

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

before the

Personnel Subcommittee

Senate Armed Services Committee

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Presented by

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of the United States**

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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
- American Logistics Association
- 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 Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- 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 of the United States
- Veterans' Widows International Network

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

**Biography of Master Sergeant (Ret) Michael P. Cline, AUS
Enlisted Association of the National Guard
of the United States**

Retired Master Sergeant Michael P. Cline is the Executive Director of the Enlisted Association of the National Guard of the United States. His responsibilities include the day-to-day operation of the association's national headquarters in Alexandria, Virginia. He is also responsible for carrying out the association's legislative agenda, which includes personnel issues, procurement and military construction issues. He regularly addresses enlisted members of the Army and Air National Guard regarding personnel and quality of life issues.

MSG Cline has been employed with EANGUS since 1990 and previously served on the EANGUS Executive Council. He currently serves as the Co-Chairman of the Military Coalition (TMC) and on the Board of Directors of the TMC. He also serves as a member of the Secretary of Veterans Affairs Advisory Committee on Education. MSG Cline is also a trustee on the Youth Challenge Foundation and the National Guard Association Insurance Trust.

Cline served 26 years in the U.S. Army and the National Guard, retiring in 1992 at the rank of Master Sergeant. He has numerous awards and decoration including two Meritorious Service Awards and the Defense Meritorious Service Award. He holds an Associates Degree in Business and a Bachelors Degree in Human Resources Management from Malone College. He is an accredited member of the American Society of Association Executives (ASAE), the American League of Lobbyists (ALL) and is listed in "Who's Who of Business Leaders" and is a distinguished member of "Who's Who Worldwide." Cline has been recognized by the Military Coalition "Award of Merit" and was made an honorary Chief Master Sergeant of the Air National Guard. He has served in a variety of volunteer positions in the community and is very active in POW/MIA issues. He is married to Diane L. Cline, a Master Sergeant in the D.C. Air National Guard; they reside in Triangle, Virginia. The Clines have seven children and 16 grandchildren. Their immediate family represents 76 years of military service to America.

**Biography of Deirdre Parke Holleman, Esq.
National Legislative Director
The Retired Enlisted Association**

Deirdre Parke Holleman, Esq. is the National Legislative Director of The Retired Enlisted Association. She is also the Co-Director of the National Military and Veterans Alliance (NMVA) and the Co-Chairman of The Military Coalition's (TMC) Survivors Committee. In all three capacities and as a member of TMC's Health Care Committee Mrs. Holleman focuses on healthcare, financial and benefit matters for the Military's retirees, the active duty, the National Guard and Reserves and all their families and survivors.

Prior to joining TREA Mrs. Holleman was the Washington Liaison for The Gold Star Wives of America, Inc. There she represented the concerns of active duty widows and widows of Military members who die of service connected disabilities Before Congress, the Department of Defense, the Department of Veteran Affairs and other Veteran Service Organizations.

Mrs. Holleman is an attorney licensed to practice in the State of New York and before all Federal Courts. For years she was a civil trial attorney in New York primarily handling Domestic, Family and Juvenile cases. She was the Associate Director of The Legal Aid Society of Mid-New York, Inc. This charity represents people who cannot afford to hire counsel in civil matters over nine counties in Upstate New York. She has a B.A. in History and Journalism from George Washington University and a J.D. from Vanderbilt University School of Law.

She lives in Rosslyn Virginia with her husband Christopher Holleman, an Administrative Judge for the Small Business Administration.

**Biography of 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.

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 has served 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.

EXECUTIVE SUMMARY RECOMMENDATIONS OF THE MILITARY COALITION

ACTIVE FORCE ISSUES

Personnel Strengths and Operations Tempo. 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 increases in 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 and Pay Table Reform. The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the Administration to cap future pay raises or to provide smaller increases to servicemembers in the US Public Health Service or National Oceanic and Atmospheric Administration. The Coalition believes all members of the uniformed services need and deserve annual raises at least equal to private sector wage growth. The Coalition supports the Department of Defense plan for increased “targeted” raises to align the pay of career servicemembers with earnings in the private sector for civilians with comparable experience and education. However, to the extent that “targeted” raises are needed, the Department of Defense should define the ultimate objective pay table toward which these targeted raises are aimed.

Commissaries. The Military Coalition opposes all privatization and variable pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all beneficiaries including Guard and Reserve personnel and their families.

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

Education Benefits for Career Servicemembers. Career servicemembers who have not had an opportunity to sign up for a post-service educational program deserve an opportunity to enroll in the Montgomery GI Bill (MGIB) and The Military Coalition urges the Subcommittee to authorize them to do so.

Basic Allowance for Housing (BAH). The Military Coalition urges an adjustment to grade-based housing standards to more accurately reflect realistic housing options and members' out-of-pocket housing expenses. The Coalition further urges the Subcommittee to eliminate service members' average out-of-pocket housing expenses in FY 2005.

Permanent Change of Station (PCS). The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances to recognize that the government, not

the servicemember, should be responsible for paying the cost of doing the government's business.

Basic Allowance for Subsistence (BAS). The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent 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.

NATIONAL GUARD AND RESERVE ISSUES

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate balance between National Guard and Reserve force strengths and missions and careful Congressional oversight of Defense Department "transformation" initiatives that could threaten the nation's "seamless, integrated total force" policy.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

Guard/Reserve Retirement Upgrade. The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

Selected Reserve Montgomery GI Bill (SR-MGIB) Improvements. The Military Coalition recommends a phased increase in SR-MGIB benefits to restore it to its original value of 47 percent of basic benefits under the MGIB and also recommends transfer of the SR-MGIB authority from Title 10 to Title 38 to permit proportional benefit adjustments in the future.

Guard/Reserve Family Support Programs. The Military Coalition urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of geographically dispersed Guard and Reserve families who do not have ready access to military installations or current experience with military life.

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.

SURVIVOR PROGRAM ISSUES

Age 62 SBP Offset. The Military Coalition strongly recommends elimination of the patently inequitable and highly discriminatory age-62 Survivor Benefit Plan annuity reduction now imposed on military survivors. 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. 1916 and H.R. 3763.

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, 2004.

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.

RETIREMENT ISSUES

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. The Military Coalition urges Subcommittee leaders and members to be sensitive to the need for further adjustments to last year's concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to ensure the Veterans' Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.

Final Retired Pay Check. 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, including the recommendations made by the Department of Defense in their 2001 USFSPA report, be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

Tax Relief for Uniformed Services 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.

HEALTH CARE ISSUES

Full 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, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that The Retired Officers Association Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Pharmacy Cost Shares for Retirees. The Military Coalition urges the Subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only recently established. We urge the Subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.

Permanent ID Card for Dependents Over the Age of 65. The Coalition strongly urges the Subcommittee direct the Secretary of Defense to authorize issuance of permanent military

identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.

Access to TSRx for Nursing Home Beneficiaries. The Military Coalition urges the subcommittee to direct DoD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DoD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.

Initial Preventive Physical Examination. The Military Coalition requests that the Subcommittee take steps to authorize the initial preventive physical examination (Sec 611 of PL 108-173) as a TRICARE benefit for over 65 Medicare-eligible uniformed services beneficiaries.

The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. The Military Coalition asks the Subcommittee to work with the Veteran's Affairs Committee and the Departments of Veterans Affairs and Defense to ensure action on the PTF recommendations including a seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.

TRICARE Standard Improvements. The Military Coalition urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.

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

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges permanent authority for cost-share access to TRICARE for all members of the Selected Reserve—those who train regularly—and their families in order to ensure medical readiness and provide continuity of health insurance coverage. As an option for these servicemembers, the Coalition urges authorizing the government to pay part or all of private health insurance premiums when activation occurs, a program already in effect for reservists who work for the Department of Defense.

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

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.

TRICARE Prime (Remote) Improvements. The Military Coalition requests that the Subcommittee authorize family members who are eligible for TRICARE Prime Remote to retain

their eligibility when moving to another Prime remote area when the government funds such move and there is no reasonable expectation that the service member will return to the former duty station.

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 requests the Subcommittee's continued oversight to assure that, should the Department of Defense choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.

TRICARE Next Generation of Contracts (TNEX). 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.

Prior Authorization under TNEX. The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

Portability and Reciprocity. The Military Coalition urges the Subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

Health Care Information Lines (HCIL). The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.

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

TRICARE Benefits for Remarried widows. The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity in Base Realignment and Closure (BRAC) Areas. The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for 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 outside the United States.

Pre-Tax Premium Conversion Option. The Military Coalition urges the Subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.

Extended Care Health Option (ECHO). 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 ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program.

OVERVIEW

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. The Subcommittee's strong support to improve military pay, housing allowances, health care, and other personnel programs has made a significant difference in the lives of active, Guard and Reserve personnel and their families. This is especially true for our deployed servicemembers, and their families and survivors, who are defending this Nation in our global war on terror.

The Subcommittee's support of last year's landmark authority to eliminate the offset of retired pay for veterans' disability compensation for all retirees with disabilities of at least 50 percent, and for all retirees disabled by combat or combat-related training. These and the many other important provisions of the FY 2004 National Defense Authorization Act will enhance and enrich the quality of life of our servicemembers, retirees and their families and survivors 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, last year we 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, and the Coalition thanks the Subcommittee for rejecting the Administration's advice last year to cap military raises, and staying the course with prior provisions for better than average raises through FY 2006.

But, despite this tremendous growth in military compensation, we are deeply troubled by how hard troops have to work—and their families have to sacrifice—for that compensation.

Today's reality is simple—servicemembers and their families are being asked to endure ever-greater workloads and ever-greater sacrifices. Repeated deployments, often near back-to-back, have stressed the force to the point where retention and readiness would suffer now, if it weren't for the Services' stop-loss policies and massive recalls of Guard and Reserve members. The hard fact is that we don't have a large enough force in the majority of components to carry out today's missions and still be prepared for new contingencies that may arise elsewhere in the world.

Your FY 2004 defense bill provisions authorizing—for the first time ever—the concurrent receipt of retired pay and veterans' disability compensation eliminated a century-old inequity for tens of thousands of severely disabled retirees. We applaud the Subcommittee for this unprecedented and historic legislation and ask the Subcommittee to be sensitive to the tens of thousands who continue to experience unfair reductions in their retired pay.

The Military Coalition appreciates past improvements to the Survivor Benefit Plan (SBP) that extended SBP eligibility to the survivors of those killed on active duty. However, very serious SBP inequities remain to be addressed for older survivors, most of them widows, who see a drastic reduction in their survivor benefit when they reach age 62. Increasing their survivor annuity to at least the level afforded survivors of federal civilians is a top 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 3.8 percent of this Nation's Gross Domestic 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 and survivors, as well.

The Subcommittee has taken action to help relieve the stress of repeated deployments and last year's authority to extend the temporary increases in Imminent Danger Pay (IDP) and Family Separation Allowance (FSA) is one example of the many notable and commendable improvements made during the last several years in military compensation and health care programs. However, 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 significant out-of-pocket expenses with each military relocation.

The war on terrorism has now intensified with sustained operations in Iraq and Afghanistan. Members' patriotic dedication has been the fabric that has sustained this increased workload, and a temporarily depressed economy and Service stop-loss policies have deterred losses for now. 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 going home to their families every night, 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 stress 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 is dismayed at the Department of Defense's reluctance to accept Congress' repeated offers to increase Service end strength to relieve the stress on today's armed forces, who are clearly now sustaining an increased operations tempo to meet today's global war on terror. While we are encouraged by the Army's announcement to temporarily increase their end strength by 30,000, we are deeply concerned that Administration-proposed plans for selected temporary manpower increases rely too heavily on continuation of stop-loss policies, unrealistic retention assumptions, overuse of the Guard and Reserves, optimistic scenarios in Southwest Asia, and the absence of any new contingency needs.

The Department has also responded to your offers to increase end strength with their intention to transform forces, placing non-mission essential resources in core war fighting skills. While the Department's transformation vision is a great theory, its practical application will take a long time—time we do not have after years of extraordinary operational tempo that is exhausting our downsized forces.

In fact, the Joint Chiefs testified that their forces were stressed before 9/11 and end strength should have been increased then. Now, almost three years later, after engaging in two major operations, massive Guard and Reserve mobilizations, and broad implementation of “stop-loss” policies, the only reason end strength has not been increased is because of the Department's “transformation” plan—a plan they have not finalized with Congress.

Administration and military leaders warn of a long-term mission against terrorism that requires sustained, large deployments 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 have been increased several years ago to sustain today's pace of operations. Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. There is no certainty that missions will decline, which means that the only prudent way to assure we relieve the pressure on servicemembers and families is to increase 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 irritants, but they can't fix fatigue and lengthy and more frequent 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 retention and recruiting worse.

The Military Coalition strongly recommends restoration of Service end strengths to sustain the long-term global war on terrorism and fulfill national military strategy. The Coalition supports increases in 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 six 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 last year when the Director of the Office of Management and Budget proposed capping 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 were engaged in combat operations in Afghanistan and Iraq—it was just bad, failed policy.

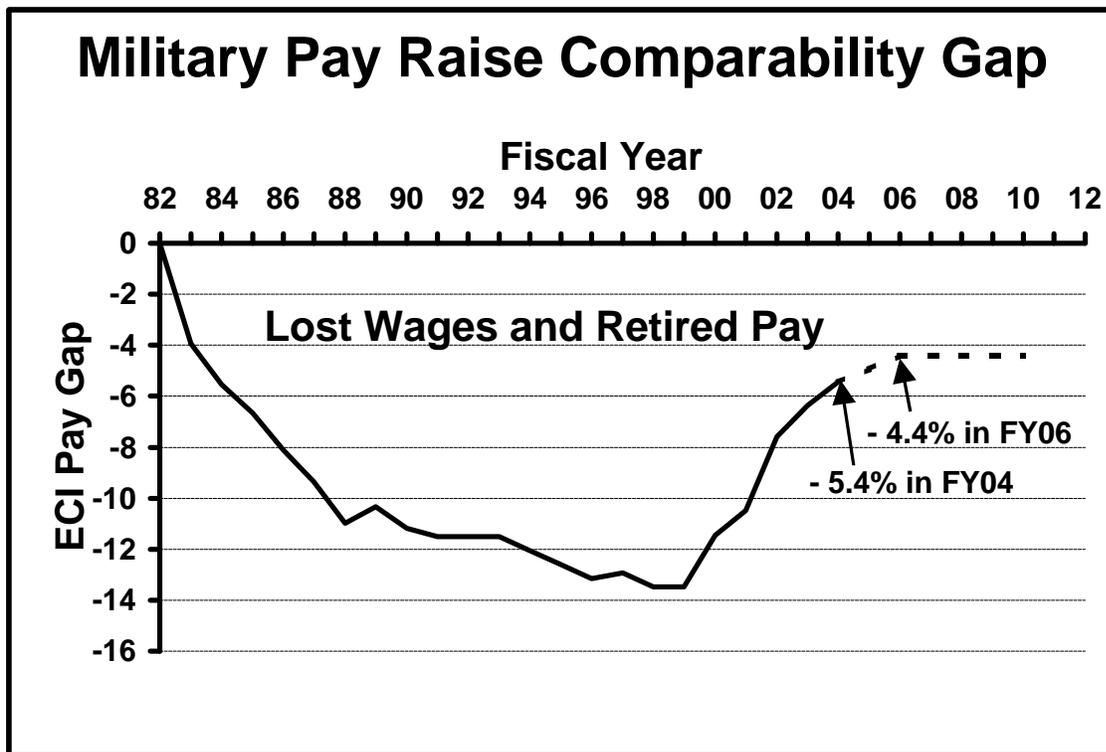
The President ultimately rejected his senior budget official's advice; but, while supporting a 4.1 percent pay raise for most of the uniformed services, the Administration's FY 2004 budget

proposed to cap the pay of NOAA and USPHS officers at 2 percent. The Military Coalition strongly objected to this disparate treatment of members in those uniformed services and your Subcommittee ensured that NOAA and USPHS personnel received the same 4.1 percent pay raise. We strongly urge the Subcommittee to reject any requests from the Administration recommending treatment of NOAA and PHS commissioned officers that is different from that accorded 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 percent in 1999—resulting in predictable readiness crises—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 5.4 percent as of 2004.

While it would take another 5 years to restore full comparability at the current pace, we sincerely appreciate this Subcommittee’s decision to change the prior law that would have resumed capping pay raises at below private sector growth and enacting a new law requiring all raises, beginning in FY 2007, to at least equal private sector wage growth as measured by the Bureau of Labor Statistics ECI.



The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to reject any request from the Administration to cap future pay raises for any segment of the uniformed services population.

Pay Table Reform. The Subcommittee also has supported the Department of Defense plan to fix problems within the basic pay table by authorizing special “targeted” adjustments for specific

grade and longevity combinations in order to align career servicemembers' pay with private sector earnings of civilians with similar education and experience.

The Coalition supports the DoD plan for targeted raises; but, once again, the Coalition was disappointed with the actions of the Office of Management and Budget (OMB)—this time, by their recently reported denial for a \$300 million request from DoD to continue targeted raises for career servicemembers.

While the Coalition is most appreciative of the Administration's support this year to continue ECI-plus raises provided for by the FY 2000 defense bill, we are deeply disappointed that they would deny a request from DoD to complete the plan to fix the pay of career servicemembers, and we strongly urge this Subcommittee to authorize continued targeting of additional increases for career servicemembers to correct shortcomings in their pay tables.

However, the Coalition does request that DoD outline their plan for targeted raises so that servicemembers, and others who are concerned about military pay, know and understand the objectives of such differential raises. To the extent that targeted raises are needed, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed.

The Military Coalition believes all members need and deserve at least a 3.5 percent raise in 2005 to continue progress toward eliminating the existing pay raise comparability shortfall. The Coalition also believes additional targeted raises are needed to address the largest comparability shortfalls for career enlisted members and warrant officers vs. private sector workers with similar education, experience and expertise.

Commissaries. The Coalition continues to be very concerned about preserving the value of the commissary benefit—which is widely recognized as the cornerstone of quality of life benefits and a valued part of the servicemembers' total compensation package.

During the past year, the Department of Defense announced plans to close a number of commissaries, replace the traditional three-star officer serving as chairman of the Commissary Operating Board (COB) with a political appointee, and require a study on instituting variable pricing for commissary products. These proposals are apparently intended to save money by reducing the annual appropriation supporting the Defense Commissary Agency (DeCA), which operates 275 commissaries worldwide. The COB recommendation is also viewed as another indicator of DoD's ongoing interest in eventually privatizing the benefit.

The Coalition supports cost savings and effective oversight and management. However, we are concerned about the unrelenting pressure on DeCA to cut spending and squeeze additional efficiencies from its operations—despite years of effective reform initiatives and recognition of the agency for instituting improved business practices.

The Coalition is particularly opposed to the concept of variable pricing, which the Administration acknowledges is aimed at reducing appropriated funding. This can only come at the expense of reducing benefits for patrons.

The commissary is a highly valued quality of life benefit not quantifiable solely on a dollars appropriated basis. As it has in the past, The Military Coalition opposes any efforts to privatize

commissaries or reduce benefits to members, and strongly supports full funding of the benefit in FY 2005 and beyond.

The Military Coalition opposes all privatization and variable-pricing initiatives and strongly supports full or even enhanced funding of the commissary benefit to sustain the current level of service for all patrons, including Guard and Reserve personnel and their families.

Family Readiness and Support. Family readiness is a key concern for the approximately 60 percent of servicemembers with families. Allocating adequate resources for the establishment and maintenance of family readiness and support programs is part of the cost of effectively fulfilling the military mission.

Servicemembers and their families must understand and be aware of benefits and programs available to them and who to contact with questions and concerns—both at the command level and through the respective Service or Department of Defense—in order to effectively cope with the challenges of deployment. It is also important to meet childcare needs of the military community including Guard and Reserve members who are being called to active duty in ever-increasing numbers.

The Military Coalition urges improved family readiness through education and outreach programs and increased childcare availability for servicemembers and their families and associated support structure to assist families left behind during deployments of active duty, Guard and Reserve members.

Education Benefits for Career Servicemembers. Career servicemembers who entered active service between 1 January 1977 and 30 June 1985 and declined to enroll in the Veterans Education Assistance Program (VEAP) are the only group of currently serving members (other than service academy graduates and certain ROTC scholarship recipients) who have not been offered an opportunity to enroll in the Montgomery GI Bill (MGIB). There are approximately 90,000 personnel in this situation. Noteworthy is the fact that many were discouraged from signing up for VEAP, as it was acknowledged then to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that commenced on 1 July 1985. These senior leaders are the backbone of today's force and critical to the success of the war effort and other military operations. When they complete their careers, they should have been afforded at least an opportunity to say "yes or no" to veterans' education benefits under the MGIB.

The Military Coalition strongly recommends authorizing a MGIB sign-up window for career servicemembers who declined VEAP when they entered service.

Basic Allowance for Housing (BAH). The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. Many enlisted personnel, for example, are unaware of the standards for their respective pay grade and assume that their BAH level is determined by a higher standard than they may in reality be entitled to. This causes confusion about the mismatch between the amount of BAH they receive and the actual cost of their type of housing. 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—yet many personnel in more junior pay grades do in fact reside in detached homes. The Coalition believes that as a minimum, this BAH standard (single family

detached house) should be extended gradually to qualifying service members beginning in grade E-8 and subsequently to grade E-7 and below over several years as resources allow.

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 similar 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 completed in 2005. Unfortunately, housing and utility costs continue to rise, and the pay comparability gap, while diminished over recent years thanks to the Subcommittee's leadership, continues. Members residing off base face higher housing expenses along with significant transportation costs, and relief is especially important for junior enlisted personnel living off base who do not qualify for other supplemental assistance.

The Military Coalition urges the Subcommittee to direct gradual adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to complete the elimination of average out-of-pocket housing expenses in FY 2005.

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 37.5 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 Coalition also greatly appreciates the provisions in the FY 2004 defense bill to provide full replacement value for household goods lost or damaged by private carriers during government directed moves, and the Coalition looks forward to the timely implementation of the Department of Defense comprehensive “Families First” plan to improve claims procedures for servicemembers and their families.

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 second 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 in their children's education and their spouse's career progression. 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 2005 to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.

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 while at their home duty station.

The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12 percent 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.

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. Since September 11, 2001 more than 350,000 members of the National Guard and Reserve have been mobilized and many thousands more are in the activation pipeline. Today, they face all the same challenges as their active counterparts, with a deployment pace greater than any time since World War II.

Guard/Reserve operational tempo has placed enormous strains on employers and family members alike. 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 that policy and the prominent role of the National Guard and Reserve forces in the national security equation. Still, we are concerned that ever-rising operational employment of these 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 will likely face stiff resistance with employers and increased financial burdens under the current policy of multiple activations over the course of a reserve career. Some senior reserve leaders are in fact alarmed over likely manpower losses if action is not taken to relieve pressures on Guard and Reserve troops.

The Military Coalition strongly urges immediate attention to the looming crisis that is placing unprecedented stress on National Guard and Reserve manpower and missions.

Healthcare for Members of the National Guard and Reserve. The Military Coalition is most appreciative to Congress for ensuring that the Temporary Reserve Health Care Program was included in the FY 2004 National Defense Authorization Act. This program will provide temporary coverage, until December 2004, for National Guard and Reserve members who are uninsured or do not have employer-sponsored health care coverage. TRICARE officials plan to build on existing TRICARE mechanisms to expedite implementation; however, no one is certain how long this will take. Immediate implementation is required.

The Military Coalition recommends permanent authorization of cost-share access to TRICARE to support readiness, family morale, and deployment health preparedness for Guard and Reserve servicemembers.

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. Guard and Reserve family members are eligible for TRICARE if the member's orders to active duty are for more than thirty days; but, many of these families would prefer to preserve the continuity of their 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. Many Guard and Reserve families live in locations where it is difficult or impossible to find providers who will accept new TRICARE patients. Recognizing these challenges for its own reservist-employees, the Department of Defense routinely pays the premiums for the Federal Employee Health Benefit Program (FEHBP) when activation occurs. This benefit, however, only affects about ten percent of the Selected Reserve.

The Military Coalition urges the authority for federal payment of civilian health care premiums (up to the TRICARE limit) as an option for mobilized service members.

Dental readiness is another key aspect of readiness for Guard and Reserve personnel. Currently, DoD offers a dental program to Selected Reserve members and their families. The program

provides diagnostic and preventive care for a monthly premium, and other services including restorative, endodontic, periodontic and oral surgery services on a cost-share basis, with an annual maximum payment of \$1,200 per enrollee per year. However, only five percent of eligible members are enrolled.

During this mobilization, soldiers with repairable dental problems were having teeth pulled at mobilization stations in the interests of time and money instead of having the proper dental care administered. Congress responded by passing legislation that allows DoD to provide medical and dental screening for Selected Reserve members who are assigned to a unit that has been alerted for mobilization in support of an operational mission, contingency operation, national emergency, or war. Unfortunately, waiting for an alert to begin screening is too late. During the initial mobilization for Operation Iraqi Freedom, the average time from alert to mobilization was less than 14 days, insufficient to address deployment dental standards. In some cases, units were mobilized before receiving their alert orders. This lack of notice for mobilization continues, with many reservists receiving only days of notice before mobilizing.

The Military Coalition recommends expansion of the TRICARE Dental Plan benefits for Guard and Reserve servicemembers. This would allow all National Guard and Reserve members to maintain dental readiness and alleviate the need for dental care during training or mobilization.

Reserve Retirement Upgrade. The fundamental assumption for the Reserve retirement system established in 1947 is that a Reservist has a primary career in the civilian sector. But it's past time to recognize that greatly increased military service demands over the last dozen years have cost tens of thousands of Reservists significantly in terms of their civilian retirement accrual, civilian 401(k) contributions, and civilian job promotions.

The Defense Department routinely relies upon the capabilities of the reserve forces across the entire spectrum of conflict from homeland security to overseas deployments and ground combat. This reliance is not just a trend—it's a central fixture in the national security strategy. Since September 11, 2001 more than 350,000 reserve component servicemembers have been called to extended active duty. That represents almost 40 percent of the "drilling" reserve force structure—those assigned to military positions and training regularly. And these activations are expected to continue, absent a significant adjustment either in mission allocation or end strength. The Defense Department, however, has shown little interest in reducing the burden on the reserve forces. Inevitably, civilian career potential and retirement plans will be hurt by frequent and lengthy activations.

The time has come to recognize the reserve retirement system as a complement, rather than a supplement to civilian retirement programs. Failing to acknowledge and respond to the changed environment could have far-reaching, catastrophic effects on reserve participation and career retention.

The Military Coalition urges a reduction in the age when a Guard/Reserve component member is eligible for retired pay to age 55 as an option for those who qualify for a non-regular retirement.

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

Unlike the basic MGIB (Chapter 30, Title 38), Chapter 1606 of Title 10 governs the Reserve GI Bill program. The problem is that the Reserve SR-MGIB program competes with National Guard and Reserve pay accounts for funding. During the first fourteen years of the SR-MGIB, benefits maintained 47 percent comparability with the basic MGIB. But, in the last five years, the SR-MGIB has slipped to 29 percent of the basic program. This occurred at a time when the Guard and Reserve have been mobilized and deployed unlike any time since World War II. The Coalition believes that total force equity requires proportional adjustments to the SR-MGIB whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer basic funding authority for “chapter 1606” (10 USC) benefits program to Title 38.

The Military Coalition recommends a three-phased increase in SR- MGIB benefits to restore it to its original value at 47 percent of the MGIB rate. The Coalition also recommends transfer of the Reserve SR-MGIB authority from Title 10 to Title 38 to permit proportional benefit adjustments in the future.

Guard/Reserve Family Support Programs. Guard and Reserve families have been called upon to make more and more sacrifices as Operations Iraqi Freedom and Enduring Freedom continue. These families represent communities throughout the Nation—and most of these communities are not close to military installations. As a result, these families members face unique challenges since they do not have access to traditional family support services that their active duty counterparts have on military installations.

Providing a core set of family programs, not bound by geographic location, would help these families meet these challenges. While many programs are already in place, there is a need for uniform availability of these programs to all reserve component families. These programs include, but are not limited to: state and regional family assistance centers; a responsive and flexible child care system to meet the unique needs of reserve families; a family support structure that recognizes that reserve families do not have much experience with military life and need more information about the services available to them and how to access the various support systems; and, finally, funding for staffing since volunteers have been providing these support services, many of them experiencing similar difficulties with their sponsors deployed.

We applaud the support shown to families by community organizations like the American Red Cross, the American Legion, the VFW and local Chambers of Commerce. But with the continued and sustained activation of the Reserve Component, a stronger support structure needs to be implemented and sustained.

The Military Coalition urges that adequate funding be made available for a core set of family support programs and benefits that meet the unique needs of Guard and Reserve component families.

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.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the inactive duty training (IDT) 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.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP) including the provision in the FY 2002 Defense Authorization Act that extended SBP eligibility to members who die on active duty, regardless of years of service, and the FY 2004 provision that improved election options for these survivors. These actions helped a great deal in addressing a long-standing survivor benefits disparity.

But very serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support, at the very least, an increase in the minimum SBP annuity for survivor's age 62 and older.

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. 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 19 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 81 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 below 28 percent in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation is far worse, 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 (including Members of Congress) 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%	19%

*Civil Service Retirement System

**Federal Employees Retirement System

Because servicemembers retire at younger ages than federal civilians, retired servicemembers pay premiums for a much longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a 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. Mary Landrieu and Rep. Jeff Miller (S. 1916 and H.R. 3763, respectively) that, if enacted, would eliminate the disparity over a ten year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2005; to 45 percent in 2008; and to 55 percent in 2014.

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. 1916 and H.R. 3763.

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, 2004.

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.

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 Military Coalition applauds Congress for the landmark provisions in the FY 2004 National Defense Authorization Act that expand combat related special compensation to all retirees with combat-related disabilities and authorizes—for the first time ever—the unconditional concurrent receipt of retired pay and veterans’ disability compensation for retirees with disabilities of at least 50 percent. Disabled retirees everywhere are extremely grateful for this Subcommittee’s action to reverse an unfair practice that has disadvantaged disabled retirees for over a century.

While last year’s concurrent receipt provisions will benefit tens of thousands of disabled retirees, an equal number were left behind. The fiscal challenge notwithstanding, the principle behind eliminating the disability offset for those with disabilities of 50 percent is just as valid for those with 40 percent and below and the Coalition urges the Subcommittee to extend this principle to the thousands of disabled retirees who were left out of last year’s legislation.

We understand that a significant concern among some critics that prevented broader concurrent receipt action was the need for a review of the VA disability system. The Coalition believes much of the concern is misplaced, and that the VA system should be able to withstand reasonable scrutiny. The Coalition stands ready to assist the Veterans’ Disability Benefits Commission and participate in the debate with relevant information and data affecting a full spectrum of disabled veterans and their families and survivors. Most importantly, the Coalition urges the Subcommittee to ensure that the Commission remains focused on the fundamental principles that have served as the foundation for both the DoD disability retirement and VA disability compensation processes—principles of fairness, due process, and the unique aspect that military duty is 24/7. We look forward to completion of the review and revalidation of the process as important steps toward resolving concurrent receipt inequity.

The Military Coalition urges Subcommittee leaders and members to be sensitive to the need for further adjustments to last year’s concurrent receipt provision and to eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to ensure the Veterans’ Disability Benefits Commission protects the principles guiding the DoD disability retirement program and VA disability compensation system.

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—an arduous and frustrating task, at best—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; 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; and DFAS should be authorized to garnish ordered, unpaid child support payments from the former spouse's share of retired pay. 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. The Coalition 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.

The Coalition believes that, at a minimum, the Subcommittee should approve those initiatives that have the consensus of the military and veterans' associations, including the National Military Family Association. The Coalition would be pleased to work with the Subcommittee to identify and seek consensus on other measures to ensure equity for both servicemembers and former spouses.

The Military Coalition recommends corrective legislation be enacted to eliminate the inequities in the administration of the Uniformed Services Former Spouse Protection Act

(USFSPA), to include consideration of the recommendations made by the Department of Defense in their 2001 USFSPA report..

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.

HEALTH CARE TESTIMONY 2004

The Military Coalition (TMC) is most appreciative of the Subcommittee's exceptional efforts over several years to honor the government's health care commitments to all uniformed services beneficiaries. These Subcommittee-sponsored enhancements represent great advancements that should significantly improve health care access while saving all uniformed services beneficiaries thousands of dollars a year. The Coalition particularly thanks the Subcommittee for last year's outstanding measures to address the needs of TRICARE Standard beneficiaries as well as to provide increased access for members of the Guard and Reserve components.

While much has been accomplished, we are equally concerned about making sure that subcommittee-directed changes are implemented and the desired positive effects actually achieved. We also believe some additional initiatives will be essential to providing an equitable and consistent health benefit for all categories of TRICARE beneficiaries, regardless of age or geography. The Coalition looks forward to continuing our cooperative efforts with the Subcommittee's members and staff in pursuit of this common objective.

FULL 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 -- including graduate medical education and

continuing education, full funding of both direct care and purchased care sectors, providing access to the military health care system for *all* uniformed services beneficiaries, regardless of age, status or location. A fully funded health care benefit is critical 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.

We are grateful that last year, Congress provided supplemental appropriations to meet growing requirements in support of the deployment of forces to Southwest Asia and Afghanistan in the global war against terrorism.

But we are concerned by reports from the Services that the current funding level falls short of that required to meet current obligations and that additional supplemental funding will once again be required. For example, we have encountered several instances in which local hospital commanders have terminated service for retired beneficiaries at military pharmacies, citing budget shortfalls as the reason. Health care requirements for members returning from Iraq are also expected to strain the military delivery system in ways that we do not believe were anticipated in the budgeting process.

Similarly, implementation of the TRICARE Standard requirements in last year's Authorization Act – particularly those requiring actions to attract more TRICARE providers -- will almost certainly require additional resources that we do not believe are being budgeted for.

Financial support for these increased readiness requirements, TRICARE provider shortfalls and other needs will most likely require additional funding.

The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, including military medical readiness, needed TRICARE Standard improvements, and the DoD peacetime health care mission. It is critical that the Defense Health Budget be sufficient to secure increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

Pharmacy Cost Shares for Retirees. Late last year, the Office of Management and Budget (OMB) and the Defense Department considered a budget proposal that envisioned significantly increasing retiree cost shares for the TRICARE pharmacy benefit, and initiating retiree copays for drugs obtained in the direct care system. While the proposal was put on hold for this year, the Coalition is very concerned that DoD is undertaking a review that almost certainly will recommend retiree copay increases in FY 2006.

Thanks to the efforts of this Subcommittee, it was less than three years ago that Congress authorized the TRICARE Senior Pharmacy Program (TSRx) and DoD established \$3 and \$9 copays for all beneficiaries. Defense leaders highlighted this at the time as “delivering the health benefits military beneficiaries earned and deserve.” But the Pentagon already has changed the rules, with plans to remove many drugs from the uniform formulary and raise the copay on such drugs to \$22.

Now, there are new proposals to double and triple the copays for drugs remaining in the formulary – to \$10 and \$20, respectively. One can only surmise that this would generate another substantial increase in the non-formulary copay – perhaps even before the \$22 increase can be implemented.

Budget documents supporting the change rationalized that raising copays to \$10/\$20 would align DoD cost shares with those of the VA system. This indicates a serious misunderstanding of the VA cost structure, unless the Administration also plans to triple VA cost shares. At the present time, the VA system requires no copayments at all for medications covering service-connected conditions, and the cost share for others is \$7.

The Coalition believes Congress will appropriate the funds needed to meet uniformed services retiree health care commitments if only the Administration will budget for it. The Coalition is concerned that DoD does not seem to recognize that it has a unique responsibility as an employer to those who served careers covering decades of arduous service and sacrifice in uniform. Multiple administrations have tried to impose copays in military medical facilities, and Congress has rejected that every time. We hope and trust that will continue.

The Coalition vigorously opposes increasing retiree cost shares that were only recently established. Congress's recent restoration of retiree pharmacy benefits helped restore active duty and retired members' faith that their government's health care promises would be kept. If implemented, this proposal would undermine that trust, which in the long term, can only hurt retention and readiness.

The Military Coalition urges the Subcommittee to continue to reject imposition of cost shares in military pharmacies and oppose increasing other pharmacy cost shares that were only recently established. We urge the Subcommittee to ensure that Beneficiary Advisory Groups' inputs are included in any studies of pharmacy services or copay adjustments.

TRICARE FOR LIFE (TFL) IMPLEMENTATION

The Coalition is pleased to report that, thanks to this Subcommittee's continued focus on beneficiaries, TMC representatives remain actively engaged in an OSD-sponsored action group, the TRICARE Beneficiary Panel. This group was formed initially to deal with TFL implementation. Subsequently the group has broadened its scope from refining TFL to tackling broader TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved and continues to grow between the Beneficiary Panel and the staff at the TRICARE Management Authority (TMA). This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, TMA continues to be committed to implementing TFL and other health care initiatives consistent with Congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some “glitches” for TFL beneficiaries remain. The Beneficiary Panel has provided a much-needed forum to exchange DoD and beneficiary perspectives and identify corrective actions. However, some issues are beyond the policy purview of the department and require Congressional intervention. 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.

Permanent ID Card for Dependents Over the Age of 65. With the advent of TFL, expiration of TFL-eligible spouses' and survivors' military identification cards -- and the threatened denial of health care claims -- has caused our frail and elderly members and their caregivers significant administrative and financial distress.

Previously, many of them who lived miles from a military installation or who resided in nursing homes and assisted living facilities simply did not bother to renew their ID cards upon the four-year expiration date. Before enactment of TFL, they had little to lose by not doing so. But now, ID card expiration cuts off their new and all-important health care coverage.

A four-year expiration date is reasonable for younger family members and survivors who have a higher incidence of divorce and remarriage, but it imposes significant hardship and inequity upon elderly dependents and survivors.

The Coalition is concerned that many elderly spouses and survivors with limited mobility find it difficult or impossible to renew their military identification cards. A number of seniors are incapacitated and living in residential facilities, some cannot drive, and many more do not live within a reasonable distance of a military facility. The threat of loss of coverage is forcing many elderly spouses and survivors to try to drive long distances -- sometimes in adverse weather, and at some risk to themselves and others -- to get their cards renewed.

Renewal by mail can be confusing, and obtaining information on service- and locality-specific mail-order renewal requirements can be very difficult for beneficiaries or their caregivers. Those who cannot contend with the daunting administrative requirements now face a terrible and unfair penalty.

The Coalition strongly urges the Subcommittee direct the Secretary of Defense to authorize issuance of permanent military identification cards to uniformed services family members and survivors who are age 65 and older, with appropriate guidelines for notification and surrender of the ID card in those cases in which eligibility is ended by divorce or remarriage.

Access to TSRx for Nursing Home Beneficiaries. Once again, the Coalition would like to bring to the Subcommittee's attention the plight faced by TRICARE Senior Pharmacy (TSRx) beneficiaries residing in nursing homes who continue to encounter limitations in utilizing the TSRx benefit. The Coalition is most grateful for report language contained in House Armed Services Committee Report PL 107-436 regarding waiver of the TSRx deductible for such beneficiaries. The Subcommittee directed the Secretary of Defense to implement policies and regulations or make any legislative changes to waive the annual deductible for these patients, and report to the Armed Services Committees by March 31, 2003.

By way of review for the Subcommittee, because of state pharmacy regulations, patient safety concerns and liability issues, the vast majority of nursing homes have limitations on dispensing medications from outside sources. In rare cases where the nursing home will accept outside medications, some beneficiaries have been successful in accessing medications via a local TRICARE network pharmacy or the TRICARE Mail Order Pharmacy (TMOP). These fortunate individuals use the TSRx program with the lower cost shares designated for participating pharmacy services.

However, the vast majority of nursing home residents must rely on the nursing home to dispense medications. As a result, these beneficiaries must seek TRICARE reimbursement for these medications and in most cases, this is treated as a non-network pharmacy -- which means the individual is responsible for a \$150 deductible (\$300 if there is a family), plus higher copayments per prescription. The TRICARE non-network pharmacy deductible policy was intended to create an incentive for beneficiaries to use the TMOP or retail network pharmacies. However, this policy unintentionally penalizes beneficiaries in nursing homes who have no other options.

One solution is to work with the nursing home to have them to sign on as a network pharmacy. But experience indicates that few if any nursing homes are willing to become TRICARE authorized pharmacies, thus subjecting helpless beneficiaries to deductibles and increased cost shares – as if they had voluntarily chosen to use a non-network pharmacy.

A Pentagon report to Congress last May states “the use of non-network pharmacy services by TRICARE beneficiaries residing in nursing homes is not widespread.” The Coalition strongly disagrees. In fact, because no effort has been made to educate beneficiaries or nursing homes about this problem, the vast majority of beneficiaries residing in nursing homes are not even aware that they have the ability to file paper claims for reimbursement.

The report further states,

“When such occurrences have been brought to our attention, we have consistently been able to deal with this issue on a case-by-case basis and have been universally successful in either identifying a network pharmacy that can serve the nursing home beneficiary, or bringing the non-network pharmacy used by the nursing home into the TRICARE network.”

The Coalition takes great exception to this unfounded assertion. Our experience with actual members indicates a nearly universal lack of success in resolving this issue.

Pharmacy cost shares were established to direct beneficiaries to a more cost effective point of access. However, many of our frail and elderly beneficiaries are now residing in institutions where circumstances preclude them from accessing the TRICARE pharmacy at network cost shares. The Coalition asks the Subcommittee to take action to end this financial burden to those whose circumstances are out of their control.

The Military Coalition urges the subcommittee to direct DoD to take action to provide outreach and education for beneficiaries attempting to deem nursing homes as TRICARE authorized pharmacy services. In those instances where the residential facility will not participate in the TRICARE program, DoD must be directed to reimburse pharmacy expenses at TRICARE network rates to uniformed services beneficiaries who cannot access network pharmacies due to physical or medical constraints.

Initial Preventive Physical Examination. The Coalition is grateful that Sec 611 (PL 108-173), the Medicare Prescription Drug Improvement, and Modernization Act.. Sec 611 authorizes an initial preventative physical examination for Medicare-eligible beneficiaries turning 65. We are most appreciative of this effort to address preventive care for seniors. This one-time examination is not a covered TRICARE benefit.

Because this is a Medicare benefit and not a TRICARE benefit, TFL beneficiaries are liable for all Medicare co-payments. The billed charge may not exceed 115% of the Medicare Maximum Allowable Charge (MMAC). If the beneficiary's provider charges the maximum allowed by law (115% of the MMAC), Medicare would pay 80% and the beneficiary would be liable for co-payments of up to 35% of Medicare Maximum Allowable Charge. If the provider accepts Medicare assignment, the TFL beneficiary would be responsible for a 20% cost share.

Therefore, in order to prevent TFL beneficiaries from incurring this out of pocket cost, the Coalition requests that the TRICARE benefit package be modified to mirror this new Medicare enhancement.

The Military Coalition requests that the Subcommittee take steps to authorize the initial preventive physical examination (Sec 611 of PL 108-173) as a TRICARE benefit for over 65 Medicare-eligible uniformed services beneficiaries.

The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans

The Coalition has endorsed the final report of the President's Task Force (PTF) to Improve Health Care Delivery for Our Nation's Veterans. It is the Coalition's hope that this Subcommittee will take action on many of the PTF recommendations and work with the Veteran's Affairs Committee, the Defense Department, and the Department of Veterans Affairs to move forward with greater collaborative efforts to enhance health care delivery for those who have earned these benefits through service to their country in uniform.

A significant goal is a seamless transition to veteran status for retirees or for those separating -- relying on collaboration for success. As soon as an individual enters the armed services, both agencies have a stake in their health status. Therefore, in order to provide quality health care, that information must be shared between the VA and DoD.

Lessons learned from the 1st Gulf War taught us that a better job must be done to collect, track and analyze occupational exposure data. Without this information, benefits determinations cannot be fairly adjudicated, nor can the causes of service related disorders be understood. Last year, DoD initiated an enhanced post-deployment health assessment process for service members deployed in support of Operation Iraqi Freedom. The outcome of this project will be a marker to determine if this PTF recommendation is being implemented effectively.

To do so, both agencies must share this exposure information and any other health status data electronically. VA and DoD will have to complete development of an interoperable bi-directional electronic medical record (EMR) -- the lynchpin to a seamless transition. The technology exists but the will must be found to move forward to completion.

Another important recommendation is "the one-stop physical" upon separation or retirement. Offering one discharge physical, providing outreach and referrals for a VA Compensation and Pension examination, as well as following up on claims adjudication and rating is not just more cost effective in terms of capital and human resources; it is the right thing to do -- to ensure that servicemembers receive the benefits they have earned and deserve.

The government has been talking about developing an electronic DD 214 for years, yet the document remains in paper format. Initial start-up costs would be paid back many times over in

efficiencies gained. This is not just a matter of conserving resources. It is essential to remove barriers that hamper the benefits determination process.

Other commissions have worked to the same effort in the past, only to have their recommendations sit on the shelf. Successful implementation will require congressional authority and additional funding.

The Military Coalition asks the Subcommittee to work with the Veteran's Affairs Committee and the Departments of Veterans Affairs and Defense to ensure action on the PTF recommendations including a seamless transition, a bi-directional electronic medical record (EMR), enhanced post-deployment health assessment, and implementation of an electronic DD214.

TRICARE IMPROVEMENTS

TRICARE Standard Improvements. The Coalition is most grateful for the Subcommittee's extraordinary efforts in the FY 2004 NDAA to improve the TRICARE Standard program. This legislation goes a long way toward addressing the number one concern expressed by our collective memberships -- access to care for Standard beneficiaries.

Benefits already have been significantly enhanced for Medicare-eligibles, and for active duty beneficiaries in Prime and the Prime Remote program. This new legislation will address the needs of the 3.2 million TRICARE Standard beneficiaries, many of whom find it difficult or impossible to find a Standard provider. The Coalition is firmly committed to working with Congress, DoD and the Health Services Support Contractors (HSSCs) to facilitate prompt implementation of these provisions.

DoD will be required to track provider participation (including willingness to accept new patients), appoint a specific official responsible for ensuring participation is sufficient to meet beneficiary needs, recommend other actions needed to ensure the viability of the Standard program, develop an outreach program to help beneficiaries find Standard providers, educate them about the benefit, and provide problem resolution services for beneficiaries experiencing access problems or other difficulties.

The Coalition is well aware that DoD has a full plate this year managing the transition of many new TRICARE contracts and implementation of major legislative initiatives, including those for the Guard and Reserve components. We are concerned that DoD's resources may be stretched thin, and the Standard enhancements may take a low priority while other issues are addressed.

The Military Coalition urges the Subcommittee's continued oversight to ensure DoD is held accountable to promptly meet requirements for beneficiary education and support, and particularly for education and recruitment of sufficient providers to solve access problems for Standard beneficiaries.

Provider Reimbursement. The Coalition appreciates the Subcommittees efforts to address provider reimbursement needs in the FY 2004 NDAA (P.L. 108-136). We recognize that part of the problem is endemic to the Medicare reimbursement system, to which TRICARE rates are tied.

The Coalition is greatly troubled that a flaw in the provider reimbursement formula led the Centers for Medicare and Medicaid (CMS) to cut Medicare fees 5.4% in recent years, and would have generated additional cuts in 2003 and 2004 if not for last-minute legislative relief.

Cuts in Medicare (and thus TRICARE) provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in these programs. 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 causes 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 situation is growing increasingly problematic as deployments of large numbers of military health professionals diminish the capacity of the military's direct health care system. In this situation, more and more TRICARE patients have to turn to the civilian sector for care – thus putting more demands on civilian providers who are reluctant to take an even larger number of beneficiaries with relatively low-paying TRICARE coverage.

The Coalition believes this is a readiness issue. 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 deserve the nation's best health care, not the cheapest.

Congress did the right thing by reversing the erroneous proposed provider payment cuts due to be implemented March 1, 2003 and January 1, 2004 and instead provided 1.6 % and 1.5% payment increases, respectively. But the underlying formula needs to be solved to eliminate the need for perennial “band-aid” corrections.

The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but the adverse impact of depressed rates on all TRICARE beneficiaries warrants a special Subcommittee effort to find a way to solve the problem.

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

Disproportionate Share Payments. The Coalition is grateful for report language contained in the Senate Armed Services Committee Report 108-046 encouraging DoD to review and consider alignment of the TRICARE payment schedule with Medicare's disproportionate share payment adjustment to children's hospitals. The Subcommittee expressed concern about access when children's hospitals provide care to TRICARE beneficiaries with high-cost, complex medical needs where TRICARE reimbursement rates do not cover the cost of care provided.

Authorizing increased payments to hospitals that serve a disproportionately large number of TRICARE beneficiaries based on Medicare's Disproportionate Share (DSH) payment adjustment makes great sense. It is every bit as important that DoD safeguard access to care

for uniformed services beneficiaries as for Medicare beneficiaries, and we need to encourage facilities to continue to serve this high-priority (but relatively low-revenue-generating) population.

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

Administrative Burdens. Despite significant initiatives designed to improve the program, providers continued to complain of low and slow payments, as well as burdensome administrative requirements. Once providers have left the TRICARE system, promises of increased efficiencies do little to encourage them to return. Only by easing the administrative burden 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.

Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to Medicare-providers. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, making the system simple for providers, and paying claims on time.

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 upon implementation of the new TRICARE contracts (TNEX).

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." This provision allows TRICARE claims to be more complex than that of private sector practices. One example is the requirement to provide a TRICARE specific claim data element identifying a provider by the physical location where service was provided (geography). This can be problematic for medical practices with many providers delivering services in numerous localities. Medicare is much simpler requiring only one identifier. The Coalition is hopeful that the HIPPA requirement for a national provider indicator (NPI) will alleviate this issue, but the implementation of the NPI has been pushed back to 2007.

We do not know how these unique data elements enhance TRICARE claims processing, but we do know that both Medicare and the private sector adjudicate 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 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.

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.

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. But one problem remains.

As written, TPR benefits are authorized only if the dependents remain at the former duty site. When the member is assigned away from the family, there can be many good reasons why the family left behind 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 or other support groups while waiting 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.

It is in the government's interest to ensure family members left behind receive the best support they can. We should not write the TRICARE Prime Remote rules in punitive ways that penalize family members who use a government-authorized move to their most appropriate location during the member's absence.

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

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

Current policy is contrary to best business practices in the private sector. When a beneficiary has two insurance plans, the secondary pays the beneficiary liability as long as the services are allowed under the rules of the secondary plan.

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 who are entitled to TRICARE benefits, but are saving the government a substantial amount of money by using their OHI, may forfeit their entire TRICARE benefit because of private sector employment or by virtue of having private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

The October, 2003 GAO Report, TRICARE Claims Processing Has Improved, but Inefficiencies Remain states “...when beneficiaries have other health insurance is the claims processing area that causes the most confusion for providers and beneficiaries.” Providers and beneficiaries frequently misunderstand OHI claims adjudication. The confusion often arises because the OHI payment is equal to or greater than the TMAC, so there is no TRICARE payment. The result is increased customer service demand as contractors must answer complex inquiries from both providers and beneficiaries.

In addition to increasing demand for customer service, the GAO states that the procedures for calculating OHI result in inefficiencies as well. Not only are these rules unfair, they are also just about impossible to understand or explain to beneficiaries and their providers.

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 to the Subcommittee for the provision in the FY2002 NDAA that has substantially eliminated the requirement for non-enrolled TRICARE beneficiaries to obtain a nonavailability statement (NAS) or preauthorization from an MTF before receiving certain services from a civilian provider. However, except for maternity care, the law allows DoD broad waiver authority that could diminish the practical effects of the intended relief from NAS. 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

In addition, the Department must provide notification to affected beneficiaries of any future intent to require an NAS under this authority, and must provide at least 60 days' notice to the Armed Services Committees of any such intent, along with the reasons and intended implementation date.

The Coalition is pleased that, at present, there is no requirement for NAS other than for inpatient mental health services in the TRICARE program.

The Coalition has urged DoD, in the event any future NAS requirement is contemplated, to go beyond a mere Federal Register notification and make a good-faith effort to contact beneficiaries likely to be affected. The Coalition has urged the department to develop a formal program to inform Standard providers and beneficiaries in any such event.

The Military Coalition requests the Subcommittee's continued oversight to assure that, should the Department of Defense choose to exercise its authority and reinstate NAS requirements, beneficiaries and their providers receive effective, advance notification.

TRICARE Next Generation of Contracts (TNEX). Over the next several months, the long awaited transition to the new contracts will be implemented. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process and remain firmly committed to working with Congress, the Department, and the HSSCs to make implementation as effective as possible. Above all, we intend to be vigilant that the current level of service is not compromised. The Coalition applauds the new contracts' increased focus on performance, customer satisfaction and quality care.

As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns. The Coalition is sensitive 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, have historically been tumultuous for all stakeholders, especially beneficiaries. The Coalition believes systems must be put in place that will make the transition to the new contracts as seamless as possible for 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 contractors.

The Coalition will be closely monitoring our member feedback concerning customer service. Specifically, we are concerned that the outgoing HSSCs avoid any fall-off of service as their contracts wind down and that the handoff between the old and new contractors goes smoothly.

Another important area of concern is provider churn. Contracts were re-awarded in four regions, therefore those beneficiaries should experience minimal turnover. But in the other seven regions, beneficiaries may have to find new physicians willing to contract with the new HSSC. The Coalition hopes that beneficiaries who are currently receiving care will be able to continue with their current provider through their course of treatment.

Despite all the changes, the Coalition is hopeful that TRICARE beneficiaries will benefit from the new contract structure. By streamlining administrative requirements and being less prescriptive, we hope DoD will be able to improve service delivery and enhance access. The Coalition intends to be closely involved in the transition and implementation process.

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.

There are three areas of concern the Coalition has identified in the past that we hope will be addressed by the new contracts: Portability/Reciprocity, Prior Authorization, and Health Care Information Lines (HCIL). We would like to briefly state our concerns and ask the Subcommittee's due diligence to provide continued oversight of these issues.

Prior Authorization under TNEX. While the TNEX request for proposals purportedly removed 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.

Since each contractor has been given great leeway in this area, it is too soon in the implementation process for the Coalition to assess the impact upon beneficiaries of the new prior authorization requirements in each of the three regions. We will reserve judgement at this time but will monitor the implementation of these requirements from the beneficiary's perspective.

The Military Coalition urges the Subcommittee's continued efforts to reduce and ultimately eliminate requirements for pre-authorization and asks the Subcommittee to assess the impact of new prior authorization requirements upon beneficiaries' access to care.

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 since issued a memorandum stating that DoD policy requires full portability and reciprocity. Despite the efforts of this Subcommittee, in the current system with 12 regions, enrollees routinely experience enrollment disruption 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 Coalition is eager to see if reducing the number of contracts from 12 to three will address this problem.

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, beneficiaries cannot use these providers without great difficulty. The problem also arises when a member has a child attending college in a different TRICARE region.

Our government requires nationwide mobility of military families, and it is essential to ensure they are provided seamless continuity of health coverage. The Coalition believes three years is more than long enough to have waited for this basic quality of life problem to be fixed.

The Military Coalition urges the Subcommittee to monitor the new contracts to determine if the new system facilitates portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

Health Care Information Lines (HCIL). The Coalition is concerned that the TNEX request for proposals did not contain any requirement for Health Care Information Lines (HCIL), leaving each of the three military services to piecemeal these support services to beneficiaries in their service areas. The Coalition believes this is a grave mistake, works against the interests of the beneficiaries, and interferes with cost-effective management of the TRICARE program.

Over 100 million civilian health plan beneficiaries nation-wide have access to telephonic nurse advice services. HCIL services offered under existing TRICARE contracts played a critical role in the health care process for military beneficiaries. This information service is even more valuable when combined with a triage service that not only suggests a proper plan for care (self care at home, acute care, routine appointment with provider, or emergency room visit), but also schedules an appointment if necessary.

The Coalition has seen data indicating military members and their spouses use HCIL services at twice the rate of the civilian population. No matter where the individual or family is stationed, a HCIL program can provide a convenient and cost-effective point of access to safe, trustworthy decision support and health information.

HCILs can provide peace of mind to spouses who may have to make decisions without the support of their partner. These informed decisions help optimize effective use of MTF and purchased health care resources, while improving clinical and financial outcomes.

HCIL services provide access to nurses 24 hours a day, seven days a week, including times when good care is not always easily accessible. In many cases, children and adults who otherwise may not have received timely care have been assessed and directed to what turned out to be life-saving care.

The Coalition believes that nurse triage programs are a win-win proposition as they have the potential to help control costs by directing patients to the appropriate level of care, while improving access to care and MTF appointments for those who need them.

The Coalition fears that the omission of HCIL guidance from TNEX will result, at best, in a patchwork of HCIL programs implemented locally at the MTF level – to the extent Commanders even choose to do so. The Coalition firmly believes that the popularity of the current regional HCIL services and the single HCIL contract for all OCONUS locations indicates the need for continued availability of a consistent level of HCIL services for all beneficiaries.

The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.

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 (P&T) 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 (BAP) to comment on the formulary. Several Coalition representatives are members of the BAP and are eager to provide input to the program. While we are aware that there will be limitations to access for 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 that the guidelines are 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 very steep and could present an undue financial burden upon beneficiaries if there is a restrictive formulary bias. Beneficiaries’ trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are onerous.

DoD must do a better job of informing beneficiaries about the scope of the benefit -- to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and processes for determining medical necessity. 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 and increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

TRICARE Benefits for Remarried widows. The Coalition believes there is a gross inequity in TRICARE's treatment of remarried surviving spouses whose subsequent marriage ends because of death or divorce. These survivors are entitled to have their military identification cards reinstated, as well as restoration of commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan (SBP) 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. This legislation (38USC 103(g)(1)) reinstated 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.

Military survivors merit the same consideration Congress has extended and the VA has implemented for CHAMPVA survivors.

The Military Coalition urges the Subcommittee to restore equity for surviving spouses by reinstating TRICARE benefits for otherwise qualifying remarried spouses whose second or subsequent marriage ends because of death, divorce or annulment, consistent with the treatment accorded CHAMPVA-eligible survivors.

TRICARE Prime Continuity 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 close 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.

Under current TRICARE contracts and under DoD's interpretation of TNEC, TRICARE contractors are supposed to continue maintaining TRICARE Prime provider networks 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 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, which enjoys a substantial federal subsidy to keep premiums low, 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.

The Coalition understands that consideration is being given to establishing a subsidized dental benefit covering active and retired federal civilians as an adjunct to the Federal Employees Health Benefits Program. If so, similar consideration should be provided for retired military beneficiaries.

Another shortcoming of the TRDP is that it is not available overseas, but, according to the TRDP website: "You can receive covered treatment anywhere in the 50 United States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands and Canada."

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 outside the United States.

Pre-Tax Premium Conversion Option. 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 % 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 HR 2131, which would amend the tax law to allow Federal civilian retirees and active duty and retired military members pay health and dental 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 HR 1231 to provide active duty and uniformed services beneficiaries a tax exclusion for premiums paid for TRICARE Prime enrollment fees, TRICARE dental coverage and health supplements, and FEHBP.

Extended Care Health Option (ECHO). 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 this Subcommittee has

endorsed in Section 701 of the FY 2002 NDAA (PL 107-107) providing additional benefits for eligible active duty dependents by amending the Program for Persons with Disabilities (PWFPD), now termed the Extended Care Health Option (ECHO). Once implemented, ECHO will provide extended benefits not available through the Basic Program to assist in the reduction of the disabling effects of a qualifying condition. Implementation is scheduled as the new contracts roll out this year.

While the ECHO program will provide a tremendous benefit to active duty families, offering enhanced services and respite care, the Coalition is concerned about families transitioning to retirement status when benefits will terminate. The Coalition expects DoD, through both the Exceptional Family Member Program and the military health system, to provide clear education and guidance to families regarding the termination of ECHO benefits at retirement.

Further, the Coalition expects that adequate and timely transition assistance to community-based support services be provided these families. The Coalition will be monitoring this transition process to determine whether legislation is needed to provide a benefit "bridge" for disabled family members of retiring servicemembers as until needed services can be secured in the local community.

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 ECHO program upon all beneficiary classes, and that beneficiary groups' input be sought in the evaluation of the program..

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.