



Statement of

The Fleet Reserve Association

on

Defense Health Agency: Budgeting and Structure

Submitted to:

House Armed Services Committee
Military Personnel Subcommittee

By

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The FRA

FRA was established in 1924 and its name is derived from the Navy's program for personnel transferring to the Fleet Reserve or Fleet Marine Corps Reserve after 20 or more years of active duty, but less than 30 years for retirement purposes. During the required period of service in the Fleet Reserve, assigned personnel earn retainer pay and are subject to recall by the Navy or Marine Corps.

The Fleet Reserve Association (FRA) celebrated 91 years of service last November 11, and is the oldest and largest enlisted organization serving active duty, Reserves, retired and veterans of the Navy, Marine Corps, and Coast Guard. It is Congressionally Chartered, recognized by the Department of Veterans Affairs (VA) as an accrediting Veteran Service Organization (VSO) for claim representation and entrusted to serve all veterans who seek its help. In 2007, FRA was selected for full membership on the National Veterans' Day Committee.

FRA is a leading advocate on Capitol Hill for enlisted active duty, reserve, retired and veterans of the Sea Services. FRA's mission is to act as the premier "watch dog" group in maintaining and improving the quality of life for Sea Service personnel and their families. The Association is also a founding member of The Military Coalition (TMC), a 31-member consortium of military and veteran's organizations. FRA hosts most TMC meetings and members of its staff serve in a number of TMC leadership roles.

For more than nine decades, dedication to its members has resulted in legislation enhancing quality of life programs for Sea Services personnel, other members of the uniformed services plus their families and survivors, while protecting their rights and privileges. CHAMPUS, (now TRICARE Standard) was an initiative of FRA, as was the Uniformed Services Survivor Benefit Plan (USSBP). FRA led the way in reforming the REDUX Retirement Plan, obtaining targeted pay increases for mid-level enlisted personnel, and sea pay for junior enlisted sailors. FRA also played a leading role in advocating recently enacted predatory lending protections and absentee voting reform for service members and their dependents. More recently the Association played a leading role in abolishing legislation requiring current retirees to get a one-percent reduction in their annual cost-of-living-adjustment (COLA) until they reach age 62.

FRA's motto is: "Loyalty, Protection, and Service."

Certification of Non-Receipt Of Federal Funds

Pursuant to the requirements of House Rule XI, the Fleet Reserve Association has not received any federal grant or contract during the current fiscal year or either of the two previous fiscal years.

Defense out of Sequestration

Before commenting on Defense Health Agency (DHA) budgeting and structure, FRA wants to note with growing concern the long-term impact of sequestration on budgeting. Budget cuts mandated by the Budget Control Act of 2011 pose a threat to national security and will substantially impact member pay and benefits. These automatic cuts, known as Sequestration, require that 50 percent come from Defense, even though Defense only makes up 17 percent of the federal budget. FRA appreciates last year's budget deal eliminates a sequestration mandated \$38 billion cut in the FY 2016 Defense budget, and smaller cuts for FY 2017. However, without additional changes to the law, more sequestration cuts are scheduled for FY 2018 thru 2021 remain, continuing to place national security at risk.

Former Secretary of Defense (SecDef) Chuck Hagel warned in 2011 that future sequestration budget cuts will create a "hollow force." The Services have already canceled deployment of ships, slashed flying hours, renegotiated critical procurement contracts, temporarily furloughed civilian employees, and are in the process of reducing force structure, giving America the smallest military force since before World War II. If sequestration is not ended, additional force reductions will likely go deeper and training and modernization levels will be further impacted. Nearly 86 percent of retirees that participated in FRA's online survey (January/February 2016) are "Very concerned" (the highest rating) about continuing sequestration cuts.

TRICARE Fee Increases

For several years now the Administration has included in their annual budget request fee increases for many TRICARE beneficiaries, and this year is no different. The FY 2017 budget request includes enrollment fee increases for TRICARE Prime far beyond the current mandated fee increases. It includes a new "participation" fee for TRICARE Standard, and a new fee for new enrollees for TRICARE-for-Life. The plan also includes higher pharmacy co-pays and higher deductibles. FRA opposes these proposed fee increases because the Association believes that a military retiree's health care premium, is at least in part, paid for with 20 or more years of arduous military service. In FRA's online survey retirees were asked, "*Do you believe that retired service members have, at least in part, earned their TRICARE services through 20-plus years of military service?*" More than 99 percent of retirees said "Yes." Many of these beneficiaries targeted by fee increases will tell you that they were told that they would have free

health care for life if they endured low pay and arduous service. In FRA's online survey (January/February 2016) retirees were asked "*When you joined the military, were you led to believe that you would have free health care for life if you stayed in long enough to retire?*" Exactly 96 percent answered "Yes."

Nearly 94 percent of retirees see TRICARE benefits as very important in FRA's most recent online survey. FRA advocates that the Defense Department (DoD) must sufficiently investigate and implement other options to make TRICARE more cost-efficient as alternatives to shifting costs to TRICARE beneficiaries, and the Association opposes any indexing of future TRICARE Fee increases beyond CPI indexed to COLA increases. In FRA's online survey of retirees (January/February 2016) finds that more than 81 percent see the cost of TRICARE premiums as "Very important."

TRICARE Reform

The House and Senate Armed Services Committees want to reform the TRICARE program and plan to craft legislation this year to achieve this objective. It seems that the starting point will be the health care recommendations from the Military Compensation and Retirement Modernization Commission (MCRMC) that suggests that TRICARE be replaced with a plan similar to the Federal Employee Health Benefit Program (FEHBP). Beneficiaries would be switched to a plan similar to the FEHBP, except that Military Treatment Facilities (MTF) would be included in the network. Like the FEHBP, beneficiaries could choose from a selection of commercial insurance plans. The plan would be administered by the Office of Personnel Management (OPM) rather than the DoD. Beneficiaries would be required to pay 20 percent of all health care costs. Beneficiary family members would not be covered under the plan and would be provided a Basic Allowance for Health Care (BAHC) to cover the cost of premiums and deductibles for an average health care plan. Reserve Component (RC) members who are mobilized would also receive a BAHC in lieu of TRICARE coverage.

Although there are similarities between the BAHC and the Base Allowance for Housing (BAH), the big difference between the two is that housing costs are predictable but health care costs are not. FRA will oppose this provision. The MCRMC proposal recommends that "Non-Medicare eligible retirees should continue to have full access to the military health benefit program at cost contributions that gradually increase over many years..." These retirees under age 65 would eventually be required to pay 20 percent of all health care costs, and premiums would be increased every year to ensure that beneficiaries keep paying 20 percent. The FY 2013 National Defense Authorization Act (H.R. 4310 – P.L. 112-239) established the MCRMC. FRA notes that no enlisted personnel were appointed to serve on the Commission. More than 75 percent of the current active force is enlisted and therefore should have been represented on this Commission.

FRA believes that a military retiree's health care premium, is at least in part, paid for with 20 or more years of arduous military service. FRA advocates that military beneficiaries incur distinctive and extraordinary physical and mental stresses that are completely different to the service conditions of federal civilian employees, and their health benefits should be significantly better than civilian programs. The military health care system is also called upon to provide combat casualty care, and in recent years has proven to be an efficient system that saves countless number of service member's lives, who would have died in earlier conflicts. So the Association would question the use of the FEHPB as a good model for reforming the Defense Health Agency (DHA). The Association welcomes the review and reform, but is not convinced that TRICARE cannot be fixed. In FRA's current online survey (January/February 2016) retirees were asked "*It has been asserted in Congress that TRICARE is irrevocably broken. Would you support replacing TRICARE with a program that costs more but offers a selection of benefits?*" Nearly 90 percent (89.94) responded "No."

No one should assume that FRA is opposed to changing and improving DHA. The Association has supported the HASC-MP proposals to create a unified medical command that would have substantial cost savings for the system. FRA would also point-out the failure of DoD and VA to create a joint interoperable electronic health record as a major disappointment. FRA welcomes MCRMC recommendation 8 that attempts to improve collaboration between DoD and the Department of Veterans Affairs (VA). FRA supports a joint electronic health record that will help ensure a seamless transition from DoD to VA for wounded warriors, and establishment and operation of the Wounded Warriors Resource Center as a single point of contact for service members, their family members, and primary care givers. The Association is concerned about shifting of departmental oversight from the Senior Oversight Committee (SOC) comprised of the DoD and VA secretaries per provisions of the FY 2009 National Defense Authorization Act (NDAA), to the lower echelon Joint Executive Council (JEC). This change is perceived by many as diminishing the importance of improving significant challenges faced by service members – particularly wounded warriors and their families – in transitioning from DoD to the VA. The recommendation to provide additional authority to the JEC is a step in the right direction.

Further FRA members have expressed frustration with TRICARE Prime referrals. The MCRMC report notes that TRICARE Prime beneficiaries in some locations that have half of the referrals for purchased care network waited longer than the 28-day standard for purchased care network. Even in locations with the highest access to care, 16 percent of referrals still do not get appointments within the 28-day standard. Perhaps a pilot program in a limited geographic location, not currently served by TRICARE Prime, could demonstrate the efficiency of the plan.

The Association supports MCRMC recommendation 7 that seeks to improve support for service members with special dependents. These improvements to the Extended Care Health Option (ECHO) include expanded respite care hours, and consumer directed care. FRA wants to make sure that U.S. Coast Guard personnel are also covered by this program. FRA represents the Sea Services and wants to ensure that the Coast Guard benefits have parity with DoD benefits.

FRA's membership appreciates the following Sense of Congress (SOC) in the FY 2013 National Defense Authorization Act (NDAA): (1) DoD and the Nation have a committed health benefit obligation to retired military personnel that exceeds the obligation of corporate employers to civilian employees; (2) DoD has many additional options to constrain the growth of health care spending in ways that do not disadvantage beneficiaries, and (3) DoD should first pursue all options rather than seeking large fee increases or marginalize the benefit for beneficiaries.

The whole purpose of a unique military health care benefit is to offset the extraordinary demands and sacrifices expected in a military career. FRA advocates that to sustain a first-class, career military force requires a strong bond of mutual commitment between the service member and his/her employer.

CONCLUSION

FRA is grateful for the opportunity to present these recommendations to this distinguished Subcommittee on the important issue of military health care budgeting and structure of the Defense Health Agency (DHA).