Military Compensation and Retirement Modernization Commission

Testimony Before the
Senate Armed Services Committee
Personnel Subcommittee
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Statement of:

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The Honorable J. Robert Kerrey

The Honorable Christopher P. Carney

Chairman Graham, Ranking Member Gillibrand, distinguished members of the Subcommittee: My fellow Commissioners and I are honored to be here, and we thank you for the opportunity to testify today.

As a Commission, we stand unanimous in our belief that the recommendations offered in our report strengthen the foundation of the All-Volunteer Force, ensure our national security, and truly honor those who Serve—and the families who support them—now and into the future. Our recommendations represent a holistic package of reforms that do not simply adjust levels of benefits, but modernize the structure of compensation programs for Service members. These recommendations sustain the All-Volunteer Force by maintaining or increasing the overall value of compensation and benefits for Service members and their families, and they provide needed options for Service personnel managers to design and manage a balanced force. Our recommendations also create an effective and efficient compensation and benefit system that saves the Government, after full implementation, more than $12 billion dollars annually, while sustaining the overall value of compensation and benefits of those who serve, those who have served, and the families that support them.

Joint Readiness

Some have suggested that increasing access to and choice among health care providers would impair readiness by limiting training opportunities in Military Treatment Facilities (MTFs). Yet beneficiaries currently have complete freedom to use TRICARE Standard or Extra to seek care outside of MTFs, but they often choose TRICARE Prime and receive MTF care. The Commission's survey also showed that Service members strongly prefer a health benefit that, while increasing choice of civilian providers, allows continued access to MTF care. DoD's TRICARE reform proposal recommends elimination of TRICARE Prime with lower MTF co-payments to incentivize continued MTF usage. TRICARE Choice proposes the same incentives and should therefore result in the same retention of readiness workload at MTFs.

Furthermore, our recommendations contain additional tools that enable DoD to improve medical readiness by attracting new cases into MTFs, especially those related to combat casualty care. There are serious challenges to maintaining joint combat medical capabilities with the typical mix of cases seen in the military health care system during peacetime. As a result, military medical personnel have had to rely on just-in-time proficiency training at civilian hospitals. The Services also regularly substitute wartime medical personnel requirements with medical specialties that provide non-operational family and retiree care during peacetime. DoD has recommended closing or repurposing many MTFs that do not have sufficient workload to adequately support readiness training. Conversely, our health care recommendations improve the viability of MTFs as readiness training platforms, while providing our families and retirees greater access, choice, and value to their health care experience. Key elements of the Commission's recommendation include the following:

- Establish a Joint Readiness Command (JRC).
  - Functional unified command led by a four-star General/Flag Officer.
  - Includes a subordinate joint medical function.
  - Required structure and personnel may be realigned from current Joint Staff functions.
  - Participates in annual planning, programming, budgeting, and execution process.
- Establish a Joint Staff Medical Readiness Directorate.
  - Led by a three-star military medical officer.
  - Current Joint Force Surgeon billet transitions to assume the increased authorities.

- Establish statutory requirement for DoD to maintain Essential Medical Capabilities (EMCs).
  - Limited number of critical medical capabilities that must be retained within the military.
  - Secretary of Defense approves, establishes policies related to, and reports to Congress annually on EMCs.
  - JRC identifies EMCs; establishes joint readiness requirements consistent with EMCs; monitors and reports on Services' adherence to EMC policies and standards; and monitors allocation of medical personnel to ensure maintenance of EMCs.
- Protect and improve transparency of medical programs funding.
  - Active Component (AC) family, retiree, and RC health care should be funded from the Services' Military Personnel accounts.
  - Medicare-Eligible Retiree Health Care Fund (MERHCF) should be expanded to cover health-care and pharmacy for non-Medicare-eligible retirees.
  - New trust fund for health care expenditures appropriated in the current year.
  - MTFs funded through a revolving fund using reimbursements for care delivered.
  - MTF operations that exceed reimbursement for care delivered to be funded from Services' operations and maintenance accounts as cost of readiness.

Health Benefits

A high-quality health benefit is essential for all military constituencies. Yet, the current TRICARE program is beset by several structural problems that hinder its ability to provide the best health benefit to active duty families, Reserve Component members, or retirees. It has weak health care networks because it reimburses providers at Medicare rates or lower. It limits access to care with a frustrating referral process. It has challenges adopting medical advancements or modern health care management practices in a timely manner. The Commission's recommended TRICARE Choice program expands choice, access, quality, and value of the health benefit. Key elements of the Commission's recommendation include the following:

- Continue to provide active-duty Service member health care through their units or MTFs to ensure Services can maintain control of medical readiness of the Force.
- Retain current eligibility for care at MTFs, pharmacy benefit, dental benefit, and TRICARE For Life for all beneficiaries.
- Establish a new DoD health program to offer a selection of commercial insurance plans.
  - Beneficiaries include active-duty families, RC members and families, non-Medicare-eligible retirees and families, survivors and certain former spouses.
  - AC families receive a new Basic Allowance for Health Care (BAHC) to fund insurance premiums and expected out-of-pocket costs.
    - BAHC based on the costs of median plans available in the family's location, plus average out-of-pocket costs.
    - Part of BAHC used to directly transfer the premium for the plan the family has selected to the respective insurance carrier.
    - Remainder of BAHC available to AC families to pay for copayments, deductibles, and coinsurance.
    - Establish a program to assist AC families that struggle with high-cost chronic condition(s) until they reach catastrophic cap of their selected insurance plan.
  - RC members can purchase a plan from the DoD program, at varying cost shares.

        - Reduce cost share for Selected Reserves to 25 percent to encourage RC health and dental readiness and streamline mobilization of RC personnel.
        - When mobilized, RC members receive BAHC for dependents; select a DoD plan or apply BAHC to current (civilian) plan.
    - Non-Medicare-eligible retirees' cost contributions remain lower than the average Federal civilian employee cost shares, but increase 1 percent annually over 15 years.
    - Leveraging its experience, Office of Personnel Management administers the program with DoD input and funding.
- Institute a program of financial education and health benefits counseling.

DoD-VA Collaboration

Our recommendation on DoD-VA collaboration improve the health care experience for transitioning Service members. For example, drug formularies continue to differ between DoD and VA to the detriment of transitioning Service members. Differing formularies create tension maintaining Service members on medications with which they are familiar and transitioning Service members to new medication on new formularies. This tension should not exist, especially for pain medication and anti-psychotics. We believe creating a single formulary for these medications is the best and only means of ensuring continuity of care regardless of organizational considerations. Key elements of the Commission's DoD-VA collaboration recommendation include:

- Grant additional authorities and responsibilities to the Joint Executive Committee to standardize and enforce collaboration between the DoD and VA to:
    - Establish within six months a strategic uniform formulary to include all drugs identified as critical for transition from DoD to VA status.
    - Oversee electronic health record compliance with national health information technology standards ensuring health care data can be quickly and easily shared between the departments.
    - Approve or disapprove in advance any new DoD or VA medical capital asset acquisition or modernization of capital assets, of either DoD or VA medical components.
    - Define common services and planned expenditures for them, and certify consistent with strategic plan.
    - Establish a standard reimbursement methodology for DoD and VA provision of services to each other.

In closing, my fellow Commissioners and I again thank you for the opportunity to testify here today. It has been our honor and privilege to serve Service members and their families as we have assessed the current compensation and retirement programs, deliberated the best paths to modernization, and offered our recommendations. We are confident that our recommendations will indeed serve our Service members in a positive, profound, and lasting way. We are pleased to answer any questions you have.