recommendations of the Military Compensation and Retirement Modernization Commission

March 25, 2015

Enlisted Association of the National Guard of the United States
3133 Mount Vernon Avenue
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OPENING STATEMENT

Chairman Heck and Ranking Member Davis, esteemed members of the committee, on behalf of the 42,000 members of the Enlisted Association of the National Guard of the United States, representing over 414,000 enlisted men and women of the Army and Air National Guard, their families and survivors, and tens of thousands of National Guard retirees, we welcome this opportunity to submit testimony for the record regarding our views concerning the Military Compensation and Retirement Modernization Commission (MCRMC) report and recommendations.

The report is public evidence that the commissioners and their professional staff spent countless hours analyzing the gamut of military compensation issues and they should be publicly commended for their efforts. The report will stimulate some meaningful discussions that need to take place that affect our National Guard members.

Let me begin by stating that we believe the Commissioners set out to modernize systems currently in place, they did not look for ways to cut spending off the backs of the servicemembers and their families. The fact that the Commissioners' recommendations save $12B from 2017 to 2021 by creating flexible mechanisms for future servicemembers, current servicemembers and their families to choose health care and retirement packages to fit their individual needs, means that they successfully completed their mission. The fiscal environment currently facing the Department puts Congress and Associations, like the ones before you today, in unfamiliar territory of late. We are no longer in a "spend, spend, spend" environment. Your colleagues in the Budget Committee appear to have set a new tone, at least for this year.

In the spirit of one of the Commission's core missions, retaining quality talent for 20 years, I would briefly like to state a growing concern that readiness shortfalls caused by less money toward training because of the BCA Caps and Sequestration directly relate to poor retention. If the Servicemember does not get to do the job that he or she signed up to do or feels unprepared for the fight, quality talent will leave the force.

As the discussion continues in the committee, we look forward to working closely with your staff on these recommendations.

MR. SCOTT BOUSUM, LEGISLATIVE DIRECTOR

Scott Bousum is the Legislative Director at the Enlisted Association of the National Guard of the United States (EANGUS). As the Legislative Director, Scott works with the enlisted state associations to advocate on behalf of Guardsmen on Capitol Hill, specifically on issues related to compensation, retirement, and National Guard weapons and equipment programs. Before joining EANGUS, Scott was the Director of National Security Policy and Procurement Policy at TechAmerica, a technology industry association. While at TechAmerica, he focused on supply chain security, regulatory affairs, and the federal acquisition process. Prior to joining TechAmerica, Scott worked on the House Armed Services Committee from 2009 to 2013, supporting the Tactical Air and Land Forces Subcommittee. Scott is from Oklahoma and worked for former U.S. Senator Tom Coburn of Oklahoma. He is a graduate of the University of

Tulsa and received his Masters' degree in National Security Strategic Studies from the United States Naval War College.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Enlisted Association of the National Guard of the United States (EANGUS) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.

Military Compensation and Retirement Modernization Commission Recommendations

Recommendation 1. Modernize Military Retirement

The current Uniformed Service retirement system is a useful retention tool for midcareer servicemembers, but does not provide retirement savings to the overwhelming majority of servicemembers. Under the current system, 83 percent of the enlisted men and women serving our Nation will never benefit from a traditional 20-year Uniformed Service retirement. The Services' retirement system should be restructured to provide retirement benefits to more than one million current servicemembers who would otherwise leave service without any Government-sponsored retirement savings. This recommendation blends the recruiting benefits of a modern 401(k)-type plan, with the retention benefits of the current retirement annuity, lump sum career continuation pay, and retention bonuses paid at important career milestones in the lives of servicemembers. It would also sustain, and may improve retention and increase lifetime earnings of retirees.

Association Response to Recommendation 1:

The association supports this recommendation. Too few benefit from the current military retirement plan. In fact, the Commission found that 83 percent of enlisted members do not benefit from the 20-year Uniformed Service retirement at all. We agree with the Commission's conclusion that by giving servicemembers the benefits of a 401(k)-style retirement plan would incentivize millennials to join and retain currently serving members should they opt in to the new plan. The Commission asserts that millennials prefer flexible retirement accounts and like to have more control of their investment.

If this recommendation is not adopted, the association requests that the committee consider expanding the retirement system in its current form. Mainly, servicemembers have the ability to opt into a Thrift Savings Plan (TSP) account but few choose to utilize TSP because there is no government matching of their contributions. The association believes that if servicemembers received matching contributions, more would opt to open a TSP account. Tweaking the current system might be a way to incentivize servicemembers to save for retirement without overhauling the retirement process. Accordingly, it would make sense to vest individuals after two years of service to ensure that those who decide to leave have some funds set aside for retirement.

Recommendation 2. SBP-DIC Offset

The Survivor Benefit Plan (SBP) has steadily become more attractive as a low cost way to provide lifetime benefits to retirees' survivors. The Commission received many servicemember complaints about SBP because of the associated offset from VA Dependency and Indemnity Compensation (DIC). To help address this concern, a new SBP option should be implemented for which servicemembers would fully fund SBP costs but would no longer be subject to the DIC offset. The existing SBP program with the DIC offset should be maintained for servicemembers who want to retain lower cost coverage.

Association Response to Recommendation 2:

The Survivor Benefit Plan (SBP) gives retiring servicemembers the option to provide a lifetime monthly annuity to qualified survivors. SBP provides survivors an annuity equal to 55 percent of the base retirement pay the servicemember elects to cover. Servicemember's retired pay is reduced by 6.5 percent of the base amount elected. The premium for plan participation is deducted from retired pay before taxes. SBP payments are taxable.

Survivors of retirees may also be entitled to Dependency and Indemnity Compensation (DIC) payments from the Department of Veterans Affairs (VA), if the servicemember died from: a disease or injury incurred or aggravated in the line of duty while on active duty or active-duty training; an injury incurred or aggravated in the line of duty while on inactive duty for training; or a disability compensable under laws administered by VA. DIC payments are nontaxable.

A survivor is generally restricted by law from receiving the full amounts of both SBP and DIC benefits (10 USC § 1450) even though the two payments are unrelated—one is a pension designation and the other is veterans compensation for disability resulting in death. Our association supports repeal of any offset and full payment of both SBP and DIC to survivors.

Recommendation 3. Promote Servicemembers' Financial Literacy

The lack of choice in current pay and benefit programs results in complacency and insufficient knowledge among servicemembers with regard to managing their personal finances. According to the 2013 Blue Star Families Annual Lifestyle Survey, only 12 percent of servicemember respondents indicated they received financial information from their command or installation. The Department should increase the frequency and strengthen the content of financial literacy training. This enhancement is especially important because the Commission's recommendations on retirement and health care require new financial decisions to be made by servicemembers. Improved financial literacy would also assist servicemembers from being exploited by predatory lenders and other financial manipulators and would better educate and prepare those that transition to the private sector after leaving the force.

Association Stance on Recommendation 3:

Congress required DOD to initiate a financial literacy program in 2006 with the institution of 10 USC § 992. At the time, there was a proliferation of military members possessing poor money management skills and extensive use pay day lenders who charged extremely high interest. In 2006, Senators Jim Talent and Bill Nelson sponsored legislation which was included in the NDAA to limit the amount of interest pay day lenders could charge military members. The Department implemented the law by designating personal finance program managers at the Service level, and contract financial counselors at each installation. Many of the financial counselors are AFC® certified. However, the scope of their practice is limited by DOD to financial basics (savings, budgeting), correcting a credit report, developing a debt repayment program, understanding bankruptcy, and navigating emergency financial assistance organizations. However, DOD did not allow financial counselors to perform any financial, investment, or estate planning, which would be vital in planning for retirement. For the National

Guard, there was one financial counselor at each Joint Force Headquarters to service the entire population of members in that State. Additional on-demand counselors were available using local certified (CPA, CFP®, ChFC®, AFC®) professionals for large scale events such as deployment round-robins. In addition, Military One Source provides very limited financial counseling via telephone (no more than 15 minutes).

Further, due to projected downsizing of the active military forces, the VOW Act of 2011 required the inclusion of personal financial management training as an integral part of the Transition Assistance Program (TAP). Already burdened personal financial counselors at the installation or state level were tasked with the additional requirement of pitching a 5 hour block of instruction on personal finances solely dedication to transitioning military members who were exiting the military.

Additionally, there is currently no nationally accepted standard or metric to measure financial literacy. The Commission recommendation requires Defense Manpower Data Center (DMDC) to survey the force to establish a benchmark to evaluate and update financial literacy training. However, updating the training is not a real indicator of the literacy or ability of servicemembers to manage their finances or future retirement and this requirement could set up DMDC to fail.

Transfer of responsibility. The Commissioners testified before Congress that the inclusion of financial literacy training in their recommendations was because of the onus of financial and retirement planning being shifted from DOD to the individual. Under a defined benefit plan, DOD plans for the individual's retirement. Under the hybrid plan, the individual military member will now need to have requisite financial planning skills early in their military career to manage their TSP investment portfolio, have the financial discipline to invest and not squander the lump sum career continuation payment, and continue to manage their investments until and after retirement. To reap the intended retirement benefit recommended by the Commission, the hybrid defined contribution and defined benefit plan must be explained, understood, and executed by the military member as early as year one of their service. This recommendation relies heavily on financial literacy training by parents and the secondary school system prior to entering the military or the military financial counselors when the military member is at the least likely time in their life to be concerned about retirement. The onus on the military member is great—and lacking the motivation and education, the member will miss out on the benefits of compounding interest in their investment account (TSP) to gain the value of the hybrid retirement plan offered by the Commission.

Additional cost. In addition, the cost to DOD to implement expanded financial and retirement planning to military members will be substantial. Certified financial professionals have the skill sets to execute the new planning requirement. However, in addition to the requirements of 10 USC § 992 and Goals, Plan, Success (GPS)/TAP, the counselors will have to personalize each plan based on the individual's financial situation, requiring a sizable increase in the number of certified financial planners at each installation/state and investment of operations and maintenance funds by DOD in hiring civil service, non-appropriated fund employees, or contract financial counselors. The current construct of one financial counselor per installation or state will be insufficient.

Our association generally supports the recommendation for increased financial literacy. However, our association is greatly concerned that, in times of decreasing budget availability and flexibility, the program will be underfunded and fall short of its intended benefit. In addition, it may be difficult to find and employ enough certified financial counselors to adequately service the intended population.

Recommendation 4. Increase efficiency within Reserve Component status system

Despite the Services' operational dependence on the Reserve Component (RC) during the recent conflicts in Iraq and Afghanistan, the current RC status system "is complex, aligns poorly to current training and mission support requirements, fosters inconsistencies in compensation, and complicates rather than supports effective budgeting." The RC status system causes members to experience disruptions in pay and benefits as they transition among different duty statuses. Mobilization difficulties also impede operational commanders who need to employ RC personnel. There are 30 unique statuses under which RC members can be called to duty. The number of duty statuses should be streamlined to just six to benefit servicemembers and ease the Services' management and operational use of RC forces.

Association Stance on Recommendation 4:

The Commission report condenses the existing 30 duty statuses into six: active duty, inactive reserve service, federal service (Presidential call-up for domestic emergencies), full-time National Guard, inactive National Guard, and active duty for Coast Guard. For Reserve Components, it states that the three primary statuses would be active duty, inactive duty, and full-time National Guard duty. The Commission recommends that orders are only issued when the authority changes, and that when duty status, purpose, or funding source changes, orders need only be amended, accordingly.

Generally, our association agrees with this proposal. The orders writing systems used in the National Guard (AFCOS and AROWS) already support this proposal so there should be no requirement for re-coding of systems. There will be initial confusion as this is implemented and an educational/retraining element may need to be included. There may be a requirement for Congress to re-look Title 32 of US Code for further implications with regard to Chapters 5 and 9 prior to implementation—our association supports the creation of a working group comprised of DOD and interested parties to identify and rectify any such implications.

Recommendation 5. Joint Medical Readiness Command

The Secretary of Defense and the Chairman of the Joint Chiefs of Staff should seek to enhance dedicated oversight of medical readiness through the creation of a joint medical component within a newly established joint readiness command, as well as a medical directorate in the Joint Staff. Congress and DOD should define and measure Essential Medical Capabilities (EMC) to promote and maintain critical capabilities within the military medical force. The Department should be granted additional authorities to attract EMC-related cases into military treatment facilities to best support their mission as a training platform for military medical personnel.

Association Stance on Recommendation 5:

The Commission states that it is essential that four-star leadership is needed to sustain dedicated focus and proper oversight on the joint readiness of the force. In addition, it calls for the establishment of a Joint Staff Medical Readiness Directorate (J10) at the Joint Staff directed by a three-star flag officer. This new structure will be expensive, the report does not include a business case for any savings, and does not collapse or include any current MHS offices such as DHA or Service Surgeons General. Our association believes that there is much efficiency, both organizational and fiscal, that can be garnered by collapsing the current hierarchy and instituting one unified medical office of responsibility headed by a four-star flag officer and charged with oversight and force readiness responsibilities. This new structure would meld DHA and the Service Surgeons General into one and reduce bureaucratic and expensive overhead.

Recommendation 6. TRICARE Choice

TRICARE often limits access to care by confining beneficiaries to a lengthy and frustrating process for obtaining specialty care and to weak networks of civilian health care providers. The adverse effect of weak provider networks is even more profound for beneficiaries living in remote locations, including RC members. Congress should replace the current health care program with a new system that offers beneficiaries a selection of commercial insurance plans. Costs of these plans should be offset for active-duty families with a new Basic Allowance for Health Care (BAHC) and a fund to lessen the burden of chronic and catastrophic conditions. Mobilized RC members should also receive BAHC to cover the costs of a plan from the new system or of their existing insurance plan. All members of the RC should be able to purchase a plan from the DOD program at varying cost shares. Non-Medicare-eligible retirees should continue to have full access to the military health benefit program at cost contributions that gradually increase over many years but remain lower than the average Federal civilian employee cost share as recognition of their military service. Medicare-eligible retirees should continue to have access to the current TRICARE for Life program to supplement Medicare benefits.

Association Stance on Recommendation 6:

This recommendation completely revamps TRICARE as currently constituted into something called "TRICARE Choice". It requires DOD to completely restructure the health care delivery system into something similar to the Federal Employees Health Benefits Program, but include Military Treatment Facilities in the provider network and increase benefits for dental and vision care. Active duty members will receive a new BAHC, a nontaxable allowance, to offset health care cost shares for their families. BAHC has two parts—the first part is paid directly to Office of Personnel Management by allotment for health care premiums; the second part is used for out-of-pocket costs. Retirees will not receive BAHC. Medicare-eligible retirees remain on TRICARE for Life. Non-Medicare eligible retirees will bear a cost increase of 1% per year for 15 years to bring their cost share from 5% to 20% and active duty family members would have higher out-of-pocket costs. TRICARE Reserve Select would require a cost share of 25%, down from 28%.

Our association applauds the recommendation to retain TRICARE for Life without cost share—this important benefit will keep the faith with our senior military alumni. TRICARE Reserve Select premium reduction is warranted if DOD's costs have been determined to be less than anticipated. Our association does not believe that the current TRICARE system is worthy of being scrapped in its entirety. Issues raised about barriers to access and lack of customer service in some areas can be addressed in a systematic manner without eliminating the entire system. Building more accountability and oversight, with contract modifications if contractors cannot perform to standard, should be considered in the next round of TRICARE contract specifications. Comparing the annual enrollment fee to civilian premiums (which are based on the cost of care) is an apples-to-pineapple comparison. The Department chose for years not to change the fees, and for the past few years has chosen to take aim at this demographic while under spending their accounts and transferring millions from TRICARE to readiness accounts in the 4th quarter of each fiscal year and then saying they are underfunded and health care is rising. Our association believes that the Defense Health Agency should be audited to reveal the actual cost of health care and the actual cost share required by each demographic before adopting sweeping increases in premiums.

Recommendation 7. ECHO

To provide continuous support services, benefits offered through the military's Extended Care Health Option program should be expanded to include services provided through state Medicaid waiver programs.

Association Stance on Recommendation 7:

The association takes no stance on recommendation 7

Recommendation 8. Improved collaboration between DOD and VA

DOD and VA expend tremendous national resources to ensure that servicemembers and veterans receive world-class health care. Yet there remain substantial opportunities for enterprise wide collaboration through standardization, elimination of barriers, and implementation of best practices. Differences in drug formularies for transitioning servicemembers continue to disrupt effective care. Several DOD–VA resource sharing projects have generated efficiencies for both organizations, but these efforts are mostly local, isolated arrangements. Medical information cannot yet be shared seamlessly between DOD and VA, hindering effective care for servicemembers and veterans. To resolve these issues, the current DOD–VA Joint Executive Committee should be strengthened with additional authorities and responsibilities to standardize and enforce collaboration between the organizations.

Association Stance on Recommendation 8:

The association takes no stance on recommendation 8

Recommendation 9. Merging the commissary and exchange systems

DOD commissaries and exchanges provide valued financial benefits to servicemembers and should be maintained. According to the 2013 Living Patterns Survey conducted by Defense Manpower Data Center, more than 90 percent of active-duty servicemembers use commissaries and exchanges. Although there are many differences between commissaries and exchanges, the Commission found these two activities perform similar missions, for similar patrons, with similar staff, using similar processes. Commissaries and exchanges should be consolidated to leverage these similarities. The merger of many back-end operation and support functions, alignment of incentives and policies, and consistent implementation of best practices should achieve significant efficiencies while maintaining the value of the benefits for servicemembers and their families.

Association Stance on Recommendation 9:

Our association finds that the commissary benefit is more often used than the exchanges, and that any reduction to the commissary benefit would be detrimental to our members. Commissary savings have consistently averaged 30-35% over local grocery stores. Our association sees some value in the consolidation of the exchanges into one for-profit resale activity, but not in combination with the non-profit commissary system. That being said, the Commission's recommendations are better alternative to the Department's Fiscal Year (FY) 15 and FY16 funding requests which would reduce commissary subsidy by $300 million. In recent years, the Department also requested that commissaries close one day per week and that all non-remote and OCONUS commissaries close their doors for good.

Recommendation 10. Improving child care access on installations

Servicemembers' operational readiness is directly related to their ability to be at work. Access to quality, convenient, and affordable childcare is an important part of readiness. Yet the Commission found that demand for military child care often exceeds availability, resulting in more than 11,000 children on waiting lists as of September 2014. Congress should reestablish the authority to use operating funds for minor construction projects up to $15 million for expanding or modifying child development program facilities serving children up to 12 years of age. The Department should standardize reporting and monitoring of child care wait times across all types of military child care facilities and should also streamline child care personnel policies to help ensure proper staffing levels.

Association Stance on Recommendation 10:

The association takes no stance on recommendation 10 because very few of our National Guard members utilize installation child care.

Recommendation 11. Educational Benefits

The Military Services have repeatedly emphasized the importance of using education benefits as recruiting and retention tools. Ensuring the robustness of these programs is one of the best ways to guarantee the future of the All-Volunteer Force. There are duplicative and inefficient education benefits that should be eliminated or streamlined to improve the sustainability of the

overall education benefits program. The Montgomery GI Bill Active Duty Assistance Program should be sunset in favor of the Post-9/11 GI Bill. Servicemembers who reach 10 years of service and commit to another 2 years should be allowed to transfer their Post-9/11 GI Bill benefits to dependents. The housing stipend of the Post-9/11 GI Bill should be sunset for dependents, as should unemployment compensation for anyone receiving a housing stipend.

Association Stance on Recommendation 11:

The Montgomery GI Bill Selected Reserve is an important benefit to the National Guard and the association is happy that the Commissioners sustained it since there are no other education benefits that cover our constituency. Reducing housing stipends for dependents could burden those using GI Bill benefits because the average cost of typical room at a major university is quite high. The association understands that original cost estimates did not take into account University room and board because the benefit was intended for the servicemember to use at a later date, and typically the individual would not utilize expensive on campus housing because of their age.

Recommendation 12. Transition Services

Transitioning from the Military Services to civilian life is more challenging than it needs to be. Unemployment is still a challenge facing far too many veterans, especially for veterans aged 18 to 24, who had higher unemployment rates in 2013 than nonveterans of the same age group (21.4 percent and 14.3 percent, respectively). To better support transition and veteran employment, DOD should require mandatory participation in the Transition GPS education track. The Department of Labor should permit state departments of labor to work directly with state VA offices to coordinate administration of the Jobs for Veterans State Grant program. Congress should require One-Stop Career Center employees to attend Transition GPS classes to develop personal connections between transitioning veterans and One-Stop Career Centers.

Association Stance on Recommendation 12:

Our association agrees that the Transition GPS curriculum is vital to transitioning servicemembers and that the entire Transition GPS program should be made available to National Guard members as well. As an aside, the increased emphasis towards transition programs will hopefully result in a subsequent decrease in unemployment compensation.

Recommendation 13. Nutritional Assistance

The Commission recognized that some servicemembers, particularly those with large families, will continue to need financial help to purchase nutritious food for their families. The Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP), better known as food stamps, should be the means by which they receive that help in the United States. The Family Subsistence Supplemental Allowance (FSSA), the Military Services' alternative to SNAP, served only 285 servicemembers in FY 2013, in large part because SNAP is more generous and creates fewer potential social stigmas for recipient families. FSSA should be

retained for servicemembers in overseas locations where SNAP assistance is unavailable, but should be sunset in the U.S. and other locations where SNAP is available.

Association Stance on Recommendation 13:

The association takes no stance on recommendation 13

Recommendation 14. Expand Space-A travel

Dependents of servicemembers who are deployed for more than 120 days can fly, unaccompanied, on military aircraft when there is space available. However, shorter deployments are becoming routine for some. The quality of life of servicemembers' dependents should be improved by providing access to unaccompanied travel on military aircraft for deployments of 30 days or more.

Association Stance on Recommendation 14:

Our association passed a resolution at its last annual conference concerning Space-A travel. The space-available travel law was included in the National Defense Authorization Act of 2013 and should now be providing equal benefits to active and reserve-component members, eligible surviving spouses and others the Secretary of Defense may deem as eligible. The Secretary of Defense should have, by now, established a priority order of travel for eligible members. The Department has not implemented the law, nor updated the regulations needed. Currently, some National Guardsmen, Reservists, "gray area" retirees and their dependents, and eligible surviving spouses and their dependents are being denied these travel privileges. Asking the Secretary of Defense to quickly implement the law will help ensure that those benefits are available to those who are deserving of them.

Recommendation 15. Identification of Military Dependent Students

Children of active-duty servicemembers are not being identified separately in nationwide reporting of student performance. These children experience unique stresses associated with parental deployments and frequent relocations that can adversely affect academic performance. A military dependent student identifier should be implemented through Elementary and Secondary Education Act reporting to identify students who are children of active-duty servicemembers. This identifier would enable consistent reporting on the academic performance of military dependents, as well as identification of the support required to meet their needs.

Association Stance on Recommendation 15:

The association takes no stance on recommendation 15 and defers to the other Military Coalition partners for their expertise in this area. The possible inclusion of reserve component and National Guard military dependent students should be considered.

STATEMENT OF

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BEFORE THE

HOUSE ARMED SERVICES MILITARY PERSONNEL SUBCOMMITTEE

WITH RESPECT TO

Recommendations Made By The
Military Compensation & Retirement Modernization Commission

WASHINGTON, DC March 25, 2015

Chairman Heck, Ranking Member Davis, and Members of this Subcommittee:

On behalf of the nearly 1.9 million members of the Veterans of Foreign Wars of the United States and our Auxiliaries, thank you for the opportunity to present our views regarding the Military Compensation and Retirement Modernization Commission's recommendations. We thank the Commission for its hard word and appreciate that the Committee is addressing the report in a timely manner.

The Commission's recommendations and the continuing efforts by the Department of Defense to shift personnel expenses has initiated an important conversation with Congress and the American people about what it means to take proper care of veterans, service members and their families. First and foremost, the VFW believes that properly caring for America's wounded, ill, and injured service members and veterans, as is preserving the integrity and viability of the All-Volunteer Force is paramount.

The Commission's report validates many of the VFW's assumptions that the government in many ways is failing to appropriately compensate and care for the men and women of the armed forces. Most notably, the Commission recognizes that the country has an obligation to better help all service members save for retirement, protect the pay of their survivors, improve their choice and access to quality health care, and safeguard their education benefits. We applaud the Commission for developing policy ideas that will to modernize the military retirement and compensation system in a way that provides new, substantial and fiscally sustainable benefits to service members, retirees and their families.

Recommendation #1: Help more service members save for retirement earlier, and leverage the retention power of the traditional retirement program.

The VFW strongly supports Recommendation 1.

In addition to a defined benefits plan similar to what service members currently receive, this recommendation includes a government matching retirement contribution for all service members, and continuation pay for potential career service members. The monumental proposal would provide every service member with a government contribution through out their entire career to the current Thrift Savings Plan (TSP) that can be rolled over into a traditional 401(k)-type account upon discharge. The Commission also recommends that Reserve component members, who have played a crucial part in the war against terrorism, receive partial retirement immediately after retiring from service. We believe that it is not only fair to provide all service members with some retirement compensation, especially those who deploy several times to combat zones before exiting short of 20 years, but its our patriotic duty to prepare all service members for retirement.

Most service members fall behind their civilian peers when it comes to saving for retirement due to their military service. According to the Department of Labor (DOL), most full-time workers and employees of large companies have access to and participate in, defined contribution plans. Nearly 80 percent of full-time workers have access to employer-sponsored retirement plans, and more than 80 percent of these workers participate in a plan. At companies with 500 workers or more, 90 percent have access to employer-sponsored retirement plans. Meanwhile, 90 percent of service members receive nothing for retirement. In addition, 95 percent of employers with 401(k) plans made a matching contribution to their employees; again, the government makes no contribution to the service members' 401(k)-style accounts. We believe that the government should contibute to a service members' 401(k) plan throughout their entire career. By not providing retirement parity between the civilian and military sectors, we are sending the message to troops that the country does not value their military service.

Survey data shows that the current compensation and retirement system is leading to low morale. In 2014, only 44 percent of active-duty troops rated their compensation as "good" or "excellent." Most service members live paycheck to paycheck, and are often unable to pay for life's unexpected emergencies, let alone save much for retirement. In fact, that is the premise behind the VFW's ***Unmet Needs*** program. Since our program's inception, the VFW has distributed $5 million in assistance to qualified military families, with nearly half of those funds going directly toward basic housing needs. However, having access to a 401(k) may positively impact a sense for what is financially possible. According to Wells Fargo, more than half of non-retirees without access to a 401(k) plan say "it is not possible" to pay bills and "still" save for retirement, compared to a third of those who have access to a plan, but say they can't save and pay bills at the same time. We believe that when a service member sees the employer's contributions in their annual TSP investment statement much of their financial concerns will be alleviated and their morale will increase.

The 401(k) makes a significant difference for people in that it gives them the ability to save in a regular, systematic way. It conditions people to think that saving money is paying for their

future and is just as important as paying day-to-day bills. Those who have access to a 401(k) are more likely to say they would give up certain expenses, big purchases or expenditures like eating out in order to save for retirement, at a rate approximately 10 percentage points higher than those without access to a 401(k). Simply put, middle-class Americans, regardless of their military affiliation, value the 401(k) as a way to create a retirement nest egg.

Personal finance experts know the issue all too well: there is a pressing need for Americans to participate in a 401(k), individual retirement account or some sort of structured, tax-deferred account to take them through their post-employment years. If young service members aren't saving today, they are losing the benefit of time compounding the value of their money. That growth can't be made up later, so service members have to commit early in life to make savings a regular discipline year after year – it is the only way most people will achieve their financial goals to carry them through retirement. However, junior service members don't make enough money to invest the 7 to 10 percent of their base salary needed to build a sufficient nest egg without an employer contribution. The negative consequences of low pay raises and no employer retirement contributions will be felt by service members throughout their life. Therefore, it is easy to empathize with dissatisfied service members who are feeling a detachment from government and military leaders who can pay for them to go to war but cannot find a way to give them a pay raise or contribute to their retirement.

Congress must consider a host of tangible and intangible factors when weighing military recruiting, retention and longevity. We understand some have expressed concern that a blended retirement plan would incentivize personnel to separate and create a retention problem in the midgrade officer and enlisted ranks. However, we believe that the current government retirement system is not enough to maintain the all-volunteer force. Combat and imminent danger pay, special duty pay, tax breaks, and large re-enlistment bonuses have kept the all-volunteer force afloat during the past 13 years of war – not the current retirement system. As pay raises and career bonuses disappear, troops are reporting a significant decline in their desire to re-enlist, down 10 percent from five years ago. Congress will likely have to modernize the retirement system if the military is going to persuade young service members to extend their service beyond their initial obligated time and bring stellar service members closer to the 10-year point where they feel the "pull" of defined retirement benefits.

The VFW can enthusiastically support the government match of existing TSP programs and increasing Reserve components retirement pay, but not at the expense of lowering the long-term value of the existing military retirement system. Fortunately, the Commission's blended plan could increase an individual's overall investment savings potential regardless of the length of their military service, when reducing the existing military retirement benefit from 50 percent of base pay to 40 percent. Congress can and should ensure that the reduction in the defined contribution percentage is off-set by increasing TSP investments and annual continuation bonuses to maintain the current overall value of the service members' retirement savings. It is vitally important that Congress provide sufficient TSP contributions throughout the service members' career, including after the service members' 20 year service anniversary. Congress will have to modernize the current retirement system if the military is going to compete for the best and brightest service members against private and government employers who offer a portable, employer matching retirement plan.

Recommendation #2: Offer new Survivor Benefit Plan (SBP) coverage without the Dependency and Indemnity Compensation (DIC) offset.

The VFW cautiously supports Recommendation 2.

The Commission's recommendation calls for a modifification of the current SBP program. It would provide service members with the option to increase their monthly premiums from 6.5 percent to 11.25 percent of their base retirement pay, approximately a $55 difference between today's premium and the proposed plan. In return, their surviving spouse would receive both SBP and DIC payments. DIC is a tax free monetary benefit paid by Department of Veterans Affairs (VA) to eligible survivors of service members who died in the line of duty or veterans who died from a service-connected injury or disease. SBP is a life insurance plan that service members purchase from the Department of Defense (DOD) so their surviving spouse will receive a portion of their military retirement when the service member passes away. However, if the surviving spouse receives the DOD's SBP payment, the payment has dollar-for-dollar offset if they also receive a DIC payment. The VFW agrees with the Commission that Congress should provide eligible surviving dependents with a way to receive both DIC and SBP benefits.

Congress has created a confusing maze of offsets. The compensation system denies retirees and their spouses the military compensation that they have earned by combining separate but equal veterans and military benefits into one significantly smaller benefit in order to limit government costs. Whenever Congress creates a new offset, the VFW and our allies have stormed Capitol Hill with real life examples of how these unjust offsets hurt veterans and survivors. In many cases, Congress has recognized the error of their ways by eliminating these harmful offsets. Most recently, Congress has recognized the SBP-DIC offset as unfair by creating a Special Survivor Indemnity Allowance (SSIA) to offset the offset. SSIA is a monthly payment that started at $50 in FY 2008 and will be raised yearly up to $310 through FY 2016. However, SSIA is only a temporary fix that ends in FY2017. We urge Congress to find a better and a more permanent fix to the SBP-DIC offset for current and future surviving spouses before SSIA expires.

While we concur with the Commission's premise to eliminate the offset. We also agree with the widely accepted opinion that the requirement for surviving spouses to pay for their DIC by waiving the SBP is inconsistent with the intended purpose behind the two benefits. The SBP program is simply an insurance benefit paid for by military retirees. DIC is a benefit meant to compensate the veteran's family for losing a loved one whose death was a direct result of military service. No other federal retiree program penalizes surviving spouses, whereas more than 59,000 surviving military spouses are affected by this aptly termed "widow's tax." The VFW's urges Congress to fully repeal the SBP-DIC offset, not to subsidize it out of the pockets of survivor.

However, we recognize that the proposed plan would provide expanded financial options for military retirees who also suffer from a service-connected disability. For example, an E7, who retires with 20 YOS at age 38, premium would increase from $143.52 to $198.68. However, upon the death of the veteran, the survivor's annuity would increase from $1215.00 to $2186.30. The monetary value of the new plan would have a huge impact on the long-term financial well-

being of the survivor. Consider an O5, who retires with 20 YOS at age 42 with a spouse of similar age, pays into SBP to age 72 (30 years) then dies, and the survivor lives an additional 15 years-until age 87. Under the proposed plan, the survivor would receive an additional $218,700 in DIC payments over the remainder of his or her life. In addition to the hundreds of thousands of dollars that they would inherit from the service member's TSP account. Considering the substantial benefits this would have on a survivor, and the current untenable SBP-DIC offset, we currently believe this is the best option next to completely eliminating the offset.

Recommendation #3: Increase military, financial literacy training.

The VFW strongly supports Recommendation 3.

Service members can lose security clearances and are subject to a variety of judicial and non-judicial punishments for failing to meet their financial obligations. It would behoove the services to adopt this low-cost initiative now, and encourage military spouse participation, regardless of the possible introduction of a more robust Thrift Savings Plan or SBP-DIC program.

Recommendation #4: Consolidate 30 Reserve Component duty statuses into six.

The VFW supports Recommendation 4 with additional recommendations.

The VFW urges Congress to ensure that wounded guardsmen and reservists receive the GI Bill benefits they've earned when consolidating the 30 Reserve Component duty statuses into 6. The military often gives orders under title 10 USC 12301(h) to members of the Reserve Component who are injured in combat for their recovery, treatment, and rehabilitation. Unfortunately, unlike active duty service members, federal regulation prohibits reserve component members from earning G.I. Bill benefits while under these orders. Therefore, guardsmen and reservists actually lose benefits for being injured in the line of duty. The law is inherently unjust and undermines the intent of the G.I. Bill, to help service members' transition from active duty to civilian status.

The VFW also supports the award of a DD-214 form to all separating Reserve Component personnel. Regarding the DD-214, all active, Guard and Reserve veterans are eligible for VA medical care, as well as compensation and pension, if a service-connected injury or illness occurred while on active duty. In order to be eligible for VA benefits, the veteran must present proof of active military service in the form of a DD-214. However, a member of the Guard or Reserve only receives a DD-214 if they served 90 days of continuous active duty, although Service secretaries have the authority to issue the forms for shorter time periods. The Reserve Component has contributed a quarter of all ground forces deployed to Iraq and Afghanistan over the past 13 years, and half of all Air Force airlift, yet similar to the active force, not every Reserve Component member has had the opportunity to deploy, much less be activated, for 90 consecutive days. Therefore, the VFW urges Congress to delete the 90-day activation requirement in Title 10, U.S. Code, and provide the DD Form 214 to all Reserve Component members who separate or retire under conditions other than dishonorable.

The VFW also supports legislation to retroactively grant early retirement credit, with a carryover provision, to all Reserve Component members who were activated in support of a contingency

operation from 9/11 forward. Reserve Component retirees are eligible to begin receiving their military retirement pay at age 60. In an effort to recognize their faithful service during the War on Terror, the FY 2008 NDAA allowed National Guard and Reserve members to lower their retirement pay eligibility age by three months for every 90 days served on active duty after January 29, 2008. However, a loophole in the law prevented service members from earning early retirement credit if their 90-day activation did not occur within the same fiscal year. The FY 2015 NDAA contains a carryover provision, but its implementation date of Oct. 1, 2014, discounts the orginial intent and the sacrifice of thousands of other Reserve Component members who activated for long periods of time before the new law's enactment date. We thank Congress for recognizing the inequities in the reserve credit retirement system last year and urge you to make the credit retroactive to September 11, 2001.

Recommendation #5: Create a joint readiness command to ensure service members receive the best possible combat casualty care.

The VFW supports the intent of Recommendation 5.

We agree with the Commission regarding the critical nature of joint medical readiness; however, adding another layer of bueracracy to medical care coordination does not unify the effort. Army, Navy and Air Force medical professionals have the capability to provide a high level of care to all eligible service members, dependents and retirees, yet a 2006 Defense Department proposal to create a Joint Military Medical Command, continues to be ignored. The VFW believes that a Joint Military Medical Command is needed to create a unified system with stronger central authority to improve coordination among the services. Regrettably, inter-service rivalries and perceived mission differences between the services are preventing the care from being efficiently delivered. Yet, despite the unwillingness of the services to discuss a joint command, some universal medical processes and operations have already successfully merged.

Military medicine operates in a joint world, from contingency and humanitarian deployments to meeting the daily healthcare needs of more than 9 million multiservice beneficiaries with 59 inpatient hospitals and 364 clinics. The Army Medical Research and Material Command at Fort Detrick, MD aligns all military research. All enlisted medics and corpsmen are trained at Fort Sam Houston, TX. Information management and technology, facilities management, contracting and procurement, and logistical and financial support services are being consolidated; and 45 percent of total beneficiaries are now being served by the Defense Health Agency, which was activated in 2013 to merge military medicine in six major markets.

The military medical communities can no longer afford a parochial attitude. Especially, not with a downsized military, reduced defense budgets, threats of new base closure rounds, a continued high operations tempo, and the still unfulfilled requirement to create one interoperable electronic health record between DOD and the Department of Veterans Affairs. GAO estimated that realigning DOD's military medical command structures and consolidating common functions could increase efficiency and result in projected savings ranging from $281 million to $460 million annually. The Defense Health Agency has proven that the future of military medicine is in jointness. The services need to stop resisting and start discussing how to get here to there.

Recommendation #6: Allow military TRICARE beneficiaries the ability to choose from a selection of commercial insurance plans to be offered through a Department of Defense Health Benefit Program.

The VFW supports the intent of Recommendation 6.

The recommendation to allow beneficiaries to choose from a selection of commercial insurance plans offered through a Department of Defense health benefits program is worth consideration. Service members, veterans, and their families have told us that they often experience considerable access problems to healthcare. The Government Accountability Office (GAO) validated these comments when they reported that although nearly all civilian care providers in certain geographic areas were accepting new patients, less than half were accepting new Tricare patients. The lack of choice to beneficiaries not only creates access issues but also raises concerns about the quality of care military healthcare beneficiaries receive. The best hospitals in the country often deny veterans and military families care because Tricare's reimbursement rates are too low. We appreciate that the Commission recognized the current access, choice, and value of healthcare provided to service members, veterans, and their families is unacceptable.

The VFW believes that plans providing medical care to military healthcare beneficiaries should be kept competitive with the access and quality delivered by private insurance. However, any new military health care system must do more than shift the responsibility of care away from the military as a provider and on to military families as ordinary consumers at a substantially higher price to the beneficiaries. Before Congress makes changes to the current military healthcare system, retirees need assurances that the access and quality of care they will gain will be proportionate to any additional cost that they will incur. In addition, retirees and military families must not experience any interruptions in services during the transition. We urge Congress to thoroughly study the consequences of the Commission's recommendations before drafting legislation, and to continue to consult with Veterans Service Organizations.

Recommendation #7: Improve support for military dependents with special needs.

The VFW supports Recommendation 7.

Recommendation #8: Enforce electronic medical record collaboration between DOD and VA, and create a common formulary.

The VFW strongly supports Recommendation 8.

The Commission recommended that Congress authorize the DOD-VA Joint Executive Committee (JEC) to standardize and enforce the common services between the DOD and the VA. History has shown one failure after another when the JEC is limited to only conducting oversight of joint DOD-VA projects after Congress has invested the funds.

We have met with both departments and have heard they have the same goals. However, there have been opportunities for DOD and VA to work together to improve their electronic healthcare system, but they have continually failed to come together to improve the continuity of care for

service members. DOD and VA must work together to create an interoperable system whereby DOD and VA physicians can provide top-notch treatment for service members and veterans. By allowing the JEC to set and enforce milestones and assist in the design and implementation of the system, Congress will be much more effective at holding DOD accountable for producing timely and reliable results.

We believe that the agencies must deliver the promise of an interoperable, bi-directional electronic health record for military members and veterans as soon as possible. An interoperable health record would not only improve the quality and continuity of health care for service members and veterans, but is a critical part of ending the persistent VA backlog of service-connected disability claims. The VFW strongly encourages Congress to act immediately on this recommendation.

Recommendation #9: Merge the Defense Commissary Agency and three military exchanges systems into one organization.

The VFW supports Recommendation 9, provided that service members retain the overall commissary savings value, and Morale, Welfare and Recreation program contributions remain unaffected or are enhanced by the merger.

Recommendation #10: Improve access to child care on military installation.

The VFW supports recommendation 10.

Recommendation #11: Safeguard service member education benefits, reduce redundancy, and ensure fiscal sustainability.

The VFW supports Recommendation 11.

The Commission recommended that the VA consolidate all education benefits into a single program, extend the time commitment required to obtain the transferability benefit, and eliminate the Basic Housing Allowance for dependents. The VFW played an integral role in passing the Post-9/11 G.I. Bill, and we have a vested interest in ensuring that the veterans who utilize this robust benefit receive quality educational and vocational training outcomes. Military and veterans' education benefits provide a critical tool to ensure that those who have defended our Nation can compete for the best jobs after service. We believe the country has a vested interest in ensuring that federal education dollars for our military men and women are spent in a responsible manner - training veterans, the future leaders of our country.

The Commission rightfully took issue with a misalignment of veterans' needs and the Defense Department's incentive to allow service members to transfer their GI Bill benefits to their dependents. We believe the G.I. Bill's primary use should be to help veterans reintegrate into civilian life by providing the education and skills necessary to gain meaningful employment. The G.I. Bill should not be a retention tool for the Defense Department to use that VA pays for. For this reason, we do not believe that DOD should have the authority to allow service members to transfer their G.I. Bill benefits. VA should have the authority to grant transferability to service

members who served or have promised to serve for 20 years in the military as recognition of the unique sacrifice that career military families make during 20 years of service.

The Commission recommended "duplicative education assistance programs should be sunset to reduce administrative costs and to simplify the education benefits system." To do so, Congress would have to choose between two options. First, extend full Post-9/11 G.I. Bill benefits to all service members and veterans, including all Reserve Component members. The second option would be to create a scaled system in which certain categories of veterans will receive different percentages of the G.I. Bill depending on whether they served on active duty, reserve status or during a time of war. This would work similarly to how VA awards a certain percentage of the Post-9/11 G.I. Bill to Reserve Component service members depending on the amount of time they serve on active-duty. The VFW believes that war veterans, including guardsmen and reservists, should not receive less of a benefit than dependents or other veterans.

The VFW is disappointed that the Commission did not address the inequity of benefits between veterans from the Reserve Component who deployed overseas, non-wartime veterans, and dependents. Currently, a Marine reservist could deploy to a combat zone, receive a Purple Heart and still only receive 60 percent of his or her G.I. Bill. On the same note, a guardsman, who deployed twice to a combat zone only, receives 80 percent of their G.I. Bill. Meanwhile, a dependent of an active duty veteran who never served during wartime, would receive 100 percent of their G.I. Bill, regardless of the dependent's affiliation with the military in their adult life. The eligibility requirement for Reserve Component members is inherently unjust, and Congress should work to increase the percentage of the G.I. Bill benefit that reserve component members receive if they served in a combat zone receive.

The VFW strongly supports the requirement for institutions of higher learning to submit reports to VA regarding student veterans' progress. We believe that the federal government must insist on transparency from institutions of higher education that receive taxpayer-funded education dollars. Transparency will provide the necessary incentives for schools to focus on quality education outcomes, instead of raw enrollment.

Recommendation #12: Better prepare service members for transitioning into civilian life by expanding education and granting states more flexibility to administer the jobs for veterans state grants program.

The VFW supports Recommendation 12.

The VFW supports the Commission's recommendations for Congress to reevaluate the current Transition GPS curriculum, encourage state collaboration in coordinating the JVSG program, encourage employees to attend Transition GPS classes and require a joint report from DOD, VA, and DOL on the challenges employers face when seeking to hire veterans. Over the past few years, this committee's work has produced a significant evolution in the way the military prepares transitioning service members for civilian life. These positive changes include mandatory Transition Assistance Program (TAP) for all service members, the creation of the Off-Base Transition Training (OBTT) pilot program, and a complete redesign of a TAP

curriculum that includes three specific transition tracks. The Commission's recommendations will build on the good work the Committee and agencies have already accomplished.

When DOL sought to replace Disabled Veterans Outreach Program (DVOP) and Local Veterans Employment Representatives (LVER) with contract TAP instructors, the goal was to ensure that DVOPs and LVERs would no longer have to dedicate an inordinate amount of time to teaching and could instead focus on developing employment opportunities for veterans in the community. The VFW agrees with this shift to contract employees whose primary function is to provide information to service members, freeing up local resources to focus on local veteran employment. When speaking with service members, we find that missing the direct connection to DVOPs and LVERs, who work every day in veteran employment, proves problematic in helping them understand the scope of services and benefits available to them in the community. To close this gap, we agree that DOL should track when and where its employees attend Transition GPS classes, and the number of veterans DVOP /LVERS interact with and follow up with after separation.

The VFW supports ensuring that transitioning service members have access to the full suite of transitional training, should they so choose. However, the VFW understands the operational limitations in mandating such participation across the military, and the unfortunate fact that many line unit commanders still struggle to see the value in allowing their service members to participate fully. The VFW believes that DOD must fully implement its information-sharing agreement with DOL to ensure that state workforce development agencies would have consistent access to the names of veterans leaving the military and relocating to their areas. When armed with this information, employment counselors could reach out directly to recently-transitioned veterans and speak to them face-to-face to ensure that they fully understand what is available to them locally. Unfortunately, the proposed information sharing agreement was delayed, and only started as a pilot in January of this year. DOL first informed the VFW that it was working to codify the agreement in 2012. It is now 2015. At this point, the VFW believes it is unacceptable that DOD and DOL have yet to implement this concept fully.

Another solution to continue to bolster the post-service availability of TAP so veterans have access is to the information in TAP at the time and place that they need it. Two years ago, DOL worked with its contract TAP facilitators in West Virginia, Georgia and Washington to facilitate 23 workshops as part of the Off-Base Transition Training (OBTT) pilot program, as mandated by the Dignified Burial and Other Veterans' Benefits Improvement Act of 2012. By facilitating large-scale, community-based TAP classes, OBTT serves veterans who otherwise would not have had access to the material, or who could only receive comparable information by meeting one-on-one with employment counselors at an American Jobs Center. Moreover, the program was very cost-effective, costing only $52,052 to administer the entire pilot. Unfortunately, the OBTT pilot expired in January 2015, and DOL will not have information on employment outcomes for participants for another year. The VFW believes that OBTT should be a permanent program, but until we have final data on the OBTT pilot, Congress should pass an extension of the pilot.

Another primary concern for the VFW is the lack of involvement of accredited Veterans Service Organizations (VSO) in the new TAP process. A critical element in the transition process is

ensuring that when service members leave the military they have timely access to their benefits. This includes VA service-connected disability compensation, which not only helps veterans make up for lost earning potential as a result of injuries and illnesses incurred on active duty, but also serves as a gateway to other services like VA health care, Vocational Rehabilitation, adaptive housing, or intensive job placement. The VFW believes that in a joint report to Congress, DOD should include an update on how they are complying with the law that requires commanders to allot access and space for VSOs so they can hold face-to-face meetings with transitioning service members seeking VA- accredited representation.

Recommendation #13: Ensure service members receive financial assistance to cover nutritional needs by providing cost-effective supplemental benefits.

The VFW supports Recommendation 13.

Recommendation #14: Expand Space-Available Travel eligibility to military dependents whose sponsor is deployed for 30 days or more.

The VFW supports Recommendation 14 with an additional recommendation.

The VFW urges Congress to amend title 10, U.S. Code, to add 100 percent service-connected disabled veterans and their eligible dependents to the Space-A flight eligibility list. These 100 percent disabled veterans are issued military identification cards, the DD Form 2765, "Department of Defense/Uniformed Services Identification and Privilege Cards." Their dependents are issued DD Form 1173 identification cards. Both ID cards extend all the same access and privileges as afforded to active-duty military and their dependents—except Space-A travel.

Recommendation #15: Measure how the challenges of military life impacts children's schoolwork by implementing a national military dependent student identifier.

The VFW supports Recommendation 15.

CONCLUSION

Many individuals and organizations have raised questions about the intent of the Military Compensation and Retirement Modernization Commission's recommendations. The common assumption has been that the President and Congress tasked the Commission with promoting the continued reduction of benefits to service members, veterans, and their families. To the contrary, we have found that the Commission has found innovative methods to create new benefits for military beneficiaries without raising costs to the taxpayer by finding efficiencies in the current compensation programs. In fact, the Commission estimates that their proposals would save DOD $31.8 billion during FY 2016-FY 2020 and result in annual steady-state savings of $8.7 billion by FY 2046. If Congress is going to adopt the Commission's recommendations, they will need to decide what to do with the extra savings.

We believe that Congress should resist the urge to use these savings to offset sequestration. Beginning in FY 2016, all Department of Defense (DOD) discretionary budget accounts will automatically be reduced by approximately 10 percent. We know that sequestration drastically reduces the overall effectiveness of our military by producing fewer, less well-trained troops, and equipping them with outdated equipment. However, Congress should not be looking to balance the Defense budget on the backs of those who bear the burden of battle. Before we look to personnel benefits to find savings, Congress must eliminate the Pentagon's budget caps and force DOD to exhaust every other cost savings avenue, such as proper financial auditing, reduce duplicative processes, and increase recuperation of procurement contract overpayments.

The Commission did not address a few unresolved discrepancies in the way we compensate service members and veterans. Before Congress uses the savings from the Commission's recommendations to offset sequestration, we urge Congress to address the following problems with military compensation:

- Provide full concurrent receipt of military retirement pay and VA disability compensation without offset, regardless of the rating percentage;
- Repeal the SBP/DIC offset for current eligible beneficiaries;
- Lower current Reserve Component service members' retirement pay eligibility age by three months for every 90 days served on active duty retroactive to September 11, 2001.

Making these changes is the right thing to do for those who have sacrificed the most for our nation, and will go a long way in convincing veterans and their families that the recommended changes to the military compensation and retirement system are in their best interests. We look forward to working with Congress to ensure our country meets the needs of all service members, veterans, and their families and to properly compensate them.

Chairman Heck, Ranking member Davis, this concludes my testimony and I am happy to answer any questions you may have.

Brendon Gehrke, Senior Legislative Associate for the VFW

Brendon has successfully collaborated with other individuals to achieve a common goal throughout his career. He has managed staff and volunteers to implement community education programs in a low-income school. He has built relationships with Afghan village elders to bring stability to a war-torn area and has partnered with several organizations to increase public awareness on important social issues.

Currently, Brendon is a Senior Legislative Associate for the Veterans of Foreign Wars of the United States (VFW). As a VFW Associate, Brendon is regularly sought out by policy makers and journalists for his expertise and insight on a host of issues facing the military and veterans' community. Prior to joining the VFW, Brendon served as a Military Legislative Assistant for Representative Tim Walz. During his time with Congressman Walz, he received multiple rewards from Military Service Organizations for his professionalism and his contribution to various pieces of legislation signed into law.

Brendon is a U.S. Marine veteran of Iraq and Afghanistan and remains active in the Marine reserves.

Information Required by Rule XI2(g)(4) of the House of Representatives

Pursuant to Rule XI2(g)(4) of the House of Representatives, VFW has not received any federal grants in Fiscal Year 2014, nor has it received any federal grants in the two previous Fiscal Years.

The VFW has not received payments or contracts from any foreign governments in the current year or preceding two calendar years.

THE MILITARY OFFICERS ASSOCIATION OF AMERICA (MOAA)

STATEMENT FOR THE RECORD

BEFORE THE

HOUSE ARMED SERVICES COMMITTEE

PERSONNEL SUBCOMMITTEE

ON

The Military Compensation and Retirement Modernization Commission Recommendations

March 25, 2015

Chairman Heck and Ranking Member Davis, members of the committee, on behalf of the over 380,000 members of the Military Officers Association of America (MOAA), we welcome this opportunity to submit testimony for the record, regarding our views concerning the Military Compensation and Retirement Modernization Commission's (MCRMC) report and recommendations.

MOAA does not receive any grants or contracts from the federal government.

MOAA sincerely appreciates the hard work and analysis that went into the Military Compensation and Retirement Modernization Commission's report. We commend the commissioners and their professional staff for their extensive effort. Their product provides the country with an instrument that we can use as a catalyst to begin important thoughtful discussions, analyses, and debates on vital issues that directly affect our service men and women, retirees, veterans, and their families, and their ability to insure our national security.

We look forward to working closely with the Congress and in particular this committee, your staff, the Pentagon, and the administration on these critical concerns and recommendations regarding military compensation, benefits, and the retirement system.

The commission and MOAA both seek the same objective: providing the necessary pay and benefits needed to sustain the All-Volunteer Force (AVF) more effectively and efficiently.

Our primary concern is the AVF's health, welfare, and sustainability. The most important element of the AVF is the retention of the experienced, high quality, mid-grade non-commissioned officer (NCO) and officer corps.

MOAA has reviewed the 15 recommendations and our views on each follow. Overall, we support ten recommendations with some varying degrees of concern; two we believe require further study; and three we do not support.

Recommendation 1: **Help more service members save for retirement earlier in their careers, leverage the retention power of traditional Uniformed Services retirement, and give the Services greater flexibility to retain quality people in demanding career fields by implementing a modernized retirement system**

MOAA Position – This recommendation requires further analysis and study, given the potential impact a blended retirement system could have on the retention of the mid-career NCOs and officer corps.

Careful thought was put into the current military retirement system decades ago when it was established by Congress. It has served the nation and the AVF very well through good times, but most importantly through the most challenging retention environments, including periods of high operational tempo and strong civilian economic opportunity.

MOAA is wary of major changes to the retirement system because REDUX, the last major alteration to military retirement, was repealed years later due to its harmful effects to retention.

Sustainment of the professional, experienced, mid-grade non-commissioned officer and officer corps is critical to the future viability and readiness of the AVF. The current retirement system has proven its worth since its inception.

Although MOAA supports providing a transportable career device for those who leave the service prior to attaining 20 years of service, it should not come at the expense of those who serve for a full career and should not cause serious retention problems. MOAA has serious concerns that a blended retirement benefit will fail to provide the necessary draw to retain service members to 20 years of service.

The combination of providing a transportable career device and reducing the value of the 20-year defined benefit by 20 percent provides a greater incentive to leave rather than stay. This is especially true in a high operational tempo environment and a robust private sector job market.

Another shortfall of the new proposal is that it fails to continue to provide government matching to Thrift Savings Plan (TSP) accounts for members who serve beyond 20 years of service. This creates a major disincentive to serve beyond 20 years and greatly devalues their retirement value compared to the existing, cliff-vesting retirement benefit.

One of the greatest attributes of the current retirement system is its predictability. The suggested 401K-like retirement benefit value is just the opposite – unpredictable – and is contingent on variables: fund choice, return rates, member contributions, inflation, cost-of-living increases, the economy, etc. This proposal signals a dramatic change in military culture by shifting a major element of retirement financial planning onto the service member, vice what is currently an employer (DoD) responsibility.

Another concern of the MCRMC recommendation is regarding disability retirement. By reducing the retirement multiplier, disabled retirees receiving retirement pay and Department of Veterans Affairs (VA) disability compensation could receive less compensation under this proposal.

The success of this recommendation is completely dependent on the accomplishment of major education in financial literacy of the force. By the commission's admission, only 12 percent of service member respondents indicated they received financial information from their command or installation.

We remain skeptical of the services' ability to provide sound financial and health care counseling based on industry past practices and whether highly qualified, government-sponsored financial planners will be available at all locations to provide continued assistance to members, retirees, and their families.

Finally, MOAA recognizes that many reservists may find the plan attractive since they consider reserve retirement as a <u>supplement</u> to civilian retirement plans and may be more comfortable with 401k and IRA financial instruments. However, the continuation pay of only .5% at the 12th year of service (compared to 2.5% for active duty) may harm career retention. Moreover, uncertainties over how when

the Thrift Savings Plan would be matched in the reserve environment indicate that more study is needed on this aspect of the MCRMC proposal.

Recommendation 2: Provide more options for service members to protect their pay for their survivors by offering new Survivor Benefit Plan (SBP) coverage without Dependency and Indemnity Compensation (DIC) offset

MOAA Position – MOAA does not support the recommendation.

A long-time goal of MOAA is to eliminate the SBP-DIC offset. We are encouraged that the commission highlights this unfairness; however, this proposal does nothing to eliminate the current offset inequity affecting approximately 60,000 survivors. Under a two-tier system, retirees will be paying for elimination of the SBP-DIC offset through higher premiums.

The higher tier benefit would be most advantageous to survivors of retirees that are the most financially strapped – 100 percent total and permanently disabled retirees. MOAA believes we should not ask these disabled retirees to pay even higher premiums.

Our analysis shows that while some service members support a two-tier system, an overwhelming majority would not be willing to pay higher premiums for the benefit. We believe that higher premiums would provide a disincentive for retirees to enroll in the program altogether.

Recommendation 3: Promote service members' financial literacy by implementing a more robust financial and health benefit training program

MOAA Position – MOAA supports the recommendation.

The commission's retirement recommendation success is predicated on the accomplishment (and success) of a major education campaign focused on the financial literacy of the force. As we mentioned in recommendation 1, we are skeptical of the services' ability to provide sound financial and health care counseling based on industry past practices and whether highly qualified, government-sponsored financial planners will be available at all locations to provide continued assistance to service members and retirees and their families.

Currently, some bases share Personal Financial Managers with other installations, limiting their availability. Therefore, any plan to grow a more robust financial and health benefit training program must include service members and family members, as well as retirees and their families.

We also recommend that any plan to promote financial literacy should include education on accessing benefits at key touch points during the military life cycle, including separation.

Recommendation 4: Increase efficiency within the Reserve Component by consolidating 30 Reserve Component duty statuses into 6 broader statuses

MOAA Position – MOAA supports the recommendation but believes the final number of statuses requires vetting with the reserve component to ensure service members are provided proper credit for their duty.

Recommendation 5: Ensure service members receive the best possible combat casualty care by creating a joint readiness command, new standards for essential medical capabilities, and innovative tools to attract readiness-related medical cases to military hospitals

MOAA Position – MOAA does not support this recommendation.

MOAA has long supported the principle of establishing a Unified Medical Command to ensure inter-service consistency of policy and budget oversight, staffing, training, procurement efficiencies, and more. Although the MCRMC proposal has some similarities to that concept, the proposed Joint Readiness Command will be responsible for all of military readiness, which is too far-reaching.

Astonishingly, for the vast amount of responsibility and management proposed, the recommendation does not include any budget oversight, limiting power. The commission's Joint Command vision only grants participation in the budget process.

The proposal also appears to envision further downsizing of Military Treatment Facilities (MTFs) and establishment of beneficiary copays in MTFs, though the proposed elimination of catchment areas could be positive, provided long-distance travel to MTFs is voluntary.

Instead of creating another layer of bureaucracy, DoD should improve the current attempt at integration using the DHA as the foundation for getting to the next level. The DHA is a step in the right direction, demonstrating that it can get things done. The DHA should be given more authorities to consolidate and unify disparate service structures into an efficient and effective organization with common purposes which are clearly understood by all.

Unfortunately, to date, its budgetary successes have mainly been borne on the backs of the beneficiaries by higher pharmacy fees, mandatory mail order and rising premiums and co-payments. **The MCRMC health care proposals represent a "shot across the bow" and should serve as a catalyst for the DoD to quickly push through with these long needed structural reforms under the direction of Congress.**

Recommendation 6: Increase access, choice, and value of health care for active-duty family members, Reserve Component members, and retirees by allowing beneficiaries to choose from a selection of commercial insurance plans offered through a DoD health benefit program

MOAA Position – Recommendation requires further analysis and study.

MOAA and the commission seek the same objective. However, we urge caution concerning any major changes to the military's health care system (MHS) that could potentially have a negative impact on the medical readiness of personnel, as well as the entire AVF community.

TRICARE has problems that need fixing and the status quo is unacceptable; however, instead of fixing the TRICARE program, the commission's answer is to replace it with a Federal Employee Health Benefits Program (FEHBP)-like substitute. This change could have far-reaching implications and presents a high level of risk to medical readiness.

This proposal is a seismic shift in the philosophy of delivering military health care coverage. If it is seriously entertained, it should be subject to much more scrutiny to ensure it meets beneficiary needs without changing the fundamental benefit value or leading to unintended consequences.

TRICARE is designed to support military readiness – to include military family readiness. FEHBP and FEHBP-like health plans serve a very different purpose and do not factor in military readiness and the unintended consequences could be severe.

The idea of using MTFs as network providers, competing for business in the civilian marketplace, was not thoroughly examined in the commission's report. MOAA believes this represents an unacceptable level of risk.

The commission assumes that DoD, in working with FEHBP insurers, would be afforded the right to set provider payments and beneficiary copayments for MTFs versus other providers, and adjust as necessary. MOAA remains skeptical that a broad range of insurers would be comfortable with extending such authority to one provider, however preferred.

Military families will have to receive extensive education when selecting health plans. The choices may be overwhelming and confusing, especially given the existing stressors of military life. Educating beneficiaries on their TRICARE benefits has been a challenge since the program's inception. Under the MCRMC concept, DoD needs to effectively educate beneficiaries on an even greater array of plans, and MOAA has doubts.

Premiums, copays, unique plan features, and the determination of medical necessity would vary by location and plan design. This would be a dramatic and unwelcome departure from what has been a program with a uniform benefit. Military families today can only plan as far as their next set of orders. They have come to rely on the uniform nature of the health benefit administered by TRICARE, no matter where they are stationed in the world.

The needs of a military family can be dramatically changed by the demands of service. Unlike the TRICARE managed care support contractors, it is not clear that commercial plans under an FEHBP-like scenario would be sensitive to or responsive to a military family's unique needs. *"Ready to Serve,"* a recent survey conducted by MOAA and the United Healthcare Foundation, shows that civilian mental health providers are not equipped with the necessary knowledge or cultural sensitivity required in the care of military and veteran populations.

MOAA's recent survey of 7,500 service members and their families revealed that four out of five prefer TRICARE to an FEHBP-like system for retirees and families. Nine out of ten do not feel confident that OPM would be able to understand and accommodate the unique needs of military families. The respondents include active duty, active duty family members, retirees, military spouses, and survivors of all the uniformed services.

An additional concern of MOAA centers on the potential premium working-age retirees will pay. It is not clear how the commission determined premium cost shares for beneficiaries. A 20 percent premium cost share for retirees is substantially too high, regardless of any phase-in period. A cost structure this high devalues the in-kind premiums service members contributed through decades of arduous service and sacrifice acknowledged in previous cost-share settings.

We are concerned that the commission proposal states overtly that its intent is to raise beneficiary costs as a means of curtailing DoD beneficiaries' health care usage, which has exceeded civilian usage. MOAA has never accepted assertions that TRICARE in the 1990s entailed a 27 percent cost share.

MOAA opposes funding care for non-TFL-eligibles through the Medicare-Eligible Retiree Health Care (MERHC) or other health care trust fund. This would add significantly more funds to the "mandatory spending" category Congress has sought to reduce. This also imposes major administrative roadblocks to any future program enhancements or correcting unforeseen inequities that may arise.

TRICARE has its Faults but can be Improved with Congressional Leadership

Problems in TRICARE like rising costs, barriers to access, and lack of customer service in certain areas, can be addressed in a systematic manner without resorting to its elimination. The elimination of TRICARE would be akin to "throwing out the baby with the bath water" and does not get to the root of the problems. The recent MHS Review produced a baseline starting point.

The time is ripe to institute change. The development of a new set of TRICARE contracts, set to start in 2017, is about to commence bidding. The Request for Proposal (RFP) seeks industry bidders and additional input has gone out. Now would be an opportune time to institute innovative ideas from industry.

The Department of Health and Human Services' Centers for Medicare and Medicaid (CMS) have instituted reforms calling for more payments to providers that place the value of health care over volume. There needs to be more focus on value based reforms that reward innovation and quality outcomes. DoD and TRICARE should maintain alignment with Health and Human Services and set goals to institute these same types of payment reforms into the new contracts. For example, a program to benchmark that is already under TRICARE, the U.S. Family Health Plan, uses capitated financing to effectively manage its defined beneficiary population.

A great deal of the cost increases have come from the current fee-for-service payment structure that TRICARE uses to pay its providers as this facilitates increased use of services. DoD must recognize that it

is simply not possible to maintain a traditional fee-for-service discount purchasing strategy to keep costs down and improve access for beneficiaries.

The discounted fee-for-service strategies from the past have also not been effective in creating provider networks that meet the needs of TRICARE beneficiaries in an economical and customer satisfying way. The commission acknowledged this feedback from beneficiaries in their report.

A value-based model will require new ways of thinking and risk sharing. Under new contracts, managed support contractors and MTFs should be incentivized to align and integrate, with risk shared by each for the success of the whole.

These payment innovations can and should be tried in a pilot program, using one or more of the enhanced multi-service markets as a testing ground. Experimenting with innovative public /private partnerships, including the VA, should be done to increase training case-mix and critical skills maintenance. This can be done now, without change to the whole system.

One area where the commission proposal to use an FEHBP-like program could be productive is for Guard and Reserve members and their families. We have long sought to bridge the health care continuity gap between and during periods of activation. As Guard and Reserve family members are not usually subject to frequent relocations and typically prefer to keep their employer coverage, the FEHBP-like concept would be more fitting for this population, including providing these families an option for an allowance to cover their civilian employer coverage during periods of deployment.

By effective rationalization of the current military health care infrastructure, great savings can be gained with resulting better quality of care for beneficiaries. It simply does not make sense to keep open facilities with minimal inpatient occupancy.

For the continuous development of the future MHS and TRICARE, DoD would benefit from frequent dialog with leaders in the health care industry. A regularly scheduled forum could be modeled after the existing Defense Health Board (DHB), focused on industry best-practices from all sectors. A forum like this could also leverage ideas from the commission and beneficiary engagement.

Lastly, targeted investment should be made in technologies and people to support established joint processes and procedures that will generate real return on investment.

Recommendation 7: Improve support for service members' dependents with special needs by aligning services offered under the Extended Care Health Option (ECHO) to those of state Medicare waiver programs

MOAA Position – MOAA supports the recommendation.

We applaud the commission in addressing the unique challenges faced by military families with special needs. However, we believe it will be important to examine a transitional benefit for those who have

depended on this program and will find themselves at the bottom of state Medicaid lists upon separation or retirement.

The critical benefit must be provided to members of all seven of the uniformed services. Additionally, MOAA is concerned that Guard and Reserve families may have a difficult time transitioning in and out of the ECHO program. Finally, we believe it is important to consider a transitional benefit (1-3 years) for vulnerable families as they leave active duty service.

Recommendation 8: Improve collaboration between DoD/and VA by enforcing coordination on electronic medical records, a uniform formulary for transitioning service members, common services, and reimbursements

MOAA Position – MOAA supports the recommendation.

From our perspective, a single uniform formulary would be beneficial only if the formulary is larger to meet the needs of both beneficiary populations.

We believe the commission failed to adequately address access to National Guard medical records will be ensured, which are property of the respective states and difficult to obtain. Additionally, it is still unclear how DoD and VA interface with private providers to keep military records accurate and up-to-date if the Reserve Component is transitioned to TRICARE Choice.

Recommendation 9: Protect both access to and savings at DoD commissaries and exchanges by consolidating these activities into a single defense resale organization

MOAA Position – MOAA does not support this recommendation.

We appreciate the commission's focus on finding efficiencies and cost savings to sustain commissary and exchange benefits. MOAA supports improving the viability and stability of these systems in order to protect these benefits. However, MOAA has historically opposed consolidation because there has been no proposal that preserved the level of savings and revenue stream for the military readiness, morale, welfare and recreation program (MWR). Any proposal to change the existing structure must secure benefits at their current levels. This proposal leaves us unconvinced that these benefits will be secure.

The proposed recommendation needs to be thoroughly vetted to safeguard these cherished benefits used by 90 percent of the military community. The commissary and exchange systems consistently rank as one of the most valued earned benefits, providing needed savings and employment for military families and veterans.

We recommend the commission's proposal be evaluated against the FY 2015 congressionally mandated review of commissary and exchange systems.

Recommendation 10: Improve access to child care on military installations by ensuring the DoD has the information and budgeting tools to provide child care within 90 days of need

MOAA Position – MOAA supports the recommendation.

We support the commission's proposal and are grateful for recognizing the importance of child care for military families. We believe DoD should use this opportunity for collecting data to find a way forward that determines the prioritization of military families on the waiting list.

If implemented, DoD needs to continue to pursue innovative solutions to meet this need beyond building more brick and mortar installation child development centers (CDCs). Other issues for consideration when addressing the challenges of finding and securing affordable child care include: wait list prioritization and realignment of existing programs to meet the garrison-based force (24 hour and weekend care for duty, 7 day a week operation, extended day options).

Recommendation 11: Safeguard education benefits for service members by reducing redundancy and ensuring the fiscal sustainability of education programs

MOAA Position – MOAA supports much of the recommendation.

We generally support much of the recommendation, including closing the Montgomery GI Bill-Active Duty and the Reserve Education Assistance Program (REAP). MOAA has long supported the Post-9/11 GI Bill as the educational platform for recruitment, retention and re-adjustment purposes.

Service members who have signed Post 9/11 GI Bill contracts, including transferability under the current rules, should be grandfathered (i.e., no additional active duty service commitment required). We strongly oppose eliminating the housing stipend payments on transfer contracts in place as of June 30, 2017 and oppose canceling unemployment compensation for student veterans using new GI Bill. Academic and training breaks may leave veterans with dependents with no capability to make ends meet.

Although the Montgomery GI Bill (MGIB) Active Duty buy-in of $1,200 may be refunded under current rules, it's cumbersome and needs to be simplified. Also, DoD needs to clarify the participation rules for military tuition assistance (TA) for professional development and career retention purposes.

Consistent with the recommendation to eliminate education program redundancy, the MGIB-Selected Reserve should be re-codified from Title 10 to Title 38. MCRMC offered no advice on the MGIB-SelRes.

Recommendation 12: Better prepare service members for transition to civilian life by expanding education and granting states more flexibility to administer the Jobs for Veterans State Grants Program

MOAA Position – MOAA supports the recommendation.

We generally support the recommendation with two caveats: Mandatory participation in Transition GPS and similar programs should occur at key milestones throughout a service member's career (i.e., upon second enlistment, at ten-year mark, within two years of retirement, and should not be just a one-time event) and additional accommodations should be made for families.

Recommendation 13: Ensure Service members receive financial assistance to cover nutritional needs by providing them cost-effective supplemental benefits

MOAA Position – MOAA supports the recommendation.

This proposal will help more families in need of nutritional and financial support and helps shine light on the SNAP program and WIC overseas – essential programs for military families who rely on a viable commissary benefit. Financial education is critically important and further data collection is needed.

Recommendation 14: Expand Space-Available travel to more dependents of Service members by allowing travel by dependents of service members deployed for 30 days or more

MOAA Position – MOAA supports the recommendation.

Recommendation 15: Measure how the challenges of military life affect children's school work by implementing a national military dependent student identifier

MOAA Position – MOAA supports the recommendation.

Presently, there is no nationwide data on educational performance and attendance of military dependents. Implementing a way to track military dependent students is important when considering the unique needs of military families.

Summary

The MCRMC has made 15 recommendations – two of which propose dramatic changes to both military retirement and health care programs that could seriously affect career retention required in the all-volunteer force. Both recommendations produce a negative effect on the pocket book of those whom the government needs to serve for a career of 20 years or greater.

The combined effects of the MCRMC's health care and retirement changes, if fully implemented today, on an E-7's annual retirement value is over $6,400, or a loss of 27 percent until he or she can draw from his Thrift Savings Plan at age 59 and a half.

Effects of MCRMC Proposal on Retired Pay
E-7 20 Years of Service

	Current System	Fully implemented proposal
Retired pay	$23,901	$19,121
TRICARE fees*	$556	$2,224
Annual loss of purchasing power		$6,448

* Assuming TRICARE Prime Family Option

E-7 loses **27 percent** of retirement value until age 60

A complete overhaul of a retirement and health care system serving 9.6 million beneficiaries deserves thoughtful and careful consideration, with Congress ensuring that legislation and implementation reflects intent. Congress should take all needed time to make deliberate decisions about this proposed wholesale change, ensuring that both Congress and stakeholders understand the second- and third-order effects.

Some of the findings in the MCRMC report align with concerns raised by MOAA, and deserve addressing as expeditiously as possible, pending deeper consideration of the broader issues.

The number one action Congress should take immediately is to demand that DoD, without delay, reform under a truly unified military health care system – and not just the service member's share of it. We are not advocating usurping the service Surgeon Generals' Title 10 responsibilities, but without a unified budget or oversight, TRICARE as we know it will remain parochially administered and sub-optimized.

Service members stationed around the world should not have to worry if they have selected the appropriate health care coverage for their families. Making radical changes to core retention programs – military health care and retirement – carries a significant risk of causing unintended, negative effects to retention.

The key is to ensure program changes create real improvements, both for readiness and for the entire military community, instead of creating new sets of problems for both.

Colonel Michael Hayden
United States Air Force, Retired

In April 2013, Mike Hayden was named the Director of Government Relations for the Military Officers Association of America (MOAA) and elected as co-chair of The Military Coalition (TMC).

In 1980, Mike was commissioned a second lieutenant in the United States Air Force from Officer Training School and after receiving his navigator wings, he compiled over 2,800 flying hours as a B-52 instructor radar navigator.

Mike spent his last five years on active duty at the Pentagon as chief, Personnel Services Division, for the Joint Chiefs of Staff and as chief, Military Personnel Policy Division, HQ USAF. In the Joint Staff position, he worked with MOAA in winning Survivor Benefit Plan (SBP) coverage for survivors of service members killed on active duty. As the Military Personnel Policy Division Chief, his team developed and implemented the one-year drawdown of over 24,000 airmen.

Since joining the MOAA lobbying team in July 2005, he has led the charge on active duty and retired compensation issues, successfully championing restoration of military pay comparability and fending off inappropriate military retirement changes.

Mike serves as co-chair of TMC with John Davis, Director, Legislative Programs of the Fleet Reserve Association. TMC is comprised of 33 organizations representing more than 5.5 million members of the uniformed services--active, reserve, retired, survivors, veterans--and their families.

Mike holds a Bachelor's degree in Economics from Northern Illinois University and a Master's degree in Aeronautical Science from Embry Riddle University.

DISCLOSURE FORM FOR WITNESSES
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(5), of the Rules of the U.S. House of Representatives for the 114th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), or contracts or payments originating with a foreign government, received during the current and two previous calendar years either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. This form is intended to assist witnesses appearing before the House Committee on Armed Services in complying with the House rule. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number) will be made publicly available in electronic form not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary.

Witness name: Michael F. Hayden

Capacity in which appearing: (check one)

○ Individual

◉ Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: Military Officers Association of America

Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, please provide the following information:

2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
None			

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
None			

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
None			

Foreign Government Contract or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or payments originating from a foreign government, please provide the following information:

2015

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
None			

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
None			

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
None			

Statement of Christopher Neiweem
Legislative Associate
of
Iraq & Afghanistan Veterans Of America
before the
House Armed Services Committee
Subcommittee on Military Personnel
hearing on
Stakeholder Views of the Military Compensation and Retirement Modernization Commission

March 25, 2015

Chairman Heck, Ranking Member Davis, and Distinguished Members of the Subcommittee:

On behalf of Iraq and Afghanistan Veterans of America (IAVA) and our nearly 400,000 members and supporters, thank you for the opportunity to share our views on the final report and recommendations of the Military Compensation and Retirement Modernization Commission (MCRMC).

We applaud the Commission for putting forth some bold measures that merit serious consideration, however we also look upon its report and recommendations as a mixed bag. Some of what is called for is consistent with recommendations we and other military and veteran service and advocacy groups have long supported, while others raise questions and concerns for IAVA and our members.

First, an area in which we are in strong agreement with the Commission is the need for increased DoD-VA cooperation, up to and including the sharing of systems and information. The process of transitioning from active duty to veteran

status is still disjointed, and OEF/OIF veterans often report gaps in care and assistance when leaving DoD and entering the VA system. While the report cited increased inter-departmental information sharing, it also acknowledged poor oversight and inadequate accountability.

This situation not only negatively impacts the new veterans' health care experience, but it also prolongs the process of applying for disability compensation benefits after separation, Further, it frustrates the VA's ongoing efforts to process disability and compensation claims in a timely manner.

There is no doubt to us that the goal of quality continuous care requires a fully interoperable - preferably joint, but at least fully interoperable - data record, as well as a joint DoD-VA drug formulary, which I know the Committee will be addressing at a later date.

Additionally, we strongly agree with the Commission on the urgent need for increased financial literacy and benefits stewardship education for service members and their families..

We see the need for this not only with countless examples of predatory lending targeting service members, but also for-profit educational institutions laser beam focus on service members and veterans' valuable Post-9/11 GI Bill benefits.

IAVA is interested in taking a deeper dive into the Commission's recommendations regarding alternate retirement plan packages. In a recent survey of our members, 36% of respondents felt the military retirement system should be reformed. Of those respondents, when allowed to select multiple options, 67% favored a 401k-style benefit for non-careerists, 33% favored increasing the overall value of current retirement benefits, and 59% favored a

partial early retirement benefit for 10 or 15 years of service.

Of those IAVA members surveyed, who are by definition combat veterans, there is a belief that it is fundamentally unfair that one could serve for 10 or 12 years with 3, 4, 5 or more deployments and leave the military with absolutely no retirement benefit at all, yet a careerist who never even deployed could be entitled to a full retirement package.

Therefore, IAVA is open to reforms that would amend the current system to allow non-career troops the opportunity to receive some retirement benefits. We will continue to analyze and assess the potential value of the Commission's options while understanding and factoring in the long-term goal of maintaining a ready and relevant 21st century all-volunteer force.

In past testimony, IAVA has voiced its concerns with some of the Commission's recommendations regarding reductions in Post-9/11 GI Bill benefits. For example, the Commission recommends increasing the service obligation in order to maintain eligibility to transfer the GI Bill benefit to a spouse or child. Additionally, housing benefits for dependants using the GI bill would expire in 2017 under the Commission's recommendations.

IAVA fought hard for the enactment and expansion of the current Post 9/11 G.I. Bill. This benefit has transformed the educational and employment landscape for a significant population of OEF and OIF veterans, and its value cannot be understated. We will continue to analyze the numerous comprehensive recommendations the Commission has articulated before developing final views. However, fundamental reductions in Post-9/11 GI Bill benefits, even for dependents, raises red flags for our members and their families.

Mr. Chairman, IAVA appreciates the opportunity to offer our views on the Commission's recommendations , and we look forward to continuing to work with each of you, your staff, and the Committee to improve the lives of service members, veterans, and their families.

Biography of Christopher Neiweem
Legislative Associate, Iraq and Afghanistan Veterans of America

As Legislative Associate, Christopher maintains Congressional relationships and supports advocacy programs. Chris spent 6 years in the U.S. Army Reserve as a military police NCO and served an honorable tour of duty in Operation Iraqi Freedom detaining Enemy Prisoners of War (EPWs) and performing base security and customs in 2003 during the Iraq war. He completed a Bachelors Degree in political science from Northern Illinois University in 2007 and served as a congressional intern for Congressman Donald Manzullo who previously represented Illinois' 16th congressional district. He completed a Masters Degree in 2011 from the University of Illinois at Springfield in political affairs; during this period he completed an internship with the lobby firm Cook Witter Inc. His work at Cook Witter ranged from tax policy, agriculture issues, healthcare, and legislative engagement with lawmakers. He routinely represents IAVA in the state, local, and national media and comments on policy matters.

Statement on Receipt of Grants or Contract Funds

Neither Mr. Neiweem, nor the organization he represents, Iraq and Afghanistan Veterans of America, has received federal grant or contract funds relevant to the subject matter of this testimony during the current or past two fiscal years.

Statement

of the

NATIONAL MILITARY FAMILY ASSOCIATION

Before the

Subcommittee on
Military Personnel

of the

UNITED STATES HOUSE OF REPRESENTATIVES
ARMED SERVICES COMMITTEE

March 25, 2015

Not for Publication Until Released by
The Committee

The National Military Family Association is the leading nonprofit organization committed to strengthening and protecting military families. Our over 40 years of accomplishments have made us a trusted resource for families and the Nation's leaders. We have been at the vanguard of promoting an appropriate quality of life for active duty, National Guard, Reserve, retired service members, their families and survivors from the seven Uniformed Services: Army, Navy, Air Force, Marine Corps, Coast Guard, and the Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration.

Association Volunteers in military communities worldwide provide a direct link between military families and the Association staff in the Nation's capital. These volunteers are our "eyes and ears," bringing shared local concerns to national attention.

The Association does not have or receive federal grants or contracts.

Our website is: *www.MilitaryFamily.org.*

Karen Ruedisueli, Government Relations Deputy Director
Karen Ruedisueli joined the National Military Family Association as a Deputy Director of Government Relations in May, 2013. In her role, she conducts research, monitors issues, and advocates for families of the uniformed services. Karen's focus is on military family health care, including the direct care system, TRICARE, and behavioral health care. In this capacity, she represents the Association on The Military Coalition's (TMC) Health Care Committee. Karen also handles issues related to wounded warriors and caregivers, suicide prevention, child and domestic abuse, and military sexual trauma.

A graduate of the University of Michigan, Karen previously worked as a marketing professional and management consultant. She has extensive experience in market research, brand strategy, and new product/service development. Karen has helped clients such as Sara Lee, Frito-Lay, General Mills and the *Chicago Tribune* assess the effectiveness of their marketing initiatives and develop new product and brand strategies. She has also been a guest lecturer at Northwestern University's Kellogg Graduate School of Management on the topic of brand-based innovation.

As an Army spouse, Karen has had extensive volunteer experience identifying and resolving military family issues. She was an active member of the Family Readiness Group (FRG) and served as a Battery level FRG Leader during the unit's train up and deployment to Afghanistan. She also served as the Co-Director of Research for Blue Star Families and led the development and analysis of their first Military Family Lifestyle Survey. Karen has lived at Fort Sill, MCB Quantico, Fort Drum and Fort Leavenworth. She and her husband, MAJ G. Kurt Ruedisueli, currently reside in the Washington D.C. metro area with their two children.

Executive Summary

The National Military Family Association (NMFA) appreciates the creation by Congress of the Military Compensation and Retirement Modernization Commission (MCRMC or the Commission) and we thank the commissioners and their staff for their work over the past 18 months.

Recommendation 5: Ensure service members receive the best possible combat casualty care by creating a joint readiness command, new standards for essential medical capabilities, and innovative tools to attract readiness-related medical cases to military hospitals.

Recommendation 6: Increase access, choice and value of health care for active duty family members, Reserve Component members, and retirees

Readiness First

The MCRMC recognizes the Military Health System's (MHS) dual mission by making two separate recommendations aimed at modernizing the MHS. The proposed Joint Readiness Command (JRC) is charged with ensuring service members receive the best possible combat casualty care while the TRICARE Choice concept proposes a new way to deliver the health benefit. We agree with the MCRMC assessment that the two proposals are interdependent. While the JRC and TRICARE Choice recommendations must be in sync, the MHS must start with maintaining and improving readiness as the primary objective of any modernization proposal. Military families expect the readiness of their service members to perform the mission, as well as the readiness of their medical providers to meet the medical challenges of the battlefield and its aftermath, to be a priority.

National Military Family Association Position on TRICARE Choice

The Commission's health care proposal merits further study and serious consideration. Offering military families a selection of high quality commercial health plans could provide them with better access to high quality care, a more comprehensive set of benefits, and the ability to tailor coverage options based on individual family needs. Our Association believes military families could benefit from increased choice in health care options.

While our Association supports, in principle, the concept of moving military families to high quality commercial health plans, more information and analysis are needed before we can fully endorse the Commission's health care proposal. The MCRMC report raises several questions and areas of concern. Some segments of the military family community will incur significantly higher out-of-pocket costs versus the current system. Implementation details are sparse for important aspects of the plan. Most importantly, we believe a change of this magnitude demands a more thorough analysis of the potential impact on MTFs to avoid unintended consequences for beneficiaries and military medical readiness.

We agree with Commissioners who have testified before Congress that TRICARE—both the benefit and the system to deliver the benefit—is unsustainable as currently structured. **Specifically, TRICARE's beneficiary satisfaction and fiscal sustainability have both declined.** Given fiscal constraints, future improvements to address beneficiary dissatisfaction are unlikely. In fact, further dilution of the TRICARE benefit seems inevitable. Therefore, we are receptive to alternative ways of delivering the military health care benefit to families.

Our Association believes growing TRICARE beneficiary dissatisfaction and increased cost pressures warrant a reexamination of how DoD delivers the health benefit to military families.

MCRMC Recommendations We Support

- *Recommendation 7: Improve Support for Service Members Dependents with Special Needs*
- *Recommendation 10: Improve Access to Child Care on Military Installations*
- *Recommendation 13: Ensure Service Members Receive Financial Assistance to Cover Nutritional Needs by Providing Them Cost-Effective Supplemental Benefits*
- *Recommendation 14: Expand Space-Available travel to more families of Service members*
- *Recommendation 15: Measure how the Challenges of Military Life Affect Children's School Work by Implementing a National Military Dependent Student Identifier*

We support the proposal to improve support for dependents with special needs, reducing their reliance on state programs that very few are able to access. We thank the Commission for recognizing the importance of child care for the readiness of service members and their families. Making access to Federal nutrition programs easier will help service members and their families meet their nutritional needs. We have supported the need for a Military Student Identifier for several years as a means of tracking graduation rates and other milestones for military children as they move from one school district to another.

Recommendations We Cannot Support

- *Recommendation 2: Provide more options for service members to protect their pay for survivors*
- *Recommendation 11: Safeguard education benefits for Service members by reducing redundancy and ensuring the fiscal sustainability of education programs.*

We cannot support the Commission's recommendation on the Survivor Benefit Plan (SBP), as it does nothing to eliminate the SBP-DIC offset for today's survivors and imposes additional costs on some of the most vulnerable military families. We believe Congress should preserve the full Post 9-11 GI Bill for military families whose service members have already transferred the benefit.

Recommendations Requiring Further Study

- *Recommendation 1: Help more service members save for retirement earlier in their careers, leverage the retention power of traditional Uniformed Service retirement, and give the Services greater flexibility to retain quality people in demanding career fields.*
- *Recommendation 3: Promote service members' financial literacy by implementing a more robust financial and health benefit training program.*
- *Recommendation 9: Protect both access to and savings at Department of Defense commissaries and exchanges by consolidating these activities into a single defense resale organization.*

The proposals for the new retirement system and the health care proposal call for service members and their families to make responsible choices that will require a robust financial training program. We wonder how DoD and the Services will accomplish this financial training for both the service member and his/her spouse. We also have concerns about the proposal to merge commissary and exchange operations and worry about the effect this change would have on the military resale system. We will seek more information on how these proposals could be implemented and encourage Congress to do the same.

Chairman Heck, Ranking Member Davis, and Distinguished Members of the Subcommittee, the National Military Family Association (NMFA) thanks you for the opportunity to present testimony concerning recommendations of the **Military Compensation and Retirement Modernization Commission's** (MCRMC or the Commission) report. Our primary consideration as we read the report was the impact on the quality of life of military families – the Nation's families. We are concerned about the long-term viability and availability of the benefits, programs, and resources that help service members and their families maintain readiness. We appreciate the Military Personnel Subcommittee's recognition of the service and sacrifice of these families. Your response through legislation to the ever-changing need for support has resulted in programs and policies that have helped sustain our families through more than a decade of war.

Our Association appreciates the creation of the Commission by Congress and we thank the commissioners and their staff for their work over the past 18 months. Their task, to conduct a holistic evaluation of the entirety of the military compensation system, has been a daunting one. Indeed, in our statement before the Personnel Subcommittee of the Senate Armed Services Committee last year, we requested that Congress delay making any substantial legislative changes to personnel policies until the Commission had finished their study. Now it is our turn to comment on the recommendations the Commission has made in their report.

We thank the Commissioners and their staff for seeking insights from our Association and others during all stages of the Commission's process. We surveyed military families for their input and concerns. We prepared a statement and were invited to testify as part of a panel before the Commission in November 2013 to share what we had heard from military families. We encouraged military families to attend the town hall sessions with the commissioners in their localities. We met with commission staff members on numerous occasions to answer questions and to share information. Since the release of the Commission report, we continued to elicit the thoughts of military families on the recommendations.

The main focus of our statement today will be on the Commission's health care recommendations. Additionally, we appreciate the opportunity to share our thoughts on other pertinent recommendations that we feel impact military families. We hope our analysis will be useful to you as you weigh the merits of the recommendations and think about implementation.

MCRMC Health Care Recommendations

Recommendation 5: Ensure service members receive the best possible combat casualty care by creating a joint readiness command, new standards for essential medical capabilities, and innovative tools to attract readiness-related medical cases to military hospitals.

Recommendation 6: Increase access, choice and value of health care for active duty family members, Reserve Component members, and retirees.

Background: The Dual Missions of the Military Health System

The Military Health System (MHS) is unique in that it has dual readiness and benefit provision missions. The MHS readiness mission must achieve both a medically ready fighting force that is

healthy and capable of deploying as needed and a ready medical provider force capable of delivering health and combat-casualty care for service members in operational environments. The MHS benefit provision mission is responsible for providing the earned health care benefit to family members, retirees, and survivors. The two missions intersect when military medical personnel provide care to family members and retirees in the Military Treatment Facilities (MTFs) honing their medical skills in the process.

The MCRMC recognizes the MHS dual mission by making two separate recommendations aimed at modernizing the MHS. The proposed Joint Readiness Command (JRC) is charged with ensuring service members receive the best possible combat casualty care while the TRICARE Choice concept proposes a new way to deliver the health benefit. In both recommendations, the MCRMC acknowledges that the two proposals are interdependent, but cites few – if any – concerns on how one might negatively impact the other.

With our Association's mission and expertise in advocating for military families, we have clear perspectives on how the MCRMC's proposals might impact beneficiaries. However, we also have concerns about how these recommendations could affect the MTFs' future viability and the ability of the MHS to achieve its military medical readiness goals. We realize that while the JRC and TRICARE Choice recommendations must be in sync, the MHS must start with improving readiness as the primary objective of any modernization proposal.

National Military Family Association Position on TRICARE Choice

The Commission's health care benefit proposal merits further study and serious consideration. Our Association believes military families could benefit from increased choice in health care options. Offering military families a selection of high quality commercial health plans could provide them with better access to high quality care, a more comprehensive set of benefits, and the ability to tailor coverage options based on individual family needs.

While our Association supports, in principle, the concept of moving military families to high quality commercial health plans, more information and analysis are needed before we can fully endorse the Commission's health care proposal. The MCRMC report raises several questions and areas of concern. Some segments of the military family community will incur significantly higher out-of-pocket costs versus the current system. Implementation details are sparse for important aspects of the plan. Most importantly, we believe a change of this magnitude demands a more thorough analysis of the potential impact on MTFs to avoid unintended consequences for beneficiaries and military medical readiness.

Why Is Our Association Open to Changing or Dismantling TRICARE?

We agree with Commissioners who have testified before Congress that the TRICARE status quo is unsustainable. TRICARE—both the benefit and the system in place to deliver that benefit—faces pressure on multiple fronts and beneficiaries will continue to feel that pressure as they access care and in the cost of that care. Specifically, TRICARE's beneficiary satisfaction and fiscal sustainability have both declined. Congress has directed DoD to find efficiencies in the MHS. While it has adopted some better business practices, DoD's most-frequently-proposed "efficiency" seems to be raising

beneficiary cost shares. Given fiscal constraints, future improvements to address beneficiary dissatisfaction are unlikely. In fact, further dilution of the current TRICARE benefit seems inevitable. Therefore, we are receptive to alternate ways of delivering the military health care benefit to families.

Beneficiary Dissatisfaction

The Commission's findings regarding TRICARE beneficiary dissatisfaction are on point. Many military families encounter difficulties in using the TRICARE benefit. Among the most common complaints are:

- **Access Challenges:**
  - **TRICARE's cumbersome referral and authorization process** is not only a hassle, but often leads to treatment delays. These are particularly problematic for a highly mobile population that must endure the referral and authorization process after each PCS simply to continue already established specialty care. Military family members with chronic conditions cite examples that the cumulative effect of repeated treatment interruptions has had a negative impact on their long-term health outcomes.
  - **Limited provider networks** pose challenges to families seeking care. Network provider shortages are more pronounced in certain areas of the country and with certain specialties, particularly behavioral health care.
  - **Inadequate access standards and insufficient measures within many MTFs** mask beneficiaries' (including active duty service members') reported difficulties in obtaining appointments. This disconnect was highlighted in the Military Health System Review ordered by Secretary of Defense Chuck Hagel in 2014.

- **Coverage Issues:**
  - **TRICARE is slow to cover emerging technologies and treatment protocols**. Families frequently complain that TRICARE does not cover services commonly reimbursed by commercial plans such as molecular diagnostic tests and intensive outpatient programs for mental health issues.
  - **TRICARE's pediatric coverage is also problematic**. TRICARE is authorized to approve purchased care only when it is "medically or psychologically necessary and appropriate care based on reliable evidence." The Defense Health Agency's (DHA's) hierarchy of reliable evidence includes only "published research based on well controlled clinical studies, formal technology assessments, and/or published national medical organization policies/positions/reports." There is no doubt that evidence of effectiveness is a cornerstone of medical necessity, yet such tightly prescribed data for children is not always readily available. Pediatric providers are adamant advocates of robust research for children's health needs, but the reality is strict adherence to this adult-based standard of reliable evidence results in military children being denied care and treatment that is widely accepted and practiced elsewhere in the health care system.

- **Lack of Choice**:
  - TRICARE's **uniform benefit** means that military families cannot choose from various coverage options to best meet their needs. This is frustrating for families who could benefit from nontraditional care such as chiropractic.
  - **Current Reserve Component options pose problems for families** during mobilization/demobilization. Switching to TRICARE when the service member is activated can result in disruptions in care, while maintaining the service member's employer-sponsored health insurance can lead to significant out-of-pocket costs. We have long advocated giving National Guard and Reserve members more flexibility to maintain their employer-sponsored coverage for their families during activation.

- **Customer Service**:
  - **TRICARE is slow to adopt customer service innovations** from the private sector such as the Nurse Advice Line. We advocated for a nurse advice line for several years and many commercial health plans offered nurse advice lines long before DHA rolled out their version in 2014.
  - **TRICARE's contracting process leads to customer service problems** during transitions between regional contractors. In April 2013, military families experienced issues with referral authorization and customer service during the West Region transition to a new managed care support contractor. These issues were compounded by what the Government Accountability Office determined was a lack of oversight by DoD.[1] It took months before beneficiary support was running smoothly under the new contractor.
  - **TRICARE beneficiary communications are inadequate** particularly when dealing with coverage changes. There are numerous instances of TRICARE implementing coverage changes without notifying beneficiaries and/or providers, resulting in beneficiary confusion and, in some instances, significant out-of-pocket expenses. For instance in January 2013, TRICARE ceased reimbursement for lab-developed tests including prenatal and preconception cystic fibrosis screenings. They failed to notify beneficiaries and providers that they were no longer covering this prenatal screening test that has been the standard of care for over ten years. As a result, these tests were not reimbursed and some beneficiaries faced $800 in out-of-pocket charges.

One main reason we support the MCRMC's concept of shifting military families to commercial health plans is that DoD has been well aware of these TRICARE problems, in some instances for years, but has failed to take corrective action.

TRICARE's pediatric coverage is a prime example of DoD's failure to address known issues. Based on urging from pediatric health care stakeholders, the NDAA FY13 mandated a DoD review of military kids' health care and related support. That report, *Study on Health Care and Related Support for Children of Members of the Armed Forces,* identified significant gaps and areas for

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[1] **More-Specific Guidance Needed for TRICARE's Managed Care Support Contractor Transitions**
GAO-14-505: Published: Jun 18, 2014. Publicly Released: Jun 18, 2014.

clarification related to TRICARE's pediatric reimbursement policies. The **TRICARE for Kids Stakeholder Coalition**, a group of pediatric provider organizations, military and veterans' service organizations (including our Association), disability groups, and military families, has urged DoD to share their plans for implementing solutions and help us identify areas where legislative fixes are necessary. Since the study's release in July 2014, we have met with DHA once to share our reactions to the report, but have not heard any details on next steps. DHA's seeming inability to move forward in a timely manner and engage in transparent communication lowers stakeholder and beneficiary confidence that improvements are possible.

Any discussion of beneficiary dissatisfaction must differentiate between TRICARE as a whole and the direct care system. While we believe most MCRMC findings on TRICARE beneficiary satisfaction are accurate, the report contains some examples (e.g., never seeing the same primary care provider or the inability to choose your providers) that military families tell us are issues most often in the direct care system, not necessarily TRICARE as a whole. It is important to note that the MCRMC's TRICARE Choice proposal does not address beneficiary complaints regarding the direct care system other than by allowing dissatisfied beneficiaries to seek care somewhere else in the hope competition will incentivize the MTFs to improve.

Additionally, it is important to acknowledge there is a segment of the beneficiary population that is satisfied with the current TRICARE system. Some have been fortunate enough never to experience the problems outlined above. Others accept these issues as part and parcel of getting "free" health care. As advocates for military families we focus on solving beneficiary problems and improving the Military Health System but, in the course of our work, we also hear from families who are content with the status quo and won't relate to the dissatisfaction areas outlined in the MCRMC's report. Our concern for these families centers on what could happen to their care if financial pressures take a greater toll on the MTFs or the TRICARE benefit over time. If the status quo is unsustainable, what will happen to their satisfaction with the system and the quality of their care?

Fiscal Sustainability

Year after year, DoD contends that the TRICARE program is fiscally unsustainable as currently structured. Officials highlight the limits Congress has placed on beneficiary cost shares while expanding benefits (e.g., TRICARE for Life). They cite statistics showing the health care budget is growing as a percentage of overall DoD spending. They contend that growing health care costs will limit DoD's ability to fund readiness and modernization. DoD's statistics can be debated, but there is no doubt about the relentless pressure to erode the TRICARE benefit by increasing fees and reducing available resources to the system.

The Defense Health Agency (DHA) points to purchased care as the largest driver of military health care spending. As currently configured, TRICARE has limited options for reducing purchased care spending in ways that won't negatively impact beneficiaries. TRICARE contracts are configured such that providers and beneficiaries have minimal incentives to manage utilization. In fact, certain TRICARE and MTF policies drive beneficiaries to more expensive venues for care. For instance, when acute care appointments are unavailable at the MTF (either because the MTF is closed or

completely booked), TRICARE requires a referral and authorization to seek Urgent Care from a network provider. Some MTFs go a step further and simply refuse to give any referrals to network Urgent Care. Beneficiaries who find themselves in this situation often have no choice but to seek more expensive care at the Emergency Room.

Despite DoD initiatives to become more efficient, cost cutting pressures will continue. Our Association fears attempts to reduce purchased care spending will result in erosion of network provider access and questionable coverage policies. Provider reimbursement rates will continue to decline, resulting in fewer providers participating in the TRICARE network. Alternatively, providers might further limit the number of TRICARE patients they will see due to low reimbursement rates. The result will be diminished access to care for military families. While maintaining the current TRICARE program gives the appearance of delivering a promised benefit, we fear that ongoing cost cutting measures will reduce TRICARE's value in ways that might not be readily apparent to beneficiaries until it's too late and they have no other options.

Our Association believes that growing TRICARE beneficiary dissatisfaction and increased cost cutting pressures warrant a reexamination of how DoD delivers the health benefit to military families.

Evaluating TRICARE Choice: Advantages for Military Families

Our Association believes the Commission's health care proposal has the potential to provide military families with a more robust and valuable health care benefit than they have today. Offering families a selection of high quality commercial health plans could provide them with better access to high quality care, a more comprehensive set of benefits, and the ability to tailor coverage options based on individual family needs. We also appreciate the Commission's efforts to maintain minimal out-of-pocket costs for active duty families. We also thank the Commission for its recommendation to keep the TRICARE for Life benefit for our Medicare-eligible beneficiaries as it is today. TRICARE for Life is working the way Congress intended.

Our Association supports the concept of transitioning active duty military families, as well as working-age retirees and their families and survivors, to a high quality DoD health benefit program since it would offer the following advantages:

- **Enhanced Access to Care**:
  - TRICARE Choice promises to offer beneficiaries **more robust provider networks** with greater access to primary care and specialists. Since commercial health plans reimburse providers at market rates versus the discounted Medicare rates TRICARE offers, they are able to attract more providers to their networks.
  - TRICARE Choice should **streamline access to specialty care**. Many commercial plans allow beneficiaries to direct their own health care. Even families who elect an HMO type plan should find less cumbersome referral and authorization processes than they currently face with TRICARE.
  - A selection of national commercial health plans should **streamline the transition of care during most PCS moves**. Under TRICARE Choice, families will not have to modify their

enrollment when moving from one area of the U.S. to another, assuming they have selected a TRICARE Choice plan with national coverage.
  - **Barriers to Urgent Care will be eliminated** with TRICARE Choice**.** Families will be able to elect plans that do not require a referral and authorization for Urgent Care.
  - **Beneficiaries retain access to MTFs** for medical care with TRICARE Choice. Many military families are familiar and comfortable with MTFs. Others value MTF providers' cultural competency and sensitivity to military family challenges. It is important that TRICARE Choice offers beneficiaries continued access to MTF care.

- **Better Coverage Policies**: Commercial health plans should reduce problems with TRICARE coverage, such as questionable pediatric reimbursement policies and lack of coverage for emerging technologies and treatment protocols. Coverage decisions would no longer be subject to rigid TRICARE regulations regarding medical necessity, the hierarchy of reliable evidence, and, in some cases, the additional step of requiring Congressional approval for a new benefit. While beneficiaries certainly want safe and effective treatment, commercial plans would offer more comprehensive coverage for services and procedures widely accepted by the medical community that don't meet TRICARE's rigid standards. Whether or not a procedure is medically necessary would no longer be a DoD decision.

- **Greater Choice**:
  - TRICARE Choice would allow military families to **tailor coverage** to best meet their needs versus the current TRICARE benefit that provides uniform coverage and meets some families' needs better than others.
  - TRICARE Choice plans would offer **coverage options that are currently unavailable** such as vision, chiropractic, and acupuncture.
  - More robust provider networks should give beneficiaries **greater choice in selecting their providers**.
  - We appreciate that the MCRMC recognized the patient care management tools used by **US Family Health Plan (USFHP)**. USFHP knows our community and has high satisfaction among beneficiaries. We agree with the MCRMC suggestion that some USFHP plans could continue as TRICARE Choice options for military families since we believe most USFHP families would like to retain their coverage.
  - **National Guard and Reserve members will have more attractive options** under TRICARE Choice.
    - We have long advocated for more flexibility in allowing Guard and Reserve members to retain their employer sponsored health plan for their families while activated. The Basic Allowance for Health Care (BAHC) gives them the option of applying BAHC to their employer plan premiums. This will enable Reserve Component families to maintain continuity of medical care during service member activation.
    - For families that prefer using TRICARE during activation, a menu of commercial plans will better serve Guard and Reserve members in areas not near a military installation where current TRICARE networks may be particularly weak.

- **Minimal Active Duty family out-of-pocket costs** (in principle)**.** Although we are not convinced the current MCRMC proposal completely insulates active duty families from excessive medical expenses, we appreciate that the Commission acknowledges the principle of minimal out-of-pocket costs for active duty families and proposes the creation of the Basic Allowance for Health Care to give families a way to cover their health care costs.

Underpinning our assessment of TRICARE Choice advantages is the assumption that the menu of commercial plans would be comparable to or better than those offered via the Federal Employee Health Benefit Program (FEHBP.) We believe this is a valid assumption since the MCRMC uses FEHBP as a point of reference in their report and suggests that the Office of Personnel Management (OPM) manage the DoD program due to their proven track record with FEHBP.

Our Association believes the Commission's TRICARE Choice health care proposal has the potential to provide military families with a more robust and valuable health care benefit than they have today. However, while we are open to the idea of transitioning military families to commercial health plans, the MCRMC report raises questions and concerns that must be addressed before we can fully support the Commission's health care proposal.

Evaluating TRICARE Choice: Areas of Concern and Clarification
First, we believe a change of this magnitude demands a more thorough analysis of the potential impact on MTF caseload to avoid unintended consequences for beneficiaries and military medical readiness. Second, some segments of the military family community will incur significantly higher out-of-pocket costs versus the current system. Third, implementation details are sparse for important aspects of the plan.

1. TRICARE Choice's Impact on MTFs/Military Medical Readiness is Unclear
Even though the MTFs will remain an integral component of military family health care delivery under the MCRMC's proposal, the report contains very few details on the potential impact TRICARE Choice might have on the direct care system. We have the following concerns:

- The MCRMC report contains **no analysis of TRICARE Choice's impact on MTF caseload.** TRICARE Choice makes two radical changes to beneficiary health care. It introduces a co-pay for MTF treatment and it provides unfettered access to civilian providers. Yet, there is no analysis of the potential impact these changes might have on MTF beneficiary caseload.
  - From a beneficiary standpoint, will DoD still insist on the option of employing "sticks" to drive beneficiaries back into the MTFs if the lower co-pay "carrot" is insufficient motivation? DoD has frequently employed the "stick" approach to pull the patients it needs into the direct care system, most recently in the "MTF recapture" efforts that limited TRICARE Prime beneficiaries' ability to enroll with a civilian network Primary Care Manager even if they had already established a relationship with that doctor. It's been our experience that many military medical providers believe they must maintain the ability to force military families into the MTFs in order to maintain needed skills and patient loads.
  - From a readiness standpoint, what happens if a significant percent of family members and retirees elect to leave the MTF and receive care in the civilian market and the MTFs no

longer have means to force them in when they need the bodies for training and maintaining provider proficiencies? Will the MTFs remain viable? The MCRMC recommendation seems to assume MTFs will respond to patients' new opportunities for choice by improving quality and other enhancements to draw beneficiaries in. What happens if their efforts aren't enough?

- The Joint Readiness Command (JRC) is charged with attracting a different mix of medical cases into MTFs to better support combat-care training and medical readiness. We are pleased the Commission emphasized that care for active duty service members is a key part of readiness and so proposed no changes in how they would get their care. We hope the readiness focus they propose will improve the care and readiness of service members for their missions. We understand and appreciate the goal of bringing new Essential Medical Capability (EMC) cases into the MTFs as part of that readiness focus. However, **we are skeptical the tools the MCRMC suggests for the JRC will be sufficient in attracting the necessary caseload**, particularly if currently enrolled beneficiaries leave the MTFs in great numbers.
  - The ability to adjust MTF reimbursement rates is cited as one tool to attract EMC cases, but decisions on where to seek medical care, particularly in trauma and complex cases, typically do not involve price. Since price shopping isn't currently a significant factor in consumer behavior for medical care decisions, we question how much impact alternative prices would have in attracting EMC cases to MTFs.
  - Another tool the MCRMC outlines for the JRC is establishing commercial reimbursement rates and associated billing systems, improving authorities, and allowing greater access to veterans and civilians with relevant complex cases and trauma. However, the MTFs would be competing for these cases with established medical systems that employ marketing departments and campaigns as well as established relationships in the local community. Simply opening the MTFs to the broader community may not be enough to attract the desired EMC cases.
  - The MCRMC report states that financial incentives, specifically lower co-pays at MTFs versus those for civilian providers, would encourage beneficiaries to seek care at the MTFs. However, beneficiaries currently pay nothing out-of-pocket for MTF care and it is unclear what impact a co-pay will have on beneficiary decisions regarding where to seek care.

- **From a JRC implementation standpoint, it is unclear who would be responsible for working out the details at the individual MTF level.** Who sets the standards for what services and medical specialties will be available at the MTF? Is that an MTF commander decision? A Service decision? A Joint Medical Command might have had more authority over MTF implementation. It seems there is high potential for inconsistencies and lack of coordination on readiness needs.

- The MCRMC report is **unclear on the magnitude of the desired shift from beneficiary care to EMC cases**. If the goal is a major shift away from beneficiary care (such as labor/delivery/newborn care), is there sufficient civilian medical capacity to absorb increased demand for care from military families, particularly in remote locations with significant troop

concentrations, such as Twentynine Palms, California; Fort Polk, Louisiana; and Fort Riley, Kansas?

- **TRICARE Choice does nothing to address access and quality issues within the MTFs.** Although the MCRMC report highlights areas where beneficiaries are unsatisfied with the direct care system, their proposal does nothing to address those complaints other than to say beneficiaries can now vote with their feet and go elsewhere for care. In fact, the renewed emphasis on combat casualty care skill building, while critically important for military medical readiness, might actually exacerbate problems with care for family members and other beneficiaries. What will the process be for determining the level at which MTFs will participate as network providers in the TRICARE Choice civilian plans and for managing that participation as MTF staffing and focus on the EMCs evolves?

TRICARE Choice introduces radical changes to the beneficiary health benefit with no estimate of the impact on MTF caseload. While the Joint Readiness Command proposal calls for a strategic shift to EMC cases in the MTFs, details on this transition are sparse. We believe a change of this magnitude demands a thorough analysis, including a forecast of beneficiary demand for MTF services under TRICARE Choice and an estimate of the likely increase in EMC cases within the direct care system.

2. Potential for Significant Out-of-pocket Costs

Active Duty Families

The MCRMC report acknowledges that TRICARE Choice will result in increased out-of-pocket costs and these higher costs would effectively reduce overall active duty compensation if they were not offset with the creation of the Basic Allowance for Health Care (BAHC). Although we appreciate the MCRMC's attempt to address this issue, we are not convinced the current proposal sufficiently insulates active duty families from excessive out-of-pocket health care expenses for the following reasons:

- **TRICARE Choice's Catastrophic Cap is Unspecified**: A key advantage of the current TRICARE plan is a low catastrophic cap. By limiting annual out-of-pocket expenses to $1,000 per family, the current TRICARE benefit limits the financial risk currently serving families face from health care costs. The catastrophic cap amount for TRICARE Choice plans is not specified, so we have no way of assessing the financial risk families would face under the MCRMC's proposal. We must have details on this element of TRICARE Choice to complete our evaluation.

- **Details are Sparse on the Chronic/Catastrophic Program:** The MCRMC proposes that active duty families facing chronic or catastrophic conditions and resulting copayments that substantially exceed their BAHC could receive assistance from a new catastrophic fund. But, the report provides very few details on this program. How would eligibility be determined? What process would families follow to apply for the fund? Would there be an appeals process? What portion of costs exceeding BAHC would be reimbursed? There is no mention of adjusting the program based on lessons learned. Implementation must include a mechanism for adjusting policies and processes to ensure the program achieves the desired outcomes. We fear that

applying for this fund would become another hurdle for families facing already challenging circumstances. More importantly, given one of the main benefits of TRICARE Choice is removing DoD from the coverage determination process, we are opposed to giving DoD authority over coverage decisions for families with chronic or catastrophic conditions.

- **The BAHC Formula Raises Concerns**:
  - BAHC is calculated to cover the premium cost share of the health plan selected in the prior year by the *median active duty family*. This methodology introduces risk that the BAHC will be eroded over time if families scrimp on their choice of plans. We contend **there should be a high standard for the type of plan that is appropriate for military families** given the impact of family member health on service member readiness. The quality of health plans for military families should also be commensurate with the extraordinary sacrifices made by service members and their families. The level of the BAHC should be set based on the costs of plans available for their location in the current year and not on what families chose in the prior year.

  - Under the TRICARE Choice plan, **large families become vulnerable to higher out-of-pocket expenses**. The portion of BAHC intended to cover out-of-pocket costs is calculated as the average copayment amount by all active duty family member beneficiaries in the prior year. Although details are limited, the MCRMC has confirmed to us BAHC would not vary based on family size. While there would be no difference in family premiums based on family size, a large family will almost certainly incur higher copayment expenses than the "average" family and those additional expenses will not be covered by BAHC. The current TRICARE benefit provides a zero out-of-pocket cost option for health coverage for all active duty families regardless of family size. TRICARE Choice should be modified to minimize out-of-pocket costs for larger than average families.

To move beyond the principle of minimal out-of-pocket costs and gain more visibility on the financial impact of TRICARE Choice on actual military families, we would like to see more data on out-of-pocket expenses for a variety of family circumstances (family size plus high/med/low health care utilization) crossed against a variety of plan types to get a better understanding on potential out-of-pocket expenses.

Although the MCRMC states its goal is to minimize out-of-pocket expenses for active duty families to avoid a reduction in overall active duty compensation, several elements of the TRICARE Choice proposal could lead to significant out-of-pocket costs for some families. The BAHC calculation must ensure a baseline of excellent medical coverage with minimal out-of-pocket expenses for all active duty families. The MCRMC must also be more transparent about the risk of out-of-pocket costs by providing specifics on TRICARE Choice plans' catastrophic cap(s) and the chronic/catastrophic program.

Non-Medicare Eligible Retirees

The MCRMC report acknowledges that beneficiaries will incur higher out-of-pocket expenses with TRICARE Choice versus the current benefit. For active duty families, as outlined above, the MCRMC seeks to mitigate these higher costs with BAHC so as to avoid reducing overall active duty compensation. Retirees would not receive BAHC and would thus be fully responsible for premiums and cost shares. The Commission's proposal focuses on the advantages of choice and states that military retirees should pay a lower premium than civilian employees as a recognition of their service. However, it does not address the perceived reduced value of the military retirement package resulting from TRICARE Choice. While our Association has not opposed moderate TRICARE fee hikes in the past, we believe out-of-pocket expenses for retirees under TRICARE Choice could become too high and diminish the value of the earned retirement benefit unless safeguards are written into law.

- **Premiums and Out-of-pocket Expenses Will Be Significantly Higher than TRICARE as it stands today**: Although the MCRMC report does not provide specifics on premium costs, an ultimate 20 percent premium cost share (after a 15-year ramp-up), higher out-of-pocket expenses, and copays associated with the civilian could be as much as thousands of dollars more per year than retirees currently pay for TRICARE Prime. We agree with the Commission, however, that the availability of additional benefits and automatic coverage of adult children up to age 26 at no additional premium may partly close the gap between what retirees currently pay under TRICARE and what they would pay under TRICARE Choice when fully implemented.

- **TRICARE Choice's Catastrophic Cap is Unspecified**: A key advantage of the current TRICARE plan for retirees is a low catastrophic cap. By limiting annual out-of-pocket expenses to $3,000 per family, the current TRICARE benefit limits the financial risk military retiree families face from health care costs. The catastrophic cap amount for TRICARE Choice plans is not specified, so we have no way of assessing the financial risk retiree families would face under the MCRMC's proposal. We must have details on this element of TRICARE Choice to complete our evaluation, but it's important to acknowledge that DoD has proposed increases to the retiree catastrophic cap under the current system.

As we have stated, we believe pressures on the current system will result in increased beneficiary costs and so understand an accurate forward-looking "apples to apples" comparison between TRICARE as it might be in ten years vs. TRICARE Choice does not exist. We do appreciate the Commission recognized the need for a fifteen-year transition to the 20 percent cost share ceiling for working-age retirees and that they recognized the government's responsibility to absorb a higher level of the premium costs for military retirees than for civilians in recognition of their military service. However, current retirees <u>and</u> currently serving career military members developed an understanding of the value of their retirement health care benefit based on over two decades of TRICARE history. Just as higher out-of-pocket costs associated with TRICARE Choice would reduce overall active duty compensation if not offset by BAHC, even higher premium and out-of-pocket costs for non-Medicare eligible retirees reduces the value of the earned retirement benefit package. While we accept the inevitability working age retirees will pay more for their health care in the

future, we believe TRICARE Choice, as proposed by the Commission, may go too far in undercutting the earned retirement benefit.

Wounded Warriors/Medically Retired Service Members

The MCRMC's TRICARE Choice proposal makes no mention of wounded warriors or medically retired service members. This omission must be addressed before we can fully assess TRICARE Choice. We do have two main concerns regarding TRICARE Choice for wounded warriors as it is currently presented:

- **Out-of-pocket Expenses**: Currently, non-Medicare eligible medically retired service members receive the same TRICARE benefit as all other non-Medicare eligible retirees. We believe any changes to the TRICARE benefit must maintain minimal out-of-pocket costs for medically retired service members. The MCRMC's TRICARE Choice proposal, with its high out-of-pocket expenses for non-Medicare eligible retirees, is not an acceptable benefit for wounded warriors and their families. We also need more information on how TRICARE Choice plans will work for the families of retired wounded warriors and other military retirees who may receive some or all of their care from the VA or be eligible for Medicare Part B because of their injuries.

- **Severely Injured Wounded Warriors**: We are disappointed that the MCRMC proposal does not address out-of-pocket expenses the severely wounded currently face to maintain their medical coverage. Specifically, if an individual is so severely injured that he/she qualifies for Social Security Disability Insurance (SSDI) for 2 years, he automatically qualifies for Medicare Part B. Qualified individuals **MUST** take Part B in order to maintain TRICARE status. If an individual fails to enroll in Part B, he **LOSES** both TRICARE and Medicare coverage and must wait an extensive period of time and pay significant penalties to re-enroll. For many severely injured individuals, this means they lose all access to their previous healthcare providers and/or options for other healthcare needs. The current cost for Part B coverage is approximately $110/month. This amount increases regularly.

Our Association requests more information from the Commission on how TRICARE Choice will be configured for medically retired service members and their families. We also ask the Commission to consider the problems the severely wounded face in accessing their health care benefit as part of their modernization proposal.

The MCRMC must be more transparent and detailed about the potential out-of-pocket costs faced by all beneficiary categories.

- ***The BAHC calculation must be modified to ensure it covers out-of-pocket expenses for an excellent baseline plan for all active duty families regardless of family size.***

- ***TRICARE Choice's out-of-pocket expenses for non-Medicare eligible retirees must not reduce the value of the earned retirement benefit package.***

- ***Finally, consideration must be given to how TRICARE Choice will work for medically retired service members to ensure minimal out-of-pocket costs for wounded warriors and their families.***

3. Concerns Regarding TRICARE Choice Implementation Details

Many TRICARE Choice implementation details are lacking in the Commission's proposal. We have identified several issues, which must be addressed to ensure successful implementation of a complex program:

- **Ensuring Coverage Meets Unique Military Family Needs**: We appreciate that the MCRMC proposal says DoD should provide OPM with recommendations on the unique needs of the eligible Uniform Services beneficiary population. However, we would like assurances on some specifics:
  - For military families who move frequently, a variety of high quality national plans is critical. Selecting a national plan will be the only way for mobile families to avoid a deductible and catastrophic cap reset with each move. National plans will also maintain coverage consistency and lessen disruption and hassle during geographic moves.
  - It is important coverage DoD has already deemed necessary and appropriate for military beneficiaries, via inclusion in the current TRICARE benefit, is part of TRICARE Choice commercial plans. For instance, TRICARE covers Applied Behavior Analysis (ABA) for beneficiaries regardless of location, whereas FEHB plans only cover ABA in states that mandate ABA coverage. ABA coverage that varies from state to state is not suitable for a mobile military population. Similarly, TRICARE offers beneficiaries access to behavioral health care without referral or prior authorization. We would expect similar accommodations for behavioral health care access in TRICARE Choice Plans.
  - It is essential commercial plans and BAHC policies take into account the unique situations military families face. Many families geo-bach—that is, the service member lives in a different location from his/her family members due to the spouse's career, kids' education or other considerations. Other families relocate during lengthy service member deployments. Policies must be in place to ensure these unique situations do not put military families at risk for higher costs or coverage lapses.

- **Beneficiary Education and Communication**: TRICARE Choice would require an unprecedented level of beneficiary communication and education.
  - Under TRICARE Choice, service members continue to receive care through the military, but the spouse and family members are covered under the new health plans. Therefore, the service member AND spouse must be educated on how to select the best plan for their family. This includes the basics of commercial health insurance (e.g., definitions of premium, deductible, cost share, co-pay), tools to help select the best plan for the family, and scenario planning to help families understand the trade-offs and potential out-of-pocket expenses associated with various options.
  - This education process must be ongoing, as many families will face new health plan choices every 2-3 years with PCS moves. They will not only need refreshers on the basics of selecting the right health plan, but they will need information on how coverage varies based

on location, to include what care will be available through the MTFs as network providers in the civilian plans. MTFs must be involved in the education process.

- **Financial Planning Guidance**: BAHC paid directly to service members will be difficult to manage for some. It is critical that financial education prompts service members to create a plan for BAHC that helps them apply the allowance to out-of-pocket medical expenses versus other discretionary spending. The success of the Basic Allowance for Housing has been cited as evidence service members can successfully direct an allowance to its intended purpose. However, unlike housing expenses that are stable and regularly recurring, medical bills are highly variable in amount and timing, requiring more sophisticated budgeting skills.

Given the role spouses play in health care decisions and family finances, it is critical that education and communication programs and resources are designed to accommodate spouses as well as service members. Child care and evening/weekend options are critical factors to achieve spouse participation in any in-person classes. If the service member is responsible for selecting a plan and that service member is deployed, how will the spouse—who in all likelihood will be the person managing the family's use of the health plan—be involved in the decision on which plan to choose?

While all Americans face a learning curve when making health insurance decisions, it is imperative service members and their families are prepared to successfully navigate TRICARE Choice's commercial health plan options. Military families lead complicated, stressful lives. We cannot set them up for additional challenges related to health care and finances. Additionally, the impact of poor choices, including limited access to health care or financial problems associated with unpaid medical bills, has the potential to reverberate beyond the individual family and negatively impact military readiness. Providing effective education on health care choices for service members and their spouses while they on active duty will ultimately benefit them as they make the transition to civilian life after their service.

Concluding Thoughts on the MCRMC's TRICARE Choice Proposal

Recent media coverage and Congressional hearings, together with the legislative language included in the report, imply the MCRMC report should be viewed as a turnkey plan, ready for implementation. Given the number of unanswered questions regarding the health care proposal, we view the TRICARE Choice proposal as a first step in a needed process toward change. While we believe the MCRMC health care concept has merit and we support the idea of moving military families to high quality commercial health plans, the MCRMC proposal requires much more analysis and concept optimization before it could be implemented. The statute authorizing TRICARE Choice must also set clear baseline standards that ensure families have access to high quality plans that meet their unique needs at the best possible cost.

Furthermore, change of this magnitude will take some time to implement. In the meantime, we encourage Congress and DoD to seek solutions to the many problems described by the MCRMC report as they relate to military family health care. These issues deserve to be addressed without

waiting for wholesale change. Ensuring the current system is still held accountable, while developing ideas for the future is a very important way Congress and the DoD can build and repair trust with the families who depend on their military health care benefit.

MCRMC Recommendations We Support

We appreciate the opportunity to comment on other recommendations from the Commission report that affect the quality of life of military families.

Recommendation 7: Improve Support for Service Members Dependents with Special Needs

Expand Benefits Available through ECHO

The Commission's proposal to improve support for military families with special needs family members by increasing benefits available through the Extended Care Health Option (ECHO) program is a critical step in easing challenges faced by these families. **Our Association supports this proposal without reservation.**

Additionally, we ask: 1) Congress consider extending ECHO eligibility to families for one year after retirement or separation to ensure they have access to much-needed care and services for their special needs family member, and 2) DoD review procedures for accessing care through ECHO to remove unnecessary requirements and ease the process for vulnerable military families.

Caring for children with complex medical needs can be incredibly expensive. Such children often require nutritional support, incontinence supplies, and other costly items vital to their care but non-medical in nature and therefore not covered by some insurance plans, including TRICARE. Most families in this situation ultimately turn to state Medicaid programs, which provide this kind of assistance through waiver programs to individuals whose families do not qualify based on income. Because the demand for these services far outstrips the supply, lengthy waiting lists to receive assistance are common in most states. For that reason, these services are often out of reach for a military family who must relocate every two to three years. A military family who places their special needs child on a Medicaid waiver waiting list must start again at the bottom of the waiting list whenever they move to a new state.

The ECHO program was designed in part to address this imbalance, by allowing military families with a special needs child or spouse to access non-medical services not covered under TRICARE. According to TRICARE's website, benefits covered under ECHO include "training, rehabilitation, special education, assistive technology devices, institutional care in private nonprofit, public and State institutions/facilities and, if appropriate, transportation to and from such institutions/facilities, home health care and respite care for the primary caregiver of the ECHO-registered beneficiary." However, in practice military families have found it difficult to obtain services through the program.

This reality was reflected in TRICARE's May 30, 2013 report, "The Department of Defense Report to Congress on Participation in the Extended Care Health Option (ECHO)," detailing military families' usage of the ECHO benefit. In 2012, DoD reported 99 percent of funds expended through the ECHO program were spent on Applied Behavioral Analysis (ABA) therapy and ECHO Home Health Care (EHHC)[2]. Although these services are important and popular with special needs families, it is impossible to see this statistic and not wonder why families are not accessing the long list of other services ostensibly available to them under ECHO.

In our Association's view, there are two reasons why special needs military families are not utilizing the ECHO program. First, as the Commission also noted, ECHO simply does not cover many of the products and services needed by special needs families. For example, many families need larger than normal diapers for their disabled children. ECHO deems diapers a convenience item and will not pay for them, although state Medicaid programs regularly pay for incontinence supplies. Aligning ECHO benefits more closely with state Medicaid programs, as the Commission recommends, would provide much needed support to special needs military families.

ECHO services are also under-utilized due to the procedural hurdles TRICARE has put in the path of those seeking benefits. An example is the policy regarding respite care. For families with special needs children, the time away afforded by respite care is vital. Access to quality respite care allows families to run errands, spend time with other children, and simply recharge. Respite care is ostensibly available through the ECHO program, but TRICARE policies limit its utility. Specifically, TRICARE requires families use another service through ECHO in any month that respite care is also provided. We are grateful the Commission recommended eliminating this requirement, which creates an artificial barrier preventing families from accessing needed care.

We have heard reports that special needs families may soon find their access to respite care limited as the military Services eliminate or reduce respite care they provide through the Exceptional Family Member Program (EFMP). Each Service operates its own EFMP program designed to assist special needs families with assignment coordination, referral and family support. As part of their family support, the Services' EFMP programs provide respite care for military families with eligible special needs family members. We have been told that the Army intends to eliminate this program and the other Services may soon follow suit. Given this cutback, it is even more important to ensure families can access much-needed respite care using their ECHO benefit.

Need for Transitional Care

We also note the ECHO program is only available to currently serving military families. Families who transition out of the military, whether through retirement or separation, immediately lose eligibility for ECHO benefits. This abrupt cutoff places an undue burden on families who are already coping with the stress of caring for a special needs family member. While families may eventually

[2] The Department of Defense Report to Congress on Participation in the Extended Care Health Option (ECHO), May 30, 2013, available at http://tricare.mil/tma/congressionalinformation/downloads/ExpansionEvaluationEffectivenessTRICAREProgramECHO.pdf

be able to access services through state Medicaid programs, they often face long waiting lists, which leads either to gaps in treatment or financial hardship for a family trying to pay for needed care. As more service members and families transition out of the military, this problem will become more widespread. To ease the hardship for families in this situation, we recommend ECHO eligibility be extended for one year following separation or retirement to provide more time for families to obtain services in their communities or through employer-sponsored insurance.

Impediments to Accessing ECHO

Our Association has identified other TRICARE policies that inhibit families' use of ECHO. TRICARE mandates families first use public assistance where available before accessing services through ECHO and requires families to submit a Public Facility Use Certificate explaining why public assistance is unavailable or insufficient when requesting ECHO benefits. Families seeking a respite care provider must find one who meets the strict requirements for such providers set by ECHO. These conditions can be confusing for families already coping with the stress of caring for a disabled family member. We suggest Congress review this and other requirements associated with accessing benefits through ECHO as you evaluate the MCRMC proposal, with the goal of streamlining the process for special needs military families.

Recommendation 10: Improve Access to Child Care on Military Installations

Military Families Need Affordable, Accessible Child Care Where They Live

We are gratified the Commission recognized the importance of high quality, affordable child care to military families. Their recommendation to exempt child care providers from furloughs and hiring freezes is a common sense solution to an issue that has been a source of anxiety for families during recent budget crises. We also appreciate the Commission's concern about the lengthy waiting lists families often confront when seeking care at installation Child Development Centers (CDCs) and agree that funds should be available to expand or modify facilities to increase the number of child care spaces. However, we also note a large number of military families—more than 70 percent—do not reside on an installation. For these families, on-base CDCs may not be the best solution.

According to the *2013 Demographics Profile of the Military Community*, more than 40 percent of service members have children. Of the nearly two million military-connected children, the largest cohort—almost 38 percent—is under age five.[3] Like all working parents, service members with young children need access to affordable child care in order to do their jobs. However, the military lifestyle comes with unique challenges and complications for families. Service members rarely live near extended family that might be able to assist with child care. Their jobs frequently demand long hours, including duty overnight. They are often stationed in communities where child care is expensive or unavailable.

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[3] *2013 Demographics Profile of the Military Community*. Rep. Office of the Deputy Assistant Secretary of Defense (Military Community and Family Policy), http://www.militaryonesource.mil/12038/MOS/Reports/2013-Demographics-Report.pdf

For all of these reasons, many military families rely on child care provided through their installation (either CDCs or in Family Child Care (FCC) homes). Yet, the demand for child care exceeds the supply. Statistics cited by the Commission are supported by the experiences military families share with us: in many locations, the waiting list for care is so long that the CDC is essentially not an option for many families. The problem is exacerbated by the frequent moves associated with military life. Following each Permanent Change of Station (PCS) move, a military family must restart the process of looking for care in their new community and frequently find themselves again at the bottom of the waiting list.

There are three factors contributing to the long waiting lists at installation CDCs: lack of physical space, staffing shortages, and wait list management. We support the Commission's recommendation that Congress reestablish the authority to use operating funds to construct or renovate CDCs. Streamlining the process to build new facilities and/or renovate existing ones could provide the physical space to ensure that more military families can access installation child care. Although, we wonder where funding to operate these new facilities will be found.

We also welcome the Commission's simple, common-sense recommendation to exempt child care providers from hiring freezes and furloughs. High rates of employee turnover are not uncommon at child care centers, both at DoD facilities and in the civilian world. However, high turnover combined with a hiring freeze can make it impossible for CDC directors to staff their facilities appropriately. We also heard from many families in 2013 concerned about how they would find child care if CDC employees were furloughed due to sequestration. No military family should have to worry about losing needed child care because of a budget crisis.

We agree with the Commission that CDCs should improve the procedures they use to manage their waiting lists. Currently lists are unreliable, making it difficult for families to know whether it is worth waiting for a space to open at the CDC or if they should seek care elsewhere. At the same time, if the Services do not have reliable information about the length of their waiting lists it is impossible to ascertain if they are meeting their own standards or allocating resources appropriately.

As stated above, less than 30 percent of military families live on installations, which can make installation child care an inconvenient choice. Many families prefer to seek care near their homes or close to a spouse's job. However, families seeking child care in civilian communities often find the costs are extremely high, much more so than on-base care. For those families, the fee assistance program offered by the Services is invaluable, allowing them to afford quality child care in their communities. We urge the Services to continue funding this program and to expand eligibility so families are assured of finding quality child care regardless of their location.

Recommendation 13: Ensure Service Members Receive Financial Assistance to Cover Nutritional Needs by Providing Them Cost-Effective Supplemental Benefits

Meeting Military Families' Nutritional Needs
We are pleased the Commission chose to address the issue of financial assistance for low-income military families. We have long recognized that, while the majority of military families are able to make ends meet, some families struggle financially. This is especially true of junior enlisted service members with larger families. The Family Subsistence Supplemental Allowance (FSSA) was designed to assist those families by increasing their household income until it reaches 130 percent of the Federal poverty level. However, we agree with the Commission that military families needing nutrition support are better off seeking this aid through the Department of Agriculture (USDA) Supplemental Nutrition Assistance Program (SNAP), both because it is often easier to qualify for SNAP and because that program provides a higher benefit. For this reason, we agree with the Commission that the FSSA program should sunset in the United States, although the program must be maintained overseas. We also agree that more information about the number of military families relying on SNAP is needed. In addition, we also ask Congress to evaluate available nutritional support programs to determine if they are adequately meeting the needs of low-income military families, whatever their location.

The Commission reports just 285 service members received FSSA benefits during fiscal year 2013. At the same time, the number of families receiving benefits through SNAP was much higher, according to figures cited by the Commission based on estimates by the U.S. Department of Agriculture. We agree the low number of families seeking aid through FSSA may be due in part to the application process, which requires the approval of the service member's commanding officer. The anonymity of applying for food stamps and not having your command know about your financial straits may appeal more to the service member.

While SNAP is indeed a significant help to many military families, we note the program's inclusion of Basic Allowance for Housing (BAH) paradoxically means families living in high cost locations do not qualify for assistance while families of similar size and service member rank do in places with lower housing costs. Because BAH only covers the cost of rent and utilities, it does not help families with the higher cost of food, gasoline, and other necessities in areas such as Hawaii, southern California, and Washington, D.C. We ask Congress to evaluate the SNAP program to see if this disparity can be addressed in a way to better meet the needs of low-income military families. We agree DoD needs better visibility over data that can provide information on families on the financial edge who would benefit from food support programs. And, they must analyze the data to determine what other assistance might be needed to support these families.

Recommendation 14: Expand Space-Available travel to more families of Service members

Supporting Military Families During Deployments
We appreciate that the Commission listened to military families in the town halls by responding to their requests for greater access to Space-Available travel during separations. We believe that the ability to change this policy already exists, but raising the issue in the Commission report may bring it higher visibility.

Recommendation 15: Measure how the Challenges of Military Life Affect Children's School Work by Implementing a National Military Dependent Student Identifier

Tracking Military Children's Education Progress
For years, our Association has advocated for creating a national student identifier for military-connected children in public schools. While we have been pleased to see several states begin tracking military students in their classrooms, we agree with the Commission that in order to obtain reliable, consistent data this initiative should be implemented at the federal level. A military student identifier will allow researchers and policy makers to better understand the impact of military life on academic achievement and enable them to direct resources more effectively to support military children.

Our own research has shown that experiencing the repeated, prolonged deployment of a parent can lead military children to show symptoms of stress and anxiety at higher rates than their civilian counterparts[4]. Military children are also more mobile than other students, moving an average of six to nine times between kindergarten and their senior year. There is no data on military students' attendance, graduation rates, performance on standardized tests or other commonly measured indicators of academic achievement. Creating a report-only subgroup of children who have parents or guardians serving on active duty in the seven Uniformed Services, as the Commission suggests, would fill this gap and allow policy makers to more effectively direct programs and services to support military students.

Recommendations We Cannot Support

While we support many of the Commission's recommendations, several of their proposals concern us. We cannot support the Commission's recommendation on the Survivor Benefit Plan, as it does nothing to eliminate the SBP-DIC offset for today's survivors and imposes additional costs on some of the most vulnerable military families. We believe Congress should preserve the full Post 9-11 GI Bill for military families whose service members have already transferred the benefit.

Recommendation 2: Provide more options for service members to protect their pay for survivors

We Need the DIC Offset Eliminated for Today's Surviving Spouses
We appreciate the Commission listening to the concerns of retirees and surviving spouses about the inequity of the Department of Veterans Affairs Dependency and Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP) annuity. However, we cannot support the recommendation put forth by the Commission giving retired service members the option of funding the elimination of the offset by paying a higher premium.

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[4] Chandra, Anita. *Views from the Homefront: The Experience of Youth and Spouses from Military Families*. Rep. RAND Corporation, http://www.rand.org/pubs/technical_reports/TR913.html

Our Association has long believed the benefit change that will provide the most significant long-term advantage to the financial security of all surviving families would be to end the Dependency and Indemnity Compensation (DIC) offset to the Survivor Benefit Plan (SBP). Although we know there is a significant price tag associated with this change, ending this offset would correct an inequity that has existed for many years. Each payment serves a different purpose. The DIC is a special indemnity (compensation or insurance) payment paid by the VA to the survivor when the service member's service causes his or her death. The SBP annuity, paid by DoD, reflects the longevity of the service of the military member. It is ordinarily calculated at 55 percent of retired pay. Military retirees who elect SBP pay a portion of their retired pay to ensure their family has a guaranteed income should the retiree die. If that retiree dies due to a service-connected disability, their survivor becomes eligible for DIC.

We have concerns about the Commission's proposed changes to the SBP premium structure. It would leave the 60,000 surviving widows/widowers who currently absorb the offset in the same situation they are now—continuing to have their SBP annuity offset by their DIC payment. **We need Congress to address the elimination of the offset to those who pay the premium and don't receive their complete benefit now!** Only 8 percent (4580) of SBP/DIC recipients are active duty death surviving spouses. Over 57,500 are the surviving spouses of retirees who have paid SBP premiums subsidized by DoD[5].

As stated, the SBP annuity and the DIC annuity are paid for two separate purposes. The retiring service member chooses to ensure the financial security of his/her surviving spouse by enrolling in the Survivor Benefit Plan. There is a chance the retiree may die of a service- connected disability. We maintain the payment of the DIC is the responsibility of the VA regardless of what other insurance or annuity the survivor may be eligible for. No other survivors of federal employees (former military members) are subject to the offset when they receive both a survivor annuity and the DIC. Surviving children receiving SBP are not subject to the offset. Since the retiree already pays a premium for SBP, why should he/she also subsidize the payment of the VA DIC annuity?

The Commission notes in its report the increased election of SBP by retired service members, comparing an election rate of 52 percent in 1993 to an election rate of 79 percent in 2013. This increase is due in great part to the elimination of the Social Security offset authorized by the National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375) and phased in over a three year period ending in 2008. Increasing the SBP premium to 11.25 percent would discourage retirees from signing up for the higher coverage unless they were severely disabled and had no other options. Those with severe disabilities who have been medically retired may be least financially able to pay higher premiums even though their survivors would have the greatest stake in having the offset eliminated.

[5] Department of Defense Office of the Actuary...09-30-14

We are especially concerned the Commission did not address how the survivors of those who die on active duty would be affected if this recommendation would be enacted. Would they continue to experience the DIC offset to SBP? For many of the survivors of junior service members, the DIC completely offsets the SBP annuity. We have questions where the funding would come from to fully fund both the DIC and SBP benefits for these survivors? How would the proposed changes to the retirement system figure into this?

We are encouraged at the suggestions the Commission has made on providing an analysis of the costs and benefits of the options to the retiring service member and their spouse. Again, it is important to have all the information to make an informed decision on retirement and survivor plans. **But, we cannot support asking the retiree to fund both the unsubsidized portion of the SBP and the VA provided DIC payment on the chance he/she may die of a service-connected disability.**

Recommendation 11: Safeguard education benefits for Service members by reducing redundancy and ensuring the fiscal sustainability of education programs.

Honor the Contract with Those Who Have Already Transferred the Benefit
As anyone who has pursued higher education can attest, tuition is only a fraction of the cost of attending college. Living expenses, books and fees add significantly to students' costs. Recognizing this reality, Congress included a living stipend in the Post 9-11 GI Bill. This valuable benefit has allowed many service members to complete their educations and launch careers. Other service members judge the best choice for them and their families is to transfer the benefit to a dependent spouse or child. Service members incur an additional service obligation with the understanding the entire benefit—to include the living stipend—will transfer to their designated recipient.

In the Commission's view, it is time to evaluate the effectiveness of transferability of the Post 9-11 GI Bill on retention and better align the benefit to meet retention goals. However, they fail to acknowledge many service members have already transferred the benefit—and met their additional service obligation—but their dependents have not yet had the opportunity to use their earned GI Bill benefits. Service members with young children accepted an additional service obligation with the understanding their families would have full use of the Post 9-11 GI Bill benefit. They made financial arrangements and savings plans based on those provisions. They made difficult choices and possibly passed on other opportunities to ensure their earned benefit became one their dependents could use. **These service members honored their part of the contract. Now we ask Congress to do the same and preserve the full Post 9-11 GI Bill for those military families who have already transferred the benefit.** .

It is worth noting service members who transfer their Post 9-11 GI Bill benefits and fail to meet the required service obligation are required to repay the benefit. The VA recognizes in transferring the benefit the service member has entered into a contract and must meet the terms of the agreement. Should service members expect any less? We acknowledge the Post 9-11 GI Bill is an exceptionally valuable benefit. In a time of fiscal constraint, Congress may have to make difficult decisions

regarding its future viability. However, the contracts of those who have already earned the benefit must be honored.

Recommendations Requiring Further Study

We believe several MCRMC recommendations have promising elements, but will require more study and further questions in order for the Commission to answer our concerns. The proposals for the new retirement system and changes in health care call for service members and their families to make responsible choices that will require a robust financial training program. We wonder how DoD and the Services will accomplish this financial training for both the service member and his/her spouse. We also have concerns about the proposal to merge commissary and Exchange operations and about the effect this change would have on the military resale system. We will seek more information on how these proposals could be implemented and encourage Congress to do the same.

Recommendation 1: Help more service members save for retirement earlier in their careers, leverage the retention power of traditional Uniformed Service retirement, and give the Services greater flexibility to retain quality people in demanding career fields.

Taking Responsibility for Your Own Retirement

As advocates for the entire military family community, our Association is keenly aware of the inequities inherent in the current retirement system. The majority of the families we serve remain in the military for fewer than 20 years and thus leave with little or no retirement savings. Recognizing this disparity, we support the Commission's recommendation to create an employer match to service member Thrift Savings Plan (TSP) accounts, which would create a valuable, transportable retirement benefit for service members regardless of how long they spend in the military. At the same time, we strongly believe in the value of the defined benefit plan, both as a retention tool and as a vital element in retirees' financial well-being. We commend the Commission for creating a hybrid system that would maintain the majority of the defined benefit plan along with a defined contribution.

While we would like to support the recommendation fully, we do have concerns. The proposal shifts both risk and responsibility for retirement savings from the government to the individual service member. In addition, the recommendation would lead to a significant income reduction for future working-age retirees compared to the current plan. We ask Congress to consider the following issues prior to making any decision about retirement changes.

The "Blended" Retirement System: Questions and Concerns

- **Increased responsibility for retirement while purchasing power is eroded:** The value of the TSP is tied directly to the level of individual contributions. If service members choose not to participate, or make smaller contributions, the value of the benefit is diminished. Currently 40 percent of service members choose to participate in TSP even though DoD provides no match. While under the proposal enrollment in the plan would be automatic,

service members would have the choice not to participate. To their credit, the Commission paired this recommendation with a call for improvements in service member financial literacy programs, arguing once service members understand the value of saving for retirement, especially with an employer match, there would be great incentive to participate. However, the reality is military families have experienced a series of cuts to their purchasing power in recent years, with higher out-of-pocket costs for housing and health care and pay raises that do not keep pace with inflation. TSP contributions will take another bite out of their disposable income. How many families will simply feel they cannot afford to save for retirement?

- **Higher risk for service members and families:** We are also concerned about the risk associated with a defined contribution plan, which we feel the Commission did not adequately address. Like all market-based funds, TSP accounts carry the risk of investment losses. In addition, a high rate of inflation would effectively diminish the value of TSP savings. Under this plan, the TSP would represent a significant share of retirement savings for a person who spends 20 or more years in the military, so the proposal imposes greater risk on those who stay for a full career. If there is a downturn in the market, retirees face losing a large share of their retirement savings. While some of that risk could be offset by a robust financial literacy program, risk is an intrinsic element of any defined contribution system.

- **Reduced income for working age retirees:** Our most pressing concern is the financial well-being of future working age retirees, who would face a significantly reduced income under this plan relative to the current one. According to the Commission, future retirees' pensions would be 20 percent less than provided under the current system. While the loss would be offset by the increased value of the TSP, service members would not be able to begin drawing from that until they reached age 59 ½. How much of a burden will this reduced income place on future working-age retirees? We also wonder what will happen to the Survivor Benefit Plan under this scenario. Will prospective retirees and their spouses feel they cannot afford to participate in SBP if their retirement income is reduced? Will Survivor Benefit Plan premiums and benefits be adjusted given the smaller retirement amounts and the availability of the Thrift Savings Plan as an asset for the survivor?

As more service members leave the military due to downsizing, our Association has increasingly focused on the issues families face as they transition to civilian life. In 2014, we surveyed military spouses who recently transitioned or were preparing to do so soon. What we have heard is that separating or retiring from the military is a difficult transition for many military families, often accompanied by significant financial hardship.

- *"Fortunately, we have been cautious about our spending and were financially prepared to live on retired pay if necessary which proved to be true."*

- *"Save every penny you can. Get out of debt before you separate. Brace yourself-it is harder than you can imagine. We are out of debt and have some savings, but my husband has been job hunting for 7 months."*
- *"I feel after 15 years in a career, he is starting from scratch and at the bottom of the barrel in the civilian workforce. I'm scared we'll be trying to support a family on minimum wage because nobody knows how to use an 0369 (military specialty designation) in the real world"*[6]

The prevailing view of the working-age retiree who moves seamlessly into civilian employment is frequently far from reality. Rather, it is not uncommon for working-age retirees to face a lengthy period of unemployment or underemployment, especially if their military skills do not translate directly into a civilian career. We are concerned that a reduced retirement annuity will add to the financial stress families commonly face during this transition.

The Commission's approach to this problem, offering service members the option of a lump sum payout in exchange for a reduced retirement annuity, is not an acceptable solution for the long-term well-being of the family. While the Commission does not detail the amount of the proposed payout or the how much would be cut from the annuity, similar proposals in the past have been detrimental to service members, providing much less total retirement compensation. This is especially true if the amount of the lump sum offered does not increase with inflation. Military retirees should not have to face a long-term financial disadvantage in order to address a short-term financial shortfall.

A 2014 RAND report, *Toward Meaningful Military Compensation Reform,* offered a proposal that would partially offset the reduced benefits for working-age retirees in the MCRMC plan. In its report, RAND suggests implementing a transition pay for service members leaving after 20 or more years of service. Including a transition payment for retiring service members would address two of our concerns by helping families through the financial challenges associated with transition and by offsetting some of the income lost by working-age retirees under a reduced defined benefit plan. In our view, this proposal merits further study for all transitioning service members receiving an honorable discharge.

We also note that the Commission does not address medical retirees in its proposal on retirement. How would these most vulnerable military families cope with a reduced annuity?

We recognize the majority of service members currently leave the service with no employer-provided retirement benefit and we commend the Commission for attempting to remedy this inequity while preserving most of the defined benefit plan. While we would prefer the annuity remain at its current level, we acknowledge that may not be feasible while also providing an employer match to the TSP. While we support the proposal in principle, we are concerned about the shift of risk and responsibility to service members and their families and about the impact on the

[6] Source: NMFA Transition Survey, May 2014

financial well-being of working-age and medical retirees. We believe there are steps Congress and DoD could take to mitigate these drawbacks—such as including a transition pay for service members—that would allow us to more wholeheartedly support the proposal.

Recommendation 3: Promote service members' financial literacy by implementing a more robust financial and health benefit training program.

More Training is Necessary to Make Good Financial Choices
We support the proposal to implement a more robust financial and health benefit training program. However, we question how some of the recommendations will truly improve financial literacy and must emphasize the importance of extending these training programs to the entire military family, particularly the spouse.

The MCRMC concluded that existing financial literacy training programs do not adequately educate service members. Yet, it maintains investing money in growing existing programs, with only slight changes, would better educate service members. We think it is important to note in many areas, service members are already miles ahead of their civilian counterparts in financial knowledge and management practices.

According to a survey done by FINRA Investor Education Foundation in 2012, 80 percent of service members believe they are good at dealing with day-to-day financial matters.[7] When compared to their civilian counterparts in age and demographic, service members were more likely to have an auto loan, carry a credit card balance, have a student loan, and a mortgage, but they were also less likely to use non-bank borrowing and have unpaid medical bills. Service members spent less than their income and had less difficulty covering their expenses than their civilian counterparts. They are more likely to save or have a retirement account. However, they were more likely to be underwater in their mortgage or have declared bankruptcy. These statistics bear more reflection and require adaptations in financial literacy programs that are specific to their military lifestyle challenges, like understanding the risk of investments in real estate when unable to homestead in one place.

It is absolutely critical changes in financial literacy focus on educating the entire military family. Spouses are often left in charge of the big financial decisions as they are more consistently present on the home front. Financial wellness and health care are often not executed by the service member. Mismanagement can result in far more devastating repercussions than a loss of security clearance: we have seen surprising use of food banks by military families; financial issues are a leading culprit in divorce and military suicide events; and unsurprisingly, morale is dropping after 14 years of war. The Commission's proposal must be considered in the light of how it can be applied to the entire family unit to best serve its purpose.

In considering improvements to financial literacy and health benefit training programs, opportunities to reach family members must embrace the lack of mandate the command and

[7] http://www.usfinancialcapability.org/downloads/NFCS_2012_Report_Military_Findings.pdf, page 28.

service have over family members. Dependent spouses or family members cannot be forced or tasked into education. Programs must be interesting, relevant, accessible, and innovative to reach our youngest families and entice them to participate. Provisions should be made to ensure attending or accessing good financial literacy counseling and education resources does not cost families money and can be performed at times convenient to them. We think the online budget planner is a good example of the great potential in this recommendation.

The MCRMC recommends several financial education ideas that are already in effect. For example, each Service provides financial management training to the service member at various stages in their career. They also provide financial counseling for service members and their families through a designated staff member at every installation. However, in some locations, this person may be shared among various installations or not be committed to financial literacy as a full-time responsibility. The MCRMC's proposal for more resources dedicated to financial education could expand availability of training personnel and programs.

The MCRMC's proposal recommends:

1. Increasing the frequency of and strengthening financial literacy content
2. Enhancing financial literacy content
3. Hiring firms to provide financial literacy training
4. Messaging from leadership
5. Mandatory annual Defense Manpower Data Center (DMDC) surveys
6. Strengthening partnerships with federal and nonprofit organizations
7. Provide an online budget planner for service members
8. Restructure the LES to reflect compensation changes proposed by the MCRMC

The Department of Defense (DoD) already provides financial counseling through Military OneSource confidential counseling number. Military OneSource counseling is also the most accessible tool currently available for spouses. DoD engages in a massive campaign called Military Saves to promote savings in cooperation with the Consumer Federation of America that includes memorandum and video messages from the Joint Chiefs and Enlisted Leaders encouraging service members to pledge to save. The DoD meets quarterly with federal and nonprofit organizations at the Defense Financial Readiness Roundtable to discuss programs and plans for reaching military families with financial literacy tools provided outside of DoD.

In 2003, DoD formally launched a financial readiness campaign to deal with financial habits that put members' readiness at risk, including financial management awareness, savings and protection against predatory practices. Since then, items 1, 2, 4, and 6 on the MCRMC list have been implemented. DMDC has surveyed service members about financial issues as recently as December 2013. With only items 3, 7 and 8 as new recommendations by the Commission, we feel this proposal leaves too many specifics to chance, especially with so many other moving parts in the health care and retirement proposals.

We would be remiss if we omitted the other financial challenges faced by military families. Between 2000 and 2012, Congress approved pay raises that exceeded the statutory requirement and set the standard that the Basic Allowance for Housing (BAH) would completely cover average housing expenses at each rank. For the past three years, however, DoD has proposed pay raises lower than the Employment Cost Index standard required in statute. DoD has also proposed a reduction in the BAH. The cumulative effect of these changes will severely impact the purchasing power of service members and their families. Financial literacy to promote financial readiness will be more important to help military families' dollars stretch further.

The MCRMC is proposing a massive overhaul of the health care system that would give service members the choices they have been craving, but could also result in out-of-pocket expenses for large families or those with extensive health care needs. They are also proposing a retirement system that would ask our younger and least equipped service members to carry a bigger burden in saving without giving them the extra tools to do so. According to a 2013 DMDC survey, approximately 10 percent of responding service members found it difficult or very difficult to cover expenses and pay all bills.[8] These 10 percent demonstrate that there is still a target number of service members who will not just benefit, but desperately need a different kind of financial management education.

We support the MCRMC's recommendation to promote better financial literacy for service members' through a more robust financial and health training program and feel that it is absolutely critical for the success of their other recommendations. We must emphasize that implementation must include family members. We would also like to see more information or study on how these proposals benefit the majority of service members who are already financially savvy, but challenged by other financial challenges of military service.

Recommendation 9: Protect both access to and savings at Department of Defense commissaries and Exchanges by consolidating these activities into a single defense resale organization.

The Savings are the Reason We Shop at the Commissary

In recent years, the commissary has been under siege. Budget proposals threaten to gut the program, eliminating a benefit that military families repeatedly tell us they value. In light of that, we are grateful to the Commission for affirming the importance of the savings military families receive from the commissary, and for emphasizing that DoD dollars must be used to support this valuable benefit. However, we are concerned by certain aspects of the Commission's proposal. While we understand that implementing certain efficiencies might protect the benefit in the long term, we are concerned that the Commission's recommendation would remove some of the protections that ensure the continued existence of the commissary and exchange. We believe additional details are needed before we can fully support the recommendation.

[8] Defense Manpower and Date Center, 2013 QuickCompass of Financial Issues, Question 73, pg. 138

- Currently, commissaries sell items at cost with a 5 percent surcharge that funds infrastructure investments. Operational costs are paid with appropriations. The exchanges sell items for profit, cover most of their operational costs with those profits, and provide the remainder to support Morale, Welfare, and Recreation (MWR) programs. The MCRMC proposes a new system that combines the exchange and the commissary systems into a new Defense Resale Agency (DeRA) and forces the surcharge and profit margins to fully fund the operational costs of both systems. The exchanges have already been yielding smaller and smaller profit margins. How many efficiencies will be needed in a combined system to cover costs AND provide the MWR support at desired levels?

- The recommendation states "MWR programs should continue to be funded from DeRA profits." What if there is a shortfall?

- DoD currently operates three exchange systems (NEXCOM, MCX, AAFES). Previous attempts to consolidate the exchanges into a single entity have failed due to logistical challenges and Service objections. How and why will it work this time?

- More than 60 percent of the employees working at the commissary and exchanges are military affiliated. Nearly 30 percent are military spouses. We do not know how these changes would affect their status. Civilian employees at the commissary would likely be converted to Non-Appropriated Fund (NAF) status, possibly reducing their pay and forcing a change in their benefits as they switch to a new system. What logistical challenges in merging employees from two distinct pay and benefit structures must be resolved and at what cost? How will the financial security of long-time commissary employees be protected?

- Consolidation may also remove the appropriated funds that cover second destination transportation costs for shipping commissary goods overseas. The new DeRA would be responsible for generating revenue to cover operating costs and second destination transportation at a cost of more than $340 million. Again, what if they can't? What's the protection for families who depend on overseas commissaries?

It remains unclear to us what will happen if the new blended system cannot cover operating costs. What are the second and third order effects on families around the world for providing healthy and familiar foods and goods? How will potential reductions in MWR revenues affect the morale of our military families at home or service members away from home?

As in our health care discussion, we must acknowledge that commissaries are under tremendous financial pressures and the appropriation that supports their operations—and by extension the savings military families need—is a constant target for budget-cutters. We are open to discussions on how to strengthen the resale entities in a way that protects customer savings and MWR revenues. We have concerns that restructuring the commissary and exchanges into a single entity could diminish each of these benefits. But, we hope this recommendation and the additional

commissary study Congress mandated in the FY2015 NDAA will provide a starting point for action on ways to strengthen the benefits and protect the military families who depend on them.

The commissary is an integral part of the military community. It is NOT just a grocery store. It is not just a convenient place to shop. It is a critical non-pay benefit for military families, and an institution charged with the health and welfare of our service members to provide safe, healthy, familiar provisions, no matter where they are around the world.

The Way Ahead

The National Military Family Association commends the Commission for its thoughtful consideration of many issues important to military family quality of life, as well as its comprehensive approach to military compensation. We are intrigued by the innovative recommendations regarding health care and retirement. We hope our questions will help inform a much-needed discussion, not just about the proposals, but also about current benefits and ultimately what will be best for service members and their families and the readiness of the force. We need more information on the impact of consolidating aspects of the military resale system on the savings military families experience at the commissary before embracing this recommendation. We especially thank the Commission for its recommendations regarding special needs military families, child care, nutritional support and military children in public schools. Their recommendations, if enacted, would address concerns that we often hear from military families and greatly enhance many families' well-being. While we cannot support the Commission's recommendations regarding the Survivor Benefit Plan or the Post 9-11 GI Bill, we do appreciate the efforts to preserve benefits important to service members and their families.

We ask Members of Congress to consider these recommendations thoughtfully as they respond to the budgetary challenges our Nation faces. We encourage Congress and DoD to seek solutions to the many issues raised by the MCRMC report and would welcome the opportunity to share additional input from the military families we serve. We must not delay the conversation on how to provide the best for our service members and the families who stand behind them! This report gives us a starting point.

Our Nation will continue to call on service members to address emerging threats and sustain peace around the world. Any change to the system of military compensation will have far reaching consequences and must recognize the unique challenges of military life. The government should ensure military families have the tools to remain ready and to support the readiness of their service members. Compensation and benefits for service members should reflect the singular service of military members and honor that service with a commensurate system of financial and medical support into retirement for them, their families and for their survivors.

STATEMENT OF
JOHN STOVALL, DIRECTOR
NATIONAL SECURITY DIVISION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
ON
"STAKEHOLDER'S VIEWS ON THE MILITARY COMPENSATION RETIREMENT MODERNIZATION COMMISSION"

MARCH 25, 2015

Chairman Heck, Ranking Member Davis and distinguished members of the subcommittee, on behalf of National Commander Mike Helm the 2.3 million veterans of America's largest wartime veterans' service organization, The American Legion, I appreciate the opportunity to provide our views on the Military Compensation and Retirement Modernization Commission's (MCRMC) recently released recommendations.

Specific reactions and positions on the individual recommendations are listed in the appendix at the conclusion of this testimony. These positions reflect an initial reaction to the MCRMC recommendations. The American Legion is a large, grassroots organization that derives positions on matters of concern through resolutions passed in regular order through an annual meeting of the organization at a National Convention, or through Fall and Spring meetings of the National Executive Committee. Developing positions requires ensuring consensus for over two million members, thus some proposals of the Commission are still under consideration as The American Legion as a whole, through our members across the country, are still examining proposals to develop resolutions which would guide future positions as the debate about these proposals, and the future of the military they are meant to address, continues in the public arena. Therefore, in some cases it is possible that we do not have current official positions on proposals from the Commission report as we are still thoroughly reviewing the recommendations.

The MCRMC put many months of hard work into developing and refining the fifteen proposals. In reviewing those proposals, The American Legion was chiefly mindful of three guiding concerns: to preserve and protect the integrity and strength of the "All Volunteer Force", to recognize that many of these recommendations are interconnected by their very nature and considering reform means to consider the impact they will have not solely on the force, but on the other recommendations, and finally that while it is easy to think of these recommendations in terms of their impact on the Department of Defense (DOD), some proposals will have profound impacts on other agencies of the government, especially the Department of Veterans Affairs (VA).

Protecting the All-Volunteer Force

Members of America's armed forces stand in the midst of a paradox. After over a decade of fighting America's wars, they now face massive troop drawdowns to force strength figures not seen since prior to World War 2[1]. They face devastating sequestration cuts that unfairly force the military to shoulder a disproportionate weight of budget slashing measures designed to avert further spiraling of the national debt. The men and women who serve continue to do so as their numbers are cut and their budgets and reduced, and they continue to serve and fight even as new battlefields open in Syria[2], Africa[3] and beyond.

In order for brave men and women to fight, The American Legion believes strongly in protecting the integrity of the All-Volunteer Force. As such, The American Legion is committed to opposing any changes to the military system which would reduce the incentive to enlist or re-enlist[4]. The American Legion further urges Congress to maintain continuous oversight of DOD personnel policies to ensure satisfactory retention, recruitment, morale, health and effectiveness of the armed forces[5]. Finally, The American Legion is committed to ensuring that any benefit in force at the time of initial enlistment is a sacred promise that must remain in force throughout the entire military career and retirement of a service member[6].

Within the scope of those guidelines, set forth to protect the morale and motivation of those who serve, there is still room for reform of benefits within the military. There are questions now apparent which bear delving into. When over four out of five who now serve will not reach the twenty year service mark[7], is there a better means of ensuring they have portability of benefits and are not set back in retirement planning due to years spent in service to this country? Can the new portable benefits be achieved without sacrificing the benefits of those who will commit to a full, twenty year career?

Where is there redundancy? How can efficiency be improved without sacrificing vital programs? Where programs appear to overlap, can the individual components of those programs be protected through any merger so critical functions are not lost? Can long standing injustices such as the "widow's tax" offset between the survivor benefits plan (SBP and dependency indemnity compensation (DIC) be corrected without creating further problems?

These are difficult questions, and are unlikely to be answered in a few simple weeks of analysis. The American Legion is diligently working to evaluate the proposals of the MCRMC, to use the proposals as a jumping off point for discussion, and to try to tackle the thorny problems planners face preparing the military for 21st century operations. We look forward to continued discussion, with Congress, with the DOD, with other stakeholders, and with the service members and

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[1] "Pentagon Plans to Shrink Army to Pre-World War II Level" *NY Times* Thom Shanker and Helene Cooper, February 23, 2014
[2] "Obama ISIS fight request sent to Congress" CNN February 12, 2015
[3] "U.S. to Commit Up to 3,000 Troops to Fight Ebola in Africa" *NY Times* Helene Cooper, Michael D. Shear and Denise Grady September 15, 2014
[4] American Legion Resolution No. 176: Department of Defense Military Retirement System – AUG 2014
[5] American Legion Resolution No. 180: Department of Defense Personnel Policy – AUG 2014
[6] American Legion Resolution No. 167: Earned Military Benefits – AUG 2014
[7] Report of the Military Compensation and Retirement Modernization Commission - 2015

veterans themselves to find solutions. The solutions must be rooted first and foremost in protecting those who serve and ensuring the benefits are oriented towards what is best for them and their families.

Interconnectivity – Maintaining an eye on the big picture

Reading through the 15 proposals of the MCRMC the interconnected nature of many of the proposals is clear. You cannot reform how retirement or healthcare benefits are delivered without concurrent reform of the financial education and training provided to service members and their families. To enact the retirement proposal piecemeal without including improvements to financial literacy would be devastating. By the interconnected nature of the proposals, comprehensive consideration is needed.

Therefore, The American Legion would offer counsel against rash moves to swiftly "enact something" without considering the potential ripple effects throughout other interconnected programs. There must be national discussion on these issues, and the stakeholders at every level – whether those currently serving or those who served long ago but still would see the Military Treatment Facilities where they receive their medical care affected – must be deeply involved at every level of this discussion.

As the proposals are interconnected, so too are the ways in which they will interact with service members and veterans at all levels. To enact changes to military treatment facilities not only affects the service members who receive their healthcare there, but also retirees living in close proximity to the bases who rely upon these facilities for their care. While the families of service members would be affected by these proposals – having now to manage an insurance plan to get their care at the on base facilities, the employees in those facilities will now have to manage insurance billing and payments, from different plans as the families of service members are to be given options to choose from.

Every decision made will cast wide ripples in the pool of military and veteran benefits. It is critical to recognize this and ensure the big picture is not lost in focusing only on small details. With new plans and allowances to balance for health care needs, in addition to housing allowances, military families will also be called upon to interact with a revamped Post Exchange and commissary system. This is not to say military families cannot figure these changes out, but merely to note that the impact will be pervasive and across many aspects and touch points of their lives.

Because of the scope of reform, because these challenges are so widespread, The American Legion urges a deliberate pace towards reform. It is not important to be the first out of the gate to change things. It is by far more important to take the time necessary to consider the complete impact of these changes and move forward understanding the long reaching implications of the changes.

Impacts on other agencies:

Several of the proposals have direct impacts on other agencies of the government, most specifically the Department of Veterans Affairs (VA). Some of these changes are important. The American Legion has long called for better collaboration between DOD and VA as called for in recommendation 8. Transition programs too have long been a concern of The American Legion, and have received much attention in the Committees on Veterans Affairs of the House and Senate. The American Legion wrote the original GI Bill of Rights in 1944 and was instrumental in both the introduction of a new Post 9-11 GI Bill, as well as subsequent reforms and improvements to the Post 9-11 GI Bill through the House and Senate Committees on Veterans Affairs.

Regarding recommendation 11, The American Legion has serious concerns about the impact of changes to education benefits proposed in this recommendation. The recommendation indicates other education programs such as the Montgomery GI Bill are redundant, yet provides no recognition that the Montgomery GI Bill has provisions that make it a far superior vehicle for veterans seeking on the job training or apprenticeship programs to complete their transition process from military to civilian workforce.

Because of the interconnected nature of the military and veteran side of the equation in the field of education benefits, The American Legion would call on this committee to conduct joint hearings with their counterparts on Veterans Affairs, to explore the impact of these changes both to the active duty service members as well as the veterans who will benefit from future education programs.

The original GI Bill was created as a transition benefit, to enable Americans who served to step from the military world to the civilian world with the tools they needed to be successful. In the modern era, we consider the recruitment and retention benefits of these programs but far more impactful is how they prepare veterans to be effective in the workforce. A 1988 Congressional study found that every dollar spent on educational benefits under the original GI Bill added seven dollars to the national economy in terms of productivity, consumer spending and tax revenue[8]. This makes it critical that reform efforts do not damage effective programs. The American Legion is committed to working with this committee and with the committees on Veterans Affairs to ensure the education programs retain their benefit to the veterans who use them and the community.

Conclusion:

The American Legion recognizes the hard work that the MCRMC put into these proposals, as well as recognizing the proposals for what they are – the starting point in a national discussion about reform of benefits. Clearly, there must be modernization of military benefits to reflect the 21st century and beyond, and any reform will be complex and address many factors.

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[8] Edward Humes, "When Dreams Come True," Orange County Register, November 5, 2006: http://www.ocregister.com/ocregister/homepage/abox/article_1345180.php

The American Legion would like to thank the committee for the close scrutiny we know they will give to these proposals. We encourage the committee to work with stakeholders to explore ways the intent of the proposals could be served while protecting the interests and benefits of those who serve, and the families who serve alongside them.

The American Legion has spent nearly a century as a leading voice in ensuring those who serve are justly treated by the nation they protected with their service. I can promise a deep commitment to examining these proposals, and working with this and future administrations as well as Congress to ensure we're building the strongest "All Volunteer Force" to meet the challenges of tomorrow. The American Legion thanks this committee for their diligence and commitment to examining this critical issue facing veterans as they struggle to access care across the country. Questions concerning this testimony can be directed to The American Legion Legislative Division (202) 861-2700, or dstoline@legion.org

Appendix A:

The MCRMC Recommendations:

1. Modifying the Military Retirement Plan – This proposal would alter the current military retirement system, ostensibly to address the current system wherein a service member only derives a retirement benefit in the form of a pension after staying in the military for a full 20 years. The proposed change would modify the current system by adding a Thrift Savings Plan (TSP) that allows service members to make defined contributions on a variable scale. There would be a guaranteed 1 percent contribution by the military, and contributions of the service member would be matched up to 5 percent. The service member would be automatically signed up at a rate of 3 percent every year, and every year would have to manually opt out to reduce that contribution.

   The new proposal is underpinned with the hope or assumption service members will make good, informed financial decisions and sacrifice short-term spending power for long-term financial security. But that flexibility opens the door to financially risky decision-making. For example, a service member could choose to buy a family car with his or her 12-year continuation pay, which would reduce the long-term value of his or her investment account. Or, a retiring service member could request his or her retirement benefit in a lump-sum check to start a new business. If that business fails, that retired veteran could be destitute after leaving the military. The commission acknowledged these problem scenarios in their recommendations and recommended that the Department of Defense (DOD) add a new line to the budget for $75 million annually to administer on-going financial literacy education programs for service members (see: Proposal 3). Troops would attend annual classes on money management.

   The American Legion current **DOES NOT SUPPORT** this proposal; there are too many questions about the implementation and concerns about how service members would be affected. However, given that approximately four out of five (81 percent) of service members do not serve the full 20 years in the military, it is worth examining possible solutions and measures which could provide some retirement benefits to those service members who depart from military service before the "20 year cliff."

2. Modifying Survivor Benefit Plan (SBP) Options – The American Legion, along with other advocates for veterans and their families, have attempted to address the unjust offset of the Survivor Benefit Plan (SBP) by Dependency Indemnity Compensation (DIC) payments when a veteran's death is related to service connected disability. Currently, surviving spouses are forced to offset one program with the other, punishing them for participating in a program designed to help them.

   The proposal would create a higher premium rate for an SBP program that would then not be subject to the offsets, which would perhaps solve the injustice for some future surviving spouses, albeit at a greater financial cost while in service. Furthermore there is nothing contained in the recommendation to address what becomes of the thousands of surviving spouses currently subjected to the unfair and unjust offsets. Creating a new

system, with some still governed by the older rules and others free of the unjust offsets but subject to unfair higher premiums does not solve the current injustice.

The American Legion **DOES NOT SUPPORT** this proposal.

3. Improving Financial Literacy – This proposal aims to improve financial literacy among service members through better training on financial and health benefit topics. This is obviously critical to the entire set of recommendations, as many of the proposals would substantially alter how these benefits work, and most require enhanced levels of understanding. The Commission report specifically notes: "Financial education should be provided to service members to develop a culture of personal financial responsibility. Training should contain real-world, practical lessons packaged to engage the youngest cohort of Service members."

   The American Legion believes service members would benefit greatly from increased emphasis on financial planning and better training in all of these areas. Furthermore, the role of the full family should not be overlooked. Often in military families, the spouse is the one who has to deal with the implementation of financial plans or the administration of health benefit plans. Therefore it is critical to ensure education is available to those family members as well.

   The American Legion **SUPPORTS** this proposal.

4. Reserve Status Consolidation – This proposal seeks to increase efficiency within Guard and Reserve Components of the military by replacing the current set of duty statuses (over 30) with six statuses that are broader in nature. These statuses will primarily focus on the three prime duty statuses of active duty, inactive duty, and full-time National Guard duty.

   The American Legion has **NO POSITION** on this proposal.

5. Establishment of a Joint Readiness Command – This proposal would create a Joint Readiness Command (JRC) ostensibly to improve combat casualty care and set new standards for medical readiness. This command would be led by a four star flag officer.

   The American Legion has **NO POSITION** on this proposal.

6. Modifying the Healthcare Plan – This proposal would make sweeping and extensive changes to the healthcare afforded to military families. The current system would be replaced with one similar to the healthcare options afforded to federal workers, with a selection of commercial insurance plans to choose from in a DOD health benefit program. The fees and copays required to pay for these programs would be extended to military families in an allowance entitled Basic Allowance for Health Care (BAHC) similar to the current BAH service members currently receive to pay for housing costs.

With this proposal, it would seem that the Commission's response to problems within the TRICARE system would be to replace the system wholesale with an entirely new system modeled on the Federal Employee Health Benefits Program (FEHBP). This is perhaps the most radical of all the proposals included within the Commission's report, and raises many serious questions.

Military Treatment Facilities (MTFs) have heretofore never been structured to operate as network providers to potentially many different insurance plans. Military families have never had to confront the sometimes bewildering array of choices inherent in selecting plans, and may be unequipped and untrained to make the proper choices. It is unclear how unused funds from the BAHC allotment would be handled, and how it would affect families in situations where a child or spouses develops a serious health condition that leads to copays well outside of what the BAHC benefit is intended to provide for average families.

Obviously, a radical paradigm shift of this nature would require extensive education, outreach and training for members of the military, their spouses and families. Furthermore, given the exigencies of military life, including moving to new states every two to three years where preferred provider networks may no longer exist, raise additional problems. Overseas postings, a staple of military family life, raise questions without clear answers.

The American Legion **DOES NOT SUPPORT** this proposal and supports retention of the current military healthcare system for military families.

7. Modification of the Extended Care Health Option (ECHO) Benefit – This proposal attempts to address and improve support for service members' special needs dependents. The current Extended Care Health Option (ECHO) would be more closely aligned with the state Medicare waiver programs. This would include allowances for more consumer directed care options.

   The American Legion has **NO POSITION** on this proposal.

8. Modifying Department of Defense and Department of Veterans Affairs Collaboration – This proposal calls for enforcement of improved coordination between DOD and the Department of Veterans Affairs (VA). The American Legion applauds this proposal, as it is long overdue. Lengthy delays that wasted over half a decade and billions of dollars on a failed interoperable Electronic Healthcare Record (EHR) highlight the most glaring of the failures between the two agencies to communicate, but the proposal has more broad reach and would also enforce collaboration on a more uniform formulary for medications between the agencies and in other areas. The American Legion's extensive research into VA healthcare has uncovered many veterans, especially those suffering from Posttraumatic Stress Disorder (PTSD) and Traumatic Brain Injuries (TBI) who cannot get the same medications from VA they received when they were treated on active duty. This necessitates new attempts to find the right balance of medications and can cause severe treatment setbacks. There is no reason this should happen.

The handoff between DOD and VA should be smooth and seamless. It will be especially critical, given the heavy reliance on Guard and Reserve Component service members to fulfill the operational needs of the military over the past decade, to ensure this seamless communication also includes all Guard and Reserve Component systems as well.

The American Legion **SUPPORTS** this proposal.

9. Combining the Commissaries and Exchange Systems – This proposal seeks to consolidate the commissary and post exchange (PX) systems both across the service branches and with each other to create a single, unified, defense retail system, ostensibly for "one stop shopping." The stated purpose of this proposal is to reduce overhead costs by eliminating redundant management structures. However, it is unclear from the proposal how this new system would affect the current cost savings enjoyed by service members and their families at these facilities. Commissary and PX privileges are a long standing and time honored benefit critical to providing affordable living options for military families, especially as pay for military members has often lagged behind their civilian counterparts.

   The American Legion currently has **NO POSITION** on this proposal, but would note extreme caution and attention should be brought to the examination of this proposal to ensure any consideration of such a consolidation does not negatively impact service members or their families.

10. Modifying the Childcare Benefit – This proposal aims to improve access to child care on DOD facilities. The proposal would address budgeting tools and information necessary to ensure the ability to provide child care within 90 days to service member families in need. The Commission seeks mandatory and standardized monitoring and reporting of child care wait times.

    The American Legion has **NO POSITION** on this proposal.

11. Modifying the Education Benefit – This proposal ostensibly seeks to eliminate redundancy in military education benefits by creating a sunset for all programs except for the Post 9-11 GI Bill, effectively eliminating the Montgomery GI Bill and the Reserve Education Assistance Program (REAP). The proposal would also alter the transportability component of the Post 9-11 GI Bill by increasing the service member's time commitment to ten years in to be able to use that benefit.

    The American Legion has serious concerns about this proposal, and feels there is an overall and fundamental lack of understanding of the utilization of such benefits. While the Montgomery GI Bill may seem redundant to the military now that there is a Post 9-11 GI Bill, actual veterans who use the programs, and veterans' advocacy groups such as The American Legion are quite aware that the Montgomery GI Bill is far better suited to veterans pursuing on the job training or apprenticeship programs. The American Legion wrote the original GI Bill in 1944 and reiterates the essential point that is as true today as it was then – the GI Bill is intended to facilitate the transition of service members into the

civilian sector, encouraging the education and training necessary to excel in the workforce.

Furthermore, it is of concern to The American Legion that proposals regarding the GI Bill, administered under Title 38 of the United State Code, would be considered primarily through the Armed Services Committees of the Congress, when the more appropriate venue for changes affecting 38 USC would be the Committees on Veterans Affairs. At the very least, any consideration of changes to these benefits must be considered under joint efforts of these committees.

Ultimately, the GI Bill, regardless of era, is one of the most critical and transformative tools for the workers in the American economy. Any changes, however well intentioned, deserve special scrutiny to ensure the transitioning veterans are still being afforded the best possible benefits we can deliver to them to aid them becoming productive members of the civilian workforce.

The American Legion **DOES NOT SUPPORT** this proposal as presented. The American Legion recommends further dialogue between the Departments of Defense and Veterans Affairs, the Senate and House committees on Armed Services and Veterans Affairs, and Veterans Service Organizations (VSOs) to ensure the outcome is balanced to meet the needs of the "All Volunteer Force" and individual service members and veterans.

12. Making Transition Assistance Programs Mandatory – the focus of this proposal is to require "mandatory participation in the Transition Goals, Plans, Succeed (GPS) education track for those planning to attend school after separation or those who have transferred their Post-9/11 GI Bill benefits."

    Transition is one of the most critical areas of a service member's life, and yet it often is treated as an afterthought. Service members succeed in their tasks in the military because of the tremendous amount of thought that goes into training and preparing them to achieve their military tasks. Preparing a service member for the transition to veteran status in the civilian world deserves the same scrutiny and thought that their induction training does. We prepare our service member to fight, but we must also prepare them to lead in the civilian milieu.

    Rather than an afterthought week at the end of their period of service, transition needs to be considered throughout the service member's career, from induction, through every "re-up" and on through to their last day in the military.

    The American Legion **SUPPORTS** this proposal. However, The American Legion also recommends that the stakeholders from the Departments of Defense, Education, Veterans Affairs, and Labor work together to ensure that the proper information being presented at TAP GPS is correct and timely, thus ensuring that individual can utilize the benefit to its max potential. In addition, this will have a secondary effect of mitigating the usage of unemployment compensation for Ex-service members (UCX) benefits that is transferred

from appropriate military services' budgets to Unemployment Trust Fund (UTF) to reimburse the appropriate states for UCX benefits distributed to unemployed former service members. Lastly, under the VOW to Hire Heroes Act of 2011, Public Law 112-56, subtitle B Improving the Transition Assistance Program, Section 221, clearly states the intent of congress was to mandate all members of the Armed Service participate in TAP GPS and all subsequent programs associated with TAP GPS[9].

13. Discontinuing the Family Subsistence Supplemental Allowance (FSSA) Benefit – this proposal addresses service members and their families relying on federal programs for nutritional financial support such as the Supplemental Nutrition Assistance Program (SNAP) and the Women Infants and Children (WIC) assistance. Many military families rely on these programs, as well as the crucial discounts afforded by commissaries and the PX system, to meet the nutritional needs of their families.

    The American Legion has **NO POSITION** on this proposal.

14. Changes to Eligibility for Space Available Travel – this proposal would extend the Space-Available (Space-A) travel program to dependents of service members deployed for more than 30 days. Ostensibly, these changes would "reduce stress" among the families of deployed service members by allowing utilization of Space-A travel.

    The American Legion **SUPPORTS** this proposal.

15. Establishment of a Military Student Identifier – this proposal recognizes the unique challenges and exigencies faced by children in military families, and would implement an identifier for students in school system that would allow for study of the challenges these children face. Currently there is no national designator for military dependent students, and therefore no way to aggregate national data on educational performance and other factors.

    The American Legion **SUPPORTS** this proposal.

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[9] United States Government Printing Office (112th Congress Public Law 56). 112th Congress. Retrieved from http://www.gpo.gov/fdsys/pkg/PLAW-112publ56/html/PLAW-112publ56.htm.

BIOGRAPHY OF
JOHN STOVALL, DIRECTOR
THE AMERICAN LEGION
NATIONAL SECURITY DIVISION

John Stovall became director of The American Legion's National Security Division in December 2011. As director, he and his staff work on a variety of issues, including the defense budget and military readiness, U.S. foreign policy, and POW/MIA accountability.

A former Marine infantryman, Mr. Stovall served from 1995 to 1999 with the 2nd Battalion, 8th Marine Regiment. Following his military service, he worked on various federal and state-wide political campaigns, and later on Capitol Hill for Senate Majority Leader Harry Reid of Nevada and Senator Jack Reed of Rhode Island, focusing on defense, foreign policy, intelligence, judiciary and immigration issues.

A graduate of the Naval War College and American University's School of International Service, John also received his MBA from Johns Hopkins Carey Business School. He lives in Columbia, MD with his wife and young son.

DISCLOSURE FORM FOR WITNESSES
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES

INSTRUCTION TO WITNESSES: Rule 11, clause 2(g)(5), of the Rules of the U.S. House of Representatives for the 114th Congress requires nongovernmental witnesses appearing before House committees to include in their written statements a curriculum vitae and a disclosure of the amount and source of any federal contracts or grants (including subcontracts and subgrants), or contracts or payments originating with a foreign government, received during the current and two previous calendar years either by the witness or by an entity represented by the witness and related to the subject matter of the hearing. This form is intended to assist witnesses appearing before the House Committee on Armed Services in complying with the House rule. Please note that a copy of these statements, with appropriate redactions to protect the witness's personal privacy (including home address and phone number) will be made publicly available in electronic form not later than one day after the witness's appearance before the committee. Witnesses may list additional grants, contracts, or payments on additional sheets, if necessary.

Witness name: John Stovall

Capacity in which appearing: (check one)

○ Individual

◉ Representative

If appearing in a representative capacity, name of the company, association or other entity being represented: The American Legion

Federal Contract or Grant Information: If you or the entity you represent before the Committee on Armed Services has contracts (including subcontracts) or grants (including subgrants) with the federal government, please provide the following information:

2015

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
N/A	N/A	N/A	N/A

2014

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
N/A	N/A	N/A	N/A

2013

Federal grant/ contract	Federal agency	Dollar value	Subject of contract or grant
N/A	N/A	N/A	N/A

Foreign Government Contract or Payment Information: If you or the entity you represent before the Committee on Armed Services has contracts or payments originating from a foreign government, please provide the following information:

2015

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
N/A	N/A	N/A	N/A

2014

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
N/A	N/A	N/A	N/A

2013

Foreign contract/ payment	Foreign government	Dollar value	Subject of contract or payment
N/A	N/A	N/A	N/A

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 25, 2015

STATEMENT FOR THE RECORD
PETER J. DUFFY
DIRECTOR, LEGISLATION
NATIONAL GUARD ASSOCIATION OF THE UNITED STATES
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON MILITARY PERSONNEL
March 26, 2015

Chairman Dr Heck, Ranking Member Mrs Davis and Members of the Subcommittee:

Thank you for the opportunity to present a statement for the record on behalf of the National Guard Association of the United States (NGAUS) to address critical personnel issues facing members of the National Guard and their families. It will provide factual background, analysis and recommendations for the Subcommittee to consider.

The Unique Citizen Service Member
The National Guard is unique among components of the Defense Department (DoD) in that it has dual state and federal missions. While serving in a Title 10 active-duty status such as Operation Iraqi Freedom (OIF) or Operation Enduring Freedom (OEF), National Guard units are under the command and control of the president. Upon release from active duty, members of the National Guard return to their home states under the command and control of their governors. where they train, They not only train for their federal missions, but for their state missions such as fighting fires, responding to floods, and providing assistance to civil authorities in a variety of possible security and disaster scenarios.

While serving in their states, members are scattered geographically with their families as they hold jobs, own businesses, pursue academic programs and participate actively in their civilian communities.

Military service in the National Guard is uniquely "community based." The culture of the National Guard remains little understood outside of its own circles. When the DoD testifies before Congress to present its programmatic needs, it will likely recognize the indispensable role of the National Guard as a vital "operational force" but it will say little about the benefit disparities, training challenges and unmet medical readiness issues that exist for National Guard members and their families at home.

These conditions exist before, during and after deployment. The National Guard Association of the United States asks this subcommittee to recognize the value of the National Guard in a budget-short environment and understand that the personnel issues of the National Guard are different from those of the active-component forces. In some cases, the differences are dramatic. We ask that they be given a fresh look with the best interests of National Guard members and their families in mind. Below is a list of the association's priorities in this arena.

List of NGAUS Priorities

1. **Freeze Army National Guard End Strength and Force Structure until the National Commission on the Future of the Army Reports**

2. **Support the Compensation and Health Recommendations of the Military Compensation and Retirement Modernization Commission**

3. **Ensure Robust Future Roles, Missions and Structure of the National Guard**

4. **Require the DoD to Transfer to the Department of Veterans Affairs the Medical Records of National Guard Members upon Release from an Active-Duty Deployment**

5. **Fund Embedded Mental Health Professionals for the Reserve Component and Improve Access to Confidential Community Based Mental Health Professionals**

6. **Require the Defense Secretary to Implement Space-Available Travel Privileges for all Categories of Reserve Component Passengers identified in 10 USC 2641b c Subject to Priorities**

DISCUSSION:

1. Freeze Army National Guard End Strength and Force Structure until the National Commission on the Future of the Army Reports

NGAUS urges Congress to allow the National Commission on the Future of the Army to make its assessments and recommendations before reducing the size and force structure of the Army National Guard. The FY 2016 budget submission proposes cutting the Army National Guard by 8,200 from 350,200 to 342,000. It also includes severe cuts to the men and women who are responsible for the day-to-day operations of the Army National Guard, including a reduction of Active Guard and Reserve positions by 615 and dual-status technicians by 1,111. Additionally, it moves forward with the controversial Aviation Restructure Initiative, a plan the Army has called risky, complex, interdependent and irreversible. These proposals undermine the Guard's role as the nation's combat reserve as well as impact domestic and homeland security response. Before cutting Army National Guard end strength and force structure, we request a freeze at FY2015 levels to allow the commission to provide its recommendations on the appropriate size and force mixture of the active and reserve components.

2. Support the Compensation and Health Recommendations of the Military Compensation and Retirement Modernization Commission

NGAUS is extremely appreciative for the 15 well reasoned and balanced recommendations from the Military Compensation and Retirement Modernization Commission (MCRMC) which would

allow DoD to take a giant leap forward from an archaic compensation system that would advance the well being of the future Total Force, young and old, Active and Reserve.

As set forth below, the pay and retirement recommendations of the MCRMC would bring about long-awaited compensation reform to a deserving majority of the heretofore left out in the cold.

The fully grandfathered compensation recommendations would disadvantage no one currently serving but would improve the lot of an overwhelming 83% of the future force that historically does not serve long enough to retire. The 17% of the force that serves to retirement will see the calculation of their compensation package change but not necessarily its total value which may in fact increase.

The benefit and costs to individual groups must at all times be measured against the overall value to the country of modernizing and equitably adjusting an out-of-date compensation and benefit system. NGAUS applauds the MCRMC recommendation to vest a defined contribution pension benefit in the overwhelming majority of young men and women who will risk their lives in combat but will leave the military far short of retirement. It is they who are receiving too little in recognition of their service. They are most deserving.

MCRMC Retirement Recommendations

NGAUS Appreciates the MCRMC Recommendations to Retain Drill Pay and TRICARE for Life; and Reform the Defined Benefit Pension to Unify Active and Reserve Component Retirement Pay Systems

With the MCRMC's declaration that everything was on the table, NGAUS is grateful that the final recommendations would maintain current drill pay formulas, the hugely beneficial TRICARE for Life for retirees, and a modified but robust and flexible defined benefit pension for retirees that would remain the envy of the civilian world.

These benefits were potentially at risk. NGAUS is thankful that they would survive; however, the retirement pay recommendations go much further.

NGAUS welcomes with enthusiasm the recommendation that would unify the method of calculating retirement pay for the Active and Reserve Components based upon a 2% multiplier of the number of whole years or the whole year equivalent based upon the annual participation points earned by the Guard or Reserve member (180 annual participation points are the equivalent of a half year- 180/360).

Lowering the 60 year age to collect retirement has historically been the highest but heretofore unattainable priority for the Guard and Reserve. The most active push for reform NGAUS receives throughout the National Guard is to equitably lower the eligibility age to collect retirement pay and to bring active duty and Reserve retirement pay rules in equilibrium.

Reserve retirement as codified in 10 USC Chapter 1223 dates back to the Eightieth Congress with the passage of the Army and Air Force Vitalization and Retirement Equalization Act of

1948. Despite the name, the resulting compensation systems have been anything but equal for Active and Reserve retirees.

Since 1948, Active and retirees have been able to receive their retirement pay immediately after 20 years of service as early as age 37 while Reserve Component retirees must wait until age 60 to receive a penny.

The only reform of this unbalanced system was found in the 2008 NDAA provision that can reduce the age 60 eligibility three months for each aggregate of 90 days of service in a fiscal year served after Jan. 28, 2008 in a contingency operation or domestic emergency declared by the President. The 2015 NDAA also extended the single fiscal year to two consecutive fiscal years.

MCRMC's compensation recommendation would allow retired citizen soldiers of the National Guard and Reserve for the first time in nearly 70 years the option to receive a portion of their retirement pay after 20 years of service. Congress must prioritize passage of this historical recommendation.

Thrift Savings Plan for All and a Robust Defined Benefit Pension

The genius of the Commission retirement and pay recommendations lies with its incorporation of elements of both a defined benefit and defined contribution plans. It would allow defined benefit pensions to continue for retirees with a 2% multiplier for years served while automatically enrolling incoming Soldiers, Sailors, Airmen and Marines in a thrift savings plan (TSP), a defined contribution plan. New members would involuntarily contribute 3 percent of base pay augmented by a 1 percent contribution from the Uniform Services. Both would vest after 2 years of service.

The 1 percent contribution from the Uniform Services would continue throughout a member's term of service (the Commission has changed its recommendation to allow the 1 percent contribution to extend beyond 20 years of service). After two years all ranks could continue contributions in amounts of their choosing throughout their service with the Uniform Service matching up to 5 percent of monthly basic pay in addition to its1 percent automatic contribution.

Providing a TSP for all incoming members of the military would jump start their lifelong retirement planning by assuring that when they separate from the military they have a retirement savings plan in place that could grow over a lifetime.

Thus a member could receive up to a 6 percent contribution from the Uniform Services in a defined contribution plan until separation or retirement, whichever would come first. This would be in addition to whatever defined benefit pension plan a member may earn.

Upon retirement, a member would be eligible to receive a defined benefit pension after 20 years of service calculated at the rate of 2 percent for each year of service (or the equivalent) multiplied by the monthly base pay at retirement. The retirement pay could be significant.

It is helpful to look at the projected numbers for career active-duty retirees. If current monthly compensation rates of $10,844 were to continue for a future O-6 retiring with 30 years of service, this would yield a pension multiplier at age 67 of 60 percent (2 x 30) of $10,844 for a monthly benefit of at least $6,506.40. This would be subject further increases in the monthly pay rate between retirement and age 67.

Moreover, assuming Congress provides the military with a 1 percent pay annual raise over the next 30 years, that would compound to a monthly base pay for the O-6 of $14,616.07 at 30 years. Applying the 60 % multiplier would yield a monthly pension of at least $8,769.64 at age 67- subject again to any further increases in the monthly pay rate before age 67.

The same 60 percent multiplier applied to a future O-5 with 30 years would yield a monthly pension amount at age 67 of $5,205.60 based on current monthly pay of $8,676 and assuming no future pay increases. The pension would increase to $7,016.36 (60 percent of $11,693.94) assuming a compounded 1 percent annual pay increase for 30 years.

A future E-9 with 30 years of service would earn $4,086.60 at age 67 based upon current monthly pay of $6,811 continuing. However, the E-9 would earn an increased monthly pension of $5,508.12 (60 percent of $9,180.20) assuming a compounded 1 percent annual pay increase for 30 years.

When augmented by the TSP available balance at retirement, the future officer or enlisted retiree with 30 years of service would certainly be financially secure.

Congress must not support arguments to reject the MCRMC reform recommendations that cling to the current inequitable and out-dated pay system that would keep benefits restricted to a few and block the balanced TSP benefit that the MCRMC would provide to all of those serving in the Total Force, old and young, Active, Guard and Reserve.

Surveys done by organizations claiming dissatisfaction with the key compensation recommendations are suspect by asking people grandfathered in their current pay system to judge a new system that may frighten them with the prospect of change but ultimately not affect them in their grandfathered status.

How the compensation recommendations would harm recruiting is pure speculation from those who lack standing in a literal sense to put themselves in the minds of the future military members considering joining.

One thing certain is that future potential recruits would know the terms of what their compensation would be in deciding whether to join or not to join. They would receive the benefit of their bargain whatever that might be which is the basic element of fairness underpinning all contracts. The choice would be theirs.

Lacking clairvoyance on recruitment, we can proceed with confidence that the MCRMC Commissioners and staff acted in best interest of the nation fairly balancing the interests of all.

MCRMC Health Recommendations

NGAUS supports the MCRMC's recommendation to jettison an inefficient and stumbling TRICARE program and replace it with TRICARE Choice that would allow military members and their families access to plans that would expand the network of providers and support a continuum of care. Questions remain relative to the cost of the proposed programs to the individual and family. If enacted, there must be a sufficient implementation period to make any needed adjustments. However, not passing this recommendation must not be an option

Surveys done by other organizations claiming dissatisfaction with the key compensation and health care recommendations are unreliable by asking those who are not enrolled in FEHBP to compare TRICARE with FEHBP. There is a only very small group who could make this comparison which to the best of our knowledge, has not been separately surveyed.

The Commission has already exhaustively and expertly surveyed the global military community in deriving its recommendations. The MCRMC report accurately defines the problems and challenges that the Reserve members have faced with TRICARE. NGAUS strongly support the expanded access to providers that would be available to the National Guard under TRICARE Choice.

With a few strategic tweaks, the package of recommendations is acceptable to NGAUS. Congress must enact the recommendations as soon as may be feasible. If the momentum is lost, it may never be regained.

3. Future Roles, Missions and Structure of the National Guard

It is essential that the Adjutants General, and Council of Governors and National Guard be involved in key processes in any process examining the roles, missions and force structure of the National Guard. Without actively participating as the key stakeholders in the processes that will form recommendations going forward on these issues, the National Guard would bear the consequences of assumptions lacking a factual basis that too often emerge from closed rooms.

In reviewing the ongoing testimony on the future force mix of the military that may follow, please find for your review and future reference a link to an independently written discussion paper titled "National Defense in a Time of Change" published as part of The Hamilton Project by the Brookings Institution. The paper offers cogent recommendations for potential defense budget savings of $500 billion over 10 years.

Authors Adm. Gary Roughhead, U.S. Navy (Ret.) and Kori Schake, both of the Hoover Institution, recommend a redesign of the military's force structure (page 13): "We must redesign our forces and budget to our strategy, and not to equal service share between branches…. Putting more of the responsibilities for ground combat into the combat-proven reserve component is both consistent with the new demands of the evolving international order and justified by the superb performance of National Guard and reserve units in our recent wars."

Although Roughhead and Schake believe that the current structure of the Navy and Air Force would meet their redesign needs, they assert that Congress must reduce the current Army by 200,000 from 490,000 while adding "100,000 reservists and National Guardsmen closely entwined in the regular rotation whose principal mission would be arriving in a mature theater for sustained combat."

On page 14, Roughhead and Schake cite the drag arising from the 781,960 civilians currently employed by DoD and the resulting inefficiencies arising from an over reliance on private contractors. "If the military cannot deploy or sustain he fight without those contractors market pressures will bid up the cost of civilian contractors until the cost advantage is negligible. In fact, we are probably beyond that cost point. We would reduce civilian personnel by a greater proportion than uniform reductions." (According to Bloomberg, DoD currently employs 700,000 private contractors with nearly 5,000 working in the office of the Secretary of Defense alone.)

Please also find the Reserve Forces Policy Board (RFPB) report showing the fully burdened life cycle costs of the Reserve components to be less than one-third per capita those of the active forces

Lastly, please find the National Guard Association's RFPB Fact Sheet, which summarizes the RFPB findings.

Thank you for your consideration of these studies.

4. Require DoD to Transfer to the Veterans Administration the Medical Records of National Guard Members upon Release from an Active Duty Deployment

DoD currently transfers to the Veterans Administration (VA) the medical records of active-duty members upon separation from active duty. However, it does not do so for the medical records of the National Guard when they are released from active duty following a deployment.

Disability Benefit Compensation Claims with the VA filed by veterans of the Reserve component are being denied on appeal at four times the rate of those Disability Benefit Compensation Claims filed by active duty.

A complete set of deployment medical records is essential to support a Disability Benefit Compensation Claim filed by a member of the Reserve component for injuries suffered during deployment.

Congress must require DoD to transfer to the VA the medical records of members of the National Guard in its custody upon the members' release from active-duty deployments.

5. Fund Embedded Mental Health Professionals for the Reserve component and Access to Confidential Community Based Mental Health Professionals

The National Guard continues to have the highest reported rate of suicides in the military.

The DoD Suicide Event Report reported rates of suicides (per 100,000) for the Reserve and National Guard components of the Select Reserve in 2013 at 23.4 and 28.9 with an Active Component suicide rate of 18.7 as of June 30, 2014.

Moreover, due to delays in suicide determination by civilian coroners and medical examiners the subject DoD report does not reflect the actual rate for all National Guard suicides in 2013 which was 33.5 per 100,000 according to the National Guard Bureau - easily the highest in the military.

NGB further reports that 63 percent of the ARNG soldiers and 64 percent of Air National Guard airmen who died by suicide were never deployed.

National Guard and Reserve personnel in states at high risk for suicide and dangerous behavioral health conditions need convenient and confidential access to community based mental health professionals for screening, care and referrals.

There are currently no federally funded programs through DoD or the VA for confidential community based behavioral care for over 450,000 members of the National Guard located in communities across the country especially those residing in isolated rural communities. Those requiring confidential behavioral health care must rely on community resources – often from pro bono good Samaritan providers who may or may not be trained in military behavioral health.

A program providing funded access to confidential community based mental health providers would help prevent suicides in the population of 450,000 National Guard members and their families and also answer the need for non-clinical services to address stressors for service member and families that may lead to more serious complications.

A program that would fund community-based treatment from trained providers would also inure to the benefit of active-duty members, veterans and their families who may seek confidential community-based care outside of federal installation treatment facilities. For reasons not fully understood, many veterans avoid the VA behavioral health care systems while the VA reports that 22 veterans take their lives daily.

There can be no reliable statistic for those needing care who treat confidentially outside of DoD or VA facilities as that would be tantamount to proving a negative. Despite the lack of a hard statistic, the number is likely very large.

Embedded Providers

On-site access to an embedded mental health professional during training assemblies has proven successful in overcoming geographical, stigma and time barriers that might otherwise bar a member from similar services in a rural or underserved community.

Licensed embedded providers also provide an onsite professional to whom victims of sexual assault can confidentially report outside of command channels. An onsite community based civilian provider can initially provide counseling for any attendant behavioral injury as well as guidance on accessing community based support services and utilization of the civilian criminal justice system.

Funding Requests
NGAUS urges the Congress to fence no less than $30 million for the NGB Director of Psychological Health to establish embedded mental health providers authorized by the 2012 NDAA in states determined to be at mental health risk and to fund access to confidential, community-based behavioral care providers.

NGAUS further urges Congress to fund Mental Health Authorities of the 54 states and territories to establish in coordination with SAMHSA three year pilot programs to train qualified behavioral health care and non clinical service providers in military culture and other evidenced-based practices and to fund access to those providers for members and families of the National Guard and Reserve and for other members of the military and veterans.

6. Require the Secretary of Defense to Implement Space-Available Travel Privileges for all Categories of Reserve Component Passengers identified in 10 USC 2641b c Subject to Priorities

Title 10, section 2641b of the U.S. Code enacted as part of the NDAA for Fiscal Year 2013 codified the authority of the Secretary of Defense to determine whether to establish a program to provide transportation on DoD aircraft on a Space-Available (Space-A) basis to certain categories of eligible individuals. The bill was scored budget neutral by the Government Accountability Office.

The subject categories specifically indentified in10 USC 2641b(c) included members of the Select Reserve; retired members of a regular or Reserve of the armed forces, Gray Area retirees and certain of their dependents as specified by the Secretary of Defense.

This statutory protection provides authority going forward but it remains to be seen what additional restrictions the Secretary of Defense will place on travel by the Select Reserve given the recently announced refusal to extend the benefit to dependents of the Select Reserve.

The Secretary has the sole discretion under the law to determine the order of priority for travel for the eligible categories based on considerations of military necessity, humanitarian concerns and enhancement of morale and the need to provide respite to active-duty members and their dependents from the demands of active duty. The Secretary can further restrict utilization of the benefit to any of the eligible categories.

In a report to Congress this past October, the Secretary of Defense announced his determination to continue the Space-A program for the eligible categories but with the troubling limitation of denying overseas Space-A travel to Gray Area retirees and denying all Space-A travel to dependents of both the Select Reserve, Reserve retirees and Gray Area retirees, **even when there is Space-Available on aircraft**. This is in clear contravention of the spirit of the joint conference negotiations that established this provision in the FY2013 NDAA.

Unfortunately, forbidding Space-A travel for dependents of the Guard and Reserve will only chill travel for the Guard or Reserve member who will naturally want to travel with family.

The apparent reason for the exclusion of dependents stated in the subject report is that it would jeopardize travel for higher priority passengers.

This is indeed puzzling as the Space-A system self regulates first with the availability of seats and then with prioritized categories that will automatically exclude lower category Guard dependents.

The report cites the example of flights stopping en route to a final destination carrying a passenger with a low priority booked on the originating flight manifest. That lower priority passenger cannot be bumped at the en route stop by a passenger with a higher priority seeking a seat thereby jeopardizing Space-A travel for the latter.

One equitable work around solution for this would be to limit Space-A privileges for Guard dependents to nonstop flights and not simply ban participation of Guard dependents.

There is also no discussion in the report of the utilization of virtually empty Space-A flights originating on Air National Guard bases hundreds of miles from any active installations that have little or no impact on active duty members or their dependents.

The Secretary of Defense has until October 2015 to prescribe regulations to operate the program. DoD 4515.13-R that governs the operation of the program is currently under revision to reflect the codified eligible categories.

Congress needs to monitor the progress of the regulations to make sure the Secretary of Defense does the right thing for the Reserve Components.

Disclosure Statement

Neither NGAUS nor I have received in this current year or within the past two fiscal years any federal grant or contract.

Peter Duffy, Colonel US Army (Retired)
Legislative Director
NGAUS

MAZON | A Jewish Response To Hunger

Statement by MAZON: A Jewish Response to Hunger

On

The Recommendations of the Military Compensation and Retirement Modernization Commission Regarding the Family Subsistence Supplemental Allowance Program

Submitted by:

Abby J. Leibman

President and CEO

MAZON: A Jewish Response to Hunger

March 23, 2015

About MAZON

MAZON: A Jewish Response to Hunger is a national nonprofit organization working to end hunger among people of all faiths and backgrounds in the United States and Israel

MAZON, which means "food" in Hebrew, was the first national organization to rally the American Jewish community around the issue of hunger, and remains the only national Jewish organization dedicated exclusively to that same cause.

Since its founding in 1985, MAZON has established itself as a leader in the national anti-hunger movement. MAZON founded and continues to chair NAHO (National Association of Hunger Organizations) and participates in a number of other anti-hunger and interfaith coalitions. It also works in close collaboration with interfaith agencies of all denominations to advocate on behalf of hungry families nationwide.

MAZON works to ensure that hungry people have access to the resources they need to survive while simultaneously striving to develop and advance long-term solutions that will end hunger once and for all. It employs a holistic approach to accomplishing its mission, which it demonstrates through its three interrelated strategies: Strategic Initiatives, Partnership Grantmaking and Education and Advocacy.

Central components of MAZON's mission are:

- To provide for people who are hungry while at the same time advocating for other ways to end hunger and its causes
- To educate and raise the consciousness of the Jewish community regarding its obligation to alleviate hunger and its causes

In 2013, the Board of Directors of MAZON: A Jewish Response to Hunger voted unanimously to make addressing military hunger one of its two education and advocacy priorities for at least the next five years. Following that decision, the Board and staff of MAZON have invested significant time and resources to gather information and insights from across the country about the ways in which food insecurity is felt among military families and the underlying causes for it.

Certification of Non-Receipt of Federal Funds

Pursuant to the requirements of House Rule XI, MAZON: A Jewish Response to Hunger has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

Statement About MCRMC Recommendations for the FSSA Program

As members of the House Armed Services Committee consider responses to the recommendations made in the final report of the Military Compensation and Retirement Modernization Commission (MCRMC), MAZON: A Jewish Response to Hunger would like to call your attention to the simplistic and inadequate recommendation to eliminate the Department of Defense's Family Subsistence Supplemental Allowance (FSSA) program where SNAP is available. Rather than explore vital and viable solutions for military families who struggle to put food on the table, MCRMC has offered a response that is both non-responsive and does nothing to affect the persistent problem of food insecurity among military families.

While we appreciate the work of MCRMC to research the issue of food insecurity among military families and agree with its assessment that FSSA is badly flawed, we strongly disagree with the Commission's recommendations to sunset the FSSA program domestically and instead direct military families toward participation in the SNAP program. The MCRMC report fails to consider the unique challenges for military households that are forced to rely on government safety net programs and the impact on those who fall through the cracks of these programs.

Far too many military families in need find themselves ineligible for both the FSSA and SNAP programs or qualify for an insufficient benefit amount, due in large part to the inclusion of the Basic Allowance for Housing Benefit as countable income in the determination of program eligibility. The only alternative now is for the many thousands of military families in need to resort to emergency assistance through food pantries that operate distribution programs on or near military installations across the country. At Camp Pendleton alone, four separate emergency distribution programs operate on base to offer monthly food packages exclusively to active duty military families in need. Surely we can do better for those who sacrifice so much for our country.

Raising the base rates of pay for junior enlisted personnel would be the most direct solution to this problem, though the costs of such action would be high and politically challenging. Action to sunset the FSSA program domestically without adjusting the SNAP eligibility criteria for military families (excluding the BAH benefit as income) will do nothing to address the current intolerable situation of far too many military families turning in desperation to food pantries to feed their children.

As an alternative to salary increases, MAZON: A Jewish Response to Hunger believes that several simple steps can and will transform the Department of Defense's Family Subsistence Supplemental Allowance (FSSA) program, going a long way toward meeting the military's obligation to those who serve our country. A few straightforward changes will ensure that the program lives up to its promise and make FSSA far more effective, efficient and, most important, wholly supportive of our military personnel without rancor or stigma. MAZON urges Congress to take action immediately to investigate the unaddressed problem of food insecurity among military families, make recommendations to regularly collect necessary data to understand the scope and characteristics of the problem, and implement reforms needed to transform the broken FSSA program so that it effectively addresses the issue.

The FSSA program was created with the stated goal of ending participation by members of the United States military in the Supplemental Nutrition Assistance Program administered by the U.S. Department of Agriculture. The FSSA program has failed to meet that simple goal, as is reflected by a comparison of historical participation numbers for SNAP and FSSA:

	Program		
Year	**FSSA**	**SNAP (FY)**	**DIFFERENCE**
2000	-	1000	-
2001	610	-	-
2002	755	1000	245
2003	647	n/a	-
2004	639	n/a	-
2005	523	n/a	-
2006	271	n/a	-
2007	261	n/a	-
2008	328	3000	2672
2009	245	3000	2755
2010	513	1000	487
2011	516	5000	4484
2012**	421	2000	1579
2013**	285	not yet available	-

Sources: Annual Characteristics of SNAP (Food Stamp) Households Report, 2000-2012, table A-25
Information above for Army, Air Force and Navy is reported by the Defense Finance and Accounting Service (DFAS).
Marine Corps and Coast Guard data is reported by the Service.
* In FY2010, the maximum allowance increased from $500 to $1100/month.
**In 2012, DFAS reports transitioned from Fiscal Year (FY) to Calendar Year (CY).
n/a= this was not reported on these years

The recent and staggering report that a substantial number of households with a member in active duty military service turn to food banks or food pantries for help only magnifies the severe failure of both the FSSA and SNAP programs in addressing the need that persists among some military families. To continue to ignore these failures or pretend that the problem does not exist or isn't "significant" is an insult to the values of our country. It also weakens our military and fails the proclaimed commitment of our armed services to "take care of our own."

First and foremost, MAZON recommends a fundamental reframing of the FSSA program. Rather than aiming to end participation in SNAP by military families, the clear goal of the FSSA program should be to eliminate food insecurity among active duty, reserve, and National Guard households.

To accomplish that goal, we urge you to implement the following FSSA reforms immediately:

I. **FSSA must be converted from its current individual application-based delivery system to automatic enrollment.**

While a substantial majority of enlisted personnel will not qualify for nor use FSSA benefits, those who do require support should receive those benefits in a streamlined and efficient manner. The current application process requires those in need to go through their chain of command. That creates serious barriers to FSSA participation including shame, stigma, and fear of retribution. In addition, many personnel potentially eligible for the FSSA program do not even know it exists. By contrast, successful examples of automatic program notification or enrollment based on income and household size can be found among USDA-administered programs, which can serve as a model for FSSA. The low participation numbers for the FSSA program are a clear indicator of its failure to effectively meet the level of need that exists.

II. **The Department must adopt new FSSA qualification standards that are appropriate for the scope of need and consistent with those for many other federal assistance programs.**

To better meet the needs of all military households that encounter food insecurity and to take into account the unique lifestyle challenges for military families, MAZON recommends providing FSSA benefits to households with incomes at or under 185% of the Federal Poverty Level. This eligibility threshold is consistent with many other federal assistance programs, including the WIC program that is currently utilized by many military families.

III. **As FSSA eligibility is adjusted to serve every military household at risk of food insecurity, the Department should also restructure the benefit approach and amounts.**

Rather than employing an income supplement aimed at bringing the household income above 130% of the Federal Poverty Level, MAZON recommends targeting FSSA benefits for only food purchases, as SNAP does. SNAP also delivers support in the form of an EBT card, an efficiency we recommend. To maximize the objective of FSSA in enabling the purchase of nutritious foods to support good fitness and health, MAZON recommends that the FSSA benefit level be correlated to the USDA's Moderate-Cost Food Plan (by law the Department sets the amount of the Basic Allowance for Subsistence benefit between the Moderate and Liberal Food Plan rates determined by the USDA).

IV. **The Department should eliminate the use of housing allowances as a factor in determining eligibility for FSSA benefits.**

Counting this allowance as "income" treats our troops differently than the civilian population, for whom the value of housing assistance subsidies and benefits are not

counted as income in the determination of eligibility for SNAP. In addition, this policy establishes an unnecessary barrier to adequate nutritional support, as is validated by the personal stories collected by MAZON that are enclosed with this letter and by the fact that significant numbers of military families turn to food pantries for assistance when they fall through the cracks of safety net programs.

These reforms will not only ensure a military force that is fully fit and able to serve, they will also provide the framework with which the Department of Defense can accurately and regularly monitor the need for FSSA within the ranks. Having accurate and timely information about nutritional challenges in our armed forces will enable the Department's leadership to properly measure, identify and eradicate the problem with maximum efficiency. MAZON urges an immediate change in policy to require states to share with the Department of Defense data about SNAP eligibility and participation and food insecurity as a necessary component to understanding and addressing this issue.

MAZON is confident that you agree that no member of the armed forces should ever have to worry about the sustenance necessary to do his or her job or feed their families. Frankly, this is the most basic responsibility any military organization must meet. It is time to address and eliminate the problem once and for all.

Abby J. Leibman, President and CEO
MAZON: A Jewish Response to Hunger

Abby J. Leibman is the President & CEO of MAZON: A Jewish Response to Hunger, a national nonprofit organization working to end hunger among people of all faiths and backgrounds.

As a leading advocate for women's rights and social justice, Ms. Leibman has worked with and led some of California's most prominent nonprofit organizations, including the California Women's Law Center, which she co-founded and directed for 12 years. Prior to founding the California Women's Law Center, Ms. Leibman was the Directing Attorney/Community Programs for Public Counsel, where she developed and then directed its Child Care Law Project and managed its project providing pro bono transactional assistance to nonprofit organizations. She also has a distinguished record of community leadership including: the Board of Directors for Jewish Family Service of Los Angeles, the Board of California Women Lawyers, the Court and Community Outreach Task Force of the California Judicial Council, Women Lawyers' Association of Los Angeles and as President of the California Children's Council. She served as chair of the West Hollywood Human Services Commission, a member of the Los Angeles Mayor's Advisory Committee on Child Care, a member of the Women's Advisory Council to the Los Angeles Police Commission. Ms. Leibman has taught courses on advocacy, justice and civil rights as adjunct faculty at UCLA and American Jewish University. She has a J.D. from Hastings College of Law and graduated magna cum laude from UC San Diego with a B.A. in Political Science

Statement

Of

The National Association of Chain Drug Stores

For

United States House of Representatives
Armed Services Committee
Subcommittee on Military Personnel

Hearing on:

Stakeholder's Views on the Military Compensation
Retirement Modernization Commission

March 25, 2015
2:00 p.m.
2212 Rayburn House Office Building

National Association of Chain Drug Stores (NACDS)
1776 Wilson Blvd., Suite 200
Arlington, VA 22209

Introduction

The National Association of Chain Drug Stores (NACDS) thanks the Subcommittee for the opportunity to submit a statement for today's hearing on Healthcare Recommendations of the Military Compensation and Retirement Modernization Commission. NACDS and the chain pharmacy industry are committed to partnering with Congress, the Department of Defense (DoD), and other healthcare providers to improve the quality and affordability of healthcare services for our Nation's military heroes, retirees, and their families.

NACDS represents traditional drug stores and supermarkets and mass merchants with pharmacies. Chains operate more than 40,000 pharmacies, and NACDS' 115 chain member companies include regional chains, with a minimum of four stores, and national companies. Chains employ more than 3.2 million individuals, including 179,000 pharmacists. They fill over 2.9 billion prescriptions yearly, and help patients use medicines correctly and safely, while offering innovative services that improve patient health and healthcare affordability. NACDS members also include more than 850 supplier partners and nearly 60 international members representing 22 countries. For more information, visit www.NACDS.org.

As the face of neighborhood healthcare, community pharmacies and pharmacists provide access to prescription medications and over-the-counter products, as well as cost-effective health services such as immunizations and disease screenings. Through personal interactions with patients, face-to-face consultations and convenient access to preventive care services, local pharmacists are helping to shape the healthcare delivery system of tomorrow—in partnership with doctors, nurses, and others.

Recommendations of the Military Compensation and Retirement Modernization Commission

The Military Compensation and Retirement Modernization Commission (Commission) heard from beneficiaries about the importance of healthcare provider choice and access. Accordingly, the Commission strongly recommends patient choice, flexibility, access to care, and utilizing the latest healthcare innovations, such as medication therapy management (MTM). We are pleased that the Commission recognizes that beneficiaries should be able to receive their prescriptions from whichever location they prefer, whether it be the local neighborhood pharmacy, a mail order facility, or a military treatment facility. Moreover, we applaud the Commission for specifically recommending that the TRICARE pharmacy benefit should integrate pharmaceutical treatment with healthcare and to implement robust MTM.

Community Pharmacies are the Most Readily Accessible Healthcare Providers

Eighty-nine percent of Americans live within five miles of a community pharmacy, making pharmacies among the most accessible healthcare providers. Local pharmacists play a key role in helping patients to take their medications as prescribed and offer a variety of pharmacist-delivered services to improve health quality and outcomes. With preventive immunizations and appropriate medication use, it is possible to reduce utilization of costly medical services such as emergency room visits and unnecessary physician visits. The proximity of community pharmacies to each and every American and pharmacists' exceptional knowledge and training renders pharmacies uniquely positioned to provide care for the American public.

Pharmacist-Administered Vaccinations Improve Public Health

Increasingly, local pharmacies are not only a reliable, convenient source for obtaining prescription drugs, but also a healthcare destination. For example, retail network pharmacies now provide vaccinations to TRICARE beneficiaries. Recognizing the cost

effectiveness of pharmacist-provided vaccinations, the DoD authorizes TRICARE beneficiaries to obtain vaccinations at a retail network pharmacy for a $0 co-payment. In its final rule expanding the authority of retail pharmacies to provide vaccinations, DoD estimated that in the first six months of the immunization program, it had saved over $1.8 million by having vaccinations provided through the pharmacy rather than the medical benefit (*Federal Register*, Vol. 76, No. 134, p. 41064). This cost savings did not take into consideration the savings from medical costs that would have been incurred in treating influenza and other illnesses if TRICARE beneficiaries had not been vaccinated. In addition, DoD also noted in the final rule that "adding immunizations to the pharmacy benefits program is an important public health initiative for TRICARE, making immunizations more readily available to beneficiaries. It is especially important as part of the nation's public health preparations for a potential pandemic, such as was threatened in the recent past by a novel H1N1 virus strain. Ensuring that TRICARE beneficiaries have ready access to vaccine supplies allocated to private sector pharmacies will facilitate making vaccines appropriately available to high risk groups of TRICARE beneficiaries." (*Federal Register*, Vol. 76, No. 134, p. 41063).

Medication Therapy Management Improves Health Outcomes and Reduces Spending

Medication Therapy Management (MTM) is a distinct service or group of services that optimize therapeutic outcomes of medications for individuals based on their unique needs. MTM services increase medication adherence, enhance communication and collaboration among providers and patients, optimize medication use, and reduce overall healthcare costs.

Policymakers have begun to recognize the vital role that local pharmacists can play in improving medication adherence. The role of appropriate medication use in lowering healthcare costs has been acknowledged by the Congressional Budget Office (CBO). The CBO revised its methodology for scoring proposals related to Medicare Part D and

found that for each one percent increase in the number of prescriptions filled by beneficiaries there is a decrease in overall Medicare spending. When projected to the entire population, this translates into a savings of $1.7 billion in overall healthcare costs, or a savings of $5.76 for every person in the U.S. for every one percent increase in the number of prescriptions filled.

Congress has also recognized the importance of pharmacist-provided services such as MTM by including it as a required offering in the Medicare Part D program. The experiences of Part D beneficiaries, as well as public and private studies, have confirmed the effectiveness of pharmacist-provided MTM. A 2013 CMS report found that Part D MTM programs consistently and substantially improved medication adherence and quality of prescribing for evidence-based medications for beneficiaries with congestive heart failure, COPD, and diabetes. The study also found significant reductions in hospital costs, particularly when a comprehensive medication review (CMR) was utilized. This included savings of nearly $400 to $525 in lower overall hospitalization costs for beneficiaries with diabetes and congestive heart failure. The report also found that MTM can lead to reduced costs in the Part D program as well, showing that the best performing plan reduced Part D costs for diabetes patients by an average of $45 per patient.

The Medicare Payment Advisory Committee (MedPAC) has also been studying the effects of medication adherence in the Medicare program. In 2014, MedPAC released their findings for patients newly diagnosed with congestive heart failure. The findings showed significant medical side savings in both the high and low adherent population, compared to the non-adherent population (savings were greatest in the first 6 months).

A study of published research on medication adherence conducted by Avalere in 2013 concluded that the evidence largely shows that patients who are adherent to their medications have more favorable health outcomes such as reduced mortality and use fewer healthcare services (especially hospital readmissions and ER visits). Such patients

are thus cheaper to treat overall, relative to non-adherent patients. The study found that there was even wider range of cost offsets for patients demonstrating adherence to medications across particular chronic conditions.

How and where MTM services are provided also impacts its effectiveness. A study published in the January 2012 edition of *Health Affairs* identified the key role of retail pharmacies in providing MTM services. The study found that a pharmacy-based intervention program increased adherence for patients with diabetes and that the benefits were greater for those who received counseling in a retail, face-to-face setting as opposed to a phone call from a mail-order pharmacist. The study suggested that interventions such as in-person, face-to-face interaction between the retail pharmacist and the patient contributed to improved adherence with a return on investment of 3 to 1.

Americans rely heavily on their local retail pharmacies for a wide range of cost-saving services, including acute care and preventative services such as immunizations and MTM services. Considering the convenience and value that local retail pharmacies provide, we question the wisdom of policies that seek to drive TRICARE beneficiaries away from the benefit of their local, trusted pharmacists and unnecessarily complicate the delivery of care. Beneficiaries that know and trust their local retail pharmacists for such services as immunizations are being forced to obtain medications from mail order facilities in remote locations with no opportunity for in-person consultation. There is no substitute for the pharmacist-patient face-to-face relationship. Community pharmacy services help to improve patient health and lower overall healthcare costs. Maintaining patient choice of how to obtain prescription medications is essential.

Preserving Patient Access and Choice in the TRICARE Program

NACDS is opposed to the proposal in the President's budget to make additional changes to pharmacy co-payments that would further drive TRICARE beneficiaries out of their local pharmacies and to the TRICARE Mail Order Pharmacy (TMOP). There are already

strong incentives in place to encourage beneficiaries to use mail order as a result of provisions in the FY2015 National Defense Authorization Act (NDAA). Nevertheless, the President's budget includes additional changes. Cost sharing will increase to as much as $46 for a 30-day supply of a formulary medication at retail, and as much as $92 for a 90-day supply of a non-formulary medication at TMOP.

In addition to unfairly penalizing TRICARE beneficiaries who prefer to use local pharmacies, NACDS believes that although this proposal may seem penny-wise, it is ultimately pound-foolish. Failure to take medications as prescribed costs the U.S. health system $290 billion annually, or 13 percent of total health expenditures, as estimated by the New England Healthcare Institute in 2009. Threatening beneficiary access to prescription medications and their preferred healthcare provider will only increase the use of more costly medical interventions, such as physician and emergency room visits and hospitalizations.

As the Commission found in its study of the program, TRICARE beneficiaries are concerned about being able to access the services they need. The Commission heard from beneficiaries about the importance of healthcare provider choice and access and strongly recommended patient choice, flexibility, access to care, and utilizing the latest healthcare innovations in the TRICARE program. To address these beneficiary concerns and protect patient health NACDS urges Congress to take steps to preserve access to the services beneficiaries need. Congress should delay the implementation of the FY2015 NDAA changes to the TRICARE prescription program as an effort is made to establish long-term solutions for the program that wouldn't harm patient care, such as creating acquisition cost parity across all treatment locations, including retail, MTFs and mail order. Presently, retail pharmacies that serve TRICARE beneficiaries have to pay much more for prescription drugs than mail order and military pharmacies. Creating acquisition cost parity will lead to greater savings for the DoD while at the same time ensure beneficiaries have access to the care and services they need.

NACDS also urges Congress to allow for at least three initial fills at the retail setting (90-day supply) for non-generic maintenance medications before requiring the use of a MTF or mail order. Allowing three initial fills would be in line with common commercial practices and would provide the beneficiary with ample time to make arrangements for home delivery. Additionally, similar to the TRICARE for Life Pilot which was included in the FY2013 NDAA, beneficiaries should be given the opportunity to opt-out of the requirements to obtain brand name maintenance drugs at either a MTF or through mail order. In addition to preferring the convenience and service of their local pharmacist with whom they have a long-standing relationship, many patients benefit from having all of their prescriptions filled at one pharmacy location and from having face-to-face interactions with their pharmacist.

NACDS support sensible cost savings initiatives. Thus, we urge Congress to support TRICARE beneficiaries in obtaining their prescription medications at their local pharmacies. Doing so would decrease overall program costs while also preserving beneficiaries' health and wellness.

Conclusion

Thank you for the opportunity to share our views. We look forward to working with you on policies that control costs and preserve access to local pharmacies.

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