

**STATEMENT OF
THE MILITARY COALITION (TMC)**

before the

**Personnel Subcommittee
Senate Armed Services Committee**

March 11, 2003

Presented by

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Reserve Officers Association
Co-Chairman, Guard & Reserve Committee**

**MCPO Joseph Barnes, USN (Ret)
Fleet Reserve Association
Co-Chairman, Personnel, Compensation and Commissary Committee**

**CMSGT James E. Lokovic, USAF (Ret)
Air Force Sergeants Association
Co-Chairman, Retirement Committee**

**Dr. Sue Schwartz, PhD
Military Officers Association of America
Co-Chairman, Health Care Committee**

**Joyce W. Raezer
National Military Family Association
Co-Chairman, Personnel, Compensation and Commissary Committee**

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Officers Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

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

**Biography of Sue Schwartz, DBA, RN
Deputy Director, Government Relations
The Military Officers Association of America**

Sue Schwartz is Deputy Director of Government Relations, Health Affairs at The Military Officers Association of America (MOAA) where she follows health care reform legislation and its potential impact on the military health services system and serves as co-chairman of the Military Coalition's Health Care Committee. In November 2000, Dr. Schwartz joined the staff at MOAA after leaving the National Military Family Association (NMFA) as the Associate Director, Government Relations

Dr. Schwartz has over 19 years experience as a registered nurse in a variety of health care settings, holding positions of staff nurse, Operating Room Educator, Operating Room/Post Anesthesia Care Unit Director, and Quality Improvement Director. Her consultative experience with Allegiance Health Care, Inc., emphasized cost reduction through supply logistics and clinical activities reengineering. She currently serves as a commissioner on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans and is a member of the Office of the Secretary of Defense TRICARE Beneficiary Panel.

Her simultaneous education preparation includes: DBA from NOVA Southeastern University, MBA from Auburn University, Montgomery, MSA from Central Michigan University, BS from Springfield College and ADN from Bristol Community College. Dr. Schwartz is a certified operating room nurse (CNOR) since 1989, receiving the Association of Perioperative Registered Nurses (AORN) scholarship awards in 1990, 1991, 1997 and 1998. In addition, she is a member of Beta Gamma Sigma, a national business honorary.

A spouse of an active duty Marine officer, she resides in Northern Virginia.

Joseph L. Barnes
National Executive Secretary
Fleet Reserve Association

The Fleet Reserve Association's (FRA's) National Board of Directors (NBOD) selected Joseph L. (Joe) Barnes, FRA Branch 181, to serve as the Association's National Executive Secretary (NES) during a pre-national convention meeting in Kissimmee, Fla., in September 2002.

He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. In addition, he is the chief assistant to the National President and the NBOD, and is responsible for managing FRA's National Headquarters in Alexandria, Va.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes works effectively as Co-Chairman of The Military Coalition's (TMC's) Personnel, Compensation FRA and TMC on Capitol Hill. He is also a member of the Defense Commissary Agency's (DeCA's) Patron Council.

Barnes joined FRA's National Headquarters team in 1993 as editor of On Watch, FRA's bimonthly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

He is a member of the U.S. Navy Memorial Foundation's Board of Directors and in recognition of his work on behalf of enlisted personnel, Barnes was appointed an Honorary Member of the United States Coast Guard by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton at FRA's 74th National Convention in September 2001.

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

He has served in a variety of volunteer leadership positions in community and school organizations and is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

CMSgt (Ret) James Lokovic
Deputy Executive Director, Military & Government Relations
Air Force Sergeants Association

CMSgt (Ret.) James E. Lokovic is the Deputy Executive Director and Director of Military and Government Relations of the Air Force Sergeants Association (AFSA). Reporting to the Executive Director, he serves as AFSA's representative on legislative matters to the White House, Congress, DoD, Air Force, other government agencies, and other associations. In regularly testifying before Congress and as one of AFSA's registered lobbyists, he represents the active and retired enlisted members of all components of the Air Force on Capitol Hill, and is AFSA's primary liaison to the office of the Chief Master Sergeant of the Air Force. He has served with AFSA since his active duty military retirement in 1994.

During his 25-year Air Force career, Chief Lokovic's assignments included Okinawa, Japan; San Vito Dei Normanni, Italy (2 tours); Crete, Greece; Florida; Maryland; Texas (3 tours), and the Pentagon. His duties included all skill levels in the Morse and Non-Morse Systems career fields, service as a mission supervisor, operations superintendent, Unit OJT Manager, Unit Career Advisor, inspector for a Major Command (ESC) IG team, instructor and director of education at NCO Leadership School and NCO Academy levels, the functional manager for all Air Force First Sergeants, and finally as the Chief, USAF Enlisted Professional Military Education on the Air Staff.

Chief Lokovic was the top graduate (Levitow Award) at the ESC NCO Academy in San Angelo, Texas, and at the USAF Senior NCO Academy at Maxwell AFB, Gunter Annex. He is also a graduate of the Senior Non-Morse Analysis Course, Pensacola, Florida; and Academic Instructor School at Maxwell AFB, Alabama. His civilian education includes a Bachelor of Arts degree in Liberal Arts and associates degrees from the Community College of the Air Force in Communications Technology and in Instructional Systems Technology.

His decorations include the Meritorious Service Medal with three oak leaf clusters, the Air Force Commendation Medal, the Joint Service Commendation Medal and the Air Force Achievement Medal.

Chief Lokovic and his wife, Linda, reside in Waldorf, Maryland

LIEUTENANT COLONEL STEPHEN P. ANDERSON, AUS (RET)

LTC Anderson was graduated from Boston College and commissioned through its Army ROTC program. He spent two years on active duty with an Army Air Defense missile battalion (Nike-Hercules) in the Federal Republic of Germany.

Upon leaving active duty, he completed a master's degree in English literature at Boston College and completed all requirements for a doctorate in that discipline at The University of Texas at Austin. During this period he joined the Army Reserve, commanding a chemical unit and serving tours of counterpart training as a staff officer with a HAWK missile battalion at Ft. Bliss, Texas.

In 1976 he returned to active duty as a full-time Reservist at the Reserve Components Personnel and Administration Center in St. Louis, Missouri, where he served as a personnel manager, operations, and budget officer.

In 1982 he was assigned as a budget officer in the Office of the Chief, Army Reserve (OCAR), and later as a policy and liaison officer for the same agency. He played a major role in implementing the USAR's personnel management systems, establishing the Army Reserve Personnel Center, and the United States Army Reserve Command. For the last 10 years of his assignment with OCAR, he performed various liaison duties with the Congress and served as writer and editor of the Chief, Army Reserve's annual congressional posture statement.

He retired from active duty in May 1994 and joined the ROA national staff in June 1994 as its legislative counsel and primary representative on the Military Coalition, where he serves as co-chair of the Guard and Reserve Committee.

Joyce Wessel Raezer
Director, Government Relations
National Military Family Association

Joyce was promoted to Associate Director, Government Relations for the National Military Family Association in December 2000. An Association by-laws revision, effective December 2001, changed the position title to Director, Government Relations. Joyce started her volunteer work with NMFA in September 1995 and became Education Specialist in 1996. In February 1998, she was selected for the paid position of Senior Issues Specialist for the Association and was named Deputy Associate Director of the Government Relations Department in June 1999. Joyce monitors issues relevant to the quality of life of the families of the Uniformed Services and represents the Association at briefings and meetings of other organizations, Members of Congress and their staffs, and members of the Executive branch.

Joyce has represented military families on several committees and task forces for offices and agencies of the Department of Defense and military Services, including the Department of Defense Education Activity (DoDEA) and the TRICARE Management Activity (TMA). She has been a member of the Defense Commissary Agency (DeCA) Patron Council since February 2001, representing active duty family members. She is a member of the Army's Youth Education Working Group. Joyce serves on four committees of The Military Coalition and is co-chair of the Personnel, Compensation and Commissaries Committee. She served as a beneficiary representative, from September 1999 to December 2000, on a Congressionally mandated Federal Advisory Panel on DoD Health Care Quality Initiatives. She was a member of the planning committee for the national conference on "Serving the Military Child" held October 1998 in Arlington, VA. From June 1999 to June 2001, Joyce served on the first national Board of Directors for the Military Child Education Coalition.

Joyce was the 1997 recipient of NMFA's Margaret Vinson Hallgren Award for her advocacy on behalf of military families and the Association. She also received the "Champion for Children" award from the Military Impacted Schools Association in 1998.

A Maryland native, Joyce earned a B.A. in History from Gettysburg College, Gettysburg, Pennsylvania and a M.A. in History from the University of Virginia. An Army spouse of 20 years and mother of two children, she has lived in Washington, D.C. (3 tours), Virginia, Kentucky, and California. She is a former teacher and is an active volunteer school parent. She was elected to the Fort Knox (KY) Community Schools Board of Education in 1993 and served until August 1995. She currently serves on the PTA board for her daughter's school in Fairfax County, Virginia.

EXECUTIVE SUMMARY RECOMMENDATIONS OF THE MILITARY COALITION

ACTIVE FORCE ISSUES

Personnel Strengths and Operations Tempo. The Military Coalition strongly recommends Service end strengths be increased immediately to balance today's operational requirements with the personnel resources needed to perform these missions. The force was already stressed before 9/11 and the pace of operations—especially for those serving in low density, high demand skills—has only increased, worsening the operational and personal stresses on active, National Guard and Reserve personnel, and their families.

Pay Raise Comparability and Pay Table Reform. The Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule and to revise the permanent law that caps annual military pay raises below comparable private sector wage growth, effective in 2007. The Coalition also urges the Subcommittee to ignore requests from the Administration to cap future military raises. The Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are needed, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed. Specific objectives for inter-grade relationships must be established, publicized, and understood, or members will perceive repeated differential pay raises as unfair. The Coalition is also extremely disappointed that the Administration is proposing to cap the pay of NOAA and USPHS officers at 2%. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services and urges you to intercede in their behalf with your colleagues on the appropriate oversight committees for NOAA and USPHS personnel.

Basic Allowance for Housing (BAH). The Military Coalition urges the Subcommittee to adjust grade-based housing standards to more accurately reflect realistic housing options and members' current out-of-pocket housing expenses. The Coalition further urges the Subcommittee to accelerate the plan to eliminate servicemembers' out-of-pocket housing expenses from FY 2005 to FY 2004.

Basic Allowance for Subsistence (BAS). The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12% of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY 2004 to recognize that the government, not the servicemember, should be responsible for paying the cost of doing the government's business.

Education Benefits for Career Servicemembers. The Military Coalition urges the subcommittee to provide those career servicemembers, who have not had an opportunity to sign up for a post-service educational program, an opportunity to enroll in the Montgomery GI Bill (MGIB).

Family Readiness and Support. The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active, National Guard and Reserve members.

Commissaries. The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

NATIONAL GUARD AND RESERVE ISSUES

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve force strengths and missions. The Coalition also urges further improvements to the Soldiers and Sailors Civil Relief Act (SSCRA) to protect National Guard and Reserve families from economic disruption when they are called to extended active duty.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges making the TRICARE medical program available for members of the National Guard, Reserves and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Basic benefits under the MGIB program (Title 38) have increased almost 50 percent over the last three years, but during the same period, have not increased, proportionally, in the Reserve MGIB program (Title 10). The Military Coalition recommends that the Reserve MGIB authority be transferred to Title 38 so that those benefits are applied consistently and equitably to all members of the Total Force.

Tax issues. The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training. The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reservists. TMC recommends that the Committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended federal service.

RETIREMENT ISSUES

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. The Military Coalition thanks the Subcommittee leaders and members for the FY 2003 National Defense Authorization Act provisions that eliminate the disability offset for combat and operations-related disabilities, and urges continued progress to eliminate the offset for all disabled retirees. The Coalition specifically requests the immediate inclusion of deserving National Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor—all of whom completed careers and suffered combat, or operations-related, disabilities.

Final Retired Pay Check. The Military Coalition strongly recommends that authority be provided to allow the survivors to retain the final retired pay check received during the month in which the retiree dies. Current policy requires the final check to be returned and a prorata check be reissued based on the number of days the retiree was alive in that final month—an agonizing and arduous experience for many survivors.

Former Spouse Issues. The Military Coalition strongly recommends corrective legislation be enacted to eliminate inequities created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

Involuntary Separation Pay. The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

Tax Relief for Uniformed Services Beneficiaries. The Military Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums and enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

SURVIVOR PROGRAM ISSUES

Age 62 SBP Offset. The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. The Military Coalition recommends that payments of benefits to children of active duty members, who die while serving on active duty, be authorized if the surviving spouse remarries, as is the case for the children of retired members.

Death Gratuity. The Military Coalition strongly recommends the death gratuity paid to survivors of members who die on active duty, be raised from \$6,000 to \$12,000.

SBP-DIC Offset. The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated, recognizing that these two payments are for different purposes.

HEALTH CARE ISSUES

Adequate Funding For The Defense Health Budget. The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DoD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE For Life Implementation

Claims Processing for Under-65 Medicare-Eligible Beneficiaries. The Military Coalition urges the Subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries. The Military Coalition urges the Subcommittee to require DoD to develop a mechanism to inform retiree beneficiaries of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty. The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DoD-VA Beneficiaries. The Coalition urges the Subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DoD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE Improvements

Distinction between TRICARE Prime and Standard. The Military Coalition urges the Subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement. The Military Coalition requests the Subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part B's flawed reimbursement formula.

The Military Coalition most strongly urges the Subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients. The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

Network and Standard Provider Availability. The Military Coalition urges the Subcommittee to require DoD and its MCSCs to assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication.

FEHBP Option. The Military Coalition urges the Subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their federal civilian counterparts.

Administrative Burdens. The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization. The Military Coalition urges the Subcommittee's continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements. The Military Coalition requests that the Subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

The Military Coalition urges the Subcommittee to expand TRICARE Prime Remote coverage to include reservists called to active duty for 31 to 179 days who reside within MTF catchment areas.

The Military Coalition recommends that Subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve Component and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. Alternatively, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard. The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard. The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should the Subcommittee deem this impractical at this time, the Coalition urges the Subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX – TRICARE Next Generation of Contracts. The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups’ inputs are sought in the implementation process.

Uniform Formulary Implementation. The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity. The Military Coalition strongly urges the Subcommittee to direct DoD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits For Remarried Widows. The Military Coalition urges the Subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime Enrollment Fees From Retiree Pay The Military Coalition urges the Subcommittee to require DoD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees’ retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC Areas. The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan. The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation. The Military Coalition urges the Subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries. The Military Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements and FEHBP premiums.

Custodial Care. The Military Coalition recommends the Subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups' inputs be sought in the development of implementing regulations.

PERSONNEL ISSUES

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your unwavering support for fair treatment of all members of the uniformed services and their families and survivors. We are most grateful to the Subcommittee for its strong support of significant improvements in military pay, housing allowances and other personnel programs for active, Guard and Reserve personnel and their families. The Coalition is especially grateful for the Subcommittee's support of last year's authority to eliminate the offset of retired pay for veterans' disability compensation for certain disabled retirees, even though the final authority was significantly narrower than we had hoped. These and the many other important provisions of the FY 2003 National Defense Authorization Act will pay strong retention and readiness dividends in the years ahead.

Congress has clearly made military compensation equity a top priority and has accomplished much over the past several years to improve the lives of men and women in uniform, and their families.

But this year, we have heard recommendations from some in the Administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years—problems that led the Joint Chiefs to testify before you in September 1998 about a significant pay gap that threatened the ability to sustain a quality all volunteer force.

Although the President rejected the pay cap proposal this year, we expect it will resurface in the future as it has in the past. When it does, we trust that you will again recognize the fallacy and personnel readiness risks inherent in any such ill-considered recommendation.

Today's reality is simple—the uniformed services still find themselves facing significant personnel challenges, with ever-smaller numbers of servicemembers and their families being asked to incur ever-greater workloads and ever-greater sacrifices. They need relief.

While progress has been made in improving active duty, Guard and Reserve members' compensation and benefit package, the hard fact is that we don't have a large enough force—in any component—to adequately carry out all current missions and still be prepared for new contingencies that may arise elsewhere in the world. In the historical sense of the term, the country no longer has a Reserve force, as we must routinely use a substantial share of our Reserves to accomplish day-to-day defense missions.

Significant inequities also persist for retirees and survivors, whose service preserved the freedoms we enjoy today. Congress made significant strides in restoring lifetime health coverage for this population, and last year passed significant "first-ever" legislation to eliminate

the disability offset for a select group of disabled retirees. But hundreds of thousands of disabled retirees and survivors continue to experience unfair reductions in their retired pay and survivor annuities. Correcting those problems remains a major Coalition priority.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

ACTIVE FORCE ISSUES

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is just 3.2 percent of this Nation's Gross National Product—less than half of the share it comprised in 1986. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a very-dangerous world. Constant and repeated deployments have become a way of life for today's servicemembers, and the stress is taking a significant toll on our men and women in uniform and their families, as well.

Despite the notable and commendable improvements made during the last several years in military compensation and health care programs, retention remains a significant challenge, especially in technical specialties. While some service retention statistics are up from previous years' levels, many believe those numbers are skewed by post-9/11 patriotism and by Services' stop-loss policies. That artificial retention bubble is not sustainable for the long term under these conditions, despite the reluctance of some to see anything other than rosy scenarios.

From the servicemembers' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Servicemembers have endured years of longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and more out-of-pocket expenses with each military relocation.

The war on terrorism has only heightened already burdensome mission requirements, and operating—and personnel—tempos continue to intensify. Members' patriotic dedication has been the fabric that sustained this increased workload for now, and a temporarily depressed economy also may have deterred some losses. But the longer-term outlook is problematic.

Experienced (and predominantly married) officers, NCOs and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector, even through the recent economic downturn. In today's environment, more and more servicemembers and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers succeeding in the civilian world, and when faced with repeated deployments, the appeal of a more stable career and family life, often including an enhanced compensation package with far less demanding working conditions, is attractive. Too often, our excellent soldiers, sailors, airmen and Marines are opting for civilian career choices, not because they don't love what they do, but because their families just can't take the stresses any more.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. To the Subcommittee's credit, you reacted to retention problems by improving military compensation elements. We know you do not intend to rest on your well deserved laurels and that you have a continuing agenda in place to address these very important problems. But we also know that there will be stiff competition for proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Subcommittee's key challenge will be to ease servicemembers' debilitating workload stress and continue to build on the foundation of trust that you have established over the past four years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed and deeply disappointed at the Department of Defense's reluctance to accept your efforts to increase Service end strength to meet today's much-increased operations tempo. The Department's response is to attack the problem by freeing up resources to realign to core war-fighting skills. While the Department's transformation vision is a great theory, its practical application will take a long time—time we don't have after years of extraordinary optempo that is already exhausting our downsized forces.

Administration and military leaders warn of a long-term mission against terrorism that will drive more servicemembers' deployment to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, so we have had to recall significant numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the Administration does not recognize when extra missions exceed the capacity to perform them, the Congress must assume that obligation.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should be increased, commensurate with missions assigned. The force was already overstrained to meet its deployment requirements before 9/11, and since then our forces have absorbed major contingency requirements in Afghanistan and Iraq.

Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. With no evidence of declining missions, this can only be achieved by increasing the size of the force.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career dissatisfiers, but they can't fix fatigue and rising family separations.

Some argue that it will do little good to increase end strengths, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.

Others point to high reenlistment rates in deployed units as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by stop-loss policies. Over the long run, past experience has shown that time and again smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now. Failing to do so will only deepen the burden of already over-stressed troops and make future challenges to sustain retention and recruiting worse.

The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of the global war on terrorism and fulfillment of national military strategy. The Coalition supports application of recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.

Pay Raise Comparability. The Military Coalition appreciates the Subcommittee's leadership during the last five years in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls reared its head again earlier this year when the Director of the Office of Management and Budget proposed capping 2004 and future military pay raises at the level of inflation. The Coalition was shocked and deeply disappointed that such a senior officer could ignore 25 years of experience indicating that pay caps lead inevitably to retention and readiness problems. Not only was the proposal ill timed as troops are massed for a potential war with Iraq—it's just bad, failed policy.

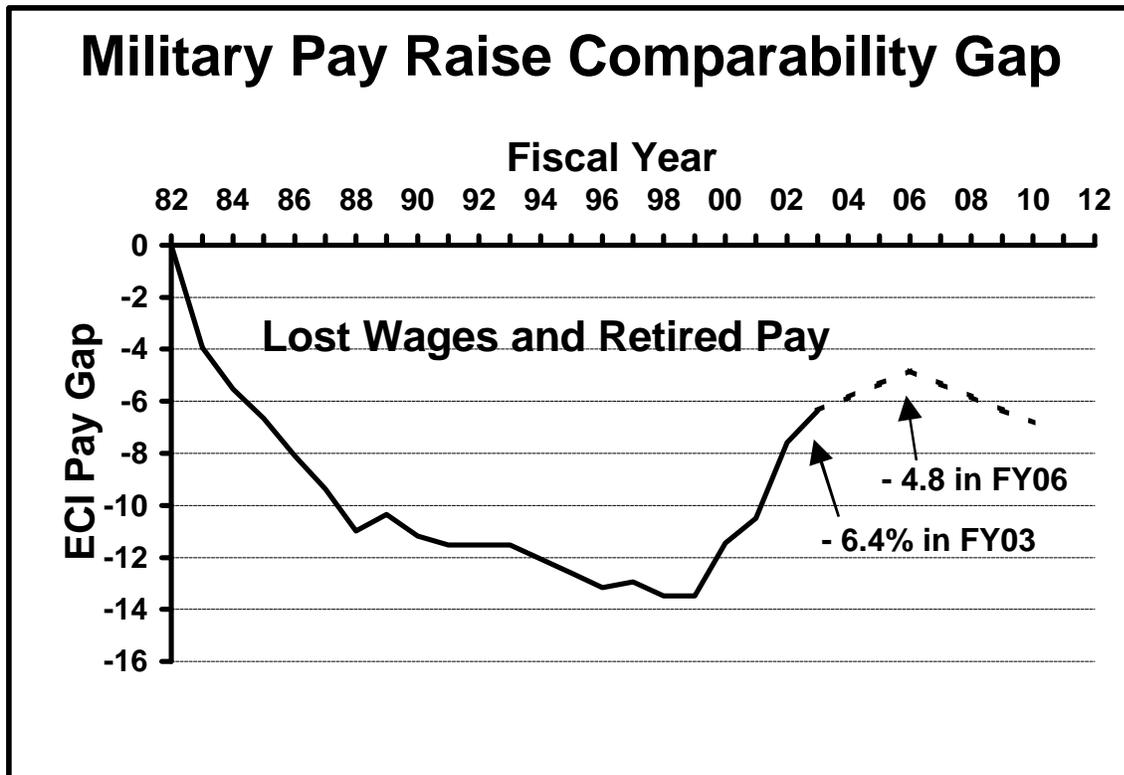
The President rejected his senior budget official's advice for five of the seven uniformed services—but, unfortunately, the Administration's budget for FY 2004 proposes to cap the pay of NOAA and USPHS officers at 2%. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services. The Coalition urges the Subcommittee to intercede in their behalf with colleagues on the appropriate oversight committees for NOAA and USPHS personnel to ensure that these commissioned officers receive the same treatment as their fellow comrades-in-arms.

Pay raise comparability with private sector wage growth is a fundamental underpinning of the all-volunteer force, and it cannot be dismissed without severe consequences for national defense.

When the pay raise comparability gap reached 13.5% in 1999—resulting in a predictable readiness crisis—this Subcommittee took responsible action to change the law. Largely because of your efforts and the belated recognition of the problem by the Executive Branch, the gap has been reduced to 6.4% as of 2003.

Fortunately, the President rejected his budgeteers' advice, and has proposed an average 4.1% raise for FY 2004, which would shrink the gap another full percentage point to 5.4%. Even at that rate, it would take another 5 years to restore full comparability. So this is no time to reinstitute pay caps.

On the contrary, we urge the Subcommittee to consider that the law mandating increased military raises will expire in 2006, after which military raises will again be capped one-half percentage point per year below private sector wage growth (see chart below).



The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to change the permanent law to ensure all future military raises match private sector wage growth, as measured by the Employment Cost Index.

Pay Table Reform. The Subcommittee also has worked to address some shortcomings within the basic pay table by authorizing special “targeted” adjustments for specific grade and longevity combinations in recent years. The Coalition has supported these raises to recognize the education and technical expertise of certain career officers and enlisted members. However, the Coalition is concerned about potential perceptions of creating annual “haves and have nots” among members in different grades.

Servicemembers have a right to know and understand the objectives of such differential raises, or they will be perceived as arbitrary, capricious and unfair. Once the objective of such targeting has been achieved, equal-percentage annual raises should be restored for all servicemembers.

The Military Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are appropriate, the Department of Defense needs to identify the ultimate “objective pay table” toward which the targeted raises are aimed.

Basic Allowance for Housing (BAH). The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E-9—which represents only one percent of the enlisted force. TMC believes that as a minimum, this BAH standard should be extended to qualifying servicemembers in grades E-7 and above, immediately.

The Coalition is most grateful to the Subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers. Responding to the Subcommittee’s leadership on this issue, the Department of Defense proposed a phased plan to reduce median out of pocket expenses to zero by FY 2005. Through the leadership and support of this Subcommittee, these commitments have been put into law. This aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many servicemembers and families who were strapped in meeting rising housing and utility costs.

We applaud the Subcommittee’s action, and hope that this plan can be accelerated as we near the completion date. Housing and utility costs continue to rise, and we are years away from closing the existing pay comparability gap. Members residing off base face higher housing expenses along with significant transportation costs. Relief is especially important for junior enlisted personnel who live off base and do not qualify for other supplemental assistance.

The Military Coalition urges the Subcommittee to direct adjustments in grade-based housing standards to more adequately cover members’ current out-of-pocket housing expenses and to accelerate the plan to eliminate out of pocket housing expenses from FY 2005 to FY 2004.

Basic Allowance for Subsistence (BAS). The Coalition is grateful to the Subcommittee for establishing a food-cost-based standard for BAS and ending the one percent cap on BAS increases. But more needs to be done to permit single career enlisted members more individual responsibility in their personal living arrangements. In this regard, the Coalition believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals.

The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12% of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for FY 2002 and the authority to raise PCS per diem expenses to match those for federal civilian employees in FY 2003. These are very significant steps to upgrade allowances that had been unchanged in over 15 years. Even with these much-needed changes, however, servicemembers

continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile—significantly lower than the temporary duty mileage rate of 36 cents per mile for military members and federal civilians. PCS household goods weight allowances were increased for grades E-1 through E-4, effective January 2003, but weight allowance increases are also needed for E5s and above and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career. The frequency of PCS moves coupled with the spotty quality record of many carriers requires continued improvements to the household goods movement process, to include an increased emphasis on measurable accountability standards for the evaluation of carriers. In addition, policies are needed to promote full replacement value reimbursements for lost or damaged household goods.

The overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a family vehicle because family housing is often not co-located with installation support services.

Last, with regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as federal civilians receive. Further, federal and state cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the servicemember's PCS orders. The Coalition also believes continuation of and adequate funding for the Relocation Assistance Program is essential.

We are sensitive to the Subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions of childrens' schooling, spousal career sacrifices, etc. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY 2004 to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.

Education Benefits for Career Servicemembers. Active duty career servicemembers who entered service during the VEAP-era (1977 – 30 June 1985) but who declined to take VEAP are the only group of currently serving members who have not been offered an opportunity to enroll in the Montgomery GI Bill (MGIB). There are about 115,000 servicemembers in this situation. Many actually were discouraged from signing up for VEAP as it was acknowledged to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that started on 1 July 1985. As the backbone of today's force, these senior leaders are critical to the success of ongoing and pending military operations. When they complete their careers, they should have been afforded at least one opportunity to say "yes" or "no" to veterans' education benefits under the MGIB.

TMC strongly recommends allowing a MGIB sign-up window for career servicemembers who declined VEAP when they entered service.

Family Readiness and Support. The family continues to be a key consideration in the readiness equation for each servicemember. The maintenance of family readiness and support programs is part of the cost of performing the military mission. We must ensure that families have the opportunity to develop the financial and readiness skills needed to cope with deployment situations. It is important to meet the childcare needs of the military community including National Guard and Reserve members. Overall family support programs must meet the needs of National Guard and Reserve members being called to active duty in ever-increasing numbers.

The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active duty, National Guard and Reserve members.

Commissaries. The FY 2003 budget reduced Defense Commissary Agency funding by \$137 million and envisioned eliminating over 2,600 positions from stores and headquarters staff by September 30, 2003. While DeCA indicates there will be no loss in service to the customer, the Coalition is concerned that the size and scope of the reductions may negatively impact quality and service to customers, including additional store closings, reduced hours, longer cashier lines and reduced stock on store shelves. This would have a significantly adverse impact on the benefit, which is widely recognized as a valuable part of the servicemember's compensation package and a cornerstone of quality of life benefits. As it has in the past, The Military Coalition opposes any efforts to privatize commissaries and strongly supports full funding of the benefit in FY 2004 and beyond.

The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

NATIONAL GUARD AND RESERVE ISSUES

The Military Coalition applauds the longstanding efforts of this Subcommittee to address the needs of our Nation's National Guard and Reserve forces, to facilitate the Total Force concept as an operational reality, and to ensure that National Guard and Reserve members receive appropriate recognition as full members of the armed forces readiness team.

Support of Active Duty Operations. National Guard and Reserve members and units shoulder ever-greater day-to-day operational workloads. They increasingly have come to face many of the same challenges as their active counterparts.

Compounding the problem for National Guard and Reserve personnel, their increasing support of day-to-day active duty operations also has placed greater strains on the employers of these members. Employer support was always strong when National Guard and Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less certain as National Guard and Reserve members have taken longer and more frequent leaves of absence from their civilian jobs. Homeland defense

and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the total force policy.

The Coalition understands and fully supports the Total Force Policy and the prominent role of the National Guard and Reserve forces under this policy. Still, the Coalition is concerned that ever-rising operational employment of National Guard and Reserve forces is having the practical effect of blurring the distinctions between the missions of the active and National Guard/Reserve forces. National Guard and Reserve members could eventually face resistance with employers and increased financial burdens when activated which would negatively impact their ability to perform assigned missions and reduce their propensity to remain in reserve service.

The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve force strengths and missions.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage has an impact on Guard and Reserve medical readiness and family morale. Progress has been made during transitional periods after call-ups but more needs to be done to provide continuity of care coverage for reserve component members.

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE “kicks in” at 30 days activation, many Guard and Reserve families would prefer continued access to their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD reservist-employees activated for extended periods. However, this new benefit only affects about 10% of the Selected Reserve. As a matter of morale, equity, and personnel readiness, more needs to be done to assist reservists who are being called up more frequently in support of national security missions.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserves and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

SSCRA Issues. The Coalition very much appreciates the Subcommittee’s approval of the change in law to permit Soldiers’ and Sailors’ Civil Relief Act (SSCRA) protections for National Guard servicemembers activated by state Governors under Title 32, at the request of the President, in support of homeland defense missions.

The Military Coalition recommends that the SSCRA be brought up to date to fully protect Guard and Reserve families from economic calamity.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (MGIB-SR).

Unlike the basic MGIB authorized under Title 38, the Reserve GI Bill program is governed by Chapter 1606 of Title 10. The problem is that the Reserve MGIB-SR program competes with National Guard and Reserve pay accounts for funding. Over the last three years, there have been no increases to MGIB-SR benefits.

During the same period, basic benefits for full-time study under the regular MGIB (Title 38) have gone up 46 percent. In October 2003, the monthly rate will increase to \$985.

In addition, the MGIB-SR is paid out of the National Guard and Reserve personnel appropriations, and the Reserve chiefs are forced to absorb any MGIB-SR increases out of these accounts. The Coalition believes that total force equity requires automatic proportional adjustments to the MGIB-SR whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer the MGIB-SR program to Title 38.

The Military Coalition recommends transfer of the Reserve MGIB-SR authority from Title 10 to Title 38 to permit proportional benefit adjustments in line with the basic MGIB program and to ensure this program is applied consistently and equitably to all members of the Total Force.

Tax issues. The Coalition understands that tax matters fall under the purview of a different committee. But there are unique issues affecting members of National Guard and Reserve forces, and we hope that members of the Subcommittee will seek the support of the Ways and Means Committee in addressing them.

Guardsmen and Reservists are being asked to train more to enhance their readiness to support contingency missions, and are incurring considerable unreimbursed expenses for such training-related items as travel, overnight lodging, meals and uniforms. Prior to the 1986 tax code revision, these expenses were fully deductible; under current law, they are only deductible to the extent they exceed two percent of adjusted gross income. In a case where the member and spouse combined earn \$40,000, the member must absorb the first \$800 per year of training-related expenses. A member and spouse earning \$30,000 each must absorb \$1,200 per year. This is a significant financial penalty for members who serve their country, and needs to be corrected. National Guard and Reserve members should not be required to subsidize their own military training.

The Military Coalition urges the Subcommittee's active support for restoration of full tax-deductibility of non-reimbursable drill-related expenses for Guard and Reserve members.

With today's increasing operations tempo, the support of National Guard and Reserve members' employers is more essential than ever. Yet more frequent absence of National Guard and Reserve employees for training or operations is undermining that support, as mentioned above. The Subcommittee's help is needed to foster additional incentives for employers to help offset their costs associated with their employees' military activities.

The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The role of the National Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, to 90 points in FY2001. The Coalition is most appreciative of Congress' approval of the increases.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the training that they've earned in a given year towards their retirement. The typical member of the National Guard and Reserve consistently earns IDT points above the 90-point maximum. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of National Guard and Reserve servicemembers' commitment to mission readiness.

The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. National Guard and Reserve members are authorized 24 commissary visits per year. Visits are tracked by a cumbersome and costly access card that must be reissued each year by Reserve component commands. The process of issuing, checking, and accounting for these separate cards contradicts DoD's policy of a "seamless, integrated total force" symbolized by the issuance of green ID cards to all members of the Selected Reserve. Because only 35–40 percent of National Guard and Reserve members live close enough to commissary stores to be able to use them conveniently, there is little chance of excessive use by National Guard and Reserve members. In fact, the 24-visit limit is tantamount to full privileges for the vast majority of National Guard and Reserve personnel. Thus, the sole effect of the 24-visit limit is to treat National Guard and Reserve members as second-class citizens and to impose burdensome administrative requirements on Guard and Reserve units. Equal access to commissary stores by the National Guard and Reserve is an imperative that recognizes the increased responsibility of National Guard and Reserve forces for the national security.

The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reserve Servicemembers. TMC is aware of a growing number of cases of denied academic credit, lost academic status, and financial difficulties experienced by student-reservists called to extended active duty. The problem is not new and occurred widely during the Gulf War, but no corrective action has been taken since then. If the nation is to routinely mobilize large numbers of Guard and Reserve servicemembers, they must be assured of reasonable protections when their academic work is interrupted. Comparable economic and legal protections are available under the Soldiers and Sailors Civil Relief Act and the time has come to authorize similar protections for reservists who lose their academic standing through no fault of their own.

TMC recommends that the Committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended federal service.

RETIREMENT ISSUES

The Military Coalition is grateful to the Subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation. The Coalition was disappointed that agreement could not be reached by last year's Conference Committee to provide unconditional concurrent receipt in the FY 2003 National Defense Authorization Act, but appreciates the "first ever" provisions that were provided to eliminate the disability offset for certain retirees who were severely disabled by combat and operations-related incidents. The Subcommittee's action to establish a "beachhead" in law is very significant in recognizing that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other.

The Coalition has long held that retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation is paid for loss of function and future earning potential caused by a service-connected disability.

Previous attempts to fix this inequity have all been met with the same response—the cost is too large. But, the cost to men and women in uniform who have been injured while serving this Nation is far greater. Because of cost concerns, last year's authority was limited to a very special group of disabled retirees—those injured in combat, or other combat related operations. But there are thousands of deserving disabled retirees who have been left behind.

No one disabled in the course of serving his or her country should have to forfeit an earned retirement—for years of faithful and dedicated service—in order to receive VA disability compensation for the wounds, injuries, or illnesses incurred in such service.

The Coalition believes strongly that the 90 percent cosponsorship support that existed in the 107th Congress was inconsistent with the outcome, and that further action is essential to address the grossly unfair financial penalties visited for so long on those who already have suffered most for their country—military retirees disabled as a result of their service.

The Coalition is particularly concerned that, during last-minute final negotiations on the FY 2003 Defense Authorization Act, changes in eligibility language inadvertently omitted three classes of disabled retirees who otherwise fall within the criteria enacted into law.

First, technical language in last year's limited concurrent receipt provision effectively excluded virtually all National Guard and Reserve retirees with 20 years of creditable service and combat-related disabilities. There are many retired reservists who were awarded Purple Hearts and have combat-related disabilities. Their Guard and Reserve status did not protect them from being wounded on the battlefield, and they should not be discriminated against by this legislation.

Second, there are a very limited number of retirees who received nondisability retirements with 15 to 19 years of service during the drawdown of the early 1990s and who also have otherwise-

qualifying combat-related disabilities. These members earned their military retirement independently of their disability and should be eligible to receive the special compensation if their disabilities would otherwise qualify.

Finally, enlisted retirees who were awarded one of the top two decorations for valor are authorized an extra 10 percent in retired pay (within the maximum limit of 75 percent of basic pay). The Coalition believes strongly that the modest extra retired pay awarded these members for their combat heroism should not be subject to the disability offset.

The Military Coalition urges Subcommittee leaders and members to expand on last year's concurrent receipt provision and eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to amend last year's authority to include certain otherwise-qualifying Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor.

Final Retired Pay Check. The Military Coalition believes the policy requiring the recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Former Spouse Issues. The Military Coalition recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

The Coalition supports the recommendations in the Department of Defense's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DoD recommendations to allow the member to designate multiple survivor benefit plan beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by federal civilian SBP programs. The Coalition also recommends that the Defense Finance and Accounting Service (DFAS) be required to make direct payments to the former spouses, regardless of length of marriage; the

one-year deemed election period for SBP eligibility be eliminated; and if directed by a valid court order, DFAS should be required to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse. Also, DoD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. TMC supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

In addition, with the exception of the National Military Family Association and the Association of the United States Army, the Coalition supports legislation planned to be introduced by Rep. Cass Ballenger (R-NC) that would limit the duration of payments to former spouses whose marriage to the servicemember did not encompass 20 years of the member's uniformed service. This proposal would limit the period of a former spouse's retired pay payments to the number of years the former spouse's marriage overlapped with a retired member's uniformed service. The Coalition believes strongly in the simple equity premise of this legislation—that if a servicemember must serve 20 years to acquire lifetime retirement benefits, a former spouse should meet the same standard to acquire a lifetime share in those benefits.

The Military Coalition recommends corrective legislation as envisioned by Rep. Ballenger and the proposals submitted by the Department of Defense be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

Involuntary Separation Pay. A law change enacted in 2000 denies separation pay to officers twice deferred for promotion who decline continuation to 20 years of service.

The Coalition urges the subcommittee to reconsider. This legislation is particularly unfair to officers deferred a second time for promotion to O-4 (at approximately 13 years of service), who can find themselves coerced into an untenable choice between serving an additional 7 years without advancement opportunities or separating after more than a decade of service without any separation pay. Previously, officers could decline such an offer and still receive separation pay, in recognition of the inconsistency between deeming an officer noncompetitive for advancement in the military and simultaneously creating financial barriers to allowing the officer to pursue civilian career opportunities.

The Coalition believes such an insensitive practice can only encourage officers to leave service early rather than risk investing 13 years of service and be treated so unfairly if deemed noncompetitive. Perceptions of this unfairness have led to varied applications in different services, which only heightens the inequity.

The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP); most recently the provision in the FY 2002 Defense Authorization Act that extended SBP eligibility to members killed on active duty, regardless of years of service. This action helped a great deal in addressing a long-standing survivor benefits disparity.

But serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support an increase in the minimum SBP annuity for survivor's age 62 and older, and consider a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees.

Age-62 SBP Annuity Increase. Since SBP was first enacted in 1972, retirees and survivors have inundated DoD, Congress and military associations with letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age-62. Before age-62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP covered retired pay. At age-62, the annuity is reduced to a lower percentage, down to a floor of 35 percent of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay.

Although this age-62 reduction, or offset, was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DoD and the Services to describe the program made no mention of the age-62 offset. Thus, thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on their own work history.

To add to these grievances, the originally intended 40-percent government subsidy for the SBP program—which has been cited for more than two decades as an inducement for retirees to elect SBP coverage—has declined to less than 25 percent. This is because retiree premiums were established in statute in the expectation that retiree premiums would cover 60 percent of expected long-term SBP costs, based on the DoD Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions far too conservative, so that retiree premiums now cover 75 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit, and the government is contributing less to the program than Congress originally intended.

This is not the first time the subsidy has needed to be addressed. After the subsidy had declined to similar low levels in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation has recurred, the Coalition believes strongly that the balance should be restored this time by raising the benefit for survivors.

The chart below highlights another significant inequity—the much higher survivor annuity percentage and subsidy percentage the government awards to federal civilian survivors compared to their military counterparts.

Federal Civilian vs. Military SBP Annuity and Subsidy

	<u>CSRS*</u>	<u>FERS**</u>	<u>Military</u>
Post-62 % Of Ret Pay	55%	50%	35%
Gov't Subsidy	48%	33%	25%

*Civil Service Retirement System

**Federal Employees Retirement System

Because servicemembers retire at younger ages than federal civilians, retired servicemembers pay premiums for a far longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a far less advantageous premium-to-benefit ratio—and therefore a far lower federal survivor benefit subsidy than their retired federal civilian counterparts.

The FY 2001 Defense Authorization Act included a “Sense of Congress” provision specifying that legislation should be enacted to increase the SBP age-62 annuity to “reduce and eventually eliminate” the different levels of annuities for survivors age-62 and older versus those for younger survivors. But that statement of support remains to be translated into substantive relief.

The Military Coalition strongly supports legislation sponsored by Sen. Olympia Snowe and Rep. Jeff Miller (S. 451 and H.R. 548, respectively) that, if enacted, would eliminate the disparity

over a five year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2004; to 45 percent in 2005; and to 50 percent in 2006 and finally to 55 percent in 2007.

We appreciate only too well the cost and other challenges associated with such mandatory spending initiatives, and believe this incremental approach offers a reasonable balance between the need to restore equity and the need for fiscal discipline. The cost could be partially offset by authorizing an open enrollment season to allow currently non-participating retirees to enroll in the enhanced program, with a late-enrollment penalty tied to the length of time since they retired. A similar system was used with the last major program change in 1991.

The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. Congress approved a provision in the FY 1999 Defense Authorization Act authorizing retired members who had attained age-70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1991, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait five more years for relief, or as many retirees believe, waiting for them to die off.

The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. Active duty SBP provisions in the FY 2002 National Defense Authorization Act gave active duty members a significantly enhanced SBP benefit. However, the law inadvertently set different rules for active duty and retired members and survivors regarding payment of SBP benefits to eligible children. Currently, in the case of survivors of retirees with "spouse and child" coverage, the payments transfer from the spouse to the minor child(ren) if the spouse remarries before the children lose their dependent status. But an inadvertent inconsistency in the FY 2002 law change does not allow such transfer in the case of a remarriage

of a survivor of a member who died on active duty. In such cases, the children can receive SBP payments only if the surviving spouse dies.

Payment of benefits to children should be authorized if the surviving spouse remarries, regardless of whether the member died on active duty or in retirement.

In addition, SBP eligibility should switch to the children if a surviving spouse is convicted of complicity in the member's death.

The Military Coalition recommends authorizing transfer of SBP payments to surviving children in the event that any surviving spouse remarries or is convicted of complicity in the servicemember's death.

Death Gratuity. The current death gratuity amount was last increased in 1991 when it was raised from \$3,000 to \$6,000. This amount is insufficient to cover costs incurred by families responding to the death of an active member. The Coalition believes the Subcommittee was correct last year in seeking to double the death gratuity and making it tax-free.

The Military Coalition recommends increasing the military death gratuity from \$6,000 to \$12,000, and making the gratuity tax-free.

SBP-DIC Offset. Currently, SBP survivors whose sponsors died of service-connected causes have their SBP annuities reduced by the amount of Dependency and Indemnity Compensation payable by the VA.

The Coalition believes this offset is not appropriate, because the SBP and DIC programs serve distinct purposes. SBP is a retiree-purchased program, which any retiring member can purchase to provide the survivor a portion of his or her retirement. DIC, on the other hand, is special indemnity compensation to the survivor of a member whose service caused his or her death.

The Coalition believes strongly that the government owes extra compensation ("double indemnity compensation," in essence, rather than "substitute compensation") in cases in which the member's death was caused by his or her service.

Although the survivor whose SBP is reduced now receives a pro-rata rebate of SBP premiums, the survivor needs the annuity, not the premium refund. Award of DIC should not reduce award of SBP any more than it reduces payment of SGLI life insurance benefit.

The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not substitutable for the other.

HEALTH CARE TESTIMONY 2003

The Military Coalition (TMC) is most appreciative of the Subcommittee's exceptional efforts to honor the government's health care commitments to uniformed services beneficiaries, particularly for Medicare-eligibles and active duty members and families. These and other Subcommittee-sponsored enhancements represent the greatest military health care advancements in a generation and save uniformed services beneficiaries thousands of dollars a year. The Coalition also thanks the Subcommittee for its continuing efforts to facilitate improvements in TRICARE claims processing, portability, and access.

However, much remains to be done. Today, we wish to address certain chronic problem areas, and some additional initiatives that will be essential to providing an equitable and consistent health for all categories of TRICARE beneficiaries, regardless of age or geography.

We urge the Subcommittee to particularly turn its attention to the situation of beneficiaries under age 65. While the Subcommittee has substantially eased cost burdens for Medicare-eligibles and for active duty families in TRICARE Prime and Prime Remote, 3.2 million TRICARE Standard beneficiaries still face increasingly significant provider accessibility challenges.

The Coalition looks forward to continuing its productive and cooperative efforts with the Subcommittee's members and staff in pursuit of this common objective.

ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

Once again, a top Coalition priority is to work with Congress and DoD to ensure full funding of the Defense Health Budget to meet readiness needs and deliver services, through both the direct care and purchased care systems, for ALL uniformed services beneficiaries, regardless of age, status or location. An adequately funded health care benefit is essential to readiness and the retention of qualified uniformed service personnel.

The Subcommittee's oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning.

While supplemental appropriations were not required last year, we are concerned that the current funding level only meets the needs of the status quo and does not address the growing requirement to support the deployment of forces to Southwest Asia and Afghanistan. Addressing funding for these increased readiness requirements; TRICARE provider shortfalls and other needs will require additional funding.

The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DoD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE FOR LIFE IMPLEMENTATION

The Coalition is pleased to report that, thanks to this Subcommittee's focus on beneficiaries, TMC representatives continue to be engaged in an OSD-sponsored action group, the TFL Working Group. The Working Group has broadened its scope from its original TFL focus, and has been redesignated accordingly as the TRICARE Beneficiary Panel. The group continues to meet on a regular basis to further refine TFL and tackle other TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved between the Beneficiary Panel and the staff at TMA. This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, DoD continues to be committed to implement TFL consistent with congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some TFL implementation "glitches" remain. The Beneficiary Panel has provided a much-needed forum to exchange DoD and beneficiary perspectives and identify corrective actions. The majority of issues, especially with regard to TFL claims processing appear to be resolved. The Coalition will continue to work closely with DoD to monitor remaining issues and any others that may arise.

The Coalition has identified certain statutory limitations and inconsistencies that we believe need adjustment to promote an equitable benefit for all beneficiaries, regardless of where they reside.

Claims Processing for Under-65 Medicare-Eligible Beneficiaries. When TFL was enacted, the Coalition believes Congress intended that ALL Medicare-eligible beneficiaries should receive the same benefit and the same claims-processing treatment. Unfortunately, this has not turned out to be the case as DoD has interpreted and implemented the TFL statute.

The Coalition is very concerned about claims processing limitations that persist for the estimated 48,000 under-65 Medicare-eligible population. These TRICARE beneficiaries (who are eligible for Medicare due to disability) continue to be left out of the electronic claims processing -- the standard for TFL beneficiaries over 65. Eligibility for automated claims is essential to make TFL work smoothly, since it allows TFL beneficiaries access to any Medicare-participating provider. In this regard, Medicare providers incur no extra paperwork with TFL patients, because Medicare automatically processes the claims to TFL. Without inclusion in the electronic claims process, younger disabled beneficiaries must still find a provider who accepts TRICARE in addition to Medicare, and their providers are still saddled with filing individual paper claims with TRICARE for each episode of care. Since this entails much slower processing and payment, many providers are unwilling to care for under-65 Medicare-eligibles or require payment upfront at the time of service.

House report language accompanying the FY 2003 NDAA (P.L. 107-107) directs DoD to provide Medicare-eligibles under 65 the ability to participate in the electronic claims process and to provide a report by March 31, 2003. However, DoD has shown little initiative to expedite a fix for these deserving beneficiaries. The department has indicated its intent to delay inclusion of under-65 retired Medicare-eligible beneficiaries in the electronic claim system until the new TRICARE contracts are implemented at some point in 2004. This means disabled Medicare-eligibles under age 65 face a delay of over three years in receiving the benefit of Congress' action. The Coalition believes this situation is extremely unfair and imposes an undue burden on

these disabled beneficiaries who most need care and often endure financial hardship because of their disability.

The Military Coalition urges the Subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries. Unlike Medicare-eligibles over the age of 65, disabled beneficiaries under 65 receive no formal communication from DoD about how their TRICARE benefits change upon becoming eligible for Medicare Part B. (Under-65 Medicare eligibles retirees must enroll in Part B in order to keep their TRICARE benefits.)

Many beneficiaries are unaware of this requirement, only to find their TRICARE claims denied when it is discovered they are also eligible for Medicare. The Coalition values TMA's willingness to make good faith payments for these beneficiaries and to provide a five day grace period where the claims are paid to date and the benefit is terminated on day five. However, this is not enough. The annual open enrollment season for Medicare is the 1st quarter of the year, with benefits beginning in the 3rd quarter. Therefore, many who are in the greatest need of care are now having their TRICARE benefit terminated and being left in the lurch without coverage until the following July 1st.

The Coalition does not understand why the beneficiary is subsequently cut off from TRICARE before they can get into CMS's arbitrary open enrollment season – especially when they were inadequately informed of the Part B requirement in the first place.

Through the Beneficiary Panel, the Coalition has continued to urge DoD to take a more proactive stance in aggressively educating this group about the benefits changes associated with Medicare eligibility. While the revision of the September 2002 TRICARE Handbook was a monumental effort, the education of dual eligibles about the Part B requirement as stated on page 9 remains woefully inadequate and there still remains NO effort to contact these beneficiaries.

The Military Coalition urges the Subcommittee to require DoD to develop a mechanism to inform retiree beneficiaries of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty. Currently, an estimated six percent of the Medicare-eligible beneficiaries residing in the United States would be subject to a Medicare Part B late enrollment penalty if they desire to participate in TFL. The penalty, which increases by 10 percent per year, is particularly onerous for more elderly retirees (principally the veterans of World War I and World War II), lower grade retirees and survivors. Last year, the House passed H.R. 4546 to authorize an open enrollment season to relieve TFL-eligibles from this penalty, recognizing that many older military beneficiaries (especially those residing overseas, where Medicare does not pay) had no previous incentive to enroll in Medicare Part B. Unfortunately, the Senate did not complete action on a similar bill. The Coalition strongly supports this initiative, but recognizes that jurisdiction over any aspect of the Medicare program is outside the purview of the Armed

Services Committees. We ask for the Subcommittee's support for new legislation to provide for a special enrollment period.

The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DoD-VA Beneficiaries. The Coalition is very grateful to the Subcommittee for the FY 2002 National Defense Authorization Act (NDAA) (P.L. 107-107) provision that prohibits the Secretary of Defense from forcing DoD beneficiaries who are also eligible for Veterans Administration (VA) medical care to choose between DoD and VA care.

We support the Subcommittee's rational approach, and its resistance to the efforts of those who would force disabled retirees to choose one system or the other, or who would try to merge parts or all of the two systems. We agree strongly with the Subcommittee that the right approach is to avoid trying to solve the government's budgetary and oversight issues by restricting beneficiary options or forcing them into a health care system that was not designed to meet their needs.

However, the Coalition was distressed to learn that Chapter 10, Sec 1.1 and Chapter 13, Section 12.1 of the TRICARE Policy Manual state that when an individual is entitled to VA services because of a service-connected disability and is TRICARE-eligible, the individual must choose the program to use for each episode of care. Once that individual has selected the program of choice, crossover is not permitted for that episode of care. DoD will not care for a TRICARE beneficiary who has been receiving VA care for their service-connected disability for that episode of care. The Coalition appreciates the Subcommittee's effort in the FY2003 NDAA to take steps to address access for dual-eligible beneficiaries and better define the term "episode of care" for this purpose.

The Coalition contends that dual-eligibles should be allowed access to both systems and the two agencies should resolve reimbursement issues. This situation is made more complex because of the long waiting times for VA care. The VA has no enforceable access standards to speak of, while Prime beneficiaries have the right to stringent access standards. In addition, the Coalition is not aware of any circumstances where beneficiaries are educated about the limitations in their TRICARE benefit - should they coincidentally have a service-connected disability.

The Coalition rejects DoD's rationale for this egregious policy -- which it is allegedly meant to preserve continuity of care. When the Coalition has sought to abolish Nonavailability Statements (NAS) based on continuity of care concerns, DoD vigorously argues the other side of the case.

The Coalition is concerned about the double standard that is in place:

- If you are a service connected disabled Veteran - despite your wishes to be treated elsewhere, continuity of care keeps you out of TRICARE.
- If you are a Standard beneficiary, your desire for continuity of care is disregarded and you are forced into the military's direct care system.
- If you have other health insurance, you can get continuity of care wherever you want, and DoD will bill your other insurance should you use the TRICARE benefit.

The Coalition believes that the reality of the situation is that DoD selectively supports or opposes continuity of care depending on which position is to DoD's financial advantage, regardless of beneficiary inconvenience or continuity of care concerns.

The Military Coalition urges the Subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DoD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE IMPROVEMENTS

Access to Care. Access to care is the number one concern expressed by our collective memberships. More and more beneficiaries report that few, if any, providers in their area are willing to accept new TRICARE Standard patients. Enhanced benefits for our seniors and decreased cost shares for active duty beneficiaries will be of little consequence to beneficiaries who cannot find a TRICARE provider.

Distinction between TRICARE Prime and Standard. ..The Coalition believes that a further distinction must be made between TRICARE Standard and Prime in evaluation of the TRICARE program. Our members report increased problems and dissatisfaction with the Standard benefit that far exceed complaints about Prime. There certainly are success stories to be told about the Prime benefit, but glowing reports from TMA on the Prime benefit in documents such as the TRICARE Stakeholder's Report obscure the very real and chronic problems with the Standard benefit.

The Coalition thanks the Subcommittee for their efforts in Sec. 712 of the FY 2003 NDAA (P.L. 107-314) to require a Comptroller General Report evaluating TRICARE network provider instability, along with the effectiveness of the MCSCs' efforts to measure and alleviate the issue. But here again, we are concerned that the report may focus on Prime networks, when the real problem concerns access for over 3.2 million beneficiaries to TRICARE Standard providers. We are hopeful that this report will delve into the unique problems associated with the latter issue.

The Military Coalition urges the Subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement The Coalition is greatly troubled that because of a flaw in the provider reimbursement formula, the Centers for Medicare and Medicaid (CMS) have cut Medicare fees 9.8% over the past two years. Changes to the Medicare fee schedule directly affect uniformed services beneficiaries. Since 1991 by statute (10 U.S.C. 1079(h)), DoD is required to establish TRICARE Maximum Allowable Charges (TMAC) based on Medicare's fee schedule. Cuts in Medicare provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in government programs like TRICARE and Medicare. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is the lowest-paying program they deal with, and often poses them the most administrative problems. This

is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

The Coalition is seriously concerned that the war on terrorism and the war in Southwest Asia are straining the capacity of the military's direct health care system, as large numbers of medical corps members are deployed overseas. As a result of this increased activation, more and more TRICARE patients will have to turn to the civilian sector for care – thus putting more pressure on civilian providers who already have absorbed significant fee cuts for providing care to TRICARE beneficiaries.

The Coalition firmly believes that our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries their family members and survivors deserve the nation's best health care, not the cheapest.

We are grateful that the 108th Congress took action to pass legislation P.L. 108-7 (H.J. Res 2) to increase Medicare and TRICARE payment rates. Congress did the right thing by reversing the erroneous 4.4 percent provider payment cut due to be implemented March 1, 2003, providing a 1.6 percent payment increase and giving the Centers for Medicare and Medicaid (CMS) the authority to fix the flawed Medicare reimbursement formula. The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but believes it has a particular interest in raising Medicare rates because of the adverse impact of depressed rates on all TRICARE beneficiaries, not just Medicare-eligibles.

The Military Coalition requests the Subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part B's flawed reimbursement formula.

In order to achieve parity and encourage participation, both Medicare and DoD have the ability to institute locality-based rates to account for geographical variation in practice costs as necessary to secure sufficient providers to meet beneficiary needs. DoD has had statutory authority (10 U.S.C. 1097 (b)) to raise rates for network providers up to 115 percent of TMAC in areas where adequate access to health care services is severely impaired.

To date, the Secretary of Defense has resisted using his existing authority to increase participation by raising reimbursement levels. The Coalition is eager to see the evaluation of the use of this authority in the Comptroller General Report mandated in Sec. 712 of the FY 2003 NDAA (P.L. 107-314). But here again, the focus on Prime networks can obscure the larger problems with Standard providers.

The Coalition believes that raising TRICARE payment rates to competitive levels with other insurance is essential to solving the TRICARE Standard access problem. We appreciate the cost implications of doing this, and understand the preference in both the Executive and Legislative Branches to focus on administrative issues rather than payment levels. But providers indicate overwhelmingly that it is a money issue. They may be willing to accept low payments from Medicare out of a sense of obligation to the elderly and the volume of elderly patients, and because Medicare has a reasonably reliable electronic payment system. They are not so willing to accept low TRICARE payments.

The Coalition supports past and current efforts to improve TRICARE administrative issues, and believes headway is being made. But providers know, as we do, that these problems have persisted for decades, and they are skeptical about the likelihood of significant change in the near term. Meanwhile, TRICARE beneficiaries need access to doctors, and they should not have to wait years in hopes of getting it.

Other insurance programs pay providers rates that are significantly higher than TRICARE Standard's. The Coalition is very doubtful that access problems can be addressed successfully without raising rates. We believe the only way to assess the merits is to institute a pilot project to test if raising TRICARE Standard payment rates improves access for beneficiaries.

The Military Coalition most strongly urges the Subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients.

Medicare has recognized that in order to ensure continued access for its beneficiaries, it must supplement its basic reimbursement rates in a variety of specific areas. This summer, DoD will make an additional step toward the same understanding with a commitment to pay a 10 percent quarterly bonus to both Standard and network providers in Health Professional Shortage Areas (HPSA's).

The Coalition is pleased that DoD plans to make these bonus payments that parallel Medicare's HPSA program. By adapting this plan, DoD makes the same commitment to access for TRICARE beneficiaries, as does Medicare. TRICARE's medically underserved areas will be the same as those determined by the Secretary of Health and Human Services for the Medicare program.

The Coalition urges the Subcommittee to further align TRICARE with the Medicare program by authorizing increased payments to hospitals in areas, which serve a disproportionately large number of TRICARE beneficiaries, thus mirroring Medicare's Disproportionate Share (DSH) payment adjustment. Since TRICARE rates are based upon Medicare, it makes sense that TRICARE follow this supplemental payment concept of Medicare, as it is every bit as important that DoD safeguard access to care for uniformed services beneficiaries as does Medicare.

The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

FEHBP Option. The Coalition is the first to acknowledge the ongoing interest and effort being invested in improving TRICARE. But the Coalition is also frustrated that many of TRICARE's difficulties are chronic ones with which TRICARE beneficiaries have been struggling with for many years. If past experience is any indicator, solving the TRICARE provider access problem is years away from reality. In the meantime, military beneficiaries need an additional option for access to health coverage that larger numbers of providers will accept in all areas of the country.

One “off the shelf” option that is available immediately, with legislative authority, is to allow uniformed services beneficiaries the option of enrolling in the same Federal Employees Health Benefits Program the government already provides for federal civilian employees and retirees. FEHBP requires a substantial premium payment, so we do not expect military beneficiary participation would be widespread. But an FEHBP option would provide one way for beneficiaries to improve their access to health care immediately, particularly in areas (e.g., Idaho and certain areas of Colorado) where there are virtually no providers accepting new TRICARE patients.

Uniformed services beneficiaries who now have limited access to participating providers should not have to wait years for necessary TRICARE improvements. Authorizing an FEHBP option is one important way to provide them immediate access.

The Subcommittee previously authorized a test demonstration for Medicare-eligible beneficiaries, who now are served by TRICARE For Life. Now, the FEHBP option deserves consideration to meet the needs of younger beneficiaries who are having difficulty using their TRICARE coverage.

The Military Coalition urges the Subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their federal civilian counterparts.

Network and Standard Provider Availability. Large numbers of beneficiaries continue to report increased difficulty locating providers who will accept new TRICARE patients, even though the Department of Defense indicates that the number of TRICARE providers is at near an all-time high.

Clearly, there is a problem with how provider participation is measured and monitored. The current participation metric is calculated as the percent of claims filed on an assigned basis. Nowhere does DoD or its support contractors ask or track whether participating or authorized providers are accepting new patients.

Since participation is fluid, providers are permitted to accept or refuse TRICARE patients on a day-by-day basis; therefore, beneficiaries often must make multiple inquiries to locate a provider who is taking patients on that day.

Allegedly, current TRICARE contracts require MCSCs to help Standard patients find providers, but this is not the actual practice. Further, there is no such requirement in the new TNEX contracts. MCSCs are under no obligation to recruit Standard providers or provide up to date lists of Standard providers, leaving beneficiaries on their own to determine if a provider is willing to accept Standard patients. We believe this issue is too critical to depend upon the “chance” that the civilian contractors will voluntarily elect to provide this service in all regions.

As one beneficiary said, “The TRICARE Standard provider handbook list is now the Yellow Pages, and Standard beneficiaries are forced to call provider after provider asking, ‘Do you take TRICARE patients?’” Another beneficiary reported, after calling every provider in the area without success, “It’s as if doctors are hanging up signs that say ‘Dogs and servicemembers not allowed.’”

The Coalition believes MCSCs must have an obligation to assist Standard beneficiaries as well as Prime beneficiaries. Options may include providing interactive on-line lists of Standard providers, with indications of which ones are currently accepting new Standard patients. Where a beneficiary cannot find a provider, the MCSC should help them do so.

The Military Coalition urges the Subcommittee to require DoD and its MCSCs to assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication.

Administrative Burdens. Despite many initiatives to improve the program, we continue to hear complaints from providers of low and slow payments, as well as burdensome administrative requirements and hassles. Only by decreasing the administrative burden placed on providers and building a simplified and reliable claims system that pays in a timely way can Congress and DoD hope to establish TRICARE as an attractive program to providers and a dependable benefit for beneficiaries.

Once providers have left the TRICARE system, promises of increased efficiencies have done little to encourage them to return. Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to any Medicare-participating provider.

The Coalition is grateful to the Subcommittee for its actions in the FY 2003 NDAA designating Medicare providers as TRICARE authorized providers and requiring DoD to adopt claims requirements that mirror Medicare's, effective with TNEX. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, make the system simple for providers, and pay claims on time.

The Coalition remains concerned with the caveat under Sec. 711 of the FY2003 NDAA that claim information is limited to that required for Medicare claims "except for data that is unique to the TRICARE program." We believe that the proposed requirements are still more complex than that of private sector practices. We do not know how this extraneous information contributes to effective claims processing, but we do know that the private sector adjudicates claims more cost effectively and efficiently without such additional requirements. We also know that the more requirements the TRICARE claims system imposes on providers, the less willing they are to put up with it.

The claims system should be designed to accommodate providers and beneficiaries' needs rather than compelling them to jump through additional administrative hoops for TRICARE's convenience. The Coalition is hopeful that the Comptroller General report on obstacles in claims processing will address this issue.

The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization. While the TNEX request for proposals purportedly removes the requirement for preauthorization for Prime beneficiaries referred to specialty care, the TRICARE Policy Manual 6010.54-M August 1, 2002, Chapter 1, Section 7.1, and I, G belies that, stating:

“Each TRICARE Regional Managed Care Support (MCS) contractor may require additional care authorizations not identified in this section. Such authorization requirements may differ between regions. Beneficiaries and providers are responsible for contacting their contractor’s Health Care Finder for a listing of additional regional authorization requirements.”

The Coalition believes strongly that this regulation undermines the long-standing effort of this Subcommittee to simplify the system and remove burdens from providers and beneficiaries. It is contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit. DoD has told the Coalition that they do not believe the civilian contractors will impose such limitations in their proposals, as it does not make good business sense. If so, why allow them that authority? The Coalition does not believe the provision of a uniform benefit should be left to the whims of the contractors. The Coalition believes it is the intent of Congress that uniformed services beneficiaries have earned and deserve a uniform benefit.

The Military Coalition urges the Subcommittee’s continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements. The Coalition is grateful for the FY 2003 NDAA provision (Sec. 702) that addresses continued TRICARE eligibility of dependents residing at remote locations when their sponsor’s follow on orders are an unaccompanied assignment. Sec 702 also provides further Prime eligibility for certain dependents of Reserve Component Members ordered to active duty.

This provision allows these families to retain the TRICARE Prime Remote benefit (TPR) and will go a long way to provide support for families remotely assigned who face a period of time living without their sponsor. The Coalition requests the Subcommittee to make an additional consideration to enhance this provision. As written, TPR benefits are authorized only if the dependents remain at the former duty site. In such circumstances, there can be many good reasons why the family may wish to relocate to another area while awaiting the end of the sponsor’s unaccompanied tour. Many dependents wish to relocate to be with their families during this time or to another area where they can best wait for the servicemember to return. In those cases where the government is willing to pay for the family’s relocation for this purpose, it seems inappropriate to force the family out of the Prime Remote program if TRICARE Prime is not available at the location where the family will reside.

The Military Coalition requests that the Subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

Sec 702 extends TPR to dependents of Reserve Component members residing in remote areas when called to active duty for more than 30 days. While we applaud this enhancement, we would ask the Subcommittee to consider extending this to dependents that reside within Military Treatment Facility (MTF) catchment areas if the sponsor is called to active duty for 179 days or less. In such cases, the family members are not eligible for enrollment in TRICARE Prime. For them, there is no practical difference than if they lived in TRICARE Prime remote area. Under MTF optimization, these beneficiaries will most likely be unable to receive care from the military’s direct care system. The Coalition believes the Prime Remote benefit should be

standardized for ALL reserve families when the sponsor is called to active duty for 31 to 179 days, regardless of whether the family resides in a catchment area or not.

The Military Coalition urges the Subcommittee to expand TRICARE Prime Remote coverage to include reservists called to active duty for 31 to 179 days who reside within MTF catchment areas.

The great strides made in recent years to improve benefits for Medicare-eligibles and active duty families stand in contrast to the continued shortcomings of the TRICARE system for retirees under 65. Many of these beneficiaries live in areas not serviced by Prime, thus relying on the more expensive and cumbersome Standard benefit. Many, especially those who live in rural or metropolitan areas that are medically underserved, have great difficulty in locating TRICARE Standard providers. This presents a dilemma for members who have no choice but to rely on providers who can charge higher prices and demand their fees “up front” at the time of service. Obviously, this places an undue financial burden upon these deserving beneficiaries.

In the light of the enhancements recently provided to the over 65 retirees (TFL) and active duty beneficiaries, extra steps are needed to provide a more consistent benefit to the under-65 retirees whose needs are not currently being met by TRICARE Standard.

The Military Coalition recommends that Subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage has an impact on Guard – Reserve (G-R) medical readiness and family morale. Progress has been made during transitional periods after call-ups, but more needs to be done to provide continuity of care coverage for reserve component members.

Health insurance coverage varies widely for members of the G-R: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE eligibility starts at 30 days activation, many G-R families would prefer continued access to their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD reservist-employees activated for extended periods. However, this new benefit only affects about 10% of the Selected Reserve. The Coalition believes this philosophy could be extended to pay health insurance premiums for activated G-R members who are not federal civilian employees.

As a matter of morale, equity, and personnel readiness, more needs to be done to assist reservists who are being called up more frequently in support of national security missions. They deserve options that provide their families continuity of care, without having to find a new doctor or navigate a new system each time the member is activated or deactivated.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve Component and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. Alternatively, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard. In 1995, DoD unilaterally and arbitrarily changed its policy on the 115% billing limit in cases of third party insurance. The new policy shifted from a "coordination of benefits" methodology (the standard for TFL, FEHBP and other quality health insurance programs in the private sector) to a "benefits-less-benefits" approach, which unfairly transferred significant costs to servicemembers, their families, and survivors.

Although providers may charge any amount for a particular service, TRICARE only recognizes amounts up to 115% of the TRICARE "allowable charge" for a given procedure. Under DoD's previous, pre-1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any remaining balance up to what it would have paid as first payer if there were no other insurance (75% of the allowable charge for retirees; 80% for active duty dependents).

Under its post-1995 policy, TRICARE will not pay any reimbursement at all if the beneficiary's other health insurance (OHI) pays an amount equal to or higher than the 115% billing limit. (Example: a physician bills \$500 for a procedure with a TRICARE-allowable charge of \$300, and the OHI pays \$400. Previously, TRICARE would have paid the additional \$100 because that is less than the \$300 TRICARE would have paid if there were no other insurance. Under DoD's new rules, TRICARE pays nothing, since the other insurance paid more than 115% of the TRICARE-allowable charge.) In many cases, the beneficiary is stuck with the additional \$100 in out-of-pocket costs.

DoD's shift in policy unfairly penalizes beneficiaries with other health insurance plans by making them pay out of pocket for what TRICARE previously covered. In other words, beneficiaries entitled to TRICARE may forfeit their entire TRICARE benefit because of private sector employment or some other factor that provides them private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

DoD and Congress acknowledged the appropriateness of the "coordination of benefits" approach in implementing TRICARE For Life and for calculating pharmacy benefits. TFL pays whatever charges are left after Medicare pays, up to what TRICARE would have paid as first payer. The Coalition believes this should apply when TRICARE is second-payer to any other insurance, not just when it is second-payer to Medicare.

The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard. The Coalition is grateful for the provision in the FY 2002 NDAA that waives the requirement for a beneficiary to obtain a Nonavailability Statement (NAS) or preauthorization from an MTF in order to receive

treatment from a civilian provider and appreciates that the time line for implementation of this provision has been moved up from the FY 2001 NDAA plan. However, except for maternity care, the law allows DoD broad waiver authority that diminishes the practical effects of the intended relief from NAS. These loopholes provide a great deal of leeway for the reinstatement of NAS at the Secretary's discretion. NAS's can be required if:

- The Secretary demonstrates that significant costs would be avoided by performing specific procedures at MTFs;
- The Secretary determines that a specific procedure must be provided at the affected MTF to ensure the proficiency levels of the practitioners at the facility; or
- The lack of an NAS would significantly interfere with TRICARE contract administration.

The Coalition is disappointed that except for maternity care, the waiver of the TRICARE Standard NAS requirement seems to be a "road paved with good intentions," but little more.

The rationale for a complete waiver of NAS requirements remains compelling. By choosing to remain in Standard, beneficiaries are voluntarily accepting higher copayments and deductibles in return for the freedom to choose their own providers. The Coalition appreciates that the intent of the NAS system, when CHAMPUS was an evolving program, was to maximize the use of MTFs. However, when TRICARE was created, it offered beneficiaries a choice in how to exercise their health care benefit.

The Coalition is pleased to note that the TRICARE Reserve Family Demonstration Project (TRFDP) provides for increased access to health care for family members of activated reservists and guardsmen – including a total waiver of NAS requirement for ALL inpatient services. While this group of beneficiaries is most worthy of a robust health care benefit and deserves to maintain established relationships with their health care providers, the Coalition believes this benefit should be extended to all uniformed services beneficiaries -- active duty and retired -- as well.

DoD must honor the decision made by beneficiaries and not insist that they "jump through administrative hoops" to exercise this choice, particularly since most care in MTFs and clinics is being given on a first priority basis to Prime enrollees anyway. More importantly, this capricious policy frequently denies TRICARE Standard beneficiaries, who have chosen the more expensive fee-for-service option, one of the most important principles of quality health care, continuity of care by a provider of their choice.

The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should the Subcommittee deem this impractical at this time, the Coalition urges the Subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX – TRICARE Next Generation of Contracts. This year, DoD will award the next round of managed care support contracts. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process, are committed to working with Congress and DoD to make implementation as effective as possible, and will be vigilant that the current level of service is not compromised. As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns.

The Coalition is anxious that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, has historically been tumultuous to all stakeholders, and especially to beneficiaries. The Coalition believes systems must be put in place that will make the transition to new contracts as seamless as possible to the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DoD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple vendors.

The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Uniform Formulary Implementation. The Coalition is committed to work with DoD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries mandated by Section 701 of the FY 2000 NDAA. We will particularly monitor the activities of the Pharmacy and Therapeutics Committee. The Coalition expects DoD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries.

The Coalition is grateful to this Subcommittee for the role it played in mandating a Beneficiary Advisory Panel to comment on the formulary. Several Coalition representatives are members of the Beneficiary Advisory Panel and are eager to provide input to the program. While we are aware that there will be limitations to access of some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries; and administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician must be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. The Coalition believes the proposed copayment increase from \$9 to \$22 for non-formulary drugs is too steep and presents an undue financial burden upon all classes of beneficiaries. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are overly restrictive.

DoD must do a better job of informing beneficiaries about the scope of the benefit and it works (to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and a listing of the formulary). The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DoD approaches the uniform formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity. Section 735 of the FY 2001 NDAA required DoD to develop a plan, due March 15, 2001, for improved portability and reciprocity of benefits for all enrollees under the TRICARE program throughout all regions. DoD has issued a memorandum stating that DoD policy requires full portability and reciprocity. Despite the efforts of this Subcommittee, enrollees still experience a disruption in enrollment when they move between regions and are still not able to receive services from another TRICARE Region without multiple phone calls and much aggravation.

The lack of reciprocity presents particular difficulties for TRICARE beneficiaries living in “border” areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider may actually be located in another TRICARE region, and yet due to the lack of reciprocity, these beneficiaries cannot use these providers without great difficulty. This problem suffers especially by comparison with TFL, as TFL beneficiaries have full portability and reciprocity of their benefits. Meanwhile, active duty and under-65 retired beneficiaries remain tied to the region where they reside.

It is unfathomable that, despite years of focus on the need for portability and reciprocity, and the obvious disruptions and financial problems imposed on beneficiaries in the interim, this same problem persists year after year. Something is seriously wrong when our government requires nationwide mobility of military families, but has such little sense of urgency about making sure their health benefits can follow them.

The Military Coalition strongly urges the Subcommittee to direct DoD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits for Remarried widows. The Coalition believes there is an inequity in TRICARE’s treatment of remarried surviving spouses whose second or subsequent marriage ends in death or divorce.

Such survivors have their military identification cards reinstated, as well as commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored – except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002, which reinstates certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity – and CHAMPVA eligibility – if the remarriage ends in death or divorce.

The Military Coalition urges the Subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime enrollment fees from retiree pay. Years ago, Congress gave DoD the authority to deduct TRICARE Prime enrollment fees from retired members' pay. However, the Department has not moved forward to make this service available to retirees.

Many retirees and their families have paid significant penalties because of DoD's delay in implementing this authority, because of MCSC enrollment and billing errors, primarily in TRICARE Region 1. Because the contractor failed to send bills to Prime enrollees, many enrollees did not realize their payments were due until the contractor notified them that their families had been disenrolled from Prime.

If DoD had used its authority and permitted retirees to pay for Prime through their pay, it could have saved thousands of beneficiaries from the hassles encountered when they were disenrolled from Prime because the Region 1 contractor failed to develop an adequate billing control system. It also would have saved the government thousands of the dollars that it took to address this problem.

Health care is too important to military families to allow it to be disrupted by DoD's failure to implement a routine pay deduction that will save time, money, and administrative problems for the beneficiaries, the government, and the managed care contractors.

The Military Coalition urges the Subcommittee to require DoD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees' retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC areas. In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DoD begin to consider another round of base closures.

Many beneficiaries deliberately retire in localities in close proximity to military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Currently, under current TRICARE Managed Care Support Contracts and under DoD's interpretation of TNEX, TRICARE contractors are required to provide the Prime benefit in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan. The Coalition is grateful for the Subcommittee's leadership role in authorizing the TRICARE Retiree Dental Plan (TRDP). While the program is clearly successful, participation could be greatly enhanced with two adjustments.

Unlike the TRICARE Active Duty Dental Plan, there is no government subsidy for retiree dental premiums. This is a significant dissatisfier for retired beneficiaries, as the program is fairly expensive with relatively limited coverage. The Coalition believes dental care is integral to a beneficiary's overall health status. Dental disease left untreated can lead to more serious health consequences and should not be excluded from a comprehensive medical care program. As we move toward making the health care benefit uniform, this important feature should be made more consistent across all categories of beneficiaries.

Another problem with the TRDP is that it is only available within the continental United States (CONUS). The Coalition requests that the Subcommittee extend the TRDP to uniformed services beneficiaries residing overseas.

The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation. The Commonwealth of Puerto Rico is included in the TRICARE Overseas Program, which means TRICARE Prime is available only to active duty servicemembers and their families. Retirees living in Puerto Rico are excluded from this benefit. Under OCONUS regulations, the more expensive TRICARE Standard is the only available option for retired military personnel, their families and survivors. DoD has very limited direct care facilities, a limited benefit structure, and a severely limited contract provider network to serve this growing population.

We are pleased to note that the Department has finally instituted TRICARE network pharmacies for all beneficiaries in Puerto Rico, but believe these beneficiaries are deserving of the option of enrollment in the Prime benefit.

In light of the large number of retired beneficiaries residing in Puerto Rico and the importance of the Commonwealth as a source for recruitment and an initiative for retention, the Coalition believes it would be productive for all concerned to extend the Prime benefit to retired beneficiaries who reside there.

The Military Coalition urges the Subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

The Military Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements and FEHBP premiums.

Custodial Care. Once again, the Coalition thanks the Subcommittee for its continued diligence in support of those beneficiaries who fall under the category of “Custodial Care”. We are most appreciative of the generous enhancements offered in the FY 2002 NDAA. We anxiously await the publication of DoD’s interim report defining the implementing regulations.

It has been over two years since the enactment of these requirements, and we hope that these beneficiaries do not have to wait much longer for this benefit.

The Military Coalition recommends the Subcommittee’s continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups’ inputs be sought in the development of implementing regulations.

CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of these goals outline in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.