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SPECIAL PAY PROVISIONS FOR PHYSICIANS AND DENTISTS IN THE UNIFORMED SERVICES

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HEARING

BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

S. 1731

A BILL TO AMEND SECTION 2 OF THE ACT OF MAY 6, 1974, TO
EXTEND THE SPECIAL PAY PROVISIONS FOR PHYSICIANS
AND DENTISTS IN THE UNIFORMED SERVICES

AUGUST 1, 1977

Printed for the use of the Committee on Armed Services



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DENTISTS IN THE UNIFORMED SERVICES

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BEFORE THE

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

COMMITTEE ON ARMED SERVICES

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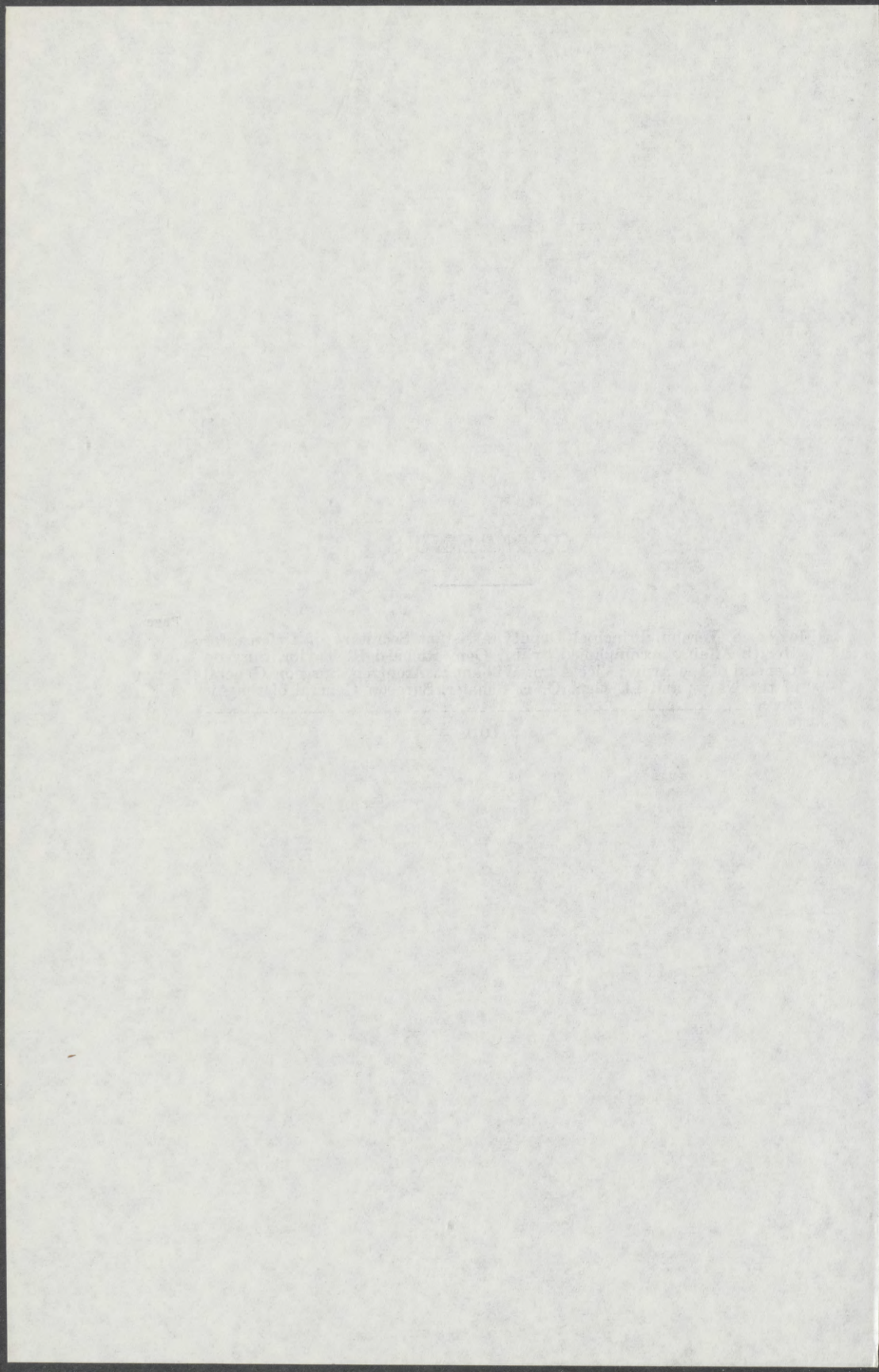
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SPECIAL PAY PROVISIONS FOR PHYSICIANS AND DENTISTS IN THE UNIFORMED SERVICES

MONDAY, AUGUST 1, 1977

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m., in room 212, Russell Senate Office Building, Senator John C. Stennis (chairman) presiding.

Present: Senators Stennis, Nunn, Thurmond, and Garn.

Also present: Francis J. Sullivan, staff director; John T. Ticer, chief clerk; Phyllis A. Bacon, assistant chief clerk; William L. Ball III, Charles J. Conneely, Edward B. Kenney, Robert Q. Old, and George F. Travers, professional staff members; Roberta Ujakovich and Ernest Evans, research assistants; Ron Lehman, assistant to Senator Bartlett and Richard J. Bryan, assistant to Senator Helms.

Chairman STENNIS. Our committee will please come to order.

Gentlemen, we have today, S. 1731, a bill to extend the special pay provisions for physicians and dentists in the uniformed services. This concerns a continuation of a bill that was passed about 4 years ago concerning additional added pay for physicians and others in the services' medical departments. The administration decided, as I understand it, to ask for a 1-year extension—to extend the present law which will automatically expire on September 30 this year—and as part of that plan there would be a full review of the subject matter by the administration and submission of a bill next calendar year, for a continuation of the program in some form for some extended time, certainly more than 1 year.

Now, this being just a 1-year proposition, the review would not be as extensive as otherwise planned.

We have now the bill introduced in the Senate, to which I have already referred. This matter is also being considered by the House of Representatives. There is a House bill, but it has not yet been passed by the House. Nevertheless, I am calling that bill to the attention of the committee membership. Today, we will consider the Senate bill, and the House bill, and any phase of it that anyone wants to go into.

I had the impression that it passed the House but I understand it has not.

Any phase of the House bill that anyone wants to go into, let's consider it as being before the committee and then when we go to act on it we will have the whole matter before us.

I am going to ask unanimous consent that the bill, S. 1731, and my statement, which is a factual statement, be placed in the record at this point.

[The bill S. 1731 and the prepared statement follows:]

[S. 1731, 95th Cong., 1st sess.]

A BILL To amend section 2 of the Act of May 6, 1974, to extend the special pay provisions for physicians and dentists in the uniformed services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of May 6, 1974, Public Law 93-274, as amended (90 Stat. 926) is amended by striking out "September 30, 1977" and inserting in place thereof "September 30, 1978".

PREPARED STATEMENT OF SENATOR JOHN C. STENNIS, CHAIRMAN

Today, the committee meets to consider S. 1731, a bill to extend the authority for special bonuses for physicians and dentists for one year. The current authority expires on September 30, 1977. The pay provisions that are affected are:

(a) A variable incentive pay for physicians below the rank of general or admiral who have executed active duty agreements not to exceed \$13,500 per year for each year of active duty agreement. To be eligible for this variable incentive pay, a physician must have completed his initial active duty obligation or the first 4 years and not be undergoing intern or initial residency training.

(b) A special pay for physicians ranging from \$100 to \$350 per month depending on the length of service.

(c) A special pay for dentists ranging from \$100 to \$350 per month depending on the length of service.

(d) A continuation pay for physicians of the rank of general or admiral, certain physicians undergoing initial residency training and for dentists who execute active duty agreements, the amount paid may not exceed 4 months basic pay for each additional year of agreed service.

The Department of Defense has recommended a simple one year extension of these pay provisions while they conduct a study of all the personnel policies used to maintain the number of health professionals and, as I understand it, would recommend appropriate legislation as a result of that review.

In light of the importance of having adequate health care for our military servicemen, prompt action on this legislation is required. I am concerned with the reported shortage of doctors in the services. The services are short over 600 doctors. This shortage is the largest in the Army which is nearly 13 percent short. This doctor shortage leads to concerns that military personnel and their dependents may not be receiving adequate health care.

In this hearing we will explore the steps Congress and the Executive Branch can take to deal with the problem of doctor shortages. The House Armed Services Committee has reported H.R. 8011 which extends these pays, and in addition, reinstates special pay of \$100 a month for optometrists and veterinarians. These special pay provisions expired on July 1, 1975.

Our witness this morning is Mr. Vernon McKenzie, Principal Deputy Assistant Secretary of Defense for Health Affairs. He is accompanied by the Surgeon General of each of the services, Lt. Gen. Richard R. Taylor, Surgeon General of the Army; Vice Adm. William P. Arentzen, Surgeon General of the Navy; Lt. Gen. G. E. Schafer, Surgeon General of the Air Force; and Mr. McKenzie, you may proceed in your own way.

Chairman STENNIS. I want to welcome our witnesses here, Vernon McKenzie, Principal Deputy Assistant Secretary of Defense for Health Affairs, and he is accompanied by, as I understand, the surgeon general of each of the services, Lt. Gen. Richard R. Taylor, Surgeon General of the Army, Vice Adm. William P. Arentzen, Surgeon General of the Navy, and Lt. Gen. G. E. Schafer, Surgeon General of the Air Force.

Some of you gentlemen had a very important part in getting this bill together 4 years ago and getting it passed. We are glad to have all of you this morning.

Now, the committee will take whatever time is necessary to consider this important measure. I am caught in a bind myself and am compelled to go to other matters—just an incidental matter like the conference on the appropriations bill for the Department of Defense, only \$111 billion. That is of some importance to all. So I must report for duty over there this morning.

We are glad to have you, Mr. Secretary. You proceed now in your own way.

STATEMENT OF VERNON McKENZIE, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

Mr. McKENZIE. Thank you, Mr. Chairman, I have been designated to represent the Department of Defense in connection with these hearings on the extension of the special pay provisions for military physicians and dentists.

As you indicated, Mr. Chairman, I am accompanied by the Surgeons General of the military departments.

I have a brief prepared statement which I would like to present to the committee.

Over the years, the Congress has authorized three different types of special pay for physicians and dentists on active duty in the uniformed services. While, technically, each type is referred to in the law as "special pay", in practice, only one of the three is commonly referred to by that phrase and that is the original one which was first authorized in 1947.

The law authorizing the special pay I have just referred to has been amended many times during the past 30 years. In its current form, it provides essentially as follows:

For physicians, it provides that they shall receive \$100 per month in addition to their other pay and allowances if they have less than 2 years of active duty as a physician, or \$350 per month if they have 2 or more years of such duty;

For dentists, it provides that they shall receive \$100 per month if they have less than 2 years of active duty as a dentist; \$150 if they have 2 or more, but less than 6; \$250 if they have 6 or more, but less than 10 and \$350 if they have 10 or more years of such duty.

For both professions, the payment of this type of special pay is mandatory, that is, there is no selection process or no criteria to be met other than the completion of the prescribed amounts of active duty.

In 1967, a second form of special pay was authorized for physicians and dentists, which is commonly referred to as "continuation pay". In its present amended form, however, it covers most dentists, but only two small groups of physicians. The first such group consists of those physicians who are general or flag officers. The second group of physicians consists of those who are undergoing delayed residency training in one of the various medical specialties and who were on active duty on July 1, 1974.

Under the continuation pay law, persons who are not serving under an active duty obligation and who are serving in a specialty designated

for this purpose may be paid an amount equal to 4 months of their basic pay for each additional year of active duty they agree to perform. Selections for award of continuation pay are made by boards of officers.

The third form of special pay we are dealing with today was first authorized in 1974. It relates only to physicians and is commonly referred to as "variable incentive pay" or the "doctor bonus." Under this program physicians who are serving in pay grade O-6 or below, who are not performing certain types of obligated service or undergoing intern or residency training and who are serving in a specialty designated for this purpose, may receive additional pay up to \$13,500 a year for each additional year of active duty they agree to perform. Selections for award of variable incentive pay are made by boards of officers.

The laws covering all three of the special pays for physicians and dentists I have just described will expire on September 30. The purpose of S. 1731 is to extend each of these authorities for 1 additional year to September 30, 1978.

An extension of the laws authorizing these special pays for physicians and dentists is essential if the Department of Defense is to continue to have the capability of providing adequate health services in support of military operations. While we anticipate some shortages in our physician strengths for the next several years, we are convinced the shortages would be substantially larger without the special pays in question.

Some statistics may help illustrate this. Voluntary retention beyond initial term of service for physicians who participated in the Berry plan was 5.5 percent in fiscal year 1973, 6.2 percent in fiscal year 1974, and 14.9 percent in the first full year of variable incentive pay. Preliminary data for the second year show a Berry plan retention rate of 16.9 percent. As another illustration, the number of physicians volunteering for active duty went from 205 in fiscal year 1973 and 132 in fiscal year 1974 to 454 in fiscal year 1975 and 658 in fiscal year 1976. We expect approximately 850 volunteers in fiscal year 1977.

Our expectations for dental officers are most encouraging; however, without the special pays authorized for dentists, recruitment and retention of dental officers might fall sharply below our currently anticipated shortfalls. Data maintained by one of the services permits comparison of dental officer retention before and after continuation pay was first authorized for dentists. In fiscal year 1970, only 8.3 percent of our young dental officers elected to remain on active duty. In fiscal year 1971, the figure was 10.1 percent. Subsequent to the authorization of dental continuation pay, retention increased substantially. It was 18.8 percent in fiscal year 1972, 17.7 percent in fiscal year 1973 and 22.2 percent in fiscal year 1974.

We recognize that the three types of special pay we are dealing with today represent a piecemeal solution to our overall special pay problem and one that has evolved through many pieces of legislation over a period of 30 years. We expect that the Commission on Military Compensation, which the President has recently established, will develop broad guidelines on which to base all future military special pays. A 1-year extension of the laws presently covering these matters would enable us to develop and consider a comprehensive solution based on such guidelines.

For the reasons I have indicated, the Department of Defense urges the committee to act favorably and expeditiously on S. 1731.

This completes my statement. I will be pleased to answer your questions on these related matters.

Chairman STENNIS. You gentlemen are here with us from each of the services, the Surgeon Generals. Do you have a statement you wish to make or file?

General TAYLOR. I don't have a formal statement, Mr. Chairman, but I support the Defense witness.

Chairman STENNIS. All right.

Admiral, do you have something to say?

Admiral ARENTZEN. I support Mr. McKenzie. I do have a prepared statement but it repeats just about what Mr. McKenzie has said, sir.

Chairman STENNIS. You do have a prepared statement?

Admiral ARENTZEN. Yes, sir.

Chairman STENNIS. You may put it in the record if you wish.

Admiral ARENTZEN. All right, sir.

[The prepared statement of Admiral Arentzen follows:]

PREPARED STATEMENT OF VICE ADM. W. P. ARENTZEN, MEDICAL CORPS,
U.S. NAVY, SURGEON GENERAL OF THE NAVY.

Mr. Chairman and members of the Senate Armed Services Committee, I am Vice Adm. Willard P. Arentzen, Medical Corps, U.S. Navy, Surgeon General of the Navy. I appreciate the opportunity to appear before you today to discuss Variable Incentive Pay (VIP).

Health services are among the most important benefits available to our military personnel and their families. The availability and quality of these health services have a direct impact on the morale, efficiency, recruitment, retention, and readiness of our personnel. An extension of the legislation authorizing special pay for physicians and dentists is essential if the Navy is to continue to have the capability of providing adequate health services to support Navy/Marine Corps operations.

Contrary to the predictions of some experts it does not appear that there will be sufficient numbers of physicians available to the military in the early 1980's, unless improvements are made in the current system to provide incentives to encourage entry and retention into the military service.

Contributing to our overall recruitment and retention difficulties is the constant turmoil surrounding the viability of special compensation programs for our health professionals. The continuing uncertainty over the future of Variable Incentive Pay (VIP) and Continuation Pay contributes to the low retention rate of health professionals by creating doubts regarding their future rate of compensation. Lack of VIP for "Berry Plan" physicians may be a major contributing factor influencing low retention rates for these outstanding physicians. The ongoing uncertainty is also recognized by potential Navy physicians and dentists thereby inhibiting our recruiting efforts.

The uncertainties regarding special compensation, coupled with funding limitations and less than adequate facilities, create an environment in which it is difficult to recruit and retain high quality health professionals. The results that all these uncertainties have on our health professionals directly impact on the perceived current and future quality and quantity of care available to the individual beneficiary. As the media discusses shortages of funds and inadequate numbers of military health professionals, doubt enters the beneficiaries' mind regarding both availability and quality of care. In addition, the individual health professional's frustration with the "system" is often directly transferred to the system beneficiaries.

In the private sectors, physicians' income is considerably greater than that of other professionals. In 1973, with the end of the draft, this created the potential for severe physician shortages in the military services. The draft enabled the services to maintain an adequate supply of well qualified physicians. Unfortunately, it was a "revolving door" atmosphere. In order to prevent a mass exodus from the services, Congress authorized a Variable Incentive Pay of up to

\$13,500 per year to be paid to a physician/osteopath that would agree to remain on active duty (contractually) for up to four years. Certain physicians were and are excluded from the VIP bonus provisions. Examples are:

Those with active duty obligations incurred because of government sponsored education.

"Berry Planners" who exchange the ability to obtain specialty training prior to entry into the service for the right to specialty pay.

Those undergoing intern or initial residency training.

Flag/general grade officers.

There is little doubt that VIP has helped in the recruiting and retention of physicians and osteopaths. The service medical departments would have been hard pressed to maintain even the current levels of recruitment and retention. If current Congressional authorization and authority for VIP were to expire without replacement legislation, the impact on physician/osteopath recruitment and retention would be disastrous. Recruitment/retention of physicians would be the first obvious area to suffer. The regular military pay scales for officers and, in particular, those in the O3 through O5 rank are far below similar physician salaries available in non-federal sector. There are not enough physicians in the educational pipeline with obligated service to staff the vacancies that would occur when the present contractual arrangements run out. The expiration of the VIP legislative authority would leave a considerable gap in pay for physicians in grades O6 and below.

The career planning of individual physicians regarding choice of employer would be greatly affected by the expiration of the VIP authority. The occupational future offered to physicians by the Navy as an employer mean less compensation. Perhaps just as important, it would represent instability in planning and commitment to the Navy. Federal managers would experience the same problems regarding instability in program and mission staffing. In recruiting and retaining physicians, the Navy would be at a serious disadvantage if the desirable labor pool were forced to compare available federal salaries with available non-federal salaries to find the latter much higher.

Action then is imperative at the present time to extend the present supplemental pay (bonus) authorities as an interim solution. There also are some changes needed in the present VIP bonus authority to improve the current situation.

Public Law 93-274 authorizes the payment of variable incentive pay to medical officers serving in the uniformed services. Certain categories of these medical officers are ineligible under the law to receive variable incentive pay because they have a disqualifying active duty obligation. Ineligibles fall into two categories; those with an active duty obligation incurred as a result of a government funded medical training procurement program and those who, prior to the expiration of the draft, volunteered for service in exchange for a guarantee that their period of service would commence upon completion of medical specialty training as opposed to right after internship as was normally the case. This latter category includes physicians under the Berry Plan.

It is important to note that Berry Plan participants received no direct government financial support during their period of medical education, only permission to wait until after completion of graduate medical education before serving their draft obligation. This program had a two-fold benefit: it allowed the physician to continue his medical education, and it provided the Uniformed Services with needed medical specialists. Obviously, with the expiration of the draft, this program lost its appeal.

The net effect of the exclusion of Berry Plan participants is that an individual who volunteered his services and entered the uniformed services with a higher level of medical training is ineligible for variable incentive pay while his co-worker who entered service following expiration of the draft and right after internship is eligible for the bonus. This inequity has resulted in morale problems which have had a deleterious effect upon the uniformed services ability to retain those specialist upon completion of their period of obligation, thereby negating the intended effect of variable incentive pay. It is our considered opinion that the Legislation authorizing VIP be extended for an additional year until more comprehensive changes to the system can be proposed by the Department of Defense.

This concludes my statement. I thank you for your time. I would be pleased to answer any questions you may have.

Chairman STENNIS. All right, General Schafer, do you have a prepared statement?

General SCHAFER. No sir, I support the witness.

Chairman STENNIS. Generally you would support the witness but I will start with you, General Taylor, because I remember you worked on the original bill. I want to ask you a few questions, and the Secretary, too. While we are on you, General Taylor, has this act worked out? You have had it now for 3 years. I said 4 years a minute ago. This is a correction. How far has it gone in filling your real needs, incentive, morale, complexion, and all? I would like for you to say a few words on that.

General TAYLOR. In 1974, Mr. Chairman, when this program was initiated, that is the variable incentive pay, the draft had just ended and we were entering the All-Volunteer Force period for the first time.

Chairman STENNIS. Just stand up, if you will, we can all hear you better.

General TAYLOR. We were entering the All-Volunteer Force period which was a switch, since we have had a doctor draft in one form or another since 1941.

At that time, there were physicians who had obligations to our country to serve, with the largest group being the "Berry plan" deferred physicians.

The program, in 1974, was visualized as encouraging physicians currently serving to extend their tour of duty.

Concerning that group, that is, those unobligated people, in extending their tour of duty, that has had a beneficial effect of raising in excess of 10 percent per year remaining.

There have been several problems. I don't know that I want to describe them to you today but they will have to get into what we do next year. The group of doctors, the Berry plan doctors, who were receiving their 2 years of obligation perceived because they were working side by side with individuals who were getting a bonus there was an inequity concerning their service and among other things a number of class suits against me, as do all the gentlemen on that group.

In 1973 and 1974 we were going through this before—I think it is fair to say that we looked at that group as well as the ROTC obligees as being at least partly driven by the draft, and I think personally today that I would have to say we are pretty far away from the draft now and we need more equity among all groups.

During the past 3 years, of course, the inflation has continued and the dollar value has been stationary and that I think has to be addressed as we look toward the future, because that amount of money had decayed, as has all amounts of moneys during the inflation of the past few years.

I think that is all that I have. I think for what we intended at that time the groups that were covered, we have done well, but we did not cover certain groups that were significant in number and it is more an equity equation today than it was then.

Thank you, sir.

Chairman STENNIS. So as a transition period bill that worked largely up to your specifications, right?

General TAYLOR. Yes, sir.

Chairman STENNIS. What was it you said about suits filed against you? Explain that a little. It is hard for me to grasp readily who is suing you about this pay.

General TAYLOR. The different groups, the current group has to do with a class action suit from the "Berry planners" who are bringing suit to the Secretary of Defense and the Secretary of the Military Departments and the Surgeon Generals to attempt to have legal consideration of equity in court, but I only use that as an example of how they feel about that problem of working side by side with people with the same training, same duty stations, same rank, and a significant pay differential.

Chairman STENNIS. These doctors that are on duty in the services?

General TAYLOR. Yes, sir.

Chairman STENNIS. Are bringing suit against you?

General TAYLOR. Or about to enter.

Chairman STENNIS. Or are about to enter?

General TAYLOR. Both classes.

Chairman STENNIS. You mean they have some previous history of service?

General TAYLOR. Yes, sir.

Chairman STENNIS. They are men that are on duty or about to be called to duty?

General TAYLOR. Yes, sir.

Chairman STENNIS. They are suing you and the other Surgeon Generals, as the case may be, as to the service, and you say the Secretary of Defense, too?

General TAYLOR. And the Secretaries of the military departments.

Chairman STENNIS. Well, have you been to court yet?

General TAYLOR. No, sir, we have not yet been to court. I only use that as an example of the type of pressures; and that will be in court soon.

Chairman STENNIS. Well, using it as an example of what, now?

General TAYLOR. Of the views of this group, of feeling they are disenfranchised related to whether they were volunteers or draft driven obligated individuals.

Chairman STENNIS. All right, General, I think that you Surgeon Generals are under a duty to speak up now. You represent the services in this field of medicine. This is a bill that affects all of you. I think you not only have an opportunity today, but I think you are under some duty to bring to our attention any matter that has a direct bearing on the bill we are considering. I don't think you are precluded; you have to work with the Secretary, of course, but I don't think you are precluded from giving the legislative branch the benefit of your opinion. So, in view of that encouragement, is there anything any of you want to say?

General SCHAFER. Mr. Chairman, I would only comment on the bill as it now exists and how it will then be modified, hopefully, in the ensuing year, to make the standards perhaps a little more comparable than we have had these past few years.

I would indicate that prior to the passage of the bill, the original variable incentive pay bill, we would have estimated a shortage at the present time of something in excess of 800 physicians in the Air Force. We at the present time have a shortage of around 229. I don't believe those were the most pessimistic estimates but I believe that it gives an example of the benefit of the bill. Perhaps those shortages would be even further reduced in the next year's deliberation for a permanent bill in this regard. That is all I have to say, sir.

Chairman STENNIS. All right, Admiral.

Admiral ARENTZEN. Just to reiterate what Dr. Taylor and Dr. Schafer said, Mr. Chairman, without the VIP the Navy would be in the same fix as the Air Force. We are going to be about 250 doctors short this year if we recruit 200. As of right now, we have recruited about 150. Without the VIP we would not have recruited 150, I do not believe.

Chairman STENNIS. All right. Now, Mr. Secretary, on that point, papers I have before me make this statement: As of June 1977, there is a physician shortfall average of 6.4 percent authorized and the actual figures are as follows:

Army shows a shortfall of 12.7 percent.

My question is: how do you figure—I know how you figure your authorized—how do you figure the ones that are actually needed. Who sets those figures and how do you go at it? You talk about a shortfall: Short from what?

Mr. McKENZIE. Well, the authorized figure as you have indicated it the goal or the standard by which we measure whether we are in a satisfactory number or are below it. The military departments each establish their own Medical Corps authorizations with due regard, of course, for various ceilings imposed by the Department.

As time passes, on several occasions the Department of Defense has prescribed specific authorized strength for the various Medical Corps but the Department has not done that in recent years. Each Surgeon General, in a sense, negotiates with the other appropriate officials of his Service in determining what the actual authorized figure should be. I am sure that on most occasions each of those gentlemen should probably feel that the figure should be higher.

Chairman STENNIS. Yes. Well, that is what I want to get at. What general rule do you follow in the services figuring just what they actually need? Are you familiar with that part of it?

Mr. McKENZIE. No, Mr. Chairman, I would have to defer to the Surgeons General on that point.

Chairman STENNIS. So, when you use the word authorized here, that means authorized by law. We don't have any figures here on this page, I believe, showing what the request was by the services, the different services. I am thinking, too, about another group that has no organization backing them; that is the people that live out in the country, the rural areas of the country. I just know as a fact that they are very short of doctors. It doesn't make any difference what the American Medical Association says about it or any other calculation. I know it as a fact because I live out there among them and always have. I know, and my colleagues from other States tell me that the biggest part of their rural areas are suffering the same plight.

I would like to get a rule of thumb as to how the services figure how many they need.

I am glad to see Senator Nunn is here. He has been involved in a lot of our manpower problems and he may have something on this subject. I am going to call on him to preside in just a few minutes. But whether we go into that this year or not, we certainly should go into it next year, I think, to try to get at this. We want you to have all you need but there are other needs, too.

Mr. Secretary, is there anything you want to say now? I call your special attention to this, in the formulation of the bill that will come in next year.

Mr. McKENZIE. Yes sir.

Chairman STENNIS. Do you expect to make that a feature event on your calendar? I hope you do.

Mr. McKENZIE. We do indeed, Mr. Chairman. This will be the most significant pay bill for physicians and other health professionals we have ever worked on.

Chairman STENNIS. That is going to be your purpose, to start early and work late on this bill?

Mr. McKENZIE. Yes sir.

Chairman STENNIS. Well, will you give special attention early enough so they will have a chance to prove their case on what you think is actually needed in the services in the way of doctors? I am talking about doctors now when you refer to the needs. The dentists are a part of it, but you seem not to have a problem here.

What will you tell the committee?

Mr. McKENZIE. Mr. Chairman, we established several months ago a tri-service working group to do the preliminary work on this bill. Naturally we will have to wait for more definitive action for the guidelines to be issued by the President's Commission.

Chairman STENNIS. Of course it is not downgrading this bill at all to say that, the more important bill will be the one that will come next year.

Mr. McKENZIE. Yes sir.

Chairman STENNIS. But do you have an estimate as to what these special pay provisions are going to cost for fiscal year 1978? Do you have a figure there on that?

Mr. McKENZIE. Yes sir, Mr. Chairman.

Chairman STENNIS. What is it?

Mr. McKENZIE. It would be \$102 million.

Chairman STENNIS. That is for fiscal year 1978?

Mr. McKENZIE. Yes sir.

Chairman STENNIS. And you are allowed approximately that amount in the budget?

Mr. McKENZIE. Yes.

Chairman STENNIS. All right, Senator Nunn, I have just said that I am going to ask you to preside here for the rest of the hearing. I announced, gentlemen, that we will consider the House bill as being before us, too, it hasn't passed yet but it has passed the committee and has an amendment or two on it.

I have certain questions here, too, from Senator Tower, who is detained on other business this morning. I ask unanimous consent they be put in the record at this point for response.

QUESTIONS SUBMITTED BY SENATOR JOHN TOWER, ANSWERS SUPPLIED BY VERNON McKENZIE, PRINCIPAL DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS

Senator TOWER. I am told that as of June 1977, the Department of Defense had 10,957 physicians on board against an authorized strength of 11,703. What is the shortfall by service and specialty?

Mr. McKENZIE. The figures provided in June 1977 were projections of the then anticipated year end strengths. Since that time projected year end strengths have been revised downward primarily as a consequence of less than anticipated num-

bers of volunteers resulting from the services' recruitment efforts. More recent estimates of end year strengths are provided in the following tables:

PHYSICIAN YEAR-END TOTAL STRENGTH PROJECTIONS

Service:	Total authorized	Total assigned	Shortfall
Army.....	4,636	4,043	593
Navy.....	3,665	3,565	100
Air Force.....	3,429	3,180	249
Department of Defense.....	11,730	10,788	942

MAJOR SPECIALTY AND TOTAL SHORTAGES BY SERVICE

Major specialty	Army	Navy	Air Force
Internal medicine.....	99	30	117
Family practice.....	50		42
Pediatrics.....	46		
Radiology.....	11	24	43
Psychiatry.....	52	20	24
Anesthesiology.....	43		11
Flight surgeons.....		15	6
Ophthalmologist.....	36		10
Ob/gynecologist.....	14	11	
General practice and others.....	242		
Service total.....	593	100	1 364

¹ Air Force specialty shortages are greater than overall shortages because these figures do not include personnel in training.

Senator TOWER. How many civilian physicians are currently employed by the Department of Defense? What is the authorization strengths by Service for them?

Mr. McKENZIE. There are 666 full time civilian physicians currently employed by the Department of Defense. The term authorized when used in the area of civilian physicians most often reflects the number assigned and is frequently adjusted upward or downward to reflect the availability of civilian physicians in the market place.

Senator TOWER. What is the average annual compensation for these civilian physicians?

Mr. McKENZIE. The average annual compensation for these civilian physicians is estimated at \$32,432.

Senator TOWER. Provide for the record by Service the number of civilian physicians employed and their annual rates of compensation.

Mr. McKENZIE. The number of authorized¹ and assigned full-time civilian physicians and the average annual compensation are presented in the following table.

CIVILIAN PHYSICIANS

	Authorized ¹	Assigned	Average annual compensation
Army.....	409	409	\$32,134
Navy.....	123	105	34,028
Air Force.....	152	152	32,134
DOD.....	684	666	32,432

See footnote to text above.

¹ The term authorized when used in the area of civilian physicians most often reflects the number assigned and it is frequently adjusted upward or downward to reflect the availability of civilian physicians in the marketplace.

Senator TOWER. What actions, in terms of consolidation of medical services, etc., has the Department had to take based on shortfall in physicians? How have these actions affected medical services for active servicemen and their dependents as well as retirees?

Mr. McKENZIE. The impact of physician shortages has been felt throughout the Department of Defense. The effects on specific facilities range from longer waiting periods for appointments to elimination of specific specialty services for all beneficiaries. Active duty personnel receive first priority of care and thus have experienced the least adverse impact, and retired members and their families have experienced the greatest adverse impact.

Selected facilities have been converted from hospitals to clinics because of this shortfall resulting in increased CHAMPUS referrals and utilization of aeromedical evacuation.

Senator TOWER. Is it anticipated that physicians from the scholarship program and the Uniformed Services Medical School will eventually solve the shortage of physicians? When might this occur?

Mr. McKENZIE. While we are not certain that our shortage problem will be completely alleviated for every specialty, we do expect that a significant reduction of our physician shortages will occur in the early 1980's if we can maintain the current level of scholarship participation.

Senator TOWER. How good is the data available on the earnings of physicians in the private sector?

Mr. McKENZIE. Data presently available on the earnings of civilian physicians has been generated by responses to survey questions put forth by either the American Medical Association or the Medical Economics Company.

The most recent survey appearing in the publication "Medical Economics" was based on 1975 income data. The most recent survey published by the American Medical Association collected 1974 data. The Department of Defense feels that both of these sources provide reasonably accurate portrayals of civilian physicians income data and are based on sound methodologies for generating this type of data.

Senator TOWER. Could you provide the Committee an example of military physician's annual income as compared to his counterparts in private practice. For example, what would a military physician with eight years of practice earn in military service and what would his civilian counterpart expect to earn?

Mr. McKENZIE. The table below is furnished in response to your question.

Military—Civilian income comparison, 8 years of practice

Military-----	\$41, 995
Civilian-----	66, 284

Senator TOWER. Is there an intent on the part of the DOD to "equalize" pay between military physicians and their private counterparts?

Mr. McKENZIE. No, there is no intent to equalize the pay. The intent is to remove money as a disincentive to entry into military service. While it is not feasible nor desirable to seek to match the economic alternatives available to physicians in the private sector of our economy, it is essential to narrow the gap that exists between the two sectors.

Senator TOWER. What is the Department doing to make the military services a more attractive place to practice medicine? I think this is important.

Mr. McKENZIE. The Department of Defense and the military services are doing a number of things to make the military a more attractive place to practice medicine such as construction of new facilities, modernization of existing facilities, better utilization of physician extenders, increased stabilization of tours, improved opportunities for continuing medical education, and the recent adoption of malpractice legislation.

Senator TOWER. What is the primary reason for the Department in opposing special pay for optometrists and veterinarians? Have there been shortages in these specialties? How do military earnings in these specialties compare with private sector earnings for similar years of experience?

Mr. McKENZIE. At the time veterinarians and optometrists were added to the special pay health professionals group the Department did not feel that it was necessary. However, the Congress disagreed, and did add them. Our rationale, then, in 1975 for supporting an extension of pay for these groups—in other words, a reversal of our earlier position, stemmed from our conclusion that special pay for these two groups didn't have any positive effect, but to remove it after they

had been receiving it and grown accustomed to it would have a significantly negative effect.

Since we were about to embark on the so-called all-volunteer health force, we thought that a very inappropriate time to be making pay cuts for any group of health professionals whose future active duty strengths were far from being certain.

So at that point, we did testify, and did urge the Congress to continue to pay special pay to the new incoming groups of optometrists and veterinarians.

We now find, though, in the 2 years that the new incoming veterinarians and optometrists had not been receiving special pay, that our situation with respect to these two groups has not changed significantly. And we are more convinced, I think than ever, that \$100 a month extra pay for these two special groups isn't going to impact on anybody's career decisions. This is not a significant enough amount within these two professional groups to do that. There have been shortages of veterinarians and optometrists, currently these shortages are 68 veterinarians and 45 optometrists. The following table is provided to illustrate the relative earnings for these two professional groups:

COMPARISON OF MILITARY AND CIVILIAN VETERINARIAN AND OPTOMETRISTS INCOMES

	Veterinarians		Optometrists	
	Military	Civilian	Military	Civilian
Age:				
30	\$18,996	\$27,964	\$16,948	\$18,701
35	22,644	38,557	21,542	32,500
40	22,477	38,673	25,695	35,300
45	33,920	38,673	30,408	37,800

Senator TOWER. There have been a number of questions raised concerning eligibility for Variable Incentive Pay (VIP) and the fact that because there has been a lack of specificity in the public law concerning VIP eligibility. The Services have eliminated from VIP eligibility certain participants in certain medical programs such as the Armed Forces Scholarship program among others. Could you comment on this and what might be done to correct the situation, since the Services are apparently losing good physicians because of a misunderstanding in this areas

Mr. McKENZIE. Public Law 93-474 as amended explicitly precludes the payment of Variable Incentive Pay to any physician who has not completed his initial military service obligation up to a maximum of four years. During the period that an Armed Forces Health Professions Scholarship recipient is in residency training, he neither incurs additional obligated service nor fulfills any of the commitment resulting from the Armed Forces Health Professions Scholarship Program. The limitation on fulfilling any part of the scholarship commitment during residency is explicitly contained in Public Law 92-446. This provision also applies to graduates of the Uniformed Services University of the Health Sciences. Consequently, only after completion of residency training will such a scholarship recipient began fulfilling his initial military service obligation; therefore, he is ineligible for variable incentive pay until that initial military service obligation has been completed.

Graduates of other programs are not precluded from fulfilling their initial service commitments during residency training, however, they do incur an additional service obligation as the result of the residency training, and, therefore, become eligible for variable incentive pay at the obligated rate of \$9,000 per annum if their initial service obligation is equal to or less than the period of residency training. Otherwise, they are ineligible up to four years including the period of residency training.

It is true that the application of the eligibility criteria to physicians from the various procurement programs do pose problems in administering special pays. We have now underway a study on professional pay which we hope will result in proposals that will provide solutions to these problems.

Chairman STENNIS. Gentlemen, I have already made it clear that because of other matters, I must go. I feel compelled to leave. I think this matter is highly important and I am supporting your bill.

Senator Nunn, can you stay awhile?

Senator NUNN. Yes, sir.

Chairman STENNIS. Gentlemen, we have concluded the committee's hearings on the "Unionization of the Armed Forces" and I very much hope we can find time to have a session or conference of the committee members to discuss the testimony and various features of the bill sometime this week with a view to reporting the bill, if possible.

Of course, it can't be brought up, and shouldn't be brought up but we could agree on it and get the report written, and in this way we will save a little time.

Thank you very much.

Senator NUNN [presiding]. I don't know whether the chairman covered this. What is your view of the House amendment to this bill that would reinstate special pay for optometrists and veterinarians? I believe that is \$100 a month.

Mr. McKENZIE. That is correct, sir. The Department of Defense is opposed to the House amendment that you have referred to.

Senator NUNN. Are you opposed to that?

Mr. McKENZIE. Yes, sir.

Senator NUNN. What is the reason?

Mr. McKENZIE. Our rationale basically is that although the Department was initially opposed to the special pay for these two groups, that the Senate added to previous special pay bills, when this authority came up for renewal in 1975, we then favored a renewal. Our original opposition was based on the fact that we didn't think that such action was necessary with respect to those two professions at the time. The amount was rather small, particularly in comparison with the other forms of special pay that are given to various other health professions in the military. But we felt that once it had been given, while it hadn't had a very positive effect, it would have a significantly adverse effect to suddenly remove it for new officers coming in, so we did favor it at that time.

You may recall, although the House passed the 1975 extension of special pay for veterinarians and optometrists, the Senate did not. In the intervening 2 years we again shifted position on the grounds that the loss of it has not significantly affected our procurement and retention problem.

We do have a problem with respect to those two professions, but, again it is our feeling that we don't wish at this time to extend that provision or renew that extension because of the fact that the President's Commission will be studying this and other related matters and the fact is that it hasn't significantly impacted on these two groups.

Senator NUNN. You say you have a problem now with optometrists and veterinarians? What kind of problem?

Mr. McKENZIE. A problem in recruiting and retaining sufficient numbers to meet our requirements.

Senator NUNN. Do you have a shortage in these areas now?

Mr. McKENZIE. Yes, Senator Nunn, we do.

Senator NUNN. General, you mentioned a minute ago inequities you thought ought to be addressed after the volunteer force had been in effect for several years. What inequities are you talking about and particularly, you have given the example of the Berry plan physicians, but what other inequities?

General TAYLOR. Mr. Chairman, I would like to make two comments. The first one, let's talk about the special pay for veterinarians and optometrists. If I recall, anybody that came on active duty the way that act occurred in 1975—anybody that came on duty prior to July 1, 1975, continued to get \$100 per month as long as they stay on active duty and all of them that came in the next day don't get it.

Now, since that time the Veterinarian Corps in the Army has dropped from 438 officers to 389 and the optometry officers have dropped from 240 to 190 this year, and they are projected to drop to 169 by the end of next year, primarily related to this issue, that is, we do have a shortage now, it is getting worse, and there is a straight differential here between what we are authorized and need and how many faces that we have.

Now, these two groups of people look at that \$100 a month, and they had that before, that way as a matter of a minor financial price that gives them a modest increase in money, that is, \$1,200 a year. It isn't thousands of dollars, it is \$1,200 per person.

They feel strongly about working side by side with people that came in immediately before them getting it and then as a group for 2 years not getting it at all, of what they consider to be a minor amount of money.

Senator NUNN. Do they get the other bonus?

General TAYLOR. No sir, they are only eligible for one—it is \$100 a month. They don't get any other of any kind.

Senator NUNN. Well, I am not trying to get you to give a conflict in what we have heard here by the Department of Defense position, but in effect you do disagree with that position?

General TAYLOR. I personally believe that the previous Defense position was correct of 2 years ago.

Senator NUNN. You think it is having the effect of eroding—

General TAYLOR. The number of optometrists in the Army has dropped from 240 to 169 during that period. It speaks for itself.

Senator NUNN. Admiral, what do you have to say on that subject?

Admiral ARENTZEN. I would have to say the same thing.

Senator NUNN. The same thing as who?

Admiral ARENTZEN. As General Taylor.

Senator NUNN. General Schafer.

General SCHAFER. Yes sir, without the bonus, we predict increased shortages of both optometrists and veterinarians this year.

Senator NUNN. How much money are we talking about if the House provision were to become law?

Mr. McKENZIE. \$275,000 as far as the Veterinary amendment is concerned and \$320,000 with respect to the optometry amendment.

Senator NUNN. Senator Garn, why don't you interrupt any time you want to ask a question.

Senator GARN. On this point, I am just puzzled at the administration's disagreement with this when no one seemed to disagree about the fact of the situation that there is a shortfall, it will get worse, and it has caused morale problems. I fail to understand why you are against it.

Mr. McKENZIE. We are against it because we don't think that by itself it has any significant impact on career retention or procurement. In other words, \$100 a month with respect to these two professions

is not a significant amount of money which will impact one way or the other.

Senator GARN. Well, the surveys that I have here from the people who are not receiving it say that it is, and we would conclude that they are not aware of what they are saying. What alternative do you offer them?

Let me put it this way in a positive note. What do you intend to recommend to solve the problem of the shortfall and the people getting out. If not \$100 a month, how are you going to keep them?

Mr. McKENZIE. I can't answer that question at the moment because we are constrained to await the results of the President's Commission on Compensation before arriving at any specific recommendation.

Senator GARN. But in the meantime, it seems like an extremely small amount of money compared to what we usually deal with on this committee. While you are awaiting this study, isn't it worth retaining some of them, possibly having the incentive to recruit?

I can testify from my own experience when you are in a situation working side by side with somebody else, doing the same work; I experienced this in the military myself, from a morale standpoint it is difficult.

If it is extended a month or \$100, it isn't the amount, it is the principle of the thing having a differential when you are doing the same thing in the same rank. So I am just puzzled.

Senator NUNN. The difficulty with this whole area of bonuses is that you see optometrists and veterinarians decreasing in numbers. I think you have an entirely different thing than you had 2 years ago. But most of those bonus areas are set up under the voluntary force in critical shortage areas. When you get a bonus for critical shortages all through the services, you have people that are doing things where there is a critical shortage that are making more money than those doing something else where there isn't a critical shortage. So what you have is distortion with the bonus system. You have built-in inequities in almost every area of the military.

I visited bases where the doctor on the base was making substantially more money than the commanding officer, which is also a great distortion. But in this situation the veterinarians and optometrists now are seeing shortages. Two years ago there wasn't any projected shortage and they had plenty of people. This inequity question is a very difficult one and I agree with you, but I think it is an inevitable thing with the volunteer force.

Senator GARN. I don't disagree with you in principle, but in the overall situation, perhaps. My point is it just doesn't seem justified at this time to single out this small group of people with such a small amount of money to cause problems. I think the overall situation has to be studied. I don't think there is any doubt and there should be no dispute.

Senator NUNN. I am inclined to agree with you on this point because the optometrists and veterinarians are declining in number. You know you have an inequity, too. Nobody can deny it is an inequity. If the two go together, you have an inequity and second,

you have a declining number of them. I think this is a different situation than we faced 2 years ago. This whole business of bonuses to me is that I don't believe any special commission is going to be able to untangle this puzzle until you decide whether you are going to keep the volunteer force or look for alternatives.

Senator GARN. I think you can start untangling it. I look back to flight pay, that used to be a bonus. When we were young junior officers we got \$100 flight pay and we were doing all the flying and the lieutenant colonels and colonels were sitting in their offices drawing three times as much flight pay without experiencing the hazards. I think there are ways to address those inequities.

Senator NUNN. I think doctors are going to be making more than the Commander in Chief, if we keep on going down this road.

We have some critical doctor shortages. I am particularly aware of them, Mr. Secretary, at one of the bases in Georgia, Fort Benning. I would like the Surgeon General of the Army to answer this question.

In the Army you have a total shortfall of 12 percent?

General TAYLOR. Approximately 12 percent, Mr. Chairman.

Senator NUNN. At Fort Benning, in Columbus, we have Martin Army Hospital which has about 75,000 people to serve there. They have something like a 20 percent shortage in physicians and the projections are that by October of this year it will be a 30-percent shortage causing some very crucial problems. We don't need to go into great detail on this subject. I wrote you on that.

What are you doing to insure equity throughout the population when you have 12 percent overall and maybe 30 percent in one hospital?

General TAYLOR. In the first place, when you multiply 12 percent by 4,500 authorized you can see that is up around 500 doctors that aren't there. So I am in a position of distributing shortfalls worldwide.

Every facility I have in the entire world has this problem. It is more than a total physician problem, it is also a specific specialty problem, like internal medicine and radiology and psychiatry as an example. I will move to Fort Benning, to give you an example.

Every year during the summer, we have a high turnover because of the people getting out, people rotating from overseas, and there is a 2- or 3-month period where this isn't a shortage problem, this is just people coming in and replacements coming in. That is going on now. But, Senator, by the first of October of each year, we are now at a stable base that will be for the rest of the year. It is at stable base that there will be 500 fewer by October than there were a year ago.

At Martin Hospital, their authorized number of physicians including family practice residents, civilian physicians, and physician assistants is 90.

For the 77 physicians, they currently have 52. For the 76 authorized they currently have 52 on board. They have gained six new physician assistants that they did not have before. The number of physicians in family residency has been increased from the 9 to 20, that is, 11 additional physicians.

Senator NUNN. Since when?

General TAYLOR. Since the first of June. The number of civilian positions has gone up from zero to five.

In the 197th Infantry Brigade they had one physician, they still have one, and in the brigade physician assistants have increased from four to six. That is, on the total number of providers at Fort Benning, including the 197th Infantry Brigade, they have 90 as compared with 90. That is, Fort Benning will have one of the least impacts, in fact, when you count all military, civilian, and the addition of physicians assistants.

Senator NUNN. You made some real improvements in the last couple of months?

General TAYLOR. Yes, sir.

Senator NUNN. Let me ask you this question.

Overall, getting away from the particular details of this, you have been involved with the medical services in the military a long time and you have been involved with doctors and you know how they think and you know the competitive price and so forth. What is your view about the long range future of the medical services in the military, based on the current system that we have? Are we going to be able to make minimum changes and solve the problem or is it going to take radical surgery?

General TAYLOR. This is just an opinion.

Senator NUNN. I am asking your opinion, not the administration view, not the Department of Defense view, just your opinion, for our benefit.

General TAYLOR. Yes, sir.

Senator NUNN. I want to ask the admiral and the general the same thing.

General TAYLOR. If I could show you a chart I will show two parts of the problem.

This is for the record a picture of the All-Volunteer Force requirement, what is happening with the National Guard and the Reserve on physician strengths.

Senator NUNN. I can pass these down.

Senator Thurmond and Senator Garn, without objection, I will make these part of the record. These will be exhibits 1 and 2 for this hearing record.

[The exhibits referred to follow:]

EXHIBIT 1
ACTUAL & PROJECTED ACTIVE ARMY PHYSICIAN STRENGTHS

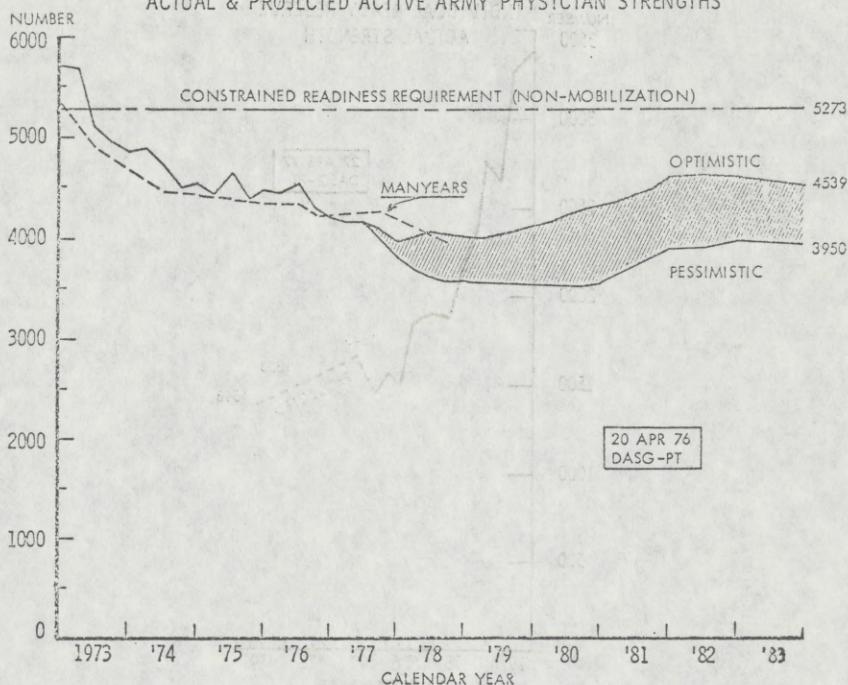
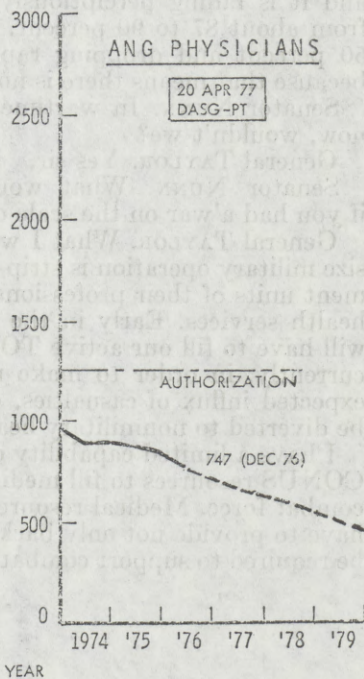
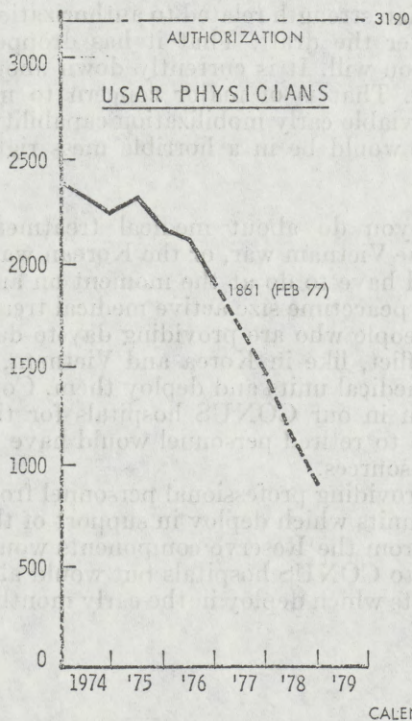
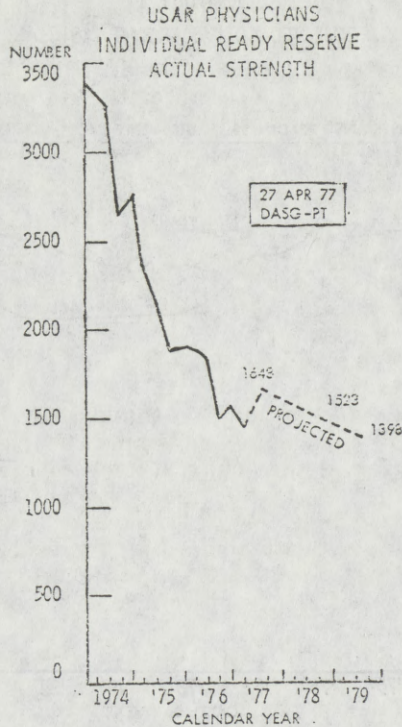


EXHIBIT 2





General TAYLOR. That is physician strength related to authorization and it is falling perceptibly after the draft. That it has dropped from about 87 to 90 percent, if you will. It is currently down about 50 percent and dropping rapidly. That is of major concern to me because that means there is not a viable early mobilization capability.

Senator NUNN. In wartime we would be in a horrible mess right now, wouldn't we?

General TAYLOR. Yes sir.

Senator NUNN. What would you do about medical treatment if you had a war on the scale of the Vietnam war, or the Korean war?

General TAYLOR. What I would have to do at the moment on any size military operation is strip our peacetime size active medical treatment units of their professional people who are providing day-to-day health services. Early in the conflict, like in Korea and Vietnam, I will have to fill our active TOE medical units and deploy them. Concurrently, in order to make room in our CONUS hospitals for the expected influx of casualties, care to retired personnel would have to be diverted to nonmilitary health sources.

I have a limited capability of providing professional personnel from CONUS resources to fill medical units which deploy in support of the combat force. Medical resources from the Reserve components would have to provide not only backfill to CONUS hospitals but would also be required to support combat units which deploy in the early months.

The requirement for 5,273 Medical Corps officers to the staffing necessary to meet contingencies, assure an orderly transition to a mobilization posture and provide efficient utilization of the existing peacetime health service system. Since the end of 1973, the number of Medical Corps officers on active duty has been holding around 4,500. The Army is currently experiencing a shortage of military physicians and our strength is now dropping down 4,100 to 4,000. This strength is not compatible either in supporting the contingency plans or in providing the care to the people who are authorized by law.

Senator NUNN. You are saying you have a real bad problem in Medical Services and you don't see it getting any better appreciably?

General TAYLOR. I have just presented the facts, they speak for themselves, in my opinion.

Senator NUNN. What do you think has to be done about it? What are our options?

General TAYLOR. Our options, I think, are either providing a stability related to incentive pay and support people, military enlisted and civilians, and providing a climate for people who are willing to work without having so many threats to their various types of commitments they perceive that they have to them.

If you look at this incentive pay bill, for example, they look at that as something that has to be renewed every year, which means that it is something that can be cut out at any time, there is no continuity to it.

They look at slowdown in promotions as being a threat to them because they thought they signed up for being considered at a certain rate. We have too much turbulence in the system today that must be quieted down. Our biggest problem is on those charts, it is readiness.

Senator NUNN. If the turbulence were to quiet down, would that solve the problem?

General TAYLOR. It would solve a lot of it.

Senator NUNN. What are the other options?

General TAYLOR. The other options are return to some sort of draft.

Senator NUNN. Do you believe that even by stabilizing the incentives and so forth, you will have enough physicians over the long haul in the volunteer environment?

General TAYLOR. It is more than incentive. It is more than that. The various types of pressures on the system that destabilizes, we know that the teeth to tail ratio, because the medical is on the tail. We know officer-enlisted ratio because the Medical Services are all in the officer. That is where all the providers are.

Senator NUNN. Excuse me.

Senator Thurmond.

Senator THURMOND. I have another committee I have to go to.

First, Mr. Chairman, I want to commend General Taylor for the magnificent job he has done as Surgeon General of the Army.

Now, I have some questions here, General, if you will just answer those for the record.

General TAYLOR. Yes sir.

(The questions with answers supplied follow:)

Senator THURMOND. Mr. McKenzie, several optometrists have written me stating they were scheduled to report for active duty just prior to July 1975,

but their actual reporting date was delayed in order to deny them the \$100 a month special pay optometrists who entered duty prior to July 1975 now receive. Are you familiar with those cases?

Mr. McKENZIE. I am aware of this problem.

Senator THURMOND. Why was the reporting date of these doctors delayed?

Mr. McKENZIE. Reporting dates for entering optometrists are primarily determined by end of fiscal year strengths, the date an individual graduates from optometry school and the date of the next scheduled indoctrination class. Students graduating in May were assigned to a class commencing in June and those graduating in June were assigned to a class in July. There was no deliberate attempt to deny special pay.

Senator THURMOND. Has not this double standard of paying optometrists who entered before July 1975 \$100 a month more than those who have entered since caused some personnel problems?

Mr. McKENZIE. Yes, it has caused some personnel problems.

Senator THURMOND. Are any other medical professionals other than the optometrists and the veterinarians operating under this double standard?

Mr. McKENZIE. No, there are no other medical professionals that are similarly affected.

Senator THURMOND. What would be the additional cost to put all optometrists and veterinarians under the special pay provision?

Mr. McKENZIE. The additional cost is approximately \$595,000.

Senator THURMOND. What are the projected shortfalls for each of these specialties for fiscal year 1978? Fiscal year 1979?

Mr. McKENZIE. The projected shortfalls for fiscal year 1978 are 99 veterinarians and 114 optometrists; for fiscal year 1979 the figures are 115 veterinarians and 139 optometrists.

Senator THURMOND. What is the shortage situation for podiatrists in the military? Why have they not been included in the special pay provision?

Mr. McKENZIE. The minimal shortage of seven podiatrists within the Department of Defense has caused no problems. Therefore, there has been no need for such a special pay provision.

Senator THURMOND. If S. 1731 is enacted what regulations will apply for purposes of determining how much Variable Incentive Pay ("bonus") a physician will receive for each year of extended service?

Mr. McKENZIE. The regulations that are currently in existence will be applied for the purposes of determining how much Variable Incentive Pay a physician will receive. The amounts, in dollars per year, which medical officers in the DOD may receive are shown in the following table:

	Length of active duty agreement			
	1 yr	2 yr	3 yr	4 yr
Years of service computed under sec. 205, title 37, United States Code:				
4 through 13.....	\$12, 000	\$12, 500	\$13, 000	\$13, 500
14 through 19.....	11, 500	12, 000	12, 500	13, 000
20 through 25.....	11, 000	11, 300	11, 600	12, 000
26 or more.....	10, 000	10, 300	10, 600	11, 000
Obligated officers.....	9, 000	9, 000	9, 000	9, 000

Note: The years of service computed under 37 U.S.C. 205 represent the years with which each officer is credited for pay and promotion, based on his years of active duty and medical experience.

Senator THURMOND. What does your data indicate concerning opportunity earnings in the private sector for optometrists and veterinarians compared to their military earnings?

Mr. McKENZIE. The following table is furnished in response to your question:

COMPARISON OF MILITARY AND CIVILIAN VETERINARIAN AND OPTOMETRISTS INCOMES

	Veterinarians		Optometrists	
	Military	Civilian	Military	Civilian
Age:				
30.....	\$18, 995	\$27, 964	\$16, 948	\$18, 700
35.....	22, 644	38, 557	21, 542	32, 500
40.....	22, 477	38, 673	25, 695	35, 300
45.....	33, 920	38, 673	30, 408	37, 800

Senator THURMOND. I would like to call attention to the fact that optometrists and veterinarians under the law of July 1975 get \$100 a month special pay. Congress did not extend the optometrists and veterinarians special pay provision and those who entered after July 1 do not get that. It does seem we have a double standard there and I would like for the chairman to keep that in mind. We have people working side by side, one receiving \$100 a month more than the other.

Senator NUNN. You have doctors on many bases making more than the commanding general. It is a question under the volunteer force that is so distorted that if you tried to achieve equity, you would have to unwind the whole system. I do think there is a definite connection between the situation now and 2 years ago when all the testimony from DOD was they anticipated no shortage whatsoever.

Senator THURMOND. The special pay has been based on a doctor shortage and currently the optometrist positions are only 80 percent filled.

The House bill added a provision, I might say, Mr. Chairman, to give the special pay to optometrists and veterinarians and estimated an annual cost of about \$380,000. This whole field seems to me very vital and I think we have got to take steps to meet these shortages. As the General stated, in the Reserves we are very short of doctors. If you had to call up the Reserves, you don't have the doctors, do you?

General Taylor. No, sir.

Senator THURMOND. So we must take action and I would be glad to cooperate with the chairman in trying to work out these problems.

I want to thank you gentlemen very much, all of you, for coming. I am sorry I have this other engagement and I will have to go. Thank you.

Senator NUNN. I would like to ask Admiral Arentzen and General Schafer the same question I asked General Taylor about the options you see.

The Navy doesn't have any shortfall now, do you, Admiral?

Admiral ARENTZEN. I wish that were true, sir. If we recruit 200 doctors this year we will be short 252 doctors. Not just for pay reasons alone. Mr. Chairman, besides money, there are other things that chase doctors out of the services. The facilities in which we have to work are inadequate. A few weeks ago I was at a separation center where the doctor didn't even have a place to wash his hands. He had to examine 75 people in one big room, about this size, in front of everybody else. Loss of ancillary personnel also contributes to the dissolutionment of the doctor.

Senator NUNN. You have on your chart, this may be erroneous, you show 3,665 naval authorized physicians and actual 3,665. There is no shortfall.

Admiral ARENTZEN. There is. I am talking about fiscal year 1978. We will be short. If we recruit 200 doctors, we will still be short 252 doctors.

Senator NUNN. Are you projecting this shortfall is going to start now?

Admiral ARENTZEN. Yes, sir, this summer.

As I say, we must have decent facilities in which the physicians can work. We are short of nurses, we are short of corpsmen. Our corpsmen are restricted by law to 3.5 percent of the total Marine Corps and Navy strength. We have taken a cut in civilian personnel. We lost 1,000 billets last year. This includes nurses and corpsmen. There is a

long time getting equipment, major equipment over \$1,000. We are always behind in the power curve. We are always second to the civilian institutions.

The Navy just got the first Computed Axial Tomography scanner at San Diego in June. The first one in the military. The civilians have had it for years.

The doctor feels like a second-class citizen. The uncertainties he has to look forward to. We don't know how much money we are going to get in the budget. Uncertainties about retirement. A lot of talk about cutting back on retirement, and so forth. Our doctors have to travel to professional conferences to maintain their accreditation yet our travel money in the budget has been cut back so we can send 40 less doctors to meetings. This is going to have more effect this year because our nurses must attend meetings each year to maintain their licenses.

Dr. Taylor mentioned M. & R. backlog for maintenance and repair of our facilities. We have over \$52 million backlog right now that is not gushing things up, that is essential things.

We lost a golden opportunity by not awarding Berry plan physicians with VIP. We have lost when the Berry plan goes out, the Navy, and I am sure the Army and Air Force will suffer, because these men added something to our training program every year, not just seeing patients but our training programs did not get the influx of new thoughts.

As far as increasing our scholarships, we have to wait for years to start getting more physicians. We have gone to the physicians extender program PA, nurse practitioner, and we followed the Army lead with the program. If that doesn't work then it must come down to some sort of draft or something like that. We have to make it more attractive in the military so the physician has job satisfaction and then he will stay.

General SCHAFER. Sir, I would say that our position is a little bit better perhaps than the other two Services in regard to the future. However, the big question mark in everyone's mind is, are we on a one way contract that can be changed at the whim of somebody in Government. This is the one big deterrent for long term retention of our physicians. I believe if we showed some stability in the bill which will go through next year on the different pays and show some stability as far as future promotions, continuing medical education and funds for that type of education, then I think our outlook is fairly good in the out years. There must be some stability and we have to overcome some of the deficiencies that Admiral Arentzen mentioned.

Senator NUNN. Senator Garn.

Senator GARN. I have no questions.

Senator NUNN. Admiral, I want to ask you a question about an article that appeared in a recent Washington Post relating to California hospitals. Of course there were three deaths and I am sure you are investigating that now. But there was a Dr. David Crane, who, according to this article, wrote a letter to the Naval Surgeon General and explained about shortages and I am quoting the Post article:

Now the disaster which I had predicted has occurred and a patient has died unnecessarily as a result of negligence on the part of anesthesiology and surgery residents.

[The article referred to follows:]

NAVY INVESTIGATING CALIFORNIA HOSPITAL

(By Harold J. Logan)

The Navy is investigating an Oakland, Calif., naval hospital where two former Navy men have died and a third ended up in critical condition after problems developed during routine operations.

The investigation, announced last week, will center on charges initiated by a resident doctor that there is a "critical lack" of equipment and staff in the anesthesiology department at the Naval Regional Medical Center in Oakland. It will be headed by Rear Adm. Stanley J. Anderson, the Navy's inspector general.

The three cases that have come to light occurred between June 24 and July 15.

In the first, 79-year-old Joachim Minor, a retired machinist's mate from Dublin, Calif., had a routine gall bladder operation June 24. Several hours later, in what one doctor described as "clearly the result of negligence and abandonment," Minor was found unattended in a hospital room in critical condition. He died soon after.

Two days later, on June 26, Clifford E. Christian, 63, a retired aviator's machinist's mate from Oakland, died at the hospital. Christian had entered the hospital the previous week complaining of swollen ankles and legs. During an operation, the tip of a syringe needle allegedly broke off in his chest, leading to a collapsed lung, brain damage and a fatal heart attack.

In the third case, 49-year-old Gene Raymond of Modesto, a retired supply man, suffered a heart attack before wrist surgery on July 15. Irregularities in the anesthesiology department led to the heart attack, it is alleged. Raymond is now in critical condition at nearby Stanford University Medical Hospital.

The three cases are described in a July 26 letter to Secretary of the Navy W. Graham Claytor from Reps. Thomas J. Downey (D-N.Y.), Ronald V. Dellums (D-Calif.) and Fortney Stark (D-Calif.). The three asked Claytor to begin a full-scale investigation of the incidents.

The Naval Regional Medical Center in Oakland is a highly regarded facility where present and former members of the uniformed services receive free medical treatment.

The hospital has 413 beds, 103 staff and faculty members, 111 residents and 40 interns, a spokesman said. Last year, it treated 14,175 in-patients and 351,800 out-patients.

It is one of only a handful of teaching hospitals in the Navy, the spokesman said. In recent years, he said, none of the residents trained at the hospital has failed to pass the board examinations that qualify physicians for specialty work.

The medical center, however, suffers from a serious problem common to all military hospitals. With the end of the draft, military hospitals are finding it increasingly difficult to attract and retain the number of physicians needed to provide top-quality health care.

The problem is becoming especially acute this summer, as a large number of doctors who entered the services during the Vietnam war are ending their tours. For the Navy the shortage was about 200 doctors last month. The Army was short 370 doctors at the time, and the Air Force 389.

The doctor shortage is cited in Minor's case by Dr. David L. Crane, a resident at the medical center whose complaints and letters provided the impetus for the investigation.

In a letter to Navy Surgeon General Vice Adm. Willard P. Arentzen, Crane noted he had complained previously about the shortages and said, "Now the disaster which I had predicted has occurred and a patient has died unnecessarily as a result of negligence on the part of anesthesiology and surgery residents."

Crane said Minor's death "could have been prevented had the required staff of anesthesiologists been available to supervise the patient's care."

Anesthesiologists are doctors who administer pain-killing drugs or gas during major operations.

After Minor's operation, Crane said in his letter, Minor was taken to an intensive care unit and placed on a respirator. Although it is customary for patients on respirators to be supervised by residents, he said, the resident responsible for Minor was called away for an emergency childbirth operation.

Minor was buried at sea July 11, six days after Crane's letter alleging improprieties in his treatment.

In a telephone conversation Friday, Crane said he sees "nothing sinister" in the burial. "The day-to-day care of the patients here is unimpeachable," he

said. "But from time to time, situations arise where there are not enough physicians around."

Crane himself has become a focus of controversy at the medical center. A committee of graduate students has recommended that he not be allowed to complete his training there, in effect that he be fired. No decision has been made on the recommendation.

The inspector general's investigation has already begun here. Officials said a team of investigators will go to Oakland shortly.

Senator NUNN. Could you tell us what you are doing in this regard now?

Admiral ARENTZEN. Yes, sir. There is a shortage of personnel. We are short of anesthesiologists throughout the Navy. Oakland is one of our training programs for anesthesia. It has been accredited by the American Board of Anesthesiology. I have already had the Department of Anesthesia informally surveyed by the chairman of the Department of Anesthesia, San Diego, who found a lack of some equipment but not as much as Dr. Crane said.

The Navy IG will be going out probably this week to look into the whole situation.

Now, it seems mighty strange that Dr. Crane waited to say there are some faults in the hospital until he completed his training, gotten his boards, and his motivation in my mind is suspect as to what he is trying to do.

Senator NUNN. Is he a Naval doctor?

Admiral ARENTZEN. He is a Naval doctor who owes 3 more years of obligated duty. The hearsay is that perhaps he has his eye on the outside, he is alleged to have made a statement that by hook or by crook he will be out of the service by October 1.

Senator NUNN. I understand in this same article that the Committee of Graduate Students has recommended that Dr. Crane not be allowed to complete his training there, in effect, that he be fired. What is the status of the graduate students? Are they in the same category he is in?

Admiral ARENTZEN. No; this is a graduate training committee of the hospital. He has applied for a third year, which is an optional year for anesthesia, and in view of the accusations and allegations that he has made they feel he has lost his objectivity. I have not seen the recommendation, it hasn't come into me yet, just what I have gotten on the phone.

Personally, were I a surgeon and walked into the room and Dr. Crane were there to give anesthesia to my patient I think I would cancel the case for the day because he has lost his objectivity and is picking everybody apart. I cannot say anything definite until I get the investigations back, however, Mr. Chairman.

Senator NUNN. Thank you.

General Taylor, you, basically, are of the view if we stabilize the various benefits and if we stabilize the bonus and make them permanent that the situation will improve, is that right?

General TAYLOR. I believe it will improve. It certainly has. It won't improve the Reserve problem. It has a chance of doing that for the active side but—

Senator NUNN. On a scale of 1 to 10, what is your confidence level that doing these things will solve the active duty problem?

General TAYLOR. Three or four.

Senator NUNN. So you say the odds are against it?

General TAYLOR. Yes sir.

Senator NUNN. What can we do about the Reserves?

General TAYLOR. I think there is going to have to be—this is a personal view—the medical problem in the Reserve is not just a medical problem, it involves other individual skills. There is either going to have to be a special incentive program for the Reserves, I don't know what that would look like, that would entice people, particularly under age 40, to want to join. That is either patriotism or I am not sure what it is, because I don't believe our Government can tolerate the situation that we have today where there is not a viable, in my case, medical reserve that would be essential to support the military operations, the reason that we are here. Whether that is a selective—

Senator NUNN. Would you say your problem in the Reserve is critical or—

General TAYLOR. I would say it is critical. I have gone forward as an individual to the Board of Trustees and Board of Governors of the American College of Physicians and with the Assistant Secretary of Defense for Health and the other Surgeon Generals to the Board of Trustees of the American Medical Association seeking their support of assisting with the recruitment of individuals on the Reserves. I do that because those organizations are organized along State and National lines and hopefully could interface at the State level into both the Reserve and the National Guard.

Senator NUNN. Would it be too strong to say all of these things will be more or less band-aids on a major wound?

General TAYLOR. I am not sure, Mr. Chairman. I would hope that the medical leaders in our country and organizations would feel an obligation to give concrete support at the State level in getting these units filled, readily. I say that because I don't perceive this being my problem alone, it is a problem for our country and for the doctors of our country and that isn't just money problem, it has to do with the intrinsic obligation to give part of your time to the parts of the country concerning where the threat is.

Senator NUNN. Isn't it almost impossible for the Federal Government to pay physicians what they could make on the outside no matter what we do with fringe benefits?

General TAYLOR. Obviously.

Senator NUNN. There has to be some patriotism involved?

General TAYLOR. There has to be patriotism. It has to be something useful to them in terms of providing something useful for their commitment and you don't drive that with money, you have to drive it with things that people want to identify with. Money makes little difference. If you have disincentives in the rest of the system money becomes a reason. If all of the parts say that something valuable to me I want to identify, when, as long as the money is reasonable they will come.

Senator NUNN. Admiral, do you want to add anything to this?

Admiral ARENTZEN. No, sir.

Senator NUNN. General?

General SCHAFER. No, sir.

Senator NUNN. Mr. McKenzie?

Mr. McKENZIE. No, sir.

Senator NUNN. What are your plans in this overall area? Are you going to be working very closely with this Pay and Compensation Board?

Mr. McKENZIE. Yes, sir, Senator Nunn, we are.

Senator NUNN. Or Commission?

Mr. McKENZIE. Yes, sir, and we have considered in a preliminary way the possibility of financial inducements for physicians who would join certain types of Reserve units.

As General Taylor indicated, we have recognized over the years that it would be impossible for us to match the civilian earning opportunities for this particular health profession, but by removing the tremendous disparity that existed before, we think we have partially removed that as a disincentive for not staying or joining.

Senator NUNN. It sounds like you have a big job in the next year or so.

Mr. McKENZIE. Yes sir.

Senator NUNN. Senator Garn.

Senator GARN. I would like to ask General Taylor, getting back to the optometrists for a minute, recognizing that \$100 isn't a lot of money; in a hypothetical situation, assuming that you do keep one and the \$100 were back in effect, what is your estimate of recruiting and training costs to replace that one you didn't keep? In other words, at \$1,200 a year to keep one that is already trained, what would it cost you to replace him?

General TAYLOR. I can't tell that exactly.

Senator GARN. A ball park figure?

General TAYLOR. My feeling of something is that \$100 a month is more a matter of principle than it is of cold dollars, and the cost tradeoff is certainly going to be in the ball park of keeping a few instead of going out and hunting for them because the total cost of the program is low.

Senator GARN. Well, I agree with you, \$100 isn't that much and it might keep a few. But without even putting a number on it, obviously saving one for \$1,200 a year, the multiplier effect is tremendous, I am sure, in the cost. You save a few and you wouldn't have to save too many.

My point is to save a whole amount of money to fund the whole program would you—

General TAYLOR. Five or ten pays for the total cost of what the cost is.

Senator GARN. That is the point I was trying to make.

General TAYLOR. When you look at that, we have a disincentive pointed at two groups that are necessary for the Army to run. If they had not originally been given it it would be quite one thing. When you take it away, the individuals get the message, that is, it is degrading to them. And the cost tradeoff here is so small. If it saves 5 or 10 you have more than paid for the total cost of the program.

Senator GARN. Well, that is the point I wanted to make. I thought you would agree with me because if we are talking about saving money in this interim, I don't think you are going to save any. I don't think it is a budget figure or problem at all, it just seems to me we ought to go along with the House and put it back in.

One other question. It is my understanding that there were some doctors who were recruited just before the deadline and are involved

in a lawsuit. They are saying that they were deliberately delayed until after the first of July of 1975 so they wouldn't have to be paid the bonus, and there is a lawsuit going on by them at this time. The optometrists I mean.

General TAYLOR. I am not aware of it but that doesn't mean there isn't one going on. I don't get in until they are filed. It is not conceivable to me any group would have been deliberately delayed like June 30 instead of July 1. At that time, in 1975, of course, that was the end of our fiscal year and there were officer end strength requirements to be met and we would have been managing them in or out related to optometrist or what have you, getting down to what this number was that day and that most certainly would not have been dictated by punitively figuring out whether they come in June 30 or July 1.

Senator GARN. I have no further questions, Mr. Chairman.

Senator NUNN. On this question of optometrists and veterinarians, what other groups could logistically make the case that they are entitled to the \$100 a month?

General TAYLOR. Podiatry.

Senator NUNN. Do you include them in your same analysis?

General TAYLOR. I haven't really done that analysis but the length of training after graduating from college is just about the same for physicians, dentists, podiatrists, and optometrists and ophthalmologists. There are other minor differences. But those groups look at themselves as doctors of something. They tend to have the same duration of schooling, that is, 6 years, following high school, and they individually are one on one taking care of patients.

Senator NUNN. Are podiatrists in short supply now?

General TAYLOR. No; the number of authorized podiatrists in the Army at least is small and we are not in short supply but in terms of the equity issue, that is the way they look at it, they are like the optometrists.

Senator NUNN. Aren't lawyers in the same category?

General TAYLOR. Sir, I am not a lawyer but I guess the logic, would probably apply. I don't know whether they are short or not.

Senator NUNN. They are not short but you have to decide the issue, whether you are going to go for equity or whether you are going to go for equity and shortage. If you go for equity, everybody that has an advanced college degree wants the same thing. We are going to have an amendment on the floor to add lawyers. If we put optometrists and veterinarians in, we will also have one on podiatrists. Then we may have an amendment on four or five other things depending on who can figure out how long they were in school.

Senator GARN. Different lawyers can always figure out a way to take care of themselves.

Senator NUNN. Well, they haven't yet, in this case.

Senator GARN. Not that we are aware of.

Senator NUNN. You have to philosophically decide this question of whether you are going to have the bonus system on the basis of need, and shortages, an indicated shortage, projected shortage, or do it on the basis of equity. And I think that question can't be skirted over very easily.

Do you have any suggestion on that, Mr. McKenzie?

Mr. McKENZIE. No, Senator, I don't.

Senator NUNN. Would you be in favor of having lawyers and podiatrists included under the \$100?

Mr. McKENZIE. Senator, I can't address the lawyer question, not representing that element of the Office of the Secretary of Defense. We would oppose the addition of any of the other health professions at this time, although we are considering adding other health professions to the long range bill that we have discussed several times this morning.

Senator NUNN. If you include optometrists and veterinarians, assuming that is a fact, would you also include podiatrists?

Mr. McKENZIE. I can't state categorically, Senator Nunn, at the moment whether we would, but if we were to add one then there is always another group that seems to have a case that is as good, or almost as good, as the one that relates to the group we have just added.

Senator NUNN. What about podiatrists, do we have a shortage?

Mr. McKENZIE. Yes, sir, we do have a shortage of podiatrists.

Senator NUNN. If you set up two criterion: (1) you have to have a shortage, (2) if you have a shortage there should be equity, the podiatrists would qualify as well as optometrists and veterinarians, wouldn't they?

Mr. McKENZIE. Yes, sir.

Senator NUNN. General, do you agree with that?

General TAYLOR. Yes sir.

Admiral ARENTZEN. Yes sir.

Senator NUNN. General?

General SCHAFER. We don't have a shortage.

Senator NUNN. Of podiatrists?

General SCHAFER. That is right.

Senator NUNN. What other categories in the medical field? Can you think of any other besides veterinarians, optometrists and podiatrists?

Mr. McKENZIE. Clinical psychologists.

Senator NUNN. Do you have a shortage of clinical psychologists?

Mr. McKENZIE. Yes, sir.

Senator NUNN. We do?

Well, let's see, what others? Because by the time we get the bill on the floor I will assure you we will have an amendment on every one of them.

At some point you have to decide whether you are going to have any bullets and R. & D. left.

Let me ask you one other question. I will ask the doctors this. What about the reverse situation? Do you have any resentment among officers toward the medical profession making more money than they do? Let's take a colonel out in the infantry. He's out there every day with his men in the field. Have you seen any kind of resentment, any backlash against the fact he is making less money than a doctor?

General TAYLOR. This is my own personal experience. It isn't a money issue, it is a rank issue with them. That is, the equity on rank opportunities is more important than money. Because with rank goes housing and other kinds of things, and how you travel, and what have you. So I hear it more as a rank issue.

Senator NUNN. That the young doctors are making rank quicker than—

General TAYLOR. They are more sensitive about that than they are about money, and we have taken action over the last year to slow down the promotion rate and the promotion opportunity to get it into similar timing related to the line.

Senator NUNN. Then that causes a problem on the physician side?

General TAYLOR. It certainly does. A guy is three months before he knew he was going to be eligible to be considered suddenly finds he is as far away now as he was 3 years ago. That impacts on credibility of the Department's living by their quota contracts.

Senator NUNN. You, nevertheless, feel you have to make this adjustment because of the effect on other officers?

General TAYLOR. Or else totally separate the grade structure from OGLA in fact. That is what you would have to do. Have a promotion system that was unique from the Officer Grade Limitations Act.

Senator NUNN. How serious would you consider this perceived inequity among nonphysician officers? Is it something that is growing or stable?

General TAYLOR. It has been with us so long, it is 30 years, that I don't perceive it changing.

Senator NUNN. You don't see it any different now?

General TAYLOR. No.

Senator NUNN. Admiral?

Admiral ARENTZEN. I think it is a little better, I don't think the line resents it that much anymore, I think they are well aware that medical care—there are two big things for recruitment and reenlistment. One is money and the other is medical care, and they want medical care to stay as high as it possibly can, and I think this is resentment in the past that has gone by the wayside.

Senator NUNN. General?

General SCHAFER. It is exactly the same in the Air Force, Mr. Chairman. I don't see any resentment now to any appreciable extent. There was at one time, I think early on, but it is not anymore.

Senator NUNN. I have had a couple of commanding generals tell me otherwise. They probably don't complain to the Surgeon General when they have a problem.

General SCHAFER. That perhaps is true.

Senator NUNN. Well, you say it has been this way for 30 years. It seems to me it has changed a good bit in terms of bonus pay and so forth as opposed to the draft.

Mr. McKENZIE. The amount of the differential is considerably greater than it was 30 years ago, although 30 years ago it was a difference in flying and medical pay. Again it originally was simply \$100 a month difference and now it is \$10,000, \$12,000, or \$13,000 difference per year, in some cases.

Senator NUNN. Have you seen that resentment?

Mr. McKENZIE. I recall a considerable amount of resentment when the difference first came in in 1947, 1948, and 1949. I see very little evidence of it now. As an example, for a few months some years ago we adopted a preferential assignment of quarters policy for physicians and the resentment against that was a thousandfold greater than it was against the pay differential because on the one hand there was no less money for the line officer. But on the other hand, under the preferential housing policy he saw a set of quarters that he would

otherwise have been assigned go to a young junior physician. We abolished the policy after a few months.

Senator NUNN. All right. Do any of you have any other statements you want to make before we adjourn the hearing?

Mr. McKENZIE. No, sir.

Senator NUNN. Thank you.

[Whereupon, at 10:55 a.m., the committee adjourned, subject to call of the Chair.]

