

**NOT FOR PUBLICATION
UNTIL RELEASED BY
THE SENATE ARMED
SERVICE COMMITTEE**

STATEMENT

OF

**GENERAL ROBERT MAGNUS
ASSISTANT COMMANDANT OF THE
MARINE CORPS**

BEFORE THE

PERSONNEL SUBCOMMITTEE

OF THE

SENATE ARMED SERVICES COMMITTEE

ON

DEFENSE HEALTH PROGRAM

4 APRIL 2006

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Chairman Graham, Senator Nelson, and distinguished Members of the Subcommittee, it is my privilege to appear before you today to provide an overview of the Defense Health Program. We remain a Corps of Marines at war with a Total Force of 179,193 in the Active Component and 39,600 in the Reserve Component. Today, 39,572 Active and 2,592 Reserve Marines are deployed overseas, including nearly 34,000 with Multi-National Forces West/I Marine Expeditionary Force (Fwd) in Al Anbar, Iraq and nearly 1,000 with 1st Battalion, 3rd Marines in Jalalabad, Afghanistan. The military health system, which the Congress has strongly supported, has developed into the finest preventative and treatment system of its kind, caring at home for our troops and families and, when Marines go to war as they have today, delivering the most awesome care to our wounded. Your Marines are performing magnificently in no small part due to your support and the realization that they have the support of the American people.

Today, we find ourselves transforming a superb health benefit that has been characterized by tremendous adaptability and one that is exceptionally responsive to a very complex and changing national security environment. For Marine units in the combat zone, care is provided by active duty and reserve Navy physicians, nurses and Corpsmen, as well as Army and Air Force doctors, nurses and medics. This positively impacts the morale of our troops because they know the care is great, with a 97% survival rate for those treated by Forward Surgical Company teams. We recognize that a crucial part of operational and family readiness, and to our continuing ability to recruit and retain Marines, depends heavily on our commitment to this world class health care benefit for those currently serving and to our retirees. This COMMITMENT to our troops will be

kept. To keep this commitment, we must ensure that it is sustained and financially sound. That is our stewardship responsibility to the Congress and the taxpayers.

The Military Health System provides the nation's best health benefit program for those who continue to wear the uniform, retirees and their families. TRICARE is the "gold standard" health care benefit, which must be sustained. Healthcare is not without cost. Military Health Program costs have doubled from \$19B in FY01 to \$38B in FY06, representing an increase from 6% to 8% of total DoD spending. Estimates indicate these costs could reach \$64B in 2015, more than 12% of the DoD budget, an increase that is unsustainable without major impacts in other areas of current and future force readiness. Such growth is clearly faster than overall budget growth and would affect future investments in manpower end strength, readiness, warfighting and infrastructure. By not changing TRICARE premiums and co-pays since 1995, despite increases in health care costs as well as increases in pay, the Department has been remiss.

The growth in health care costs is attributable to several factors:

1. TRICARE premiums and co-pays have not changed since the program was inaugurated in 1995. Therefore, total beneficiary cost share has declined substantially. In 1995, the beneficiaries paid 27% of the total benefit cost while in 2005, as pay increased while premiums and co-pays stayed flat, the beneficiaries share dropped to 12%. In sharp contrast to this, Federal Employees Health Benefit Plan (FEHBP) premiums rose about 113% over the same timeframe, and now an average non-military Federal employee pays an average of 28% of their

health care premium costs, plus pharmacy and other related co-pays. Additionally, the catastrophic cap for military beneficiaries remains significantly lower than civilian health plans.

2. According to various reports, medical costs in the U.S. have grown between 8% and 20% each year, with even higher growth in the cost of pharmaceuticals. DoD budgets have grown 4% per year since 2000, somewhat above the national inflation rate, but far below soaring medical costs.

3. Expansion of the TRICARE benefits to include TRICARE for Life and Reserve members in a drilling status and their families contributes to increased utilization by retirees under age 65. TRICARE was expanded in 2001 to cover all out-of-pocket costs not paid by Medicare, including prescription drugs for those 65 and older, increasing benefits but reducing their costs. In addition, prescription co-payments were eliminated for active duty, reducing their costs. In FY06 Reservists and their family members, representing approximately 9% of DoD health care beneficiaries, are eligible for TRICARE participation. In FY-06, retirees and their family members represented 60% of DoD health care beneficiaries, with 27% of those eligible for TRICARE for Life. The retiree portion of our beneficiary population is projected to

grow to about 65% by 2011 with almost 30% of those people eligible for TRICARE for Life.

TRICARE is a success story. When TRICARE for Life was developed for the 2001 National Defense Authorization Act, no one anticipated the growing number of retirees and their family members, not yet Medicare eligible, who would choose to switch from their private/commercial health care plans to TRICARE in order to cope with the rising costs of health care. Controlling health care costs is a national concern forcing Federal, state and local governments and businesses throughout the country to attempt to shift costs in order to decrease their financial burden. This shift of medical costs to DoD results in an unplanned and unexpected effective healthcare subsidy to local governments and businesses of American taxpayer dollars.

Even with efficiencies currently being leveraged throughout the Military Health System, in order to sustain the current military health benefit and ensure warfighting capabilities into the future, portions of TRICARE must be readjusted. There are approximately 76,000 retired active duty and reserve Marines under the age of 65 who potentially would be affected by the proposed adjustments. Of these, approximately 24,000 are E6 and below, 37,000 are E7 and above and 15,000 are officers.

We strongly support the Department of Defense recommended changes and want to work closely with you, the distinguished Members of this Committee and all of Congress, to obtain the management tools that are needed for us to sustain this great health benefit for all of our men and women in the Armed Forces. Our commitment is to

maintain the TRICARE “gold standard” health care benefit by placing the program on a fiscally sound foundation for the long-term.

The DoD should have asked for Congressional assistance much sooner. We are now coming to a point where we will be faced with a “Hobson’s Choice” making increasingly huge subsidies for the increasing costs of health care from other required programs. We cannot reasonably expect that Congress will add these increases “on top” of our fiscally constrained Defense budgets without impact to other needs. One thing is certain: We will not break our commitment to the highest quality health care for those still in uniform and for our retirees. With your help, we can avoid having to cut programs for manpower, readiness and investments that support those in uniform now and in the future, and are the basis for the defense of our Nation.

It is critically important that we place the health program on a sound fiscal foundation for the long term, so that we can sustain the benefit and the vital needs of our military to recruit, train, equip and protect our Service members who support daily our National Security responsibilities throughout the world.