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Prepared Statement

of

The Honorable Charles S. Abell

Assistant Secretary of Defense

(Force Management Policy)

on

Military Benefits

Before the Military Personnel Subcommittee

Senate Committee on Armed Services

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ASSISTANT SECRETARY OF DEFENSE
FOR
FORCE MANAGEMENT POLICY
Charles S. Abell

Charles S. Abell was sworn in as the Assistant Secretary of Defense for Force Management Policy on May 8, 2001. A Presidential appointee confirmed by the Senate, he is responsible for policies, plans and programs for military and civilian personnel management, including recruitment, education, career development, equal opportunity, compensation, recognition, discipline, quality of life and separation of all Department of Defense personnel, both military and civilian.

Prior to this position, Mr. Abell served as a professional staff member of the Senate Armed Services Committee. Mr. Abell joined the Armed Services Committee staff in 1993, after a 26 year career in the Army. He was the lead staffer for the Subcommittee on Personnel, responsible for issues concerning military readiness and quality of life. His responsibilities also encompassed manpower; pay and compensation; and personnel management issues affecting active duty, reserve and civilian personnel; and organization and functions within the Department of Defense.

In recent years, Mr. Abell has had the primary Committee responsibility for a broad array of important initiatives aimed at restoring cost-of-living adjustment (COLA) equity for military retirees and survivors; improving the military health care program; upgrading Survivor Benefit Plan coverage; and enhancing pay, allowances and retirement programs for active duty and reserve members and TRICARE for Life, guaranteeing all retirees coverage within TRICARE and the military health care system. He also worked on codification of the homosexual conduct policy and legislation concerning the assignment of women within the Department of Defense.

Mr. Abell entered active duty service as an enlisted soldier and concluded his Army career by retiring as a Lieutenant Colonel. He served two tours in Vietnam in various positions; Infantry Platoon Leader, Company Commander and Cobra Attack helicopter pilot. His career progressed through increasingly responsible positions at every level of Army operations. His decorations include the Legion of Merit, (2) Bronze Stars (Valor), Purple Heart, the Meritorious Service Medal (with four Oak Leaf Clusters), 14 Air Medals (two for Valor), the Army Commendation Medal (for Valor), and the Combat Infantryman's Badge.

Mr. Abell holds a Master of Science from Columbus University in Human Resource Management and a Bachelor of Science in Political Science from the University of Tampa. Mr. Abell and his wife reside in Fairfax, Virginia.

INTRODUCTION

Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today and thank you for your continuing support of the men and women who serve in our Armed Forces.

As Secretary Rumsfeld recently testified, “If we are to win the war on terror, and prepare for the wars of tomorrow, we must take care of the Department’s greatest asset: our men and women in uniform. ‘Smart weapons’ are worthless to us unless they are in the hands of smart soldiers, sailors, airmen and marines.” The Department of Defense is competing with the private sector for the best young people our nation has to offer.

The Defense family has changed over the last decade. U.S. military personnel are more senior, educated, and diverse. More military spouses work, and they are better educated than they were ten years ago. Opportunities and competition in the private sector for our highly skilled and technically competent members have never been greater. DoD’s transformation of personnel policies, programs and benefits must address these changing demographics and the expectations of a 21st century military force. The Department must keep its “side of the bargain” by providing relevant benefits, programs and policies for the families who support members of the Armed Forces.

DoD has embarked on a strategic approach to managing its Active and Reserve military force. Today, I would like to outline these initiatives, programs and benefits, as well as discuss some of the challenges we face.

HUMAN RESOURCES STRATEGIC REVIEW

In the past year the Department of Defense has embarked on several initiatives to examine the state of our human resource programs and determine what we need to do to meet the challenges of the 21st Century. These challenges are particularly poignant since the terrorist attacks of September 11th, and we are resolved to meet these challenges head-on. One such effort is our recently completed Human Resources Strategic plan. This plan will serve as our roadmap for military personnel human resources issues over the next three to five years. The plan details objectives, supporting actions, and measures of effectiveness within defined lines of operation. It assigns tasks, establishes milestones, identifies resource requirements and facilitates synergy for a wide range of military personnel issues. This plan is a dynamic document intended to serve as a planning reference and management tool for Department of Defense military human resource managers. Through continuous assessment and refinement, the plan will provide the focal point for ongoing and future military personnel legislative and policy efforts.

COMPENSATION

Competitive pay for all personnel continues to be among the key components in our efforts to attract and retain top quality, highly skilled men and women. In addition to basic pay, compensation includes all pays and allowances, such as housing and subsistence allowances, and special and incentive pays. We are grateful to the Congress for its work in improving each of these areas, especially during the last fiscal year. The largest military pay raise in 20 years and significant progress in reducing out-of-pocket housing costs for Service members and their families send a clear signal that our nation values the courage and sacrifice required of military service.

Over half of today's service members in grades E-5 and above have at least some college, and over 20 percent of personnel in grades E-8 and above have college degrees, based on a DoD survey. We therefore applaud the Congress' support of the FY-2002 pay raise to target additional raises for NCOs, as well as mid-level officers, greater than required by law.

HOUSING ALLOWANCES

In addition to maintaining efforts to achieve competitive pay tables, the Department recommends continuing to increase military housing allowances significantly, with the goal of eliminating average out-of-pocket costs by 2005. Building on the current year's increases, the FY 2003 budget requests further improvements in housing allowances, reducing the average out-of-pocket costs from 11.3 percent to 7.5 percent. Understandably, Service members view the housing allowance as one of the key elements of their total compensation package. Therefore, the Department has worked tirelessly to improve its data collection to ensure the allowance accurately reflects the housing markets where Service members and their families reside.

FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE

In concert with Congress' effort to address the issue of Service members on food stamps, the Department is continuing to monitor aggressively the Family Subsistence Supplemental Allowance (FSSA) program, which was implemented in May 2001. The number of military personnel on food stamps has steadily decreased from 19,400 (9 tenths of 1 percent of the force) in 1991 to an estimated 4,200 (3 tenths of 1 percent of the force) in 2001. In 2002, with FSSA in place, we anticipate the number of members on food stamps will be reduced to 2,100 (1.5 tenths of 1 percent of the force). We expect this reduction to occur both because of the large FY 2002 pay raise, and also because most FSSA-eligible members will choose to take the allowance. Currently, approximately 2,500 Service members are FSSA eligible.

Although it would be ideal if no Service member had to rely on the use of food stamps, 100 percent participation of all eligible individuals in FSSA may not be achievable.

Participation in FSSA has a detrimental effect on member eligibility for other income-based social aid programs, such as the Free and Reduced School Lunch Program. Additionally, for some, there remains a stigma attached to admitting to the chain of command the need for more money. A FSSA website has been established to educate personnel and address their concerns, and each Service has trained personnel available to offer personal assistance.

SPECIAL AND INCENTIVE PAYS/COMBAT ZONE TAX EXEMPTION

Since Operation ENDURING FREEDOM resulted in Service members moving into new operational areas and settings, the Department has been aggressively addressing their compensation needs. Military personnel in Afghanistan, Kyrgyzstan, Jordan, Pakistan, Tajikistan, Uzbekistan, and those serving at Incirlik AB, Turkey in direct support of operations in Afghanistan receive Combat Zone Tax Benefits. Members in these countries also receive \$150 per month in Imminent Danger Pay. Additionally, these individuals qualify for Hardship Duty Pay-Location at the rate of \$50 or \$100 per month, depending on conditions in their particular location. Deployed members are housed in government-provided quarters and generally continue to receive the housing allowance applicable to their home station. Their food is paid for out of the subsistence portion of their per diem allowance, so they retain their full Basic Allowance for Subsistence. As an example, a typical E-6, married with 2 children, serving in Afghanistan will see a positive difference of nearly \$600 per month compared with a CONUS station. The Department is committed to ensuring Service members and their families are cared for through appropriate compensation while members are deployed serving their country in dangerous locations.

MILITARY RETIREMENT

The retirement system for military personnel remains a premier benefit for our members. The only area of recent concern was addressed by the Congress when it authorized newer members to have the High-Three retirement or take the REDUX retirement and receive a lump sum career status bonus at the 15th year of service, for which we thank you. The value of military retirement is substantial. We believe the system is among the best in the world and highly competitive with systems available in the private sector.

In conjunction with the retirement system, the Survivor Benefit Plan (SBP) protects a portion of a member's retired pay, providing continued income for a member's survivors. The program is fully subsidized for those who die on active duty and significantly subsidized for retired members. SBP is structurally integrated with VA survivor payments and those of social security. Together we believe these programs represent a significant asset for military personnel and their families.

THRIFT SAVINGS PLAN

In FY 2002, in addition to the pay and allowance increases, the Department implemented a new authority provided by Congress to allow the uniformed forces to participate in the Thrift Savings Plan (TSP). This opportunity represents a major initiative to improve the quality of life for our Service members and their families. In its first open season, TSP attracted over 220,000 enrollees. The Department estimated that 10 percent of active duty Service members would enroll in the first year, and we have already exceeded that number with two more open seasons remaining.

Overall, military compensation has made great strides in the last few years, with several continued improvements on the way. We appreciate this significant support by Congress in acknowledging the sacrifices and dedication of our uniformed personnel.

QUALITY OF LIFE

President Bush, in one of his first actions last year, issued a National Security Presidential Directive to improve military quality of life. Secretary Rumsfeld reiterated the President's commitment, stating that the Department must forge a new social compact with its warfighters and those who support them – one that honors their service, understands their needs, and encourages them to make national defense a lifelong career. The demographic changes in today's military – 60 percent of troops have family responsibilities – foster the need for such a new social contract that promotes a strong military community and culture. The Department has undertaken a comprehensive and systematic review of quality of life programs, and charted a course for the future.

The partnership between the American people and our warfighters is built on the tacit agreement that families, as well as our members, contribute to the readiness and strength of the American military. Military members and their families make sacrifices in the service of our country and face special challenges. A new social compact must recognize the *reciprocal ties* that bind Service members, the military mission, and families, and responds to their quality of life needs as individuals and as members of a larger community. The Department has made a renewed commitment to underwrite family support programs and to provide quality education and life-long learning opportunities. Additionally, the Military Services are working with Reserve units to make child care available through a variety of delivery methods, including

licensed Family Child Care homes, Child Development Centers, and special arrangements for extended care.

FAMILY SUPPORT AND SPOUSE EMPLOYMENT

There is an integral link between military family readiness and total force readiness. We are re-focusing family support programs to address the two-thirds of active duty families who live off base, and our Reserve families. We envision an outreach strategy that will explicitly articulate to Service members and their families just how important they are. To better underwrite our support to families, the President's Budget Request increases funding for family centers by 8.5% or \$17 million.

DoD successfully demonstrated this strategy in the aftermath of the September 11th terrorist attack on the Pentagon. The entire Department joined efforts to establish a Pentagon Family Assistance Center (PFAC). We provided unprecedented outreach support to the families of victims who were killed or injured in the attack. Personnel from OSD, Military Service staffs, Government and non-Government agencies worked in concert to provide the necessary support services, information, and care to meet both immediate and long-term needs of families. Over 2,400 staff and volunteers donated their time and services to the mission.

To support the families of military personnel involved in Operation ENDURING FREEDOM, the Military Departments activated long-standing deployment support programs including information and referral, crisis intervention, and return and reunion programs. We paid particular attention to communications programs such as Air Force *Crossroads*, Navy *LifeLines*, Virtual Army Community Service, Hearts Apart, morale calls, e-mail, and Web-based streaming video. Reserve components established toll-free numbers for family members of National Guard and Reserve units. In addition, the Air Force Reserve made child care available

to reservists and their families, and the Air National Guard implemented a Test Child Care Program in 13 locations around the nation to serve the child care needs of its mobilized and deployed members.

An essential element of the quality of life framework is improving the financial stability of our military families. For this reason, we are embarking on a financial literacy campaign that includes improving personal and family financial training. As with most of America's young adults, those entering the military have little understanding of the basic tenets of personal financial management and little to no practical experience managing their own money. As a consequence, they often develop poor financial management habits and many become burdened with credit card debt. The military Services recognize the need to increase the amount of training and assistance provided to members and their families to ensure they can sustain a financially secure quality of life.

At the same time, DoD has underscored its commitment to the financial well being of military families through increased emphasis on spouse employment. The 2002 NDAA directed DoD to examine its spouse employment programs in the context of federal, state, and private sector programs. We welcome this instruction from Congress and the opportunity to create new benchmarks for our programs, while continuing to enhance the career options of military spouses through Inter-Department and private sector partnerships.

CHILD CARE AND YOUTH

Providing quality, affordable childcare to the Total Force remains a high priority throughout the Department of Defense. The FY 2003 President Budget request increases childcare funding by \$27 million, or 7 percent. Although we have child development programs at over 300 locations with 800 child development centers and over 9,000 family childcare homes,

we still project a need for an additional 45,000 spaces. We continue to pursue an aggressive expansion program through a balanced delivery system that combines center construction, an increased number of family child care homes, and partnerships with local communities. We are providing family child care both on and off the installation, encouraged by subsidies. Since about 99 percent of DoD centers are accredited, compared with less than 10 percent in the civilian sector, the military child development program remains a model for the nation.

In support of the war effort, we have expanded operating hours and developed innovative co-use practices among child development programs, with many locations offering around-the-clock care, as necessary. Many have reacted to the needs of geographically single parents by offering special operating hours and instituting projects for children to communicate with the absent parent.

Teens also feel the impact of the pressures of the war. Computer centers, available in most youth centers, offer a means for young teens to communicate electronically with an absent parent. Teens receive mentoring when parents work extremely long duty days.

The military community has made a strong commitment to provide positive activities and environments for youth. The computer centers, available in all youth programs, offer a means for young teens to communicate electronically with an absent parent. Tutors are available at the centers to help students complete school homework assignments in a supervised setting. This decreases the amount of unsupervised time, and increases the opportunities for relationships with caring adults.

EDUCATIONAL OPPORTUNITIES

In the area of educational opportunities for our Service members, participation in the off-duty education program remains strong with enrollment in over 600,000 courses last year.

Members were also awarded 30,000 higher education degrees by hundreds of colleges and universities. This is an important benefit that Service members say is part of their reason for joining. Tuition assistance policies are in place to increase support for off-duty education. Effective October 1, 2002, tuition assistance for Service members will increase to the point where virtually all of the cost of taking college courses will be borne by the Department. The Services have increased funding by \$69 million to implement the new authority.

In the FY 2002 NDAA, Congress authorized two new programs designed to promote reenlistments and extensions in critical specialties—Montgomery GI Bill (MGIB) Transferability and an education savings bond plan. We welcome the opportunity to explore the viability and usefulness of the programs and are currently discussing how best to implement them.

With the support of Congress, DoD last year provided \$35 million to heavily impacted school districts serving military dependent students and an additional \$10.5 million in grants to be used for repair and renovation of school buildings. The Department is actively working with public school districts and state education authorities to lessen the displacement and trauma experienced by children of military personnel who are forced to change schools frequently due to the reassignment of military members. Within the last two years we have brought together over 300 students, parents, military leaders, school personnel and state policy makers to help address and give visibility to these issues which affect about 600,000 children of active duty military personnel.

TROOPS TO TEACHERS

The Troops-to-Teachers Program has successfully injected the talents, skills and experiences of military Service members into public education. The program was recently expanded to include Selected Reserve members with ten or more years of service as well as

Reserve retirees with 20 or more years of service. Both the President and the First Lady have expressed support for Troops-to-Teachers and talked about the critical need for highly competent individuals to counter America's critical shortage of teachers. More than 4,500 participants have been hired to teach throughout all 50 states, and 70 percent of teachers hired through the program are still in public education after five years. The Department has helped establish and financially support placement assistance offices in 25 states. The recent Congressional appropriation of \$18 million for this program will enable the Department to again award stipends to help former Service members offset the cost of becoming certified and employed as elementary and secondary school teachers. This injects the best military leadership qualities into American school systems.

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY

The Department has a school system to be proud of, and we continue to address quality issues in the areas of curriculum, staffing, facilities, safety, security and technology. Our dependent schools comprise two educational systems providing quality pre-kindergarten through 12th grade programs: the DoD Domestic Dependent Elementary and Secondary Schools (DDESS) for dependents in locations within the United States and its territories, possessions, and commonwealths, and the DoD Dependents Schools (DoDDS) for dependents residing overseas. Today approximately 8,800 teachers and other instructional personnel serve more than 111,000 students in 224 schools. They are located in 14 foreign countries, seven states, Guam, and Puerto Rico. Students include both military and civilian federal employee dependents.

The quality of DoD schools is measured in many ways, but most importantly, as in other school systems, by student performance. DoD students regularly score significantly above the national average in every subject area at every grade level on nationally standardized tests.

In addition, students participate in the National Assessment of Educational Process (NAEP) tests. NAEP which is known as the “Nation’s Report Card” is the only nationally representative and continuing assessment of what America’s students know and can do in various subject areas. DoDEA students do well on NAEP and DoDEA African-American and Hispanic students, in particular, score exceptionally well on this test. This outstanding performance led the National Education Goals Panel to commission Vanderbilt University to study the instructional program, teaching, and other aspects of DoDEA schooling to identify the variables that contribute to the students’ success. The findings, which were published in October 2001, received extensive national coverage.

DoDEA’s 2001 graduates were awarded nearly \$28 million in scholarship and grant monies; 29% was for attendance at military academies and 31% for ROTC scholarships. Graduates in 2001 reported plans to attend 762 different colleges and universities worldwide.

To meet the challenge of the increasing competition for teachers, DoD has an aggressive U.S. recruitment program. The program emphasizes diversity and quality, and focuses on placing eligible military family members as teachers in its schools.

MORALE, WELFARE, AND RECREATION (MWR)

Morale, Welfare, and Recreation programs have proven to be important to military communities, providing fitness and recreational opportunities for Service members and their families. The 469 fitness centers in DoD have the highest use rate of any MWR program, with 80 percent of active duty military using them at least once monthly, and 52 percent using them 6 times or more per month. The Department views improving fitness programs as a high priority, not only due to their popularity, but also because of their importance to the maintenance of a Service member’s physical readiness. Physical fitness is critical to providing forces that are

more resistant to illness, less prone to injury and the influence of stress, and better able to recover quickly should illness or injury occur. Our fitness specialists are working with health promotion and physical training specialists to make this vision a reality. To accomplish this, the fitness center infrastructure will require upgrade to bring them to acceptable standards.

COMMISSARIES AND MILITARY EXCHANGES

Military members and their families consider their commissary privilege to be one of their top two non-cash benefits, second only to health care. The Defense Commissary Agency (DeCA) operates the worldwide system of 281 commissaries. DeCA provides a 30 percent savings on comparable market baskets in the private sector. Beginning in FY 2002, legislative authority permits funding of most DeCA operations from appropriations, thereby leaving the Surcharge Trust Fund available for capital investment. As a result of this change, the FY 2002 major construction program contains 10 commissary projects at a total surcharge cost of \$94 million -- a significant increase from prior years.

We are looking at various ways to reduce the appropriated fund subsidy to commissaries. We want to improve how the benefit is delivered, with the objective being to obtain the same benefit at reduced cost to the taxpayer. We will work closely with congressional oversight committees as we explore this issue.

Military exchanges also form a significant portion of the community support program. They are the "home town store" for our Service members and families assigned stateside, overseas, in remote locations and to deployment sites around the world -- including 16 tactical field exchanges supporting Operation ENDURING FREEDOM. It is important to troops and families stationed around the globe to have American goods and services. Being a long way

from home should not mean giving up what is familiar and what adds comfort to our lifestyles. Today's exchanges operate at 694 locations worldwide, with annual sales of \$9.5 billion.

Exchanges offer quality goods at significant savings, and then pass the majority of their profits back to the MWR program to support essential, morale-building programs and to make capital improvements. Our practice of using exchange earnings to support MWR programs is well established; the exchanges provide over \$320 million annually.

The Department is taking a very close look at the exchange business practices and organizations to maximize efficiencies and improve customer service and savings. We are looking closely at the Services' plans to ensure that the alternatives pursued reduce costs while improving customer service, ensuring competitive pricing and continued support for MWR.

Finally, as part of the new social compact with Service members, we will better define, measure, and communicate the savings and services provided to DoD personnel by the commissaries and exchanges.

HEALTH CARE

An essential element of the new social compact is a high-quality, affordable, convenient Military Health System that supports our 8.3 million military beneficiaries. With the numerous authorizations you provided in the National Defense Authorization Act last year, these beneficiaries have begun to receive that kind of healthcare. Today, military beneficiaries have a comprehensive and generous benefit.

The Military Health System is far more than a benefit, however. This acknowledgement crystallized for all of us in the aftermath of the September 11th terrorist attacks and bio-terrorist actions involving anthrax. The capabilities of this system and its personnel contributed

indispensably to the care and treatment of survivors and families and in assisting other federal agencies in their responsibilities to identify remains as well as to identify and track anthrax samples. Some of these efforts continue even now.

MILITARY HEALTH SYSTEM FUNDING

As we experience a new sense of urgency within the MHS to ensure the ability to operate in a contaminated environment, to be alert to potential exposures, and to treat casualties, we have budgeted realistically for the Defense Health Program (DHP) for FY 2003. These funds will support key initiatives to enhance chemical and biological preparedness and deployment health support systems.

In the President's Budget Request for FY 2003, the DHP submission is based on realistic estimates of healthcare benefits to DoD eligible populations. It includes inflation assumptions for pharmacy of 10.5 percent plus anticipated program growth for an overall increase of 15 percent from the FY 2002 program. Private sector health costs have been inflated at 7 percent to reflect our recent experience; anticipated program growth brings the overall rate of change to 12 percent from FY 2002. We will manage the healthcare system to improve performance and contain the healthcare costs within budgeted amounts. We will make prudent decisions that result in effective performance. We seek your assistance in making permanent the contract management flexibility you provided in the National Defense Authorization Act for FY 2002 and in alleviating the restrictions on moving resources across budget activity groups.

This budget request reflects implementation of accrual financing for the healthcare costs of Medicare-eligible beneficiaries, including their new TRICARE for Life benefits. This will entail both payments into the fund (\$8.1 billion) to cover the government's liability for future healthcare costs of current military personnel and receipts from the fund (projected \$5.7 billion)

to pay for care provided to eligible beneficiaries. Our budget reflects a decrease to the DHP appropriation to account for the payments from the Fund and an increase to the military services' Military Personnel accounts to cover the Department's normal cost contribution. This alignment ensures consistency with the accrual funding for the military retirement pension costs under Title 10, chapter 74. We ask your help in modifying NDAA 2001 and 2002, which currently direct that the Defense Health Program make the annual contribution to the accrual fund. It is the Military Personnel accounts that should make these payments; they have received increases for this purpose in the FY 2003 Budget Request.

FORCE HEALTH PROTECTION AND MEDICAL READINESS

Even before the events of September 11th, the Quadrennial Defense Review observed that both terrorism and chemical and biological weapons would transform the strategic landscape for the Department. The terrorist acts of last fall placed us on a war footing and escalated the urgency of our need for preparedness. The MHS has numerous activities underway to ensure that preparedness, including formation of a high-level working group with Department of Health and Human Services representatives to improve collaboration on defense against biological and chemical terrorism. Deliberations continue on the future of the anthrax vaccine immunization program now that we have confidence in an assured supply of FDA-approved vaccine. The MHS has also placed renewed emphasis on training military healthcare personnel in recognizing symptoms of and refreshing treatment plans for exposure to chemical and biological agents.

TRICARE

This military health program benefit provides an essential and interdependent link between medical readiness and everyday healthcare delivery. Meeting the force health

protection responsibilities of the MHS depends upon the success of TRICARE in providing both quality healthcare and challenging clinical experiences for military healthcare providers. Very important to this success is a stable financial environment. The President's fiscal year 2003 Budget Request for the DHP provides that stability.

TRICARE's success also relies on incorporating best business practices into our administration of the program, specifically our managed care contracts. Our new generation of TRICARE contracts (T-NEX) will encourage best business practices by the contractors without over direction by the government. Also, we are working with the Department of Veterans Affairs to make sure that T-NEX provides appropriate opportunities for VA participation in provider networks. We have listened to the advice of industry and our beneficiaries on how to structure these contracts, and we are confident that the design will help us to continue providing high quality care. We enter this new generation of contracts with a commitment to our beneficiaries to earn their satisfaction and to ensure continuity of quality services.

Implementation of TRICARE for Life has proceeded exceptionally well. As in all new program startups, we have experienced problems. Nevertheless, we aggressively handle each one until we reach a satisfactory resolution. Since the October 1, 2001 start date, we have processed over ten million claims and the overwhelming majority of anecdotal information we receive is that our beneficiaries are extremely satisfied with TRICARE for Life. They speak very highly of the senior pharmacy program as well. This program began April 1, 2001, virtually problem-free, and as of April 1 this year, 10.2 million prescriptions have been processed, accounting for over 562 million in drug costs.

COORDINATION WITH OTHER FEDERAL AGENCIES

The MHS has built many strong relationships among other federal agencies – including the Congress, professional organizations, contractors, and beneficiary and military service associations. These relationships facilitated the MHS's ability to respond in the aftermath of terrorist actions last fall. The MHS role in homeland security responsibilities will span an array of federal, state and local agencies and will demand effective cooperation among all involved. Our close working relationship with beneficiary associations and contractors led to the smooth implementation of TRICARE for Life.

DoD's collaboration with the Department of Veterans Affairs dates back many years and much has been accomplished. We have eight joint ventures throughout the country providing coordinated healthcare to VA and DoD beneficiaries. We have over 600 sharing agreements in place covering nearly 7,000 healthcare services. However, not all of these agreements are fully utilized. Eighty percent of VA facilities partner with us through TRICARE networks, but the level of participation by VA within the TRICARE network varies. Our reserve components capitalize on education and training opportunities with over 300 agreements in place. With the Indian Health Service, both will collaborate in the Federal Health Care Information Exchange, which will enable DoD to send patient healthcare information on separated service members to the VA. While we have achieved many successes, it is time to reinvigorate these collaborative efforts to maximize sharing of health resources, to increase efficiency, and to improve access for the beneficiaries of both departments. The focus of our efforts is to move the relationship with the VA from one of sharing to a proactive partnership that meets the missions of both agencies while benefiting the service member, veteran, and taxpayer. DoD has provided office space,

administrative support, and functional experts to ensure the Task Force accomplishes its mission of improving coordination of health care for veterans and military retirees.

MILITARY MEDICAL PERSONNEL

The Quadrennial Defense Review directs development of a strategic human resource plan to identify the tools necessary to shape the military force with adequate numbers of high-quality, skilled professionals. The MHS depends on clinically competent, highly qualified, professionally satisfied military medical personnel. In developing the MHS human resource plan, we have begun several initiatives to determine retention rates, reasons for staying or leaving the service, and what factors would convince one to remain in the military. The challenges of military service can be unique and tremendously rewarding personally and professionally.

As the MHS pursues the many initiatives outlined above, it will become even stronger. The Military Health System's continued mission-oriented focus on its primary mission responsibilities has further cemented its world-renowned stature as a leader in integrated healthcare.

MILITARY FUNERAL HONORS

Since the signing of the National Defense Authorization Act for FY 2000, the Department has worked tirelessly to ensure that our Nation's veterans receive military funeral honors. It is our national obligation to demonstrate the Nation's gratitude to those who, in times of war and peace, have faithfully defended our country. The rendering of a final tribute and recognition to our Nation's veterans is an important tradition in the Department of Defense. Faced with one of the largest active and reserve military drawdowns in history, and the

increasing numbers of World War II-era veterans' deaths, this has been a challenging mission, but one to which we remain committed.

Our recent policy directive clearly delineates the military Services' responsibility to provide military funeral honors upon request. Additionally, we distributed a military funeral honors kit to every funeral director in the country and activated a military funeral honors web site. Each has significantly enhanced the ability of the military Services to respond to requests.

Recently, we initiated another program called the Authorized Provider Partnership Program. This program allows us to partner with members of veterans service and other appropriate organizations to augment the funeral honor detail. The program will enhance our ability to provide additional elements to the funeral ceremony. The Authorized Provider Partnership Program symbolizes the continuity of respect for deceased veterans by those who are serving and by those who have served in the armed forces. Our overall and sustained goal remains the same: to render appropriate tribute to our Nation's veterans and honor those who serve.

BENEFITS FOR RESERVES AND NATIONAL GUARD PERSONNEL

On September 11th, the response of our National Guard and Reserve men and women was both quick and complete. They volunteered and responded to the nation's needs without hesitation. Many reported to their armories and Reserve Centers without being asked. Before the fireball disappeared from above the Pentagon, Air National Guardsmen and Air Force, Navy, and Marine Reservists were patrolling the skies over Washington DC, New York, and several other American cities. At the same time New York Guardsmen were on the streets of lower Manhattan assisting New York emergency service workers. Maryland, Virginia, and District of

Columbia Guardsmen were patrolling the hallways and exterior of the still burning Pentagon on September 11th. By the next morning over 6,000 Guardsmen and Reservists were on duty – all volunteers.

Today, we have over 90,000 National Guard and Reserve men and women supporting Operations NOBLE EAGLE and ENDURING FREEDOM. They are performing force protection and security duties here in the United States, flying refueling missions over central Asia, and are on the ground in Afghanistan. At the President's request, about 7,000 Army and Air National Guardsmen are protecting our airports.

The Total Force policy and our integration efforts of the past decade are paying great rewards today. On no notice, America's National Guard and Reserve were "ready to roll." Their enthusiasm for the mission remains high. They are in it for the long haul. We are judiciously managing the force to ensure fair and equitable treatment of our Reserve component members, but the bottom line is they are committed and capable warriors in the war on terrorism.

When we call upon the Guard and Reserve, we need to make sure their service is productive and meaningful, and that we make every effort to take care of them and their families. With the help of Congress, there have been many improvements in protections and benefits for mobilized Reservists and their families since the Persian Gulf War.

HEALTH CARE

Yet there is more we can and need to do. The transition to a different healthcare system is sometimes not as smooth as we would like. To help ease that transition, the Department has undertaken a demonstration project that (1) waives the TRICARE deductible fees, (2) removes the requirement to obtain a non-availability statement before being treated outside military

medical treatment facilities, and (3) authorizes healthcare payments up to 15 percent above the allowable charges for care provided for non-participating TRICARE providers.

CIVILIAN EMPLOYER RELATIONSHIPS

We have also encouraged the Secretaries of the Military Departments to exempt the service performed by those who volunteer for duty in support of Operations ENDURING FREEDOM and NOBLE EAGLE from counting toward the Uniformed Services Employment and Reemployment Rights Act 5-year limit.

The increased reliance on the Reserve Components to support national security directly affects the civilian employers of Guard and Reserve members. The reserve commitment is no longer one weekend a month and two weeks during the summer—which was the traditional training regimen for the Reserve Components. We have now established a new paradigm in which we call upon Reservists to leave their civilian jobs more frequently to perform military duty, often at a time when businesses are streamlining their workforce and are relying on their Reservist-employees to be in the civilian workplace. This places a burden on civilian employers who must sustain their business operations with fewer employees, while their Reservist-employees are fulfilling their military obligation and performing their military duties. From an employer perspective, this affects their bottom line. Whether a for-profit company or not-for-profit organization, the effect of calling on their employees to serve in uniform is essentially the same for all employers. The employer must make difficult decisions such as redistributing the workload among other employees (overtime), hiring temporary replacements (additional payroll expense), or reducing production or services (reduced profit or decreased services provided).

If the Department is to continue to call upon these shared human resources, we must determine what actions the Department can take to identify employers of Reserve Component

members. We must increase our focus on employer support efforts, improve communications between the Department and employers, identify future actions that will provide some relief for employers when we call upon their Reservist-employees, and strengthen the relationship between the Department and employers that will enable us to continue to use our shared employees.

RESERVE FORCE EMPLOYMENT

We also recognize that the process for employing Reserve Component members, given the wide array of different duty categories in which they can serve, is unnecessarily complex and confusing. We have undertaken a comprehensive review to determine if greater efficiencies and increased flexibilities are possible in the process of employing National Guard and Reserve units and individuals. Associated compensation and benefits are also being addressed to identify and eliminate disparities between the Active and Reserve Components.

NEW MISSIONS

Finally, the Secretary's call for transformation of the Department has offered new opportunities to look for innovative uses of the Reserve Components. One area we are exploring is the growing shortage of cutting edge professionals in key areas such as biometrics and information technology that exists worldwide. One possibility might be to attract and retain individuals with cutting edge civilian skills in the Reserve Components. Civilian industry would keep their skills sharp, yet they would be available when we needed them—putting the right person with the right skill in the right place at the right time. This may require building on or expanding some existing programs to better capitalize on civilian acquired skills; encouraging innovative forms of Reserve Component participation such as virtual duty or remote duty; creating new “critical specialty” categories of Reserves that are incubators for new and emerging talent pools rather than way stations where Reservists are managed; and identifying innovative

ways to foster partnerships with leading edge firms in which we could share individuals with cutting-edge technology skills.

CONCLUSION

Mr. Chairman, this concludes my statement. I thank you and the members of this Subcommittee for your outstanding and continuing support for the men and women of the Department of Defense. I look forward to working with you closely during the coming year.