

Statement
Of
The Honorable Rudy de Leon
Under Secretary of Defense
(Personnel and Readiness)
Before the Personnel Subcommittee
Senate Armed Services Committee
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Mr. Chairman and members of this distinguished subcommittee, thank you for the opportunity to be here today and thank you for your steadfast support of the men and women who serve in our Armed Forces.

Maintaining the readiness of our Armed Forces to defend the nation's interests and ensuring the well-being of our men and women in uniform are the highest priorities of the civilian and military leadership in the Department of Defense. America's Armed Forces remain the best-trained, best-equipped, most effective military in the world and are fully capable of executing the National Military Strategy.

Despite the enormous capability of our forces, there are indications that we face a significant challenge to the current high readiness of our Armed Forces. In addition, a strong economy which offers tremendous job opportunities to highly-trained military members; a perception of eroding military benefits; and a high operations tempo are causing many members and their families to think twice about the demands and lifestyle of a full career in the military. As a result, we are beginning to experience difficulty in our ability to recruit and retain the number of high-quality people our All-Volunteer Force requires.

Today, I would like to outline the challenges we face in recruiting, retention, and operations tempo and then discuss the initiatives the Department has proposed in the fiscal year 2000 budget to address these challenges. We propose to put people first with the largest military pay raise in a generation and increases in military retirement benefits, as well as improvements to our health care system and other quality of life programs. Second, we have added funds to protect

our high state of readiness. Finally, due to the increasing importance of the National Guard and Reserve to ongoing operations, we must ensure a sufficient level of readiness for Reserve component forces and continue the critically important integration of the Active and Reserve components.

RECRUITING

Record low unemployment levels and greater college attendance are making recruiting very challenging. Each year, the Department must recruit about 200,000 young people for the active duty Armed Forces, and approximately 150,000 for the Selected Reserve. Through the first five months of this fiscal year, the Navy and Marine Corps met their numeric recruiting goals, while the Army (84%) and Air Force (92%) fell short. Nonetheless, recruit quality across the Services remains above DoD benchmarks. The Services recruited nearly 180,000 first term enlistees -- 94 percent were high school diploma graduate (HSDG) with 67 percent scoring above average on the enlistment test.

In response to a difficult recruiting environment, the Navy has slightly reduced its quality goals for percent of high school graduates and for top-half aptitude; the Army is also considering a reduction in top-half aptitude. The Air Force and Marine Corps plan to continue their recruit quality goals at current levels, and none of the Services intend to raise the input of low aptitude recruits. Recruit quality levels are projected to remain above DoD standards and at historically high levels, even though slightly below the accomplishments of recent years.

In addition, the Services have directed additional resources to the recruiting effort. The Army has increased recruiting resources by more than \$100 million above its planned fiscal year 1999 investment. Both the Army and Navy will implement a new \$3,000 enlistment bonus for those enlisting in the historically low-flow spring months. The Navy also will increase its recruiting force strength by 10 percent by March 1999. The Air Force plans to invest \$60 million for paid TV advertising over the next two years -- the first time ever that Air Force will invest in prime-time television exposure -- and is working to fill an 18-percent deficit in recruiter manning. The Army and Navy have added to their College Fund "kickers" (which are additions to Montgomery GI Bill benefits) so that their maximum "money-for-college" incentive increases from \$40,000 to \$50,000.

DoD was successful in recruiting for the Reserve components in fiscal year 1998, with 89 percent of Reserve accessions holding a high school diploma, and almost two-thirds scoring above average on the enlistment test. However, Reserve recruiting is also expected to prove more challenging in fiscal year 1999. Although six of the seven Reserve components project that they will meet recruiting goals in FY 1999, the Army Reserve may fall short of its recruiting objective by as much as 9,000 personnel. This includes difficulties in attracting sufficient health care professionals to meet critical wartime skill requirements. In response, the Army Reserve is taking aggressive measures to address this potential shortfall by adding an additional 243 recruiters and increasing the use of incentives.

RETENTION

Our military force today is better educated, more experienced, and more diverse than before the drawdown. While retention patterns overall appear adequate, there are signs of stress in our ability to retain many of our most skilled members. This is the strongest economy we have faced in the history of the All-Volunteer Force. The discipline associated with military service, the level of responsibility we place on our people, and the quality technical training we provide means that we have very strong competition from the private sector, particularly for members with technical skills that are in great demand in civilian employment. This is a serious challenge, as increased accessions or lateral entry from the civilian sector cannot replace technical and military experience lost at the mid-career level.

Retention is a concern in both the enlisted and the officer corps. The effects of a strong civilian economy are being reflected in the career decisions of service members whose skills are most marketable. Pilots, electronic technicians, computer programmers, and satellite communications operators are but a few of the specialties where we have growing concerns. Increased bonuses have been offered, but have achieved limited success.

OPTEMPO AND PERSTEMPO

Longer and more frequent deployments pose challenges to our military force. This problem has been particularly acute among “high demand/low density” units, such as AWACS and Patriot missile units.

Building more predictability into deployments is essential to reducing the stress of tempo. Schedule predictability enables service members to plan around deployments and separations

from families. We have been regulating the tempo of certain high demand/low density assets such as U-2s and AWACS through the Chairman's Global Military Force Policy (GMFP). GMFP systematically manages theater-based CINC requirements by identifying when assets are exceeding their sustainable level, and establishes a process for prioritizing and examining alternative means to meet requirements. Furthermore, the Department has increased its use of Reserve components to mitigate some of the burden placed on highly stressed units and to spread deployments more equitably.

COMPENSATION

The President recognizes the extraordinary efforts of the men and women serving in the Armed Forces today and has submitted a fiscal year 2000 budget that proposes a fully funded program of pay and retirement improvements. The major components of the fiscal year 2000 "compensation triad" include across-the-board pay increases, targeted raises for noncommissioned officers and mid-career officers, and changes to the military retirement system.

ACROSS-THE-BOARD PAY INCREASES

Pay raises send a clear signal that our nation recognizes the demands and sacrifices of military service. The military pay raise would ensure that service member pay remains at least slightly ahead of private sector wage growth and would ensure that entry level pay can compete against a wide array of civilian workforce and education alternatives in order to attract the high quality recruits our Services need. The proposed 4.4 percent across-the-board raise costs \$850

million in fiscal year 2000 and has a total cost of \$14 billion, with an additional \$10 billion for the department's civilian employees, over fiscal years 2000 through 2005.

TARGETED RAISES AND GREATER REWARD FOR PERFORMANCE

In addition to the across-the-board basic pay raise, the Department of Defense proposes changes beginning July 1, 2000, to provide targeted pay increases for non-commissioned officers and for mid-grade commissioned officers. These raises are targeted at the grades where experience, skills, and knowledge are most valuable to the Services and to the larger civilian economy. The maximum targeted pay increases would range up to 5.5 percent and would come on top of the 4.4 percent that all military personnel would receive beginning January 1, 2000. This proposal costs an additional \$190 million in fiscal year 2000 with a total cost over fiscal years 2000-2005 of \$4.5 billion.

Previous changes to the military pay table have had the effect of weighting longevity more heavily than promotion for pay increases. Our proposal provides service members with progressively higher pay increases for each promotion they receive. The pay increases for promotion will generally be greater than those tied to longevity, and longevity increases will become more uniform over the course of a military career. Placing greater emphasis on promotion pay better recognizes career non-commissioned officers and commissioned officers for their performance.

This proposal -- the first systematic change to the pay table in nearly 50 years -- was based on studies conducted during the 7th Quadrennial Review of Military Compensation (QRMC), validated by the 8th QRMC, and vetted by the Services.

RETIREMENT

The military retirement system is unique among federal and private sector systems because it reflects the unique demands and limitations placed on its recipients during their careers. Military members serve at risk of life and limb, routinely suffer long and difficult family separations, and endure frequent, mandatory moves to meet the requirements of their respective Services. Because the armed Services must be combat-ready, they must be staffed with young and physically vigorous men and women. This requires that most career members leave military service in their 40s – a time in life when they would be entering their peak earning years had they made another career choice. Military retirement at 50 percent of basic pay is equivalent to approximately one-third of total pay and allowances. This amount represents both deferred compensation for the rigors of a military career, and compensation for leaving that career early to allow us to maintain a vigorous and ready force.

The Military Retirement Reform Act of 1986, also commonly referred to as REDUX, provides service members who entered service after 1986 with 40 percent of basic pay for retirement at 20 years of service – or approximately one-fourth of their total pay and allowances. REDUX was one of a series of reforms designed during the latter years of the Cold War to support an All-Volunteer Force at a time when the force was much larger and had a very different deployment profile. One aim of the 1986 change was to encourage greater retention beyond 20

years of service. In addition to promoting longer retention for some, it was anticipated that it would result in a manageable decrease in retention of service members with 10 to 20 years of service.

When the Military Retirement Reform Act of 1986 was enacted, America's military numbered 2.2 million members. Today, our force numbers 1.4 million, and the loss of service members with 10 to 20 years of service is a growing concern. With the growing technological complexity of today's military, it takes longer to train personnel to reach their full capacity, and the loss of highly-skilled mid-career personnel is felt all the more keenly.

Force management during the Cold War was different than that practiced today. At the time REDUX was enacted, adequate performers in the career force were largely guaranteed that they could serve as much of a 30-year career as they chose. A choice of how long to serve somewhat offset the financial uncertainty service members faced by leaving a career in their prime earning years.

Force management during the drawdown created a new dynamic as the Services used a variety of force-shaping tools to control who remained on active duty. An unintended consequence of the drawdown is that there is now much greater uncertainty among military members over whether or not to commit to a career. Service members today not only face greater uncertainty about how long they may be allowed to stay, but also recognize that their 20-year retirement is less valuable than that of their predecessors. Indicators of service member dissatisfaction are apparent in surveys conducted of separating personnel: dissatisfaction with both

pay and retirement has risen in relative importance over the past several years, most notably in year groups subsequent to 1986, when the retirement system was last changed.

The Department's retirement proposal is designed to address these issues and to ensure a high-quality All-Volunteer Force. Restoring the 50-percent multiplier and providing for modest changes to the annual Cost of Living Adjustment for retiree pay will cost \$800 million in fiscal year 2000, and a total of \$6 billion over fiscal years 2000 through 2005.

SPECIAL AND INCENTIVE PAYS

In addition to the triad of pay and retirement initiatives, the Department continues to rely heavily on Special and Incentive pays targeted at the most critical skills. These pays, all of which are fully funded in the President's Budget, will bolster the near- and long-term readiness of our Armed Forces. In concert with proposed pay and retirement improvements for all members, the employment of such targeted pays for specific skills is cost-effective and is expected to substantially improve the Department's ability to attract and retain top people.

QUALITY OF LIFE

Quality people are the bedrock of our National Security strategy, and quality of life programs support our readiness in three ways. First, they help us to retain the best people -- well trained, highly competent, and with high morale. Second, quality of life programs enable people to deploy with the assurance that their families will be taken care of, a particularly important factor with a more mature and family-oriented All-Volunteer Force. Finally, quality of life programs help us recruit good people.

Predictable work schedules, accessible medical care, safe housing, fair pay and compensation, and robust community support programs are important components of the total benefits package. To focus and integrate these components, I chair the Department's Quality of Life Executive Committee, comprising members from the Services and Unified Commands, to oversee all aspects of our program and advise the Secretary on overall quality of life. One challenge is to ensure that programs and services are relevant to the changing needs and demographics of our members. For instance, fifty-eight percent of service members now have families, up 14 percent since the 1970s. In addition, service members and their families face the stress of a high operations tempo and long family separations due to frequent deployments.

In response, the Department is implementing a number of new programs designed to ease the stress of frequent deployments. We have authorized space-available travel for spouses in overseas areas, extended hours of operation at quality of life facilities, and increased the use of technology to allow families to stay in touch via e-mail or teleconferencing. We have also enhanced services such as counseling; chaplain support; entertainment shows; and morale, welfare, and recreation programs at deployed sites.

Our efforts are not limited to our deployed troops. We are also working to provide a robust package of community support benefits including housing; family support programs; morale, welfare, and recreation programs; commissary and exchange services; and military funeral honors for our veterans. Together, these benefits provide important services to military

members and contribute to the perception that military life is a good deal. I would like to outline a few of our major initiatives in this arena.

COMMUNITY AND FAMILY SUPPORT

FAMILY SUPPORT

We are proud of the robust and responsive array of support programs we have implemented to assist our military members and families. For example, to enhance information dissemination, we implemented the Military Assistance Program web site to provide information on all available family support resources. I am also particularly pleased to report that we have made the New Parent Support Program a permanent component of our family support structure. This program has proven to be extremely effective in assisting families with the adjustment to having children and being effective parents. The Department is also fielding a personal financial management course targeted toward educating military families experiencing difficulties.

MORALE, WELFARE, AND RECREATION

The Morale, Welfare, and Recreation (MWR) benefit is highly regarded by Service members and their families. Our MWR programs include gymnasiums, recreation centers, libraries, sports, parks, and other programs normally found in civilian communities. These programs contribute to the continuous development of mental and physical fitness, organizational trust, and cohesion within the military. MWR programs support the fabric of our communities on 275 installations worldwide and provide essential support and services for our deployed members, thus providing a vital readiness and morale tool for our field commanders.

In Bosnia and South West Asia, where troops are locked-down for force protection measures, the MWR services provided at base camps are the sole outlets for troops to take a break and “let some steam off.” These programs and activities build unit esprit de corps and morale, relieve stress, and provide greatly needed mental diversion during these operations. We greatly appreciate the \$50 million special congressional appropriation for this purpose. These funds will do much to improve the morale of our deployed troops and to build Internet communication links for families of geographically separated members.

This year, we particularly are focused on physical fitness and libraries. Our physical fitness programs continue to be the most popular and most used morale, welfare, and recreation activities on our installations and an important contributor to productivity and military readiness. The Department is taking special action to improve and modernize the services offered. Similarly, libraries are essential programs for our military members and their families. We are designing libraries to become the information hubs on military installations by taking advantage of new communications and information technologies.

COMMISSARIES AND MILITARY EXCHANGES

Military personnel rank the commissary as one of their top non-compensation benefits. We recognize that operating efficiency is essential to preserving the level of benefits we provide and have instituted a number of management reforms for commissaries to achieve greater efficiencies. Our practice of using exchange earnings to support MWR programs is well established. The three exchange systems provide over \$300 million annually in support of

recreational facilities and programs. Using a “due diligence” methodology, the Secretaries of the Military Departments are seeking to further improve operating efficiencies within the exchange systems to enhance customer service, ensure competitive pricing, and continue support for morale, welfare, and recreation.

FUNERAL HONORS

Military funeral honors for deceased veterans are an important tradition to which we are committed. As World War II veterans grow older, the demand for funeral honors has risen dramatically. In 1997, the number of veterans who passed away rose to 537,000, an 18% increase since the military drawdown began in 1989. By 2008, the number will approach 620,000, a 36% increase from 1989. Over the same period, our military has experienced a one-third reduction in the size of the active duty force, challenging our ability to respond to funeral requests from the families of every veteran.

Over the past year, we have worked hard with our colleagues in the Department of Veterans Affairs and with the veterans and military service organizations to seek ways to enhance the rendering of honors for those who have faithfully served our nation. We have made significant progress. We are currently developing a network to coordinate potential honors providers from the Active forces, the Reserve components, other DoD entities, and veterans' service organizations. We are also establishing a toll-free number, a website, and an information kit to help assist veterans' families obtain funeral honors. The rendering of honors to our nation's veterans is a cherished heritage within the military Services. We will continue to work diligently to find ways to provide fitting tribute to those who so honorably served our nation.

EQUAL OPPORTUNITY

The continued success of the All-Volunteer Force and the continued achievement of national security imperatives require that we make full use of the talents of quality men and women from all walks of American society. As of the end of FY 1998, minorities comprised 33 percent and women comprised 14 percent of the active duty force. Within the Selected Reserve for the Reserve components, minorities comprised 21 percent and women comprised 15 percent of the force.

It is Department of Defense policy to promote an environment free from personal, social, or institutional barriers that prevent service members or civilian employees from rising to the highest level of responsibility possible. Last July, Secretary Cohen promulgated the Department of Defense Human Goals Charter, signed also by the Chairman of the Joint Chiefs of Staff, the Deputy Secretary of Defense, and the civilian and military leaders of each Service. In October, Secretary Cohen issued two memoranda providing guidance on equal opportunity for military and civilian personnel in the Department of Defense and restating Department of Defense policy on sexual harassment. Both documents make clear the Department's intent that unlawful discrimination and harassment of any Department of Defense personnel will not be tolerated. Equal opportunity is an essential function of leadership and command and is based upon institutional values of fairness, dignity, and justice in the treatment of the Department's most important resource -- people.

READINESS AND FORCE INTEGRATION

In concert with our people programs, we are working to resolve readiness issues raised by the Joint Chiefs last summer. We believe our FY 2000 budget plans will allow the Department to address the most critical readiness issues facing the force. We have added considerable funding to address our readiness needs, including additional funds for more robust unit training, increased levels of spare parts, arresting depot maintenance backlogs, taking care of our critical base support needs, and ensuring we have adequate levels of war reserve funding. We greatly appreciate your support and approval of the FY 1999 readiness supplemental and the FY 1999 omnibus appropriations act.

TOTAL FORCE

Reserve component forces play an increasingly important role in meeting the demands of a high operations tempo. To support their integration, we are working to eliminate barriers that prevent implementation of the Total Force policy. An Army plan that uses six Army National Guard separate readiness brigades to form the core of two new integrated divisions, under Active component commanders, is on schedule. Air Force plans for the creation of ten Air Expeditionary Forces fully integrate Air Reserve components. The Navy has two fully integrated mine countermeasure helicopter squadrons manned with active and reserve component personnel with commanding officers selected from either component. The Marine Corps is adding the Light Armored Vehicle Air Defense vehicle to its inventory, using a new active/reserve integration paradigm. And finally, "Team Coast Guard" has integrated all active and reserve personnel into its units at all levels. These are just some of many total force decisions that are being implemented.

Cultural barriers that have hindered total force integration are being eliminated as well. For example, the transition to "green" military identification cards for Reservists began in June 1998 at Fort Dix, New Jersey. The Reserve components are also better represented in the Department's management structure than ever before. Active and Reserve component decision-makers now sit side by side at key points in the planning, programming, and budgeting process to determine requirements and allocate resources. We are also working to enhance the Reserve component's capability to respond to homeland attacks involving Weapons of Mass Destruction, and we have been developing policy initiatives designed to leverage existing capabilities and will train and equip up to 170 decontamination and reconnaissance units. The National Guard is currently hiring and training ten regional National Guard Rapid Assessment and Initial Detection (RAID) teams, while the Congressionally directed 44 RAID "Lights" will provide a modest assessment capability for the remaining states and territories.

TRAINING

America's military services have a long tradition and a well-deserved reputation for world-class training. However, due to a tight fiscal environment and our pace of operations, we have suffered some degradation in our ability to accomplish unit training objectives. The fiscal year 1999 readiness supplemental took a first step toward solving these training problems, and the fiscal year 2000 President's budget does even more. For instance, the Army adds \$124 million for more unit training for both active and reserve components and \$188 million for increased flying hours for aircrews. We have also increased funding to base support accounts to

prevent migration of training funds for must-pay bills. The increased funding in fiscal year 2000 will go a long way toward improving our unit training status.

TECHNOLOGY INITIATIVES

We are also focusing on several initiatives to enhance the training of our forces. The Services are developing ways to conduct more training at, or near, the operational unit rather than sending personnel to centralized training in classrooms at locations away from their home units. We are also continuing to implement and enhance the Joint Training System, with increased emphasis on preparing Joint Task Force staffs to conduct operations worldwide. A key element of this capability is the Joint Simulation System (JSIMS), which is currently under development. JSIMS will play a critical role in our ability to conduct successful joint, inter-agency, and coalition operations in the future.

We have also been successful in developing a common High Level Architecture (HLA) to ensure the interoperability of models and simulations for force training. Building upon this success, we have kicked off a new DoD initiative in learning technology -- the Advanced Distributed Learning (ADL) Initiative. The ADL Initiative is a collaborative effort to expedite production of learning materials and tools that are reusable, can run on a broad range of hardware platforms, and can be accessed and modified over a communications network.

CIVILIAN TRAINING

The Defense Leadership and Management Program (DLAMP) for our defense civilians is now in its second year of operation. Over 635 employees are now in the program, with 350 more

to be admitted this April. DLAMP has developed and taught both graduate-level academic courses with a Defense focus and a three-month course of professional military education, with an emphasis on national security decision making.

In response to the Defense Reform Initiative, the Department created the Office of the Chancellor for Education and Professional Development to establish standards for raising the quality of postsecondary education and professional development for our civilians. The first Chancellor, Dr. Jerry Smith, was appointed in October 1998.

HEALTH CARE

Any discussion of Defense's Quality of Life programs or military readiness would be incomplete without mention of our health care programs. In this statement, I will be discussing Force Health Protection, TRICARE, joint efforts with the Department of Veteran's Affairs, and other health care initiatives.

FORCE HEALTH PROTECTION

Force Health Protection, or FHP, is the military health strategy that supports Joint Vision 2010, the national military strategy for the next century. FHP addresses the national obligation and DoD's commitment to protect the health of all military members. FHP reflects a fundamental reorientation of the Military Health System that balances our responsibilities to promote wellness and optimize health care to deliver a fit and healthy military force, prevent

acute and chronic casualties and sustain health during deployment and war, and provide high-quality health care in peacetime and on the battlefield.

For example, the DoD Anthrax Vaccine Implementation Program is a vital component of our Force Health Protection Strategy. The anthrax vaccine is a licensed vaccine, approved by the U.S. Food and Drug Administration since 1970. Almost 200,000 service members, both Active and Reserve, have begun their series of anthrax inoculations. We have developed inoculation procedures that fit within the required inoculation protocol to accommodate the part-time nature of our Reserve force.

Over the past year, we have undertaken several initiatives that we feel will significantly improve both the actual quality of care provided as well as the perception and understanding of that quality by our beneficiaries. These include Quality Report Cards at each military health facility that identify facility-specific key metrics in overall quality, access, and patient satisfaction; a Patient's Bill of Rights, signed by Secretary Cohen; the issuance of policy guidance that will strengthen our already existing requirement that all physicians have a full, unrestricted medical license from at least one state in order to practice in any Military Treatment Facility; and the incorporation of Clinical Practice Guidelines into the daily practices of our providers that will reduce variations in practice and help to ensure optimal outcomes.

As we increasingly rely on our Reserve components to perform military missions and help reduce active OPTEMPO/PERSTEMPO, we need to ensure Guard and Reserve members who become ill or are injured as a result of military service receive appropriate health care and

medical benefits. To assess the current level of readiness, care, and benefits, we convened a Reserve Health Care Summit, which brought together experts from both the active and Reserve components. The result of the summit was over 100 recommendations to improve the Force Health Protection measures and health care benefits and entitlements of Reserve component members. We will develop any legislative proposals, prepare implementation guidance, and work within the budget process to fund approved recommendations.

QUALITY OF HEALTH CARE

Over the past year, the quality of medical care for military beneficiaries and provider professional qualifications came under criticism. While we believe our healthcare system is quite good overall, we are closely reviewing our programs. While all military providers must have a valid, unrestricted and current license in accordance with our policy since 1988, we found tracking compliance to be weak. We have since identified the few providers who were not appropriately tracked. In order to improve beneficiary confidence in our healthcare system, we are establishing consumer committees at each facility, providing a directory/patient handbook of providers serving each facility, improving feedback from surveys, increasing communication and educational efforts at all levels, and reestablishing annual Quality Management Reports. Finally, we have initiated a process to eliminate the backlog of pending malpractice and adverse action cases, and are requiring complete reports to the National Practitioner Data Bank where required.

TRICARE

TRICARE is an effective model for an integrated health care delivery system. TRICARE has enabled the Department to provide better access to high-quality care for more of our beneficiaries and more cost-effectively than previous options available in the Military Health System. This past October, a Congressionally directed report found that TRICARE has improved our beneficiaries' access to care and our beneficiaries' perception that the quality of care has increased. As a department, we are exceeding our goals in the delivery of almost all preventive services, and costs have been controlled for both the government and the beneficiary.

TRICARE provides health care coverage to active duty personnel and their families, and to retirees, survivors, and their eligible family members until they reach age 65. At that point, when DoD beneficiaries become eligible for Medicare, they lose their eligibility to use civilian health care providers under the TRICARE program. Medicare-eligible DoD beneficiaries, however, may continue to use the services of military treatment facilities on a space-available basis. We are very conscious of the importance of providing stability, predictability, and access to quality health care for our military retirees, including our retirees who are eligible for Medicare. The Department of Defense is now conducting a demonstration of the TRICARE Senior Prime program at six sites across the nation.

This demonstration project allows Medicare-eligible military retirees to receive comprehensive health care services through military health care facilities by enrolling a portion of these retirees in the TRICARE Prime program and providing them with all services now

covered by Medicare. Under this program, these beneficiaries will no longer have to rely on "space available" care, but rather will receive all or most of their primary care at military treatment facilities. They will be given the same priority access to specialty services at the MTF as retirees under age 65, who are enrolled in TRICARE Prime. This "Medicare subvention" project is a significant step forward in our efforts to care for all our military beneficiaries. By working closely with the Medicare program, we believe we can develop alternatives for offering comprehensive health care to our older beneficiaries. I want to thank the Congress, particularly members of this committee, for enacting the legislation authorizing this demonstration project.

In addition, the Department is testing other means of expanding health care access to our Medicare-eligible beneficiaries. Pursuant to the Defense Authorization Act for FY 1999, the Department is conducting a demonstration program through which military retirees over age 65 can participate in the Federal Employee Health Benefit Program (FEHBP). Eight sites have been selected for this three-year demonstration, with a total of 66,000 retirees eligible for participation. The Department will also test expansion of the national mail order pharmacy program and offer of a TRICARE supplemental benefit to Medicare as additional ways to extend care to our Medicare-eligible retirees. These demonstrations will provide valuable information to both the Department and the Congress on how to best meet the health care needs of our growing retiree beneficiary population.

But, there are still areas of TRICARE that need improvement. Particularly in the regions where TRICARE is less mature, we are experiencing problems with the level of service provided to our beneficiaries in making appointments, and in the timeliness of claims payment to our

providers. We are visiting each TRICARE region to identify service problems that exist for beneficiaries and providers and are developing action plans for each region. We are also working to simplify TRICARE procedures whenever possible and to improve education of our beneficiaries and health care providers so that they are better able to understand how TRICARE works. These changes should go far in making TRICARE more responsive to our beneficiaries

Joint efforts with the Department of Veterans Affairs continue to flourish. Within the past year, the healthcare components of DoD and the Department of Veterans Affairs have continued in their successful partnership. Some notable successes have been the implementation of a standardized disability discharge physical; the development of the Military and Veterans Coordinating Board; the participation of VA in TRICARE, where approximately 75% of the VA Medical Centers are TRICARE network providers; the ongoing joint acquisition of a government computerized patient record; and the agreement between the two Departments' acquisition agencies to purchase certain drugs and medical supplies jointly.

CONCLUSION

The President's budget request funds a number of important initiatives that are essential to recognizing the outstanding job done by the men and women in our armed forces. Furthermore, the budget focuses additional resources on both near-term and longer term readiness needs. We look forward to working with your Subcommittee on these issues.